

# Sustainability Strategy for the Deutsche Telekom Group

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## 1. Sustainability in the Deutsche Telekom Group

Deutsche Telekom is committed to the model of sustainable development. Our vision is to become a sustainable company in a sustainable society,

By "sustainability", we are referring to the vision formulated at the 1992 Earth Summit in Rio de Janeiro, namely, of a development which makes equal allowance for economic, social and ecological aspects. A method of production which follows this model should meet the needs of the present without compromising the ability of future generations to meet their own needs, as well as the justified demands of poorer countries for wealth.

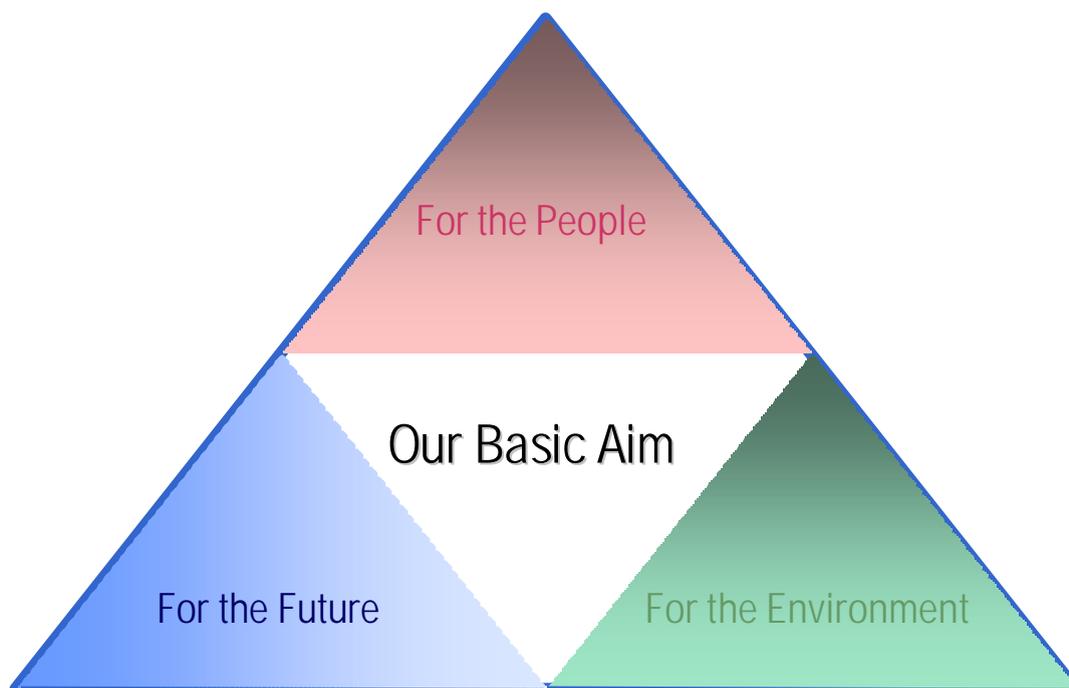
This sustainability strategy is based on the new corporate vision and values, and concretizes the vision of networking society for a better future. We view telecommunications as the nervous system of modern society. This clearly shows what our responsibilities are, and what the resultant potential is for our company.

For Deutsche Telekom, sustainability means adopting a balanced view of the economic, social and ecological aspects of production throughout the value-added chain, and ensuring that we maintain a dynamic equilibrium in the long term. Short-term shifts in favor of a given aspect must be possible depending on the situation, whilst at the same time defining a path which will restore the balance. Only a sustainable company can be successful in the long term and accepted by its social environment. With the totality of our knowledge, our technology, our products and services, we also help to shape societies and cultures. As a corporate citizen, we want to be a good neighbor and a competent, fair partner, and to make our contribution to a better future.

Sustainability contributes to superior economic value in a variety of ways. New, pioneering products, services and business areas that are based on the needs of people and have a positive impact on society and the environment may be marketed in a way that is permanently profitable. A production method that is geared to sustainability is also a particular expression of corporate responsibility towards our various interest groups (such as employees, customers, shareholders, authorities and non-governmental organizations). It helps to minimize the risk and to enhance "non-financial performance", and hence in particular, the image of Deutsche Telekom.

## 2. Strategic guidelines

The strategic guidelines outlined below make repeated reference to the "corporate values" of the corporate vision and values, "T-Spirit". They accompany us en route to sustainable corporate management and outline implementation of the sustainability model within the Deutsche Telekom Group. As such, they become action areas for all national and international Group units and constitute an essential strategic basis for concrete targets and measures by the divisions and the Group Headquarters. In this way, we are documenting our envisaged contribution to a sustainable society.



### Our Basic Aim

To do business successfully and efficiently both in the short term and the long term whilst increasing our credibility in the eyes of our customers, investors, financial markets and stakeholders by demonstrating honesty and integrity.

Sustainability pre-supposes a healthy financial basis for our company, yet at the same time, sustainable action is also a basic requirement of successful financial management in the long term. In order to win the lasting trust of customers, investors, financial markets and stakeholders, even short-term decisions demand a consistent consideration of their long-term economic, ecological and social impacts.

We want to meet the justified demands of the various interest groups for open, selfcritical dialog with Deutsche Telekom and the provision of relevant information in a suitable format. This in turn will create transparency, minimize business risks, and enhance the reputation of the Group.

To systematically anticipate the social consequences of our activities and incorporate these into our decision-making.

Our claim of being an innovative leader necessitates an holistic view of our actions. A systematic evaluation and assessment of the consequences of our products and services, the technologies used and our management decisions vis-à-vis their economic, ecological and social impacts constitute key components of our corporate responsibility. This also entails considering the impacts of our suppliers and manufacturers (supply chain management) and our influence on social charters or concrete environmental requirements.

## **For the People**

To put into practice internationally recognized human rights, working standards and environmental protection throughout the company, as required by the U.N.'s Global Compact.

Deutsche Telekom claims a worldwide reputation as a good neighbor. Integrity forms the basis of our credibility, and therefore requires the consistent application of and compliance with internationally recognized environmental, employment and social standards. By signing up to the United Nations "Global Compact", Deutsche Telekom is publicly expressing its commitment to the nine principles of human rights, labor and the environment cited therein. We translate these principles into a tangible reality by means of suitable projects. This also includes a particular social responsibility to our employees, which is expressed, for example, in a good work/life balance and consistent employment and health protection.

To respect the diversity of people and cultures and to actively encourage their exchange

We view personal and cultural diversity as corporate capital with a success-enhancing effect. The communicative networking of people promotes the exchange of knowledge, experience and practices, and enhances links to the company as well as to our customers.

## **For the Environment**

To increase the efficiency of the ecological resources within society and contribute to the protection of the global climate

We recognize the scientific proof and multiple indicators of climate change caused by man. For us, our social responsibility in this respect embraces a number of elements: On the one hand, through our products and services, we want to enhance the ecological resource efficiency of our customers and hence actively contribute to climate protection. Dematerialization and, in particular, the substitution of passenger and goods traffic through information and communications services may make a significant contribution in this respect. On the other hand, by means of suitable initiatives and cooperation with governmental and non-governmental organizations, we are also actively promoting a trans-societal dialog on climate protection.

To systematically reduce our own environmental impacts

For years, we have successfully practiced the identification and reduction of environmental impacts caused both directly and indirectly by Deutsche Telekom, based on our environmental policy. We continue to consistently and systematically pursue this approach in order to generate positive economic effects, as well as tangibly relieving the pressure on the environment.

## **For the Future**

To increase the development of sustainable services and set an example through our application

We can only achieve lasting success by offering innovative sustainable services which will arouse our customers' enthusiasm. By using our services intensively ourselves, we remain credible to customers. At the same time, our experiences form part of a continuous learning curve aimed at further developing services in the interests of sustainability, or tapping into new business areas.

To actively help shape the continued development of the working world and a society of knowledge both internally and externally whilst contributing to the overcoming of the digital divide.

Our products and services should play an active role in the continuous advanced development of the work environment and the knowledge society. Free, easy access to information for everyone provides the basis for developing and maintaining informed knowledge, as well as being a pre-requisite for overcoming the Digital Divide. Through our information and communications technology, we aim to create the framework conditions to facilitate education and life-long learning throughout the world. In this way, we promote long-term employability – to the benefit of individuals and companies alike.

### 3. Division-specific sub-strategies

Generally speaking, Deutsche Telekom is perceived by the general public as a company. However, it is primarily active on the market via the business activities of the four divisions. The aforementioned strategic guidelines are therefore implemented primarily in the divisions by means of concrete targets, projects and measures. For this reason, this strategy, which is valid for the entire Deutsche Telekom Group, also describes what sustainability means for each of the four divisions.

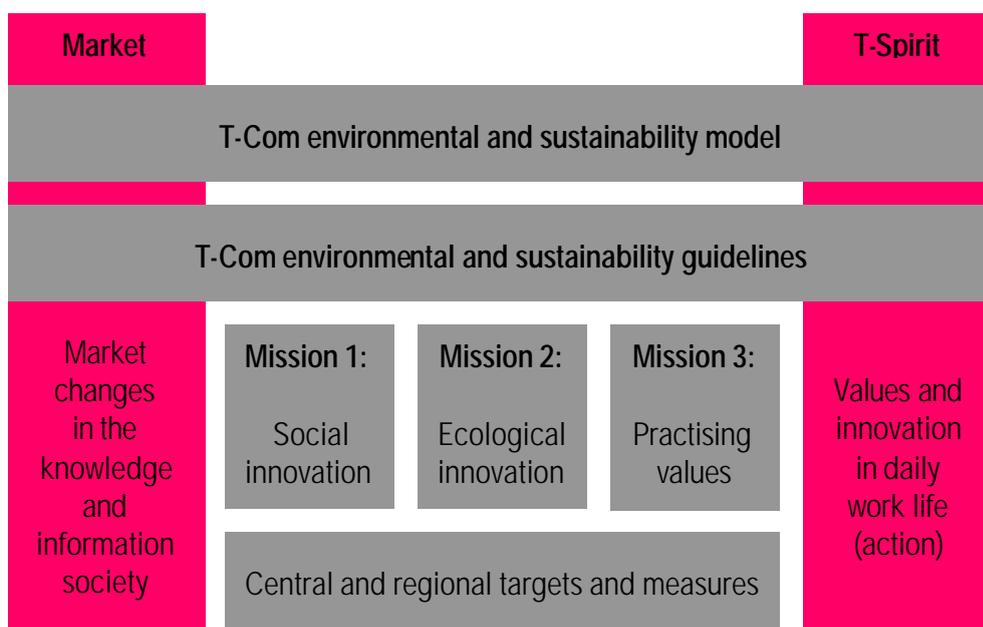
#### T-ComPreamble

#### Derivation of the TCom sustainability strategy from “T-Spirit” and the market changes in the emerging knowledge and information society

The model of sustainability and the sustainability guidelines of TCom should be viewed as an integral part of the new corporate vision and values, “T-Spirit”, and the corporate values formulated therein. Against the background of changing telecommunications requirements in the emerging knowledge and information society, they concretize these values from the viewpoint of sustainable development.

On this basis, the environmental and sustainability guidelines and the resultant three missions make up our sustainability strategy.

In a subsequent stage, the guidelines are backed up with concrete targets and measures in the environmental and sustainability program, thereby bringing them to life.



**T-Com’s environmental and sustainability model**

“As a sustainable company, through our products and services, we promote the sustainable development of the knowledge and information society. With high levels of resource efficiency and a passion for innovation and diversity. For our customers and a viable environment”.

This model picks up on the corporate vision, to “network society for a better future”, as well as the formulated sustainability target of “becoming a sustainable company in a sustainable society”. It consciously uses the same language as the corporate vision.

In line with our orientation towards private customers and SMEs, i.e. a significant part of society as a whole, T-Com’s sustainability strategy therefore centers around the sustainable development of the knowledge and information society.

Today’s industrial and services-oriented society is currently in the process of transforming itself into a knowledge and information society. This is, firstly, more resource-efficient, and secondly, inconceivable without innovative information and communications technologies.

Our opportunity for financial success lies in designing products and services and positioning them on the market in such a way that they encourage this process.

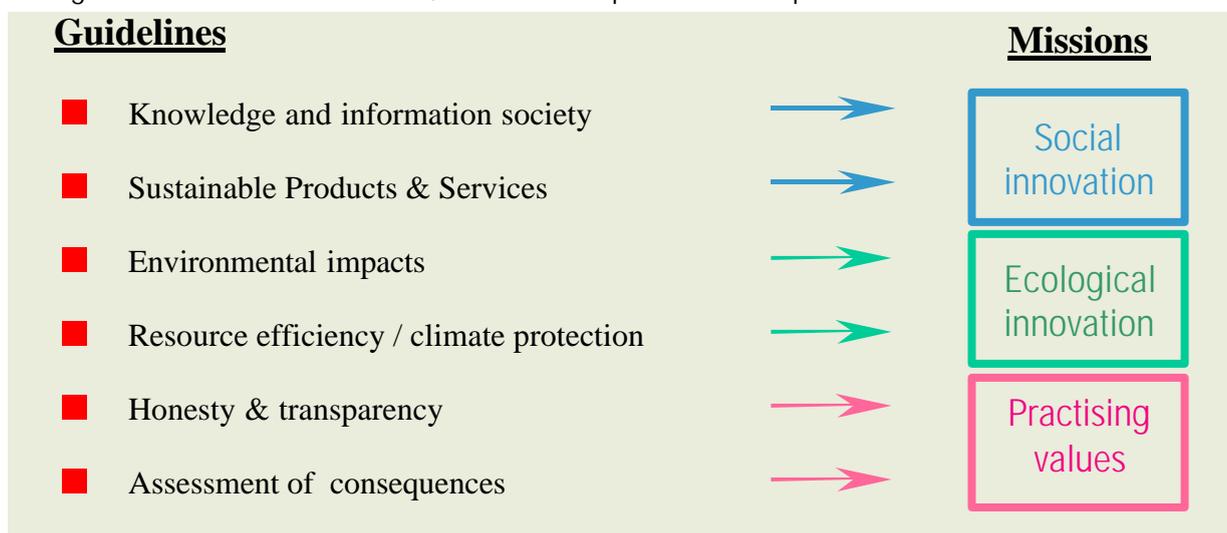
**Our environmental and sustainability guidelines**

Based on the 8 strategic guidelines for implementation of the sustainability model formulated at Group level, T-Com has formulated its own environmental and sustainability guidelines:

- To actively help shape the continued development of the knowledge and information society, both internally and externally, and to help overcome the Digital Divide.
- To increasingly develop sustainable products and services and practice the application thereof.
- To systematically reduce our own environmental impacts.
- To contribute towards enhancing ecological resource efficiency in society and climate protection.
- To enhance our credibility amongst stakeholders through honesty and transparency.
- To evaluate the social consequences of our actions and incorporate this into our decision making.

**Three missions**

Three core missions are derived from these guidelines, which reflect the T-Spirit system of values and visions which are effective within the company, as well as permanently influencing the market through a strict focus on innovation, and which help to achieve superior value:



### **T'Com's objectives and measures for implementing the sustainability strategy**

Corresponding targets and measures are allocated to these three missions in the environmental and sustainability program. These will be cascaded into the individual targets of the managerial staff and the employees via the T-Com balanced scorecard and the individual board departments, and implemented by the end of 2005. The main departments OG3 and OG4 and the environmental officers at the branch offices support the managerial staff with target attainment.

## **T-Mobile**

### **Sustainability through T-Mobile**

As one of the world's leading mobile information and communications companies, we make a specific contribution towards the sustainability strategy of the Deutsche Telekom Group. Whilst our actions focus on technical innovation and economic growth to enhance profitability, at the same time, we are also aiming to expand in other fields and become innovative there as well: We want to safeguard our own future through sustainability, and in this capacity, to serve as a responsible example for industry and a reliable partner for society. We look forward to a lively debate with our customers, other interested individuals, groups and organizations about these guidelines.

### **T-Mobile is committed to the sustainable development of growth, profitability and innovation— Technology you can lean on**

Mobile information and communication is a young, highly innovative, rapidly developing technology. It has become an essential part of the "nervous system" of our society and economy. On this basis, we aim to intensify growth, profitability and innovation in the interests of sustainable development as a leading company offering creativity and top quality. This sustainable corporate development forms the basis for all our activities. We have an obligation to our customers, shareholders and employees in this respect. As such, our relationships with the participating individuals, groups and organizations are therefore based on integrity, fairness and honesty.

### **T-Mobile invests in conservation of the environment and resources – Partner of the environment**

Mobile information and communications help to improve resource efficiency and therefore contribute directly to dematerialization: Fewer goods and passengers need to be "moved". This saves transport, energy and resources. The fact that our growth and innovative capabilities allow us to make a particular contribution to the conservation of the environment and resources is both an opportunity and a motivation for us. This macro-economic benefit also obligates us to conserve the environment and resources within our own company, an obligation which we are already meeting in many areas, such as mobile phone recycling.

### **T-Mobile invests in and is committed to society and its staff – Count on us**

Creating mobile connections between people in virtually all areas of the globe is our strength. This particular skill is also an obligation; as a responsible part of society, and for our employees. As an international, transatlantic company, we promote exchanges between the various cultures within the company. By drawing on this experience, and based on our social obligation, individuals also benefit directly: For example, we invest in education and research, and in culture and sport. We firmly believe that "fair play" and a willingness to enter into dialog with all persons, groups and organizations linked to us is particularly important.

### **T-Mobile creates innovation for sustainable development in the environment and society – Reliable partner of technical innovation**

Through our mobile products and services, we want to intensify the sustainable development of the environment and society. To this end, we were the first mobile communications company worldwide to develop an international sustainability plan: our “3G Greenbook”. As such, all our innovations are guided by the benefits and needs of our customers – private users, small and medium sized enterprises, and public institutions and authorities. We want to offer our customers simple, reliable and fascinating products and services. In this respect, the anticipatory assessment of the ecological and social consequences of mobile information and communications technologies is highly significant.

In the long term, customers, partners and investors will only reward our products and services if they are of excellent quality as well as being devoid of negative social or ecological side-effects.

T-Mobile promises to act according to these principles:

**We will be the most highly regarded service company ...**

**... with the passion to provide the true freedom to move for everyone.**

### **T-Online**

Within the framework of its division-specific sustainability strategy, T-Online has set itself the following six focal points:

#### **To make Internet access available to a broad section of the population**

As one of the leading Internet suppliers, we want to help minimize the risk of a “Digital Divide” through our actions. An important starting-point in this respect is our existing tariff portfolio, which will adapt continuously in line with the requirements of broad sections of the population, and in particular, will cater to the needs of Internet newcomers. Initiatives – such as the T@School scheme, launched in collaboration with our parent company – are also designed to specifically promote Internet use in selected target groups (such as schoolchildren).

#### **To promote the dissemination of knowledge**

We see ourselves as a mediator of Internet value added, by providing users with free access to the wealth of existing data and information available on the Internet. Parallel to this – faced with the escalating demands of a “knowledge society” - we are aiming to constantly expand our own range of advanced educational measures available via the Internet (e-learning) by adopting a target group-specific approach.

#### **To serve as a “mouthpiece” for society**

Unlike other media, the Internet is interactive, and therefore offers individual Internet users the opportunity, not only to access knowledge in the Internet, but also to actively help shape it through their own information and opinions. We would like to further promote this exchange of information and opinions with a range of user platforms (such as chats, forums, votes etc.). With additional initiatives – such as the “Germany Online” survey – we aim to lend targeted support to socially relevant topics by creating transparency.

### **To promote responsible handling of the Internet as a medium**

Within the framework of opportunities available, we want to help restrict access to illegal content on the Internet. We are also focusing in particular on protection from content that may pose a threat to young people. In this respect, we promote an holistic approach which supports suitable initiatives to attain media competence, includes our own offerings for children and young people, and provides simple technical assistance for parents ("family protection software") to ensure that the medium of the Internet is used in a manner appropriate to age.

### **To utilize the opportunities of electronic trade to conserve resources**

Trade via the Internet offers opportunities for more resource-efficient transaction processes. In particular, the developing market for digitizable products – such as music and games -- offers a way of permanently severing the link between the consumption of goods and the use of resources. Through our own business models, we want to help shape the development of these markets, and actively promote the dematerialization associated with this.

### **To promote employee development and the systematic development of competence**

As a comparatively young market, the Internet is developing with high momentum, and calls for a broad and changing spectrum of skills from our staff. We meet these requirements with continuous advanced development of our employees by systematically building competence.

## **T-Systems**

Our customers, the capital markets and social groups are showing a growing interest in our corporate commitment to sustainable development. This interest is based on the realization that only companies that act in an economically, ecologically and socially responsible manner will be successful on the market in the long term. T-Systems' sustainability strategy therefore helps to safeguard the future of the company. This is particularly appropriate as global competition becomes ever more intensive.

For T-Systems this means:

***“Corporate action with the strategic incorporation  
of economic, ecological and social value appreciation potential”***

### **Action areas**

In order to implement the sustainability strategy, we have defined a number of action areas based on the various dimensions of sustainability (economy, ecology, society).

### **Sustainability potential in the T-Systems portfolio**

Our customers not only demand the efficient handling of resources, but are also increasingly voicing their expectations that other companies, and indeed society as a whole, can become more efficient via the use of our IT and telecommunications solutions. For this reason, we regularly scrutinize our portfolio for sustainability so as to identify the development potential of products and services with sustainable performance features and increasingly promote them. In this way, we enable our customers to structure their processes in a resource-efficient, sustainable manner.

### **Dealing with suppliers**

We require our suppliers to implement the Telekom social charter. This is reviewed by means of supplier evaluation and supplier audits.

### Dialog with partner companies

We seek dialog with partner companies on the subject of sustainability, with the aim of presenting T-Systems as a sustainable producer and maximizing the resultant benefits for ourselves, our partners and society.

### Encouraging and challenging our employees, as well as ensuring their welfare

Through the consistent implementation of the social charter, TSystems ensures the welfare of its employees equally throughout all countries, with due regard for country-specific situations.

T-Systems encourages employees, so that not only are they able to perform their current tasks, but also remain employable on a long-term basis, both within and outside of the company. TSystems initiates measures and programs which utilize the differences between employees as a way of safeguarding the company's future, whilst at the same time accepting our social responsibilities.

T-Systems challenges employees so that through their actions, they help to safeguard the future of the company.

### Expansion of eco-management systems

T-Systems is introducing eco-management systems in all areas with recognizable environmental relevance.

### Making sustainability measurable

The review of strategic decisions from a sustainability viewpoint is supported primarily by the regular collation of data and its representation in an index. The index serves to inform the Executive Board about the sustainability performance of TSystems, and regular updates are published in the Quality Report.

## 4. Implementation concept

This concept outlines the implementation of the strategic guidelines throughout the divisions.

- The strategic guidelines have fundamental validity for all national and international organizational units in the Deutsche Telekom Group and their employees.
- However, the strategic guidelines have varying relevance and significance for the different divisions. In order to do justice to this significance and to ensure that the guidelines are transparent, binding and comprehensible, both internally and externally, the following matrix indicates which strategic guidelines constitute action areas in which divisions and the Group Headquarters.
- Over the next three years, these action areas will be processed with a variety of targets, measures and projects. As such, the action areas shown in the matrix have the character of a binding program which should be seen as a minimum requirement.
- Wherever possible and expedient, the targets and measures to be prepared for this program should be bindingly agreed via the usual target agreement systems in the respective Group units (e.g. balanced scorecard, remuneration-based system of targets).
- Overall monitoring of this program will be carried out by "Corporate Sustainability & Citizenship" (CSC) in the Central Department HRS. The strategic guidelines are continuously reviewed by CSC for their validity, and where necessary are updated jointly with the divisions.
- CSC annually notifies the Group Board of Management of the implementation status of the sustainability strategy by means of appropriate indicators.

<b>Strategic guidelines</b>	<b>T-Com</b>	<b>T-Systems</b>	<b>T-Mobile</b>	<b>T-Online</b>	<b>Group HQ</b>
To be economically successful and to enhance trust through honesty and transparency	X	X	X	X	X
To assess the social consequences of our actions	X	X	X		X
To implement the requirements of the Global Compact					X
To respect the differences between peoples and cultures		X	X		X
To promote ecological resource efficiency and climate protection	X	X	X		X
To reduce environmental impacts	X		X		
To develop sustainable services and practice the application thereof	X	X	X	X	
To further develop the work environment and the knowledge society, and to overcome the Digital Divide	X			X	X