



Deutsche Telekom: CR Strategy

Sustainability case studies brought to you by Flagship.

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1. INTRODUCTION

ONE FOR ALL ... and all for one. Our planet needs our help. Let's save it. Now or never.

Deutsche Telekom has been involved in Corporate Responsibility reporting for over 20 years. In 1996 company started reporting on their sustainability activities. From 2003 to 2006 they published combined annual HR and Sustainability Reports and since 2008 the Telekom Group has been publishing a comprehensive CR Report each year. From 2010/2011 there is also an online version of the report to meet increasing requirements and user preferences of their stakeholders.

Their CR report serves as an effective communication tool to keep their internal and external stakeholders informed of the challenges Deutsche Telekom faces and the progress it has made as a responsible company committed to sustainability.

In 2015, Deutsche Telekom entitled their CR Reports and activities with a new slogan **"ACT RESPONSIBLY. ENABLE SUSTAINABILITY"**.



CEO Of Deutsche, Timotheus Hottges

2. CORPORATE RESPONSIBILITY

Deutsche Telekom wants to be a pioneer in sustainability. It is committed to acting responsibly along their entire value chain and to playing an essential role in solving today's ecological, economic and social challenges.

Deutsche Telekom divides their activities into 5 sustainability sections:

1. **Assume Responsibility** - responsibility for the society and environment
2. **Social Commitment** - promoting employee social commitments, supports education and media competence
3. **Data Protection and Data Security** - digitalization, trust in the application
4. **Climate and Environment** - reduction of CO2 emissions, efficient use of resources, sustainable mobility
5. **Sustainable Lifestyle** - environmentally friendly and accessible products, efficient data centers, e-health



2.1. ASSUME RESPONSIBILITY

Taking on responsibility for society and the environment.

DIVERSITY

Deutsche Telekom believes in success behind every employee and is keen on providing them with good quality support. People from approximately 150 countries, women and men, young and old as well as people with different abilities and cultural backgrounds, work together effectively. On top of offering numerous opportunities for professional and personal growth regardless of gender, age, sexual orientation, health, ethnic or cultural background, since 2015, DT has also been actively promoting diversity awareness.

The company is committed to **increase hiring of women for the mid and upper-level management** positions worldwide. In 2010 a new goal has been introduced to increase representation of women across the organization globally from 19 to 30%. In 2016 DT managed to achieve an increase to 25.4% and extended the goal deadline to 2020.



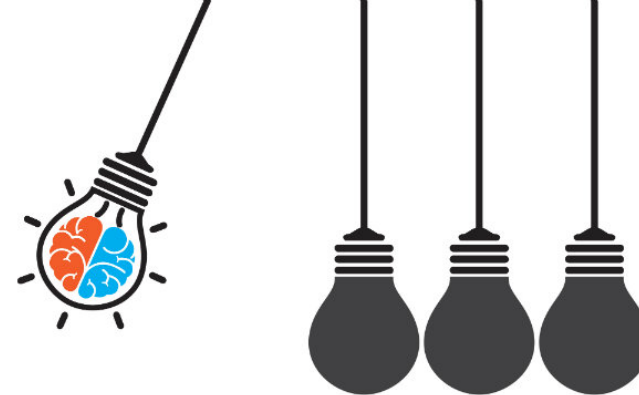
With the aim to improve work-life balance, Deutsche Telekom has been promoting **part-time working hours for managers** since 2011. The total number of part-time employees in 2016 was 13% (8% women and 5% men).

To put a greater emphasis on fathers and give them **opportunities to combine work and family life**, Deutsche Telekom also established the father project called "Heimspiel" ("home watch") in 2009 and provides childcare in 5 major locations in Germany.



EMPLOYEE FEEDBACK

Employees have a chance to submit their ideas in order to help improve their workplace. Employee ideas have contributed to significant improvements in internal management as well as exceptional savings for the Group.



In 2006, 8600 ideas were submitted generating 74 million euros in savings. By 2015, savings were almost doubled, when 13728 ideas worth approximately 147 million euros were submitted and in 2016, only **10125 ideas generated incredible 170 million euros.**

Among other great suggestions, one of the ideas submitted in 2016 enabled to reduce the mast replacement rate from 14 percent to 10 percent, thereby making a significant contribution to conserving company resources and reducing cost.

SUPPLIERS

In order to work with Deutsche Telecom, every supplier and service provider must act responsibly and sustainably. Deutsche Telecom cooperates with **more than 30 000 suppliers**. They do not audit all of their suppliers equally, but instead focus on strategically important or high-risk supplier groups of roughly 200 suppliers that are regularly audited every three years. These suppliers are located predominantly in Asia, particularly China and a few neighboring countries such as Singapore, Malaysia, Thailand, India and Vietnam. Some social audits are conducted in Mexico, Brazil and Eastern Europe.

In 2014, Deutsche Telekom launched a new program designed to support suppliers in sustainability. **Biggest accomplishments of DT's suppliers are:**

- Reduction of CO₂ emissions in their operations and their supply chain by 169,000 metric tons.
- Increase in productivity by 34%.
- 48% reduction in the number of employee absences due to occupational health and safety issues.
- Increase in waste recycling from 69% to 85.

2.2. SOCIAL COMMITMENT

DIGITALIZATION is changing our society. Deutsche Telekom is supporting this change, considers itself an active member of society and takes on responsibility when it comes to social issues.



Following its social commitment, the company established a **STEM Program** focused on science, technology, engineering and mathematics, including **digital teaching and learning in educational institutions**. The Program is aimed at changing the school and learning culture through the use of digital media – **since 2016, over 38 schools have successfully incorporated digital media into their classrooms.**

Coding workshops: thousands of volunteers encourage ordinary citizens to learn about coding in the EU Code Week by helping them to understand the principles of programming. Children and young people in 13 towns in Poland participated in coding activities in 2016. Nearly 200 children took part in the workshops and gained insights into the secrets of coding. 120 mentors showed how great programming can be.

Apart from the young, DT also promotes **digital education among the senior citizens** and aids their adaptability to digital world. Since the launch of their campaign in 2016, digital education classes were organized in 3 cities and their attendance reached a total of 765 people with an average age of 64 years. A new goal has been set up for 2017 to reach a population of more than 5,000 senior citizens so that they can make their lives easier and better with just one tablet and an internet connection!

VOLUNTEER WORK

Many employees of Deutsche Telekom take part in volunteering activities and provide help in schools, and day care centers. Employees are encouraged to visit the interactive engagement@telekom platform to find the right project to work on one of their projects.

Corporate volunteering, USA - Company's Huddle Up volunteer program has connected kids with positive people, places and programs through employee service events with after-school partners in communities across the country. Since 2005, 16,500 T-Mobile volunteers have touched the lives of over 78,000 young people across the country, giving more than 127,000 hours of service renovating after-school facilities nationwide. In 2016, 816 employees participated in seven Huddle Up events, providing more than 5,388 service hours.

Additional activities - On Martin Luther King Day 2016, their teams in Philadelphia, Washington DC and New York City came out in force to support City Year school rejuvenation projects in low-income communities. Over 150 employees painted murals, updated furniture, and planted gardens.



INTEGRATION INTO THE JOB MARKET AND LANGUAGE DEVELOPMENT ARE THE FOCAL POINTS OF OUR COMMITMENT. WITH THIS PROGRAM, WE AIM TO GIVE REFUGEES PROFESSIONAL PROSPECTS THAT WILL SIGNIFICANTLY IMPROVE THEIR OPPORTUNITIES IN THE GERMAN JOB MARKET.

Christian P. Illek, Deutsche Telekom Board Member for Human Resources



BUILDING SKILLS

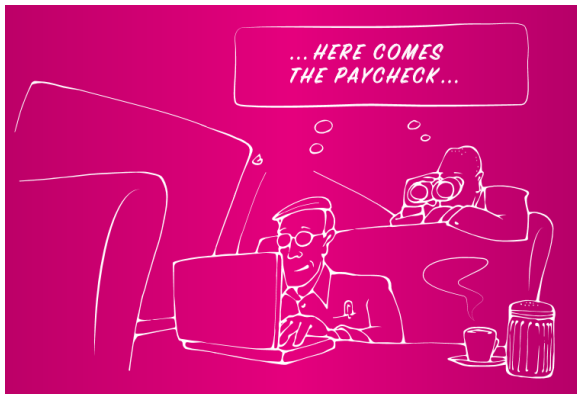
Helping refugees – from first aid to job market integration: New program has been constructed to significantly improve the refugee opportunities in German job market in 2015. Deutsche Telekom has been supporting refugees in their integration into the job market along with their language development.

19 Deutsche Telekom properties were offered as refugee accommodation, in 2015. Furthermore, Deutsche Telekom advertised 77 internships and provided refugees with student grants funding courses at the HfTL University of Applied Sciences in Leipzig. So far, DT was able to assign 47 internships to university and school refugee students and six grants for university courses.



2.3. DATA PROTECTION & SECURITY

Along with the rapid digitalization progress, the issue of security is becoming more and more pressing. Deutsche Telekom alone records 4 to 6 million attacks on its almost 200 online traps, every day. To protect their customers as well as employees, Deutsche Telekom has established an international Cyber Defense Center (CDC). Their work is to test and develop new products for both internal and external customers.



DATA PROTECTION TRAINING CARTOON

In early 2015 Deutsche Telekom created a cartoon character dubbed Dataslob, whose risky behavior helps raise awareness of data protection issues among employees. Many entries shine a critical light on situations outside the normal office environment. Examples include a road warrior who pulls up confidential information on a laptop without a thought to who may be taking a sneak peek over their shoulder. Or an employee at a crowded bus stop chatting away a mile-to-the-minute to their neighbor about sensitive projects and proposals – matters that are no business of the other passengers.

DATA PROTECTION GUIDELINES FOR INTERNET OF THINGS AND INDUSTRY 4.0

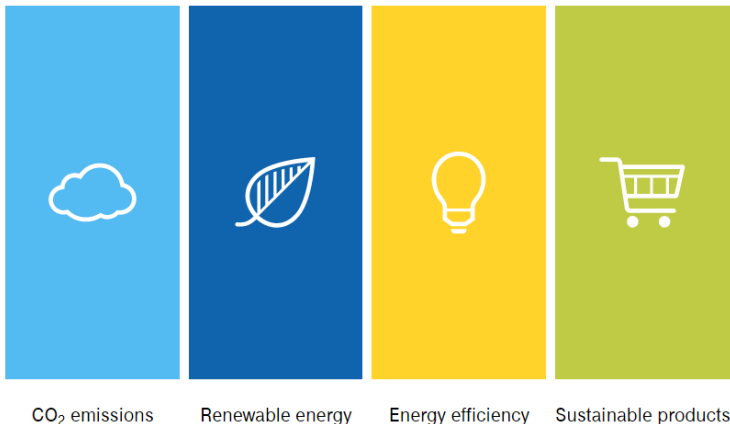
Several companies are often involved in data processing for Internet of Things and Industry 4.0 business models, so the responsibilities of the companies involved must be described transparently and understandably across all process chains.

DT uses as a matter of principle data that has been anonymized or, if in an indirect personal reference must be retained, that has been pseudonymized. Pseudonymization is achieved, for example, by means of high-level encryption.

2.4. CLIMATE & ENVIRONMENT

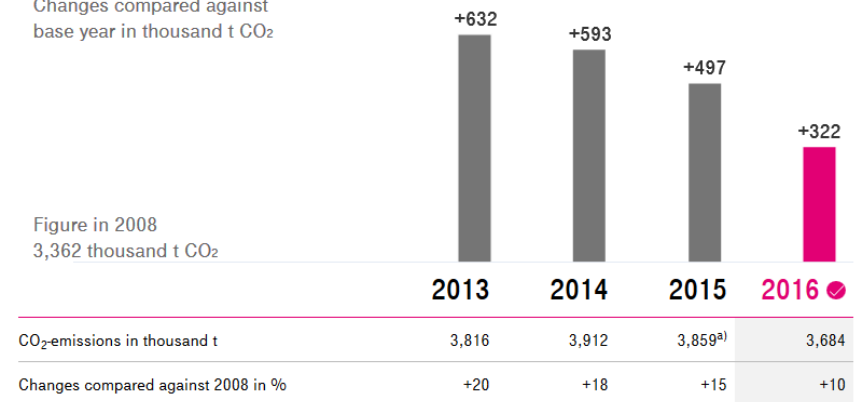
Deutsche Telekom set up their first Climate Protection Strategy in 2005. Among its current goals, there is a pledge to reduce the CO₂ emissions throughout the Group by 20% by 2020 compared to 2008, and by 40% compared to 1995 (excluding T-Mobile USA).

The four pillars of our integrated climate strategy



Changes compared against
base year in thousand t CO₂

Figure in 2008
3,362 thousand t CO₂



^{a)} Retroactive, slight correction of CO₂ emissions (formerly: 3,849) without effect on the ESG KPI.

Electricity consumption is the main source of DT's carbon emissions. Highly efficient data centers measure the usage of electricity and help Deutsche Telekom in its reduction.

FARMING 4.0

According to the **SMARTer2030 study** conducted by the Global e-Sustainability Initiative, **ICT (Information and Communication Technology) sector products and services can potentially help to save a great proportion of emissions from other industries** (such as agriculture). It is estimated such CO₂ emissions could add up to nearly ten times the amount of the emissions produced by the ICT sector itself. This industry, therefore, has a special role to play in reducing the overall global emissions.

Deutsche Telekom is working to encourage digitalization in farming. Through the use of ICT, roughly two billion metric tons of CO₂ emissions can be reduced and 250 billion litres of water saved annually in agriculture alone by 2030.

In 2012, Deutsche Telekom initiated a digitalization project assisting farmers in cattle industry. A special technology was designed that allows for communication between cows and farmers using special collars with sensors that measure cow temperature. Information from collars is sent to farmers in the form of mobile text message and can help, for instance, at birth giving. The technology produces the economic benefit of increasing the reproductive rate of the herd and farmers no longer run the risk of missing important moments of their herd, while having more time on their hands at the same time.

More than 5000 farmers across Europe have implemented the technology.

SMART CITY

Magyar Telekom became completely carbon neutral in 2015. It managed to reach this milestone by purchasing 100% renewable energy, enhancing energy efficiency, implementing carbon offsetting, and saving energy.

The company rewards compliance with emission values. Car users with emissions above the reference values face penalty payments that are turned into purchasing of carbon offsets. In 2016, they purchased CO₂ certificates that managed to offset 50,000t of their CO₂. The 2017 target is to remain carbon neutral.

Telekom Volunteer Day in October 2016 focused on offsetting CO₂ emissions. At least 1,000 employees and their relatives participated in this event. They planted 1,000 trees and shrubs on 29 sites all over Hungary.



2.5. SUSTAINABLE LIFESTYLE

Deutsche Telekom understands that carbon footprint reduction is not realized solely through decreasing their own greenhouse gases, but it also recognizes the immense role of our consumer society. In order to address the problem of increasing e-waste, they launched a project to collect unwanted mobile phones.

PROHIBITED MATERIALS

Deutsche Telekom collaborated with the Fraunhofer Institute for Reliability and Microintegration to conduct a study on harmful substances in cell phones. Certain substances were identified, which are ecologically harmful but not currently prohibited. Based on this study, Deutsche Telekom created its own list of prohibited materials over and above those covered by the legal standards in 2014. It sends out a **clear signal for reduction of substances that are problematic for the environment in the industrial usage across their supply chain.**

DON'T BUY, RENT!

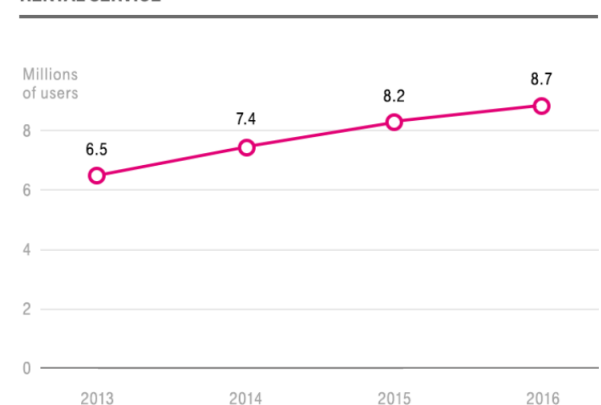
Deutsche Telekom wants to make sure that used routers and media receivers don't just end up in trash. **The rental services conserve resources, reduce electronic waste and prevent CO₂ emissions.** Customers return the devices upon cancelling their contract. Returned devices are then either refurbished and rented out again or properly recycled.

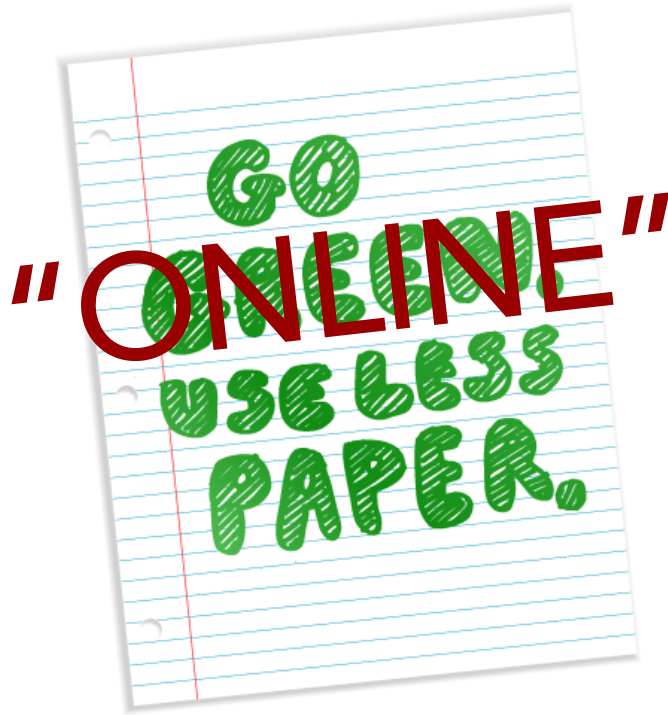
The number of people using the rental service increased to around 8.7 million by the end of 2016.

MOBILE PHONE COLLECTION

The collection of mobile phones in Germany, Greece and Netherlands steadily increases. Approximately 167 000 devices were collected in 2013, in 2014, their number grew to 290 000, in 2015, 349,000 mobile phones were collected and in 2016, DT managed to collect 465,000 of unwanted devices.

NUMBER OF USERS OF THE ROUTER AND MEDIA RECEIVER RENTAL SERVICE





ONLINE BILLING

Online billing is a strategy that Telekom adopted in 2009. It saves around three pages per month for each customer, which translates into 240 meters of paper for just one million customers, the same height as the Düsseldorf TV tower. Altogether, Online Billing saves more than 1,500 tons of paper per year, which equals to the weight of around 135 buses.

SUSTAINABLE PRODUCTS

Deutsche Telecom is the first major telecommunication company that uses the ecolabel BLUE ANGEL on its products. 95 percent of Telekom Deutschland's fixed-network devices are certified with the renowned Blue Angel environmental label.

Certified devices have highly energy-efficient switched-mode power supplies, which consume at least 60% less energy than DECT telephones with conventional power supplies. Furthermore, customers can set the reach and thus the intensity of the electromagnetic fields themselves. In addition, the telephones have replaceable batteries and their plastic parts do not contain any critical substances.



3. ABOUT FLAGSHIP

This case study was prepared by Flagship CSR Consultancy, first specialised sustainability consultancy in the Czech Republic focused on sustainability strategy, corporate responsibility and non-financial reporting.

Flagship belongs to the pioneers of responsible business in the country and is the data partner of Global Reporting Initiative (GRI), international non-financial reporting standard organisation, in the Czech Republic and Slovakia. Our company is also a proud certified B Corporation, a movement that brings together companies that use their businesses to solve social and environmental problems, act transparently and responsibly.

Apart from corporate sustainability strategies and non-financial reporting, Flagship also implements CSR management systems into all types of businesses – ISO 26000, UNGC, OECD Guidelines, SA 8000 and others.

“We make responsible business happen and change the world for the better.”

We will be happy to work with you, please feel free to get in touch with us at info@flagship.cz or call us at +420 222 317 685.

www.flagship.cz/en