

# CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289A OF THE GERMAN COMMERCIAL CODE (HGB)

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

In the 2015 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 of the Code's recommendations. The Supervisory Board and Board of Management of Deutsche Telekom AG therefore issued an unqualified Declaration of Conformity with the German Corporate Governance Code on December 30, 2015:

## Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

- I. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare that, in the period since the issuance of the most recent declaration of conformity pursuant to § 161 AktG on December 30, 2014, Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code announced by the Federal Ministry of Justice and Consumer Protection on September 30, 2014 in the official section of the Federal Gazette (Bundesanzeiger), without exception.
- II. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare further that Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015, without exception.

The Declaration of Conformity can be found on the website of Deutsche Telekom AG. This website also provides access to the superseded Declarations of Conformity from previous years. [□](#)

## Corporate governance practices beyond statutory requirements

**Compliance.** Compliance involves the observance of legal requirements and internal Group rules. Deutsche Telekom has a Group-wide compliance organization that is continuously being improved (for details, please refer to the 2014 Corporate Responsibility Report). [□](#) There is also

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

Deutsche Telekom AG has implemented a comprehensive compliance management system. According to this system, a compliance program is set up based on a structured risk assessment process performed once a year throughout the Group. For detailed information about the compliance management system, please refer to Deutsche Telekom AG's website. [□](#) The compliance management system also includes the Code of Conduct, the Code of Ethics, and various policies. The Code of Conduct defines how employees and management should practice value-based and legally compliant conduct in their daily business activities. The Code of Ethics addresses the members of the Board of Management of Deutsche Telekom AG and persons within the Group who carry special responsibility for financial reporting. It obliges these individuals to comply with the principles of honesty, integrity, transparency, and ethical conduct. The Code of Conduct and the Code of Ethics are published on Deutsche Telekom AG's website. [□](#) The compliance management system in place at Deutsche Telekom AG and other selected national and international Group companies was certified as being appropriate and effectively implemented by an external auditor in stages from 2012 through 2014 in accordance with IDW audit standard 980 with the focus on anti-corruption.

## 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 Supervisory Board of Deutsche Telekom AG holds four regular meetings a year. In 2015 there were also two extraordinary meetings and one in-depth conference on the strategic alignment of the Company. In addition, 30 Supervisory Board committee meetings were held. The Board of Management keeps the Supervisory Board fully and regularly informed in good time, in particular of all relevant business developments, plans, corporate strategy, the risk situation, risk management, compliance, as well as of any deviations of the business development from original plans and of significant business transactions relating

[□](#)  
[www.telekom.com/company/compliance](http://www.telekom.com/company/compliance)

[□](#)  
[www.telekom.com/governance](http://www.telekom.com/governance)

[□](#)  
[www.telekom.com/declaration-of-conformity](http://www.telekom.com/declaration-of-conformity)

[□](#)  
[www.cr-report.telekom.com](http://www.cr-report.telekom.com)

to 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. These obligations were most recently revised in summer 2015. 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 responsibilities and the majorities required for resolutions, among other issues. The Chairmen of the two Boards exchange information regularly. 



For details about cooperation between the Board of Management and Supervisory Board, please refer to the Supervisory Board's report on **PAGES 36 TO 42** of the Annual Report, which is published on Deutsche Telekom AG's website ([www.telekom.com/investor-relations/publications/63082](http://www.telekom.com/investor-relations/publications/63082)).

**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. In accordance with the Board of Management's schedule of responsibilities, there are seven Board departments: the department of the Chairman of the Board of Management; Finance; Human Resources; Data Privacy, Legal Affairs and Compliance; T-Systems; Germany; and Europe and Technology. 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 member of the Board of Management is individually responsible for managing his or her respective business areas. Certain matters, particularly those where the law requires the involvement of the entire Board of Management, are decided 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 62 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.

An Executive Committee was established in January 2014, consisting of the members of the Board of Management and the following heads of Group units: Chief Technology Officer, Chief Product and Innovation Officer, Chief Information Officer, Head of Group Corporate Development and Head of the Corporate Operating Office. The Executive Committee supports the cross-segment management and the transformation of the Group. The Executive Committee normally meets on a weekly basis and acts in an advisory capacity. The responsibilities of the Board of Management remain unaffected by the establishment of the Executive Committee.

**Working methods of the Supervisory Board.** The Supervisory Board appoints the members of the Board of Management, advises the Board of Management on issues concerning the operations of the Company and supervises its activities. The Supervisory Board is directly involved in all decisions of strategic importance to the Company. The work of the Supervisory Board is specified in Rules of Procedure. To clarify the reporting obligations on the part of the Board of Management, the Supervisory Board has drawn up a catalog of transactions subject to approval. This catalog 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 to provide impartial advice to and to monitor the Board of Management.

The Supervisory Board and Audit Committee assess the efficiency of their work every two years, which provides new impetus for their work on a regular basis. The self-assessment carried out to this end is based on a comprehensive questionnaire followed by intense discussion and consultation on the results by the Supervisory Board and Audit Committee. The Audit Committee's last assessment was carried out in the 2014 financial year. The Supervisory Board carried out its last efficiency audit in the 2015 financial year.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. In addition to the organizational tasks relating to the Supervisory Board, he maintains regular contact with the Chairman of the Board of Management and the members of the Board of Management to discuss issues relating to the Company's strategy, its plans, the development of its business, the situation in terms of risks 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.

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 not covered by their Board of Management mandate, 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 efficiently.

**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 economic significance.

Members:

- Member of the Board of Management, Finance (committee chairman)
- Member of the Board of Management, Europe and Technology
- Chief Technology Officer
- Chief Information Officer
- Senior Vice President, Group HR Planning & Operations
- Financial directors of the segments T-Systems International, Group Headquarters, Group Innovation, T-Mobile US, Tel-IT, Europe, Germany
- Senior Vice President, Group Controlling
- Senior Vice President, Group Strategy & Transformation
- Senior Vice President, Treasury
- Senior Vice President, Group Procurement

**Mergers and Acquisitions 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 chairman)
- Member of the Board of Management, Finance
- Member of the Board of Management, Human Resources
- Senior Vice President, Group Corporate Development
- Senior Vice President, Group Strategy & Transformation

In order to perform its tasks more effectively, the Supervisory Board has currently eight committees. The General Committee deals with personnel matters relating to the Board of Management and generally prepares the meetings of the Supervisory Board. The Staff Committee deals with personnel questions 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 of an audit committee as required by law and in accordance with the German Corporate Governance Code. These include, in particular, monitoring the accounting process, the effectiveness of the internal control system, the risk management and internal auditing system, the audit of financial statements, compliance, and data privacy. The Technology and Innovation Committee supports and promotes innovation and technological developments at infrastructure and product level and supports the Board of Management with advice on how to tap new growth areas. Furthermore, the Supervisory Board has formed a Nomination Committee, which consists exclusively of shareholders' representatives. The Nomination Committee is responsible in particular for proposing to the Supervisory Board suitable candidates for the latter to subsequently recommend to the shareholders' meeting for election. Finally, there is a Mediation 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. A Special Committee on the Acquisition of Spectrum in Germany was in place from April 1 to June 19, 2015. ☐

The committees' chairpersons report to the Supervisory Board on a regular basis on the work of the committees. The Chairwoman of the Audit Committee, Dagmar P. Kollmann, is particularly knowledgeable and experienced in the fields of accounting, auditing and internal control procedures. Dagmar P. Kollmann never served on the Board of Management of the Company. She satisfies the requirements of § 100 (5) AktG. ☐

**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. ☐



For details about the composition, tasks, and working methods of these committees, please refer to the Supervisory Board's report to the shareholders' meeting on **PAGES 36 TO 42** of the Annual Report, which is published on Deutsche Telekom AG's website ([www.telekom.com/investor-relations/publications/63082](http://www.telekom.com/investor-relations/publications/63082)).



For further details of the members of the Supervisory Board and any seats they hold on the supervisory boards of other companies, please refer to **PAGES 244 TO 246** of the Annual Report, which is available to the public on Deutsche Telekom AG's website ([www.telekom.com/investor-relations/publications/63082](http://www.telekom.com/investor-relations/publications/63082)).



The Corporate Governance Report is published in conjunction with the Corporate Governance Statement on Deutsche Telekom AG's website (<http://www.telekom.com/investor-relations/corporate-governance/Report-Statement-Conformity/Corporate+governance+report/180712>). The Corporate Governance Report is also included in the Annual Report (on **PAGES 43 TO 46**), which is available to the public on Deutsche Telekom AG's website ([www.telekom.com/investor-relations/publications/63082](http://www.telekom.com/investor-relations/publications/63082)).

### Proportion of women in line with § 76 (4) and § 111 (5) AktG and report on target achievement

Deutsche Telekom AG has been pursuing its self-defined goal of reaching a target of 30 percent women in management positions Group-wide since 2010. Considerable progress has been made since then, and the number of women in middle and upper management positions has increased by a third. The proportion of women in management positions worldwide is currently at roughly 26 percent.


The new German law governing equal participation of women and men in management positions in the private sector and the public sector sets out the obligation to regularly set targets for the number of women on boards of management and the two management levels below board level, and to determine deadlines for the achievement of these targets. A report is to be made on the achievement of the targets set after the expiry of each deadline for implementation of the targets.

The Board of Management and the Supervisory Board have set the following targets and deadlines in line with the legal obligations of Deutsche Telekom AG.

% (if not given as a fraction)

	First implementation period until Dec. 31, 2015		Second implementation period until Dec. 31, 2020	
	Status quo at the time of target setting	Target	Status quo Dec. 31, 2015	Target
Board of Management	1/7	1/7	1/7	2/7
First management level	19.2	19.2	21.7	30.0
Second management level	20.9	20.9	23.0	30.0

As at midnight on December 31, 2015, the Board of Management consisted of seven members, of whom one is female. This represents one seventh. At the same time, the proportion of women at the first management level was 21.7 percent and at the second management level, 23.0 percent. This means that the targets set for the first implementation period were met by the deadline.

Based on the target it had already set for itself, Deutsche Telekom AG has undertaken to achieve a proportion of 30 percent of women at both management levels below the Board of Management and of approximately 29 percent (2/7) for the Board of Management for the second implementation period, by the end of 2020. 



The targets set out based on the law governing equal participation of women and men in management positions in the private sector and the public sector and the reports from the Group companies affected are published on Deutsche Telekom AG's website [www.telekom.com/investor-relations/corporate-governance/Report-Statement-Conformity/196108](http://www.telekom.com/investor-relations/corporate-governance/Report-Statement-Conformity/196108)