

As Deutsche Telekom belongs to the information and telecommunications industry, two of the economic activities currently listed in the EU taxonomy are relevant for the environmental objective “Climate change mitigation” (taxonomy-eligible) in respect of its core business:

- Data processing, hosting and related activities (8.1)
- Data-driven solutions for GHG emissions reductions (8.2)

As we provide charging infrastructure for electric vehicles through our subsidiary Comfort Charge, the following additional economic activity, which is pertinent to the environmental objective “Climate change mitigation,” is taxonomy-eligible:

- Infrastructure enabling low-carbon road transport and public transport (6.15)

No economic activities relevant to the environmental objective “Climate change adaptation” were identified in the 2022 financial year.

The EU taxonomy does not currently include criteria for the economic activity “Provision and operation of a network infrastructure for telecommunications.” The bulk of our business model is therefore not yet included in the taxonomy, which means that we cannot describe most of our core business as taxonomy-eligible. The EU taxonomy thus offers no way to illustrate our contribution to climate change mitigation in respect of our network infrastructure. We therefore lobby in a range of business and industry associations for the inclusion of suitable, relevant criteria in the EU taxonomy to describe our core activities.

On the other hand, the EU taxonomy does provide a list of cross-cutting activities outside of our core business that are relevant for our general corporate infrastructure, such as fleet and facilities management. The following cross-cutting activity for the environmental objective “Climate change mitigation” is relevant for Deutsche Telekom (taxonomy-eligible):

- Transport by motorbikes, passenger cars, and light commercial vehicles (6.5)

The three tables below provide an overview of our taxonomy-aligned economic activities for the reporting year. They break the figures down into both absolute values and the applicable percentage of Group turnover, capital expenditure, and operating expenditure.

Method for ascertaining taxonomy eligibility and alignment

When ascertaining the taxonomy-eligibility of economic activities, we focused on our core business activities taking cost-benefit aspects into account.

Those activities identified as taxonomy-eligible were checked individually for their taxonomy alignment. As we manage climate risks centrally at Group level, determining whether an activity causes no significant harm to the environmental objective “Climate change adaptation” took place at a higher level for all taxonomy-eligible activities. The sole exceptions to this are the United States operating segment and our national companies in Greece and Hungary, where the management of climate risks is still under development and does not yet fully conform with the EU taxonomy requirements. We therefore report taxonomy-eligible activities that are allocable to the United States operating segment and our national companies in Greece and Hungary as non-taxonomy-aligned for the reporting year. We ensure compliance with minimum social safeguards using a Group-wide management system.

To avoid significant harm to the environmental objective “Climate change adaptation,” checking for taxonomy alignment of all of the economic activities listed above requires an analysis of potential physical climate risks. As part of our security and risk management, we regularly examine our critical infrastructure to check for physical climate risks and take climate adaptation measures to minimize potential risks. The climate risk analysis is carried out using a recognized software platform based on the climate scenarios defined by the Intergovernmental Panel on Climate Change (IPCC). No material climate risks as defined in the taxonomy requirements were identified in connection with the taxonomy-eligible activities.

The minimum social safeguards require a management system to ensure compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the ILO Core Conventions and the International Bill of Human Rights. We have made an express commitment to the principles listed above, and we perform human rights due diligence using a risk-based management system encompassing both the Group and our supply chain that we use to monitor compliance with social and environmental standards. We also maintain a process of trust-based dialog with employees' representatives and trade unions. To prevent corruption and to safeguard fair competition, Deutsche Telekom has a compliance management system which is aligned with the Company's risk situation.

For further information on minimum social standards, please refer to the sections “Collaboration with employees' representatives and trade unions,” “Connect the unconnected,” “Labor standards in our own business area and at our suppliers,” and “Compliance management system,” and to the 2022 CR Report, which will be published at the end of March 2023.

Economic activities that are relevant to turnover

The taxonomy-eligible economic activity **Data processing, hosting and related activities (8.1)** covers “Storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centers, including edge computing.” Of our Group-wide business activities, our Systems Solutions operating segment (T-Systems) comes under this sector. When evaluating the taxonomy eligibility of activities, we primarily take T-Systems’ global business into account. As well as data centers operated by T-Systems, we also included data centers operated on co-locations in the evaluation.

To ensure the data centers make a substantial contribution to climate change mitigation in accordance with the EU taxonomy, they must comply with the EU Code of Conduct on Data Centre Energy Efficiency. Five of the eight sites operated directly by T-Systems comply with this Code of Conduct. As we have not yet verified compliance with the Code of Conduct through external audits in accordance with EU taxonomy requirements, we are not classifying the data centers used for economic activity 8.1 as taxonomy-aligned in the reporting year. In addition, in accordance with the EU taxonomy the global warming potential of refrigerants that need to be used in data center cooling systems may not exceed a value of 675. This criterion is currently met by one data center that was fully refurbished in 2022. The other sites currently still use industry-typical refrigerants that meet the criteria of the EU directive on fluorinated greenhouse gases. We will make the change to taxonomy-aligned refrigerants as part of the regular refurbishment program for our data centers. We will carry out a detailed review of the individual data centers’ compliance with the criteria for preventing significant harm to the remaining environmental objectives in each case as soon as they fulfill the aforementioned climate change mitigation requirements in full.

We associate those solutions and products in the Group that, in accordance with the description in the EU taxonomy, are “predominantly aimed at the provision of data and analytics enabling GHG emission reductions” with the economic activity **Data-driven solutions for GHG emissions reductions (8.2)**. These are solutions and products that have clear potential to enable users to save CO₂ emissions. When selecting them, we take into account solutions and products that are incorporated into our Enablement Factor and Sustainable Revenue Share ESG KPIs, and/or that have been awarded our #GreenMagenta label. We thus identified the following taxonomy-eligible services within our Group-wide business activities:

- Business-related video conferences (saves travel-induced CO₂ emissions)
- Workplace and cloud solutions (increases energy efficiency by improving server utilization)
- IoT solutions (saves CO₂ emissions through, for example, efficient light switching)

We provide these services to a significant financial extent in the Germany operating segment, in our major subsidiaries in the Europe operating segment, and in the Systems Solutions operating segment.

The technical screening criteria require a life-cycle analysis as evidence of the taxonomy alignment of the solutions in question. These must show that a solution results in substantial greenhouse gas emission reductions both over and beyond its entire life cycle in comparison with the relevant reference solution available on the market. We understand reference solutions to be alternative solutions that would typically be used in a company in our footprint markets. This assumes that the companies are aligned with best practices. The technical screening criteria do not stipulate a specific threshold for “substantial” reductions in greenhouse gases in comparison with the reference solution. As there are differences in the technologies of the various taxonomy-eligible solutions, we have reviewed each solution separately to determine the point from which greenhouse gas savings can be considered “substantial” in accordance with scientific findings. The requisite life-cycle analyses have been prepared for business-related web conferencing solutions and for the cloud solutions Future Cloud Infrastructure, Open Telekom Cloud, and SAP Cloud Services. To date, we have not prepared a life-cycle analysis for the IoT solutions and therefore we do not report them as taxonomy-aligned for the reporting year.

By comparing in-person meetings with taxonomy-eligible business-related web conferencing solutions included in the analysis, evidence of significant greenhouse gas reductions was provided. For instance, hybrid meetings reduce greenhouse gas emissions by around 28 % (small meetings) or 37 % (large meetings).

Of the workplace and cloud solutions covered by the life-cycle analysis, Future Cloud Infrastructure reduced greenhouse gas emissions by around 16 % through the use of decentralized data centers operated by our customers themselves. The life-cycle analysis also found that using the Open Telekom Cloud or SAP Cloud Services reduced greenhouse gas emissions by 50 % compared with the reference scenario. This scenario is based on the assumption that our customers use their own, decentralized server infrastructure for storing and processing data rather than the cloud solution. We therefore classify all web conferencing, workplace and cloud solutions included in a life-cycle analysis as taxonomy-aligned.

Regular reviews (Human Rights Impact Assessments, HRIA), which focus on respect for human rights and on the working conditions at our Company and at our suppliers, are a key component of the program. These systematic, comprehensive assessments allow us to ensure that human rights risks are identified and infringements can be prevented. Within the Group, we also focus our attention on preserving the right to collective agreements, and on ensuring diversity and equity. We publish the results of these assessments on our website. In 2022, we carried out HRIA assessments in three of our national companies: in Romania, in Slovakia, and in the Czech Republic. The aspect of digital ethics was included in these assessments for the first time. As part of our Digital Responsibility initiative, in 2022 we formulated our mission for the development of human-centered technology based on humanist values. This provides an additional frame of reference that supplements our existing guidelines, e.g., regarding our approach to artificial intelligence.



We will publish detailed information on this in our 2022 CR Report at the end of March 2023.

Employees and external third parties could raise concerns and make complaints, anonymously if necessary, in the 2022 financial year through our point of contact for human rights issues, humanrights@telekom, and via the TellMe whistleblower portal. We look into all tip-offs received, including those that reach us outside of these channels, and introduce countermeasures, provided the information is identified as plausible. In 2022, five tip-offs relating to human rights were received via the point of contact and the whistleblower portal (prior year: 7). Not all of these tip-offs were deemed plausible. As we received two tip-offs regarding a Greek supplier during the reporting year, we carried out an extensive on-site audit. A team of experts visited a total of ten sites unannounced to check for potential violations of working conditions and compliance requirements. No violations were found. Within three months of receipt of the tip-offs, a comprehensive investigation had been carried out and concluded in dialog with all those concerned.


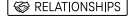
In addition, we conduct an annual formal review of compliance with our Employee Relations Policy. During the reporting year, these reviews were carried out as part of the of HRIAs in Romania, Slovakia, and the Czech Republic. Following a review of this type, the results are discussed with the regional manager of the national company in question.

At Group Headquarters, we pushed forward in 2022 with the process of anchoring human rights due diligence in the different governance processes. Part of this involved including human rights and environmental aspects in the annual Compliance Risk Assessment. This provides the opportunity for us to identify risks in our own business area at an early stage. In addition, we held numerous workshops with the functional units at Group Headquarters to ensure that the new legal requirements resulting, for example, from the Act on Corporate Due Diligence in Supply Chains, are taken into account.

Our perception of ourselves as a company that acts in a socially and ecologically sustainable way includes assuming responsibility along our entire value chain. We have been working to improve sustainability throughout our supply chain for many years. Our strategy for sustainable procurement practices is embedded in our procurement processes (excluding T-Mobile US). The heads of the CR and Procurement units are jointly responsible for its implementation. An escalation process calls for decisions to be made at Board of Management level in severe cases.

The Sustainable Procurement Group, a working group that has had an international focus since 2021, supports our national and international procurement units in implementing the sustainability requirements. At the same time, the group aims to promote discussion among employees in procurement. Our sustainability principles and their application in procurement are set out in the Procurement Practices in the Global Procurement Policy. In addition, there is a policy giving purchasing officers an overview of the CSR criteria that are to be taken into account at each stage of the procurement process. A CSR e-learning tool is available Group-wide to our employees in procurement providing training videos on the issue of sustainability in the procurement process.  

As a rule, we require our suppliers to accept the principles of our Supplier Code of Conduct and meet the associated requirements. Nonetheless, we cannot guarantee that all of our suppliers are up to the standard. To minimize risks and support suppliers in further developing their sustainability performance, we use a comprehensive risk management system for suppliers. The preliminary step involves a risk assessment for all material groups based on a defined set of CSR criteria. In addition, we carry out a comprehensive risk analysis for all suppliers in every category. Specialized companies assess our suppliers with regard to financial, CSR and compliance risks (excluding T-Mobile US). Sustainability performance is given a weighting of 20 % when we are selecting suppliers through invitations to tender. In this way, we can find out at an early stage if there is any increased risk with regard to specific sustainability aspects at any of our suppliers.

Sustainability assessments and reviews are additionally conducted for selected suppliers of product groups in high-risk categories. Depending on their individual sustainability performance and risk classification, we use a range of instruments, for instance, the information system EcoVadis, mobile employee surveys, and on-site supplier audits (social audits). Our focus here is not only on our direct suppliers but also, wherever possible, on downstream suppliers. We increase the effectiveness of our audits through our cooperation with the Joint Audit Cooperation (JAC), which currently consists of a large number of multinational telecommunications companies. In 2022, we carried out a total of 98 audits (prior year: 88) 83 social audits (prior year: 71) and 15 mobile surveys (prior year: 17), of which 40 (prior year: 34) at our direct and 58 (prior year: 54) at our indirect suppliers. Since 2010, we have carried out 910 audits (prior year: 812) within the framework of the JAC.  

We work in close cooperation with our strategically important suppliers on improving their sustainability performance, for example, in terms of environmental protection, working hours regulations, and occupational health. This is done primarily as part of the development program we initiated for suppliers. Since 2018, we have been implementing this program on the basis of a voluntary industry-wide approach known as the Sustainable Development Programme (SDP). In 2021, the SDP was migrated to the JAC. Alongside Deutsche Telekom, which heads the project, Telefónica, Swisscom, and Orange are working together to refine the SDP on an ongoing basis in accordance with the JAC sustainability targets. In the reporting year, four further suppliers (two of Deutsche Telekom and two of Swisscom) were included in the JAC (prior year: four). Since the launch of the program in 2014, a total of 33 suppliers have completed the SDP, achieving measurable ecological, social, and economic progress. For example, in 2022 one supplier saved over 3 metric tons of new plastics by reusing recycled materials.

Sustainability in procurement is measured based on the following ESG KPIs: the Procurement Volume Without CR Risk ESG KPI – for which the target is 95 % by 2025 – measures the procurement volume from direct business partners on whom an established external service provider carried out checks in the reporting period for negative reports in the media and found no irregularities. It also includes suppliers for whom irregularities were identified, but where corresponding corrective action was taken. The share of this procurement volume subjected to a risk assessment amounted to 99.6 % in 2022 (prior year: 99.7 %). The Procurement Volume Verified as Non-Critical ESG KPI – target for 2025: 60 % – by contrast, measures the share accounted for by suppliers checked for social and ecological criteria by means of dedicated reviews – e.g., through EcoVadis, the CDP, social audits, supplier visits, or our Supplier Development Programme. In 2022, the share of these CR-verified suppliers was 64.1 % (prior year: 60 %). In each case, the calculation is based on the Group-wide procurement volume that is already uniformly mapped to a large extent (excluding the Network Capacity category and T-Mobile US), but on different levels of supplier relationships.

Detailed information on our supplier management and measures preparing for the implementation of the Act on Corporate Due Diligence in Supply Chains will be published in our 2022 CR report at the end of March 2023.

Aspect 5: Fighting corruption

Corruption violates national and international law. We take a clear stance against any form of corruption in the public and private sector, whether this is active corruption in the form of bribery, or passive corruption in the form of bribe-taking. For this reason, our compliance management system is particularly geared towards preventing corruption.

Compliance management system

Our compliance culture is a key component for corporate governance based on integrity and respect. We have expressed our Group-wide commitment to complying with ethical principles and both legal and statutory requirements. We have incorporated this pledge in our Guiding Principles and our Code of Conduct.

We implemented a compliance management system with the aim of minimizing risks arising from systematic infringements of legal or ethical standards that could result in regulatory or criminal liability on the part of the Company, its executive body members, or employees, or result in a significant loss of reputation. The Board of Management considers its overall responsibility for compliance as a key leadership task. Our Chief Compliance Officer is responsible for the design and management of the compliance management system. Compliance officers implement the compliance management system and our compliance goals locally at the level of our operating segments and national companies.

Our compliance management system is based on the Compliance Risk Assessment (CRA), which we use to identify and assess compliance risks and introduce appropriate preventative measures. To this end, we have introduced a process to be carried out at regular intervals. The companies that will take part in the CRA are selected according to governance, based on the level of maturity of their compliance management system (maturity-based model). In the reporting year, the CRAs included 69 entities (61 companies and 8 central units) and covered 93.6 % (prior year: 98.1 %) of the workforce (according to the FTE figures for the fully consolidated companies and central units as of December 31, 2021). As a company listed on the United States stock exchange, T-Mobile US uses its own methodology to carry out a risk assessment; it reports regularly on this risk assessment to the relevant bodies, which include representatives of Deutsche Telekom AG. The individual Group companies are responsible for conducting the CRA, with support and advice given from the central compliance organization. We have our compliance management system reviewed regularly by independent auditors, with particular attention paid to anti-corruption measures. Nine German companies were audited in 2020. A further 13 international companies were then assessed in 2021. A total of 22 companies were thus successfully audited in the 2020 and 2021 financial years. A further audit of companies yet to be selected is planned for 2024. The audits focused in particular on processes in the companies that are exposed to an increased risk of corruption, for example, in procurement, sales, events, donations, sponsorships, mergers and acquisitions, and human resources.

We regularly provide risk-oriented and target group-specific compliance and anti-corruption training. Employees can also obtain advice on compliance matters and on conduct based on our values and in line with the law on the AskMe advice portal.

Despite all precautions, we are not always able to prevent breaches of law or violations of regulations at the Company. Our TellMe whistleblower portal enables employees and external third parties to report potential breaches of compliance to the Compliance unit fully confidentially. In 2022, 81 compliance-related tip-offs were submitted via the TellMe portal (prior year: 87 tip-offs). Over the course of the year, 39 of these were confirmed to be cases of misconduct and dealt with accordingly. Within the scope of the legal framework available to us, we systematically pursue all tip-offs, including those that reach us via other channels, and implement commensurate sanctions in compliance with the relevant statutory provisions. We have introduced a Group-wide reporting process to control and monitor these activities.



With our Supplier Code of Conduct as an integral component of our General Terms and Conditions for Purchasing, we obligate our suppliers to, among other elements, refrain from any kind of corruption or conduct that could be interpreted as such. We select our business partners based on compliance criteria and, where required, conduct risk-oriented compliance business assessments. We have been offering regular e-learning training courses on compliance to our suppliers since 2014.

 SDG 17  RELATIONSHIPS

We will publish detailed information on our Supplier Code of Conduct in our 2022 CR Report at the end of March 2023.

Employees

Supporting people. Driving performance.

We at Deutsche Telekom are actively shaping the digitalization of society and, at the same time, we are engaged in the cultural and digital transformation of our own company. In many areas, environmental effects, new technologies, and business models entail fundamental changes to our working world and the skills we require for it. Our aspiration is to steer this transformation process and, in doing so, shift the focus of attention to people. As HR, our vision is to create the Best Team in the Industry, making a positive contribution to achieving our goal of becoming the Leading Digital Telco in line with our Group strategy. On the one hand, this requires us to safeguard the competitiveness of our organization, further enhance our attractiveness as an employer, and create a working environment capable of responding dynamically to changes in how we work today. On the other, it means strengthening a diverse and inclusive culture in which all employees have the opportunity to unlock their full potential.  SDG 5  EMPLOYEES Above and beyond this, we place a particular emphasis company-wide on building and extending urgently needed technical and digital skills to systematically shape up our company in readiness for the challenges that lie ahead.



Our people strategy is thus central to the implementation of our Group strategy. We bundle our programs and initiatives into the following **strategic priorities**, which we refined in the reporting year and present in the following using projects and measures for illustrative purposes.

1. Future-proof organization
2. Top tech and digital skills
3. Best place to work
4. Leadership in digital tomorrow

Our HR work based on the priorities

1. Future-proof organization

Our ambition for a future-proof organization is to build competitive structures which serve both our corporate targets and our workforce. That means aligning employment conditions with the market while systematically tapping efficiency potential by improving the quality of our HR products and services, and by automating and digitalizing processes in a targeted way. At the same time, we are taking steps to permanently adapt our structures, processes, and ways of working to changing market conditions.

Collective bargaining.  SDG 8  EMPLOYEES In the course of 2022, a total of 90 collective agreements were concluded with the trade unions for the Group entities in Germany covered by collective agreements. The “big” collective bargaining round for nine entities was successfully concluded in May 2022, despite the difficulties posed by rising inflation. Salary increases were negotiated for a total of 55,000 employees, ranging from 2.7 % in the higher pay groups to 3.1 % in the lower pay groups. Additionally, to cushion some of the effects wrought by high inflation, one-time payments of EUR 1,000 per employee were agreed for the lower and middle pay groups. The Group also promised to continue to provide training at a high level, and agreed to increase the number of planned hires for apprentices and students on dual study programs in the coming years to at least 1,900 in 2023 and 1,800 in 2024. We also successfully paved the way for combining units from the large B2B entities into a single company. We achieved this by harmonizing the collectively agreed pay and benefits across the B2B entities. In our national companies in Europe, too, we successfully concluded viable collective agreements in spite of the unusually high inflationary pressure. In addition to the collective pay increases, which were generally below the inflation rate, in some entities we agreed to make one-time payments to further cushion the impact, especially for employees in lower pay groups.

Furthermore, in November 2021, a derivative action was brought against the members of the Board of Directors of T-Mobile US and against T-Mobile US as nominal defendant. This action has since been withdrawn. In September 2022, a further purported shareholder filed a new derivative action against the members of the Board of Directors of T-Mobile US and against T-Mobile US as nominal defendant alleging claims for breach of fiduciary duties relating to the company's cybersecurity practices. It is currently not possible to estimate the resultant financial risk with sufficient certainty.

In addition, inquiries have been made by various government agencies, law enforcement and other state authorities, with which T-Mobile US is cooperating in full. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Proceedings against T-Mobile US in consequence of the cyberattack on T-Mobile US in January 2023. On January 5, 2023 T-Mobile US identified that a bad actor was obtaining data through an application programming interface (API). Based on the company's preliminary investigation, the affected API was only able to provide a limited set of customer account data, including name, billing address, email address, telephone number, date of birth, T-Mobile account number, and information such as the number of lines on the account and plan features. The preliminary results of the investigation indicate that, in total, around 37 million current postpaid and prepaid customer accounts were affected, although many of these accounts did not include the full data set. Based on an initial assessment, T-Mobile US assumes that the attacker retrieved data via the affected API for the first time from or around November 25, 2022. The company continues to investigate the incident and, in accordance with federal and state requirements, has notified those individuals whose data was affected. In connection with this cyberattack, consumer class actions were filed against T-Mobile US and official inquiries were submitted to the company, to which it will respond and, as a result of which, it may incur substantial expenses. It is currently not possible to estimate the resultant financial risk with sufficient certainty.

Patents and licenses. Like many other large telecommunications and internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights disputes. There is a risk that we may have to pay license fees and/or compensation; we are also exposed to a risk of cease-and-desist orders, for example relating to the sale of a product or the use of a technology.

Further, Deutsche Telekom intends to defend itself and/or pursue its claims vigorously in each of these proceedings.

Anti-trust proceedings

Like all companies, our Group is subject to anti-trust law. In recent years, we have notably stepped up our compliance efforts in this area too. Nevertheless, Deutsche Telekom and its subsidiaries are from time to time subject to proceedings under anti-trust law or follow-on damage actions under civil law. In the following, we describe material anti-trust proceedings and resulting claims for damages.

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. The European Commission decided on October 15, 2014 that Slovak Telekom had abused its market power on the Slovak broadband market and as a result imposed fines on Slovak Telekom and Deutsche Telekom AG, which were paid in full in January 2015. After the General Court of the European Union partially overturned the European Commission's decision in 2018 and reduced the fines by a total of EUR 13 million, the legal recourse following the ruling of the European Court of Justice on March 25, 2021 is exhausted. Following the decision of the European Commission, competitors filed damage actions against Slovak Telekom with the civil court in Bratislava. These claims seek compensation for alleged damages due to Slovak Telekom's abuse of a dominant market position, as determined by the European Commission. A further claim was filed with the court in the reporting period, such that there are now three claims pending, amounting to a total of EUR 219 million plus interest. It is currently not possible to estimate the financial impact with sufficient certainty.

Claims for damages against Deutsche Telekom AG, including due to insolvency of Phones4U. Phones4U was an independent British mobile retailer, which declared insolvency in 2014. The insolvency administrator is pursuing claims before the High Court of Justice in London against the mobile providers active on the UK market at that time and their parent companies on the grounds of alleged collusion in violation of anti-trust law and breach of contract. Deutsche Telekom AG, which at that time held 50 % of the mobile company EE Limited, has rejected the claims as unsubstantiated. The High Court of Justice in London heard testimony from several witnesses and experts in the period between mid-May and the end of July 2022 with a view to establishing the legal basis for a claim. Phones4U is still seeking damages in an as yet undisclosed amount. It is currently not possible to estimate the financial impact with sufficient certainty.

Compliance risks

Compliance risks are risks arising from systematic infringements of legal or ethical standards that could result in regulatory or criminal liability on the part of the company, its executive body members, or employees, or result in a significant loss of reputation. In order to minimize these risks, we have set up a compliance management system.

For further information on the compliance management system, please refer to “Aspect 5: Fighting corruption” in the section “Combined non-financial statement.”

Financial risks and opportunities

Liquidity, credit, currency, interest rate risks

With regard to its assets, liabilities, and planned transactions, our Group is particularly exposed to liquidity risks, credit risks, and the risk of changes in exchange rates and interest rates. We want to contain these risks. Risks with an impact on cash flows are monitored in a standard process and hedged accordingly using derivative and non-derivative hedges. Derivative financial instruments are used solely for hedging and never for speculative purposes. The following risk areas – liquidity, credit, currency, and interest rate risks – are evaluated taking into account all hedges.

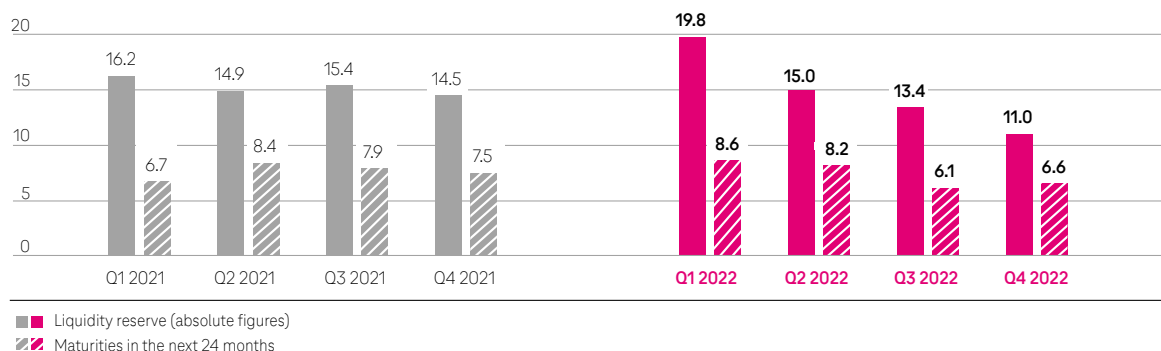
For further information on the risk assessment, please refer to the “Corporate risks” table above.

Liquidity risk. To ensure the Group’s and Deutsche Telekom AG’s solvency and financial flexibility at all times, we maintain a liquidity reserve in the form of credit lines and cash as part of our liquidity management. Since the successful business combination of T-Mobile US and Sprint, T-Mobile US has pursued its own separate financing and liquidity strategy.

Deutsche Telekom (excluding T-Mobile US): Primarily bilateral credit agreements with 21 banks with an aggregate total volume of EUR 12.6 billion were available as of December 31, 2022, of which EUR 0.2 billion were utilized. Our liquidity reserve covered maturing bonds and long-term loans at all times for at least the next 24 months (see graphic below).

Development of the liquidity reserve (excluding T-Mobile US), maturities in 2021/2022

billions of €



Furthermore, bilateral credit lines with an aggregate total volume of USD 7.5 billion (EUR 7.0 billion) plus a cash balance of USD 4.6 billion (EUR 4.3 billion) were available to T-Mobile US as of December 31, 2022.

Credit risks. In our operating business and certain banking activities, we are exposed to a credit risk, i.e., the risk that a counterparty will not fulfill its contractual obligations. To keep this credit risk to a minimum, we conclude transactions with regard to financing activities only with counterparties that have at least a credit rating of BBB+/Baa1; we also actively manage limits. In addition, we have concluded collateral agreements for our derivative transactions. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally.

Currency risks. Currency risks result from investments, financing measures, and operations. Risks from foreign currency fluctuations are hedged on a pro rata basis depending on their probability of occurrence, if they affect the Group’s cash flows (transaction risks). However, foreign-currency risks that do not influence the Group’s cash flows, for example, risks resulting from the translation of assets and liabilities of foreign operations into euros (translation risks) are generally not hedged. Deutsche Telekom may nevertheless also hedge these foreign-currency risks under certain circumstances.

Interest rate risks. Our interest rate risks mainly result from Group financing: On the one hand, we have an interest rate risk relating to the issue of new liabilities, and on the other, we have an interest rate risk arising from variable-interest liabilities. The euro interest rate position is actively managed as part of our interest rate management activities. Each year, a maximum is set for the percentage of variable-interest liabilities, taking into account the planned finance costs. The USD debt position of T-Mobile US primarily comprises partially cancelable, fixed-income bonds.

For further information, please refer to Note 42 “Financial instruments and risk management” in the notes to the consolidated financial statements.

Tax risks

We are subject to the applicable tax laws in many different countries. Risks can arise from changes in local taxation laws or case law and different interpretations of existing provisions. These risks can impact both our tax expense and benefit as well as tax receivables and liabilities.

Other financial risks and opportunities

This section contains information on other financial risks that we consider to be immaterial at present or cannot evaluate based on current knowledge.

Rating risk. Deutsche Telekom’s credit rating affects our access to the capital markets, to the international finance markets, and our refinancing costs. A lower rating could impede access to the capital market and, over time, would lead to an increase in the cost of debt financing. We intend to maintain our rating in a corridor from A- to BBB and thereby safeguard undisputed access to the capital market. As of December 31, 2022, Deutsche Telekom AG’s credit rating with Moody’s was Baa1 with a stable outlook, while Standard & Poor’s rated us BBB with a positive outlook, and Fitch BBB+ with a stable outlook. From today’s perspective, access to the international debt capital markets for both Deutsche Telekom AG and T-Mobile US is not jeopardized.

Energy. The war in Ukraine and the current situation on the world market are driving sharp rises in energy costs. Energy prices are highly volatile. Further increases in electricity, gas, and oil prices are possible, which could drive up energy, transportation, and manufacturing costs. Depending on the market conditions, our national companies pursue different procurement strategies whereby attempts are made to balance long-term supply reliability, appropriate prices, and favorable market trends.

Control environment. Compliance with business and regulatory requirements in particular for internal controls requires high efforts. Not meeting these demands could lead to difficulties or weaknesses in the overall control environment of Deutsche Telekom and could result in inaccurate financial statements.

Sales of shares by the Federal Republic or KfW Bankengruppe. As of December 31, 2022, the Federal Republic and KfW Bankengruppe jointly held 30.5 % in Deutsche Telekom AG. It is possible that the Federal Republic will continue its policy of privatization and sell further equity interests in a manner designed not to disrupt the capital markets and with the involvement of KfW Bankengruppe. There is a risk that the sale of a significant volume of shares by the Federal Republic or KfW Bankengruppe, or any speculation to this effect, could have a negative impact on the price of the T-Share.

Impact of the CR strategy on the value of the Company.   Growing numbers of investors take sustainability aspects into account in their investment decisions (Socially Responsible Investments, SRI). SRI investment products consist of securities from companies that have been reviewed based on environmental, social, and governance (ESG) criteria. The development of demand from socially responsible investors for the T-Share is an indicator we can use to assess our sustainability performance. The Socially Responsible Investment ESG KPI indicates the percentage of Deutsche Telekom AG shares held by such investors. Our commitment to greater sustainability is paying off: as of December 31, 2022, around 31.3 % of all T-Shares were held by investors who show concern for environmental, social, and governance criteria in their investment choices. We have refined the methodology and underlying data and have switched to monitoring the sustainably managed shares at fund level and no longer at an institutional level. For better comparability with other companies, the total number of shares given pertains to the number of Deutsche Telekom shares in free float.



Impairment of Deutsche Telekom AG’s assets. The value of the assets of Deutsche Telekom AG and its subsidiaries is reviewed periodically. In addition to the regular annual measurements that are also performed for the carrying amounts of investments in the annual financial statements of Deutsche Telekom AG prepared in accordance with German GAAP, specific impairment tests may be carried out, for example, where changes in the economic, regulatory, business, or political environment suggest that the value of goodwill, intangible assets, property, plant and equipment, investments accounted for using the equity method, or other financial assets might have decreased. These tests may lead to the recognition of impairment losses that do not, however, result in cash outflows. This could impact to a considerable extent on our results, which in turn may negatively affect the T-Share price.

For further information, please refer to the section “Summary of accounting policies – Judgments and estimates” in the notes to the consolidated financial statements.

The Audit Committee of the Supervisory Board of Deutsche Telekom AG monitors the effectiveness of the ICS as required by § 107 (3) sentence 2 AktG in conjunction with § 107 (4) sentence 1 AktG. The Board of Management is responsible for defining the scope and structure of the ICS at its discretion in accordance with § 91 (3) AktG. The ICS supports the organizational implementation of the Board of Management's decisions. This includes achieving the business targets, proper and reliable accounting, and compliance with significant legal requirements and regulations. Sustainability aspects, which are continuously developed on the basis of regulatory requirements, are also taken into consideration.

Internal Audit is responsible for independently reviewing the appropriateness and effectiveness of the ICS in the Group and at Deutsche Telekom AG, and, to comply with this task, has comprehensive information, audit, and inspection rights and is involved across all levels of the ICS process.

In addition to protecting against financial reporting risks, the ICS also ensures general management of operational risks and compliance. Its functional and process-related focus is adapted to the Group's current risk situation on an annual basis. The ICS organization bundles and integrates the internal control processes and supports the Board of Management in designing, implementing, and maintaining an appropriate and effective control system. It comprises ICS Management at Group Headquarters and the local ICS management of each entity. Central ICS Management is responsible for managing and coordinating the ICS processes in their entirety.

The entities to be included in the ICS are also reviewed and identified annually on the basis of Deutsche Telekom's statement of investment holdings. All material entities are fully integrated in the ICS process. This also means that the controls are documented in a Group-wide IT system and are reviewed for their appropriateness and effectiveness at least once a year. Consistent Group-wide minimum requirements for the entities' control systems are defined based on the key Group functions. These include, for example, accounting, IT, procurement, HR, security, data privacy, taxes, compliance, and also corporate responsibility.  

Effectiveness is regularly reviewed applying the dual-checking principle and, depending on the risk exposure of the controls within the functional unit, across departments or (additionally) by Internal Audit. The aim is to identify control gaps and non-effective controls, in particular to analyze the impact on financial reporting and to initiate and monitor suitable countermeasures.

The ICS process is completed with a cascaded approval process, starting with the function owners in the entities and the local finance and managing directors, through to Group level. The ICS Steering Committee, with the involvement of the Group's most important function owners, then evaluates the results and makes recommendations to the Board of Management. Based on this, the Board of Management decides on the appropriateness and effectiveness of the ICS twice a year. The Audit Committee is informed in detail on the status and results of the ICS process at least three times a year and discusses the alignment of the ICS with management and the external auditors. Nevertheless, there are inherent limitations in every ICS. No control system – even if it is deemed to be appropriate and effective – can ensure that all relevant control risks are identified and are being completely and effectively addressed by means of controls.

All non-material entities exposed to risks with an extent that is deemed to be low from a Group perspective, are included in the Group-wide ICS as part of a simplified and standardized process. These entities must submit an annual self-declaration, based on a control risk catalog, on the maturity of the implemented controls and a statement on the effectiveness of the ICS in their entity. Internal Audit regularly reviews these self-declarations in a risk-oriented way. The ICS Steering Committee, the Board of Management, and the Audit Committee are informed at least once a year about the results of the self-assessments.

For information on the accounting-related internal control system, please refer to the section [“Accounting-related internal control system.”](#)

Risk and opportunity management system

Our risk and opportunity management system is based on the globally applicable risk management standard ISO 31000 “Risk management – Principles and guidelines.” It serves as a guide for internationally recognized risk management systems. A risk and opportunity management system is necessary from both a business point of view and on the basis of laws and regulations, in particular § 91 (2) and (3) of the German Stock Corporation Act (Aktiengesetz – AktG). Our risk and opportunity management system is organized on a decentralized basis. The Group Risk Governance unit defines the Group-wide methods, including the associated reporting system, and the segments are integrated via their own risk and opportunity management. The relevant owners in each of the segments are responsible for identifying, assessing, and continuously monitoring risks. This is also at the core of our risk culture, which includes the motto “Everyone is a risk manager.” In other words, every individual takes responsibility for their risks.

For further information on the risk and opportunity management system, please refer to the section [“Risk and opportunity management system.”](#)

Compliance management system

Our compliance culture is a key component for corporate governance based on integrity and respect. We have expressed our Group-wide commitment to complying with ethical principles and both legal and statutory requirements. We have incorporated this pledge in our Guiding Principles and our Code of Conduct.

We implemented a compliance management system with the aim of minimizing risks arising from systematic infringements of legal or ethical standards that could result in regulatory or criminal liability on the part of the Company, its executive body members, or employees, or result in a significant loss of reputation. In particular, when we established the compliance management system to prevent corruption, we used the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems laid down in IDW Assurance Standard 980 as a basis. The Board of Management considers its overall responsibility for compliance as a key leadership task. Our Chief Compliance Officer is responsible for the design and management of the compliance management system. Compliance officers implement the compliance management system and our compliance goals locally at the level of our operating segments and national companies.

For further information on the compliance management system, please refer to "Aspect 5: Fighting corruption" in the section "Combined non-financial statement."

Statement of effectiveness

Based on regular discussions about the internal control system and the risk and opportunity management system, including the Group risk report and the ICS report, the Board of Management is not aware of any circumstances as of the date of preparation of the combined management report which contradict the appropriateness and effectiveness of these systems in their entirety. In addition, at the end of 2022/start of 2023, an external audit of risk and opportunity management was carried out in accordance with IDW Auditing Standard 981. Based on the information currently available, this audit did not uncover any reasons that cast doubt on the appropriateness or effectiveness.

Accounting-related internal control system

The accounting-related ICS comprises the principles, methods, and measures used to ensure appropriate accounting. It is continuously being refined and aims to ensure the consolidated financial statements of Deutsche Telekom are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as with the regulations under commercial law as set forth in § 315e (1) HGB. Another objective of the accounting-related ICS is the preparation of the annual financial statements of Deutsche Telekom AG and the combined management report in accordance with German GAAP.

It is generally true of any ICS that regardless of how it is specifically structured there can be no absolute guarantee that it will achieve its objectives. Therefore, as regards the accounting-related ICS, there can only ever be relative, but no absolute, certainty that material accounting misstatements can be prevented or detected.

Group Accounting manages the processes of Group accounting and management reporting. Legal provisions, accounting standards, and other pronouncements are continuously analyzed as to whether and to what extent they are relevant and how they impact on financial reporting. The relevant requirements are defined in the Group Accounting Manual, for example, communicated to the relevant units and, together with the financial reporting calendar that is binding throughout the Group, form the basis of the financial reporting process. In addition, supplementary process directives such as the Intercompany Policy, standardized reporting formats, IT systems, as well as IT-based reporting and consolidation processes support the process of uniform and compliant Group accounting. Where necessary, we also draw on the services of external experts, for example, to measure pension obligations or in connection with purchase price allocations. Group Accounting ensures that these requirements are complied with consistently throughout the Group. The staff involved in the accounting process receive regular training. Deutsche Telekom AG and the Group companies are responsible for ensuring that Group-wide policies, regulations, and procedures are complied with. The Group companies ensure the compliance and timeliness of their accounting-related processes and systems and, in doing so, are supported and monitored by Group Accounting.

Operational accounting processes at the national and international level are increasingly managed by our shared service centers. Harmonizing the processes enhances their efficiency and quality and, in turn, improves the reliability of the internal ICS. The ICS thus safeguards both the quality of internal processes at the shared service centers and the interfaces to the Group companies by means of adequate controls and an internal certification process.

Internal controls are embedded in the accounting process depending on risk levels. The accounting-related ICS comprises both preventive and detective controls, which include:

- IT-based and manual matching
- The segregation of functions
- The dual-checking principle
- Monitoring controls
- General IT checks such as access management in IT systems, and change management

Central and local ICS management continuously develop the ICS further in line with the operational processes, systematically responding to new technologies and ways of working. These include the use of software robots, real-time alarms, artificial intelligence, and agile working.

We have implemented a standardized process throughout the Group for monitoring the effectiveness of the accounting-related ICS. This process systematically focuses on risks of possible misstatements in the consolidated financial statements. At the beginning of the year, specific accounts and accounting-related process steps are selected based on risk factors. They are then reviewed for effectiveness in the course of the year. If control weaknesses are found, they are analyzed and assessed, particularly in terms of their impact on the consolidated financial statements and the combined management report. Material control weaknesses, the action plans for eradicating them, and ongoing progress are reported to the Board of Management and additionally to the Audit Committee of the Supervisory Board of Deutsche Telekom AG. In order to ensure a high-quality accounting-related ICS, Internal Audit is closely involved in all stages of the process.

Corporate Governance Statement and Declaration of Conformity

The Corporate Governance Statement pursuant to § 289f, § 315d HGB is available on our [Investor Relations website](#). The Declaration of Conformity pursuant to § 161 AktG can be found below:

- I. The Board of Management and the Supervisory Board of Deutsche Telekom AG hereby declare that in the period since submission of the most recent declaration of conformity pursuant to § 161 AktG on December 30, 2021, 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 on March 20, 2020, in the official section of the Federal Gazette (Bundesanzeiger), with the exception of recommendation C.5 (maximum number of supervisory board mandates).
- II. The Board of Management and the Supervisory Board of Deutsche Telekom AG hereby declare further that as of today Deutsche Telekom AG complies with the recommendations of the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 27, 2022, with the exception of recommendation C.5 (maximum number of supervisory board mandates).
- III. Reason for the declared deviation from recommendation C.5: According to recommendation C.5, members of the management board of listed companies should not have, in aggregate, more than two supervisory board mandates in non-group listed companies or comparable functions, and should not accept the chairmanship of a supervisory board in a non-group listed company. In the opinion of the Management Board and the Supervisory Board, the total number of supervisory board mandates held or the supervisory board chairmanship in non-group listed companies and comparable functions should be assessed more appropriately on a case-by-case basis than by means of a rigid limitation. As long as it is ensured that a member of the Supervisory Board of Deutsche Telekom AG has sufficient time to exercise this supervisory board mandate with due regularity and care, a deviation from recommendation C.5 may appear appropriate in individual cases, taking into account all relevant aspects of the respective circumstances.

Bonn, December 30, 2022

For the Supervisory Board
Dr. Frank Appel

For the Board of Management
Timotheus Höttges

Legal structure of the Group

Deutsche Telekom AG, Bonn, is the parent of the Deutsche Telekom Group. Its shares are traded on the Frankfurt/Main Stock Exchange as well as on other stock exchanges.

For information on the composition of capital stock in accordance with § 289a (1) HGB and § 315a HGB of direct and indirect equity investments, please refer to Note 19 "Shareholders' equity" in the notes to the consolidated financial statements and to the notes to the annual financial statements of Deutsche Telekom AG as of December 31, 2022.

Shareholders' equity

Each share entitles the holder to one vote. These voting rights are restricted, however, in relation to treasury shares (at December 31, 2022: around 14 million in total).

Treasury shares. The amount of issued capital assigned to treasury shares was approximately EUR 35 million at December 31, 2022. This equates to 0.3 % of share capital. 13,757,255 treasury shares were held at December 31, 2022.

For information on the treasury shares in accordance with § 160 (1) No. 2 AktG, please refer to Note 8 in the annual financial statements of Deutsche Telekom AG as of December 31, 2022 and to Note 19 "Shareholders' equity" in the notes to the consolidated financial statements.