

# HUMAN RESOURCES REPORT 2013/2014



LIFE IS FOR SHARING.

# INDEX OF CONTENTS

## 6 — FOREWORD BY DR. THOMAS KREMER

## 7 — TELEKOM HUMAN RESOURCES STRATEGY

## 11 — OUR HIGHLIGHTS IN 2013/2014

- 12 Workforce and Structure
- 15 Health and Safety
- 18 Training and Development
- 22 Performance and Talent
- 24 Attractive Employer
- 26 Agile Company
- 29 Diversity as a Strength
- 33 Responsibility and Social Commitment
- 36 Efficiency through Simplicity

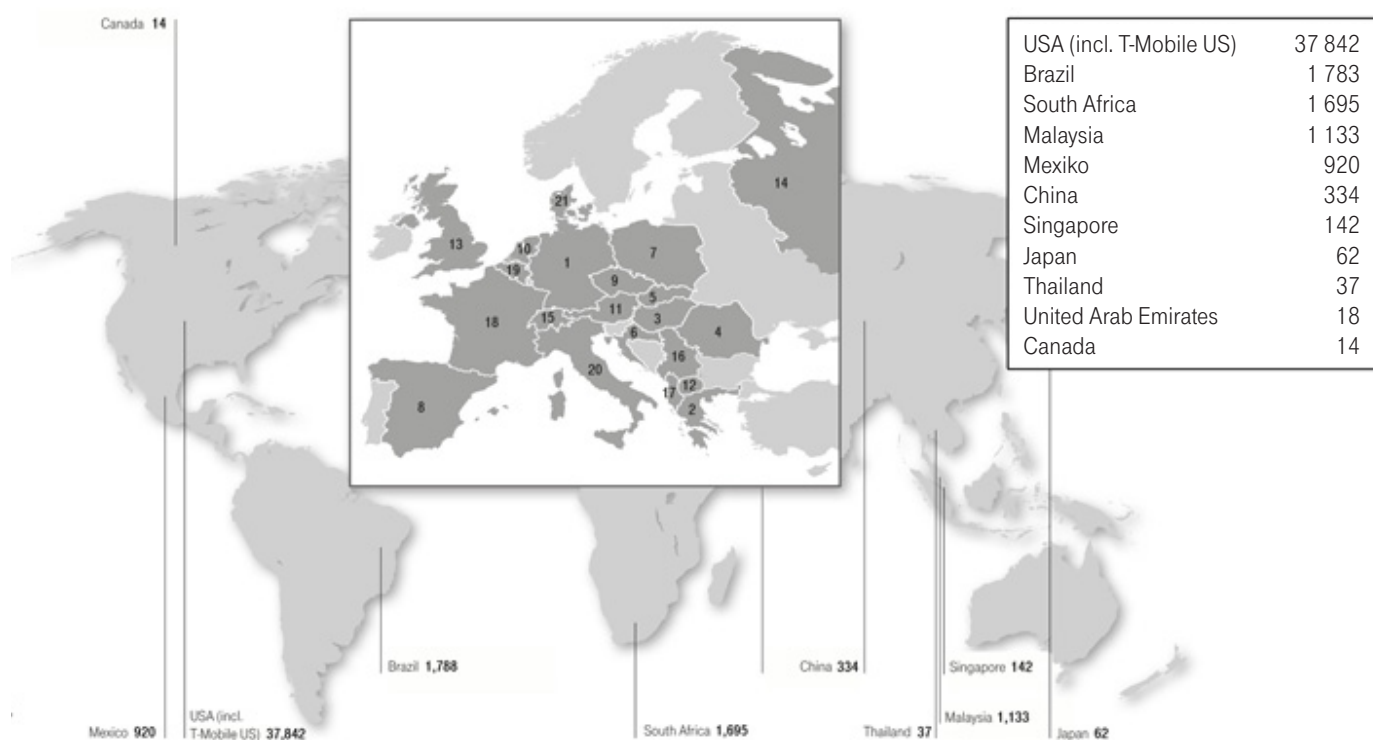
## 38 — FACTS & FIGURES

- 39 Employees
- 40 Proportion of civil servants in Germany
- 40 Revenue per employee (average number of FTE)
- 41 Personnel costs and personnel cost ratio
- 41 Total workforce costs
- 42 Total workforce ratio
- 42 Revenue development
- 43 Recruitment in Germany
- 43 Flexibilization of workforce in Germany
- 44 Tools for socially responsible staff reduction in Germany
- 44 Viento workforce

- 45 Health rate in Germany
- 45 Work accidents in Germany
- 46 Bologna@Telekom: level of satisfaction among new students
- 46 Partner universities for Bologna@Telekom
- 47 Training courses offered by Telekom Training in Germany
- 47 International development and management programs
- 48 Satisfaction rate and commitment index
- 48 Fluctuation rate
- 49 Pulse check
- 50 Employee satisfaction in Germany
- 51 Age structure in Germany
- 52 Apprentices and training programs in Germany
- 52 Trends in applicant numbers and in permanent employment of junior staff  
in Germany
- 53 Women in middle and upper management
- 53 Employees with disabilities in Germany
- 53 genial@telekom in Germany

## EMPLOYEES

By countries\*, in employees (FTE)

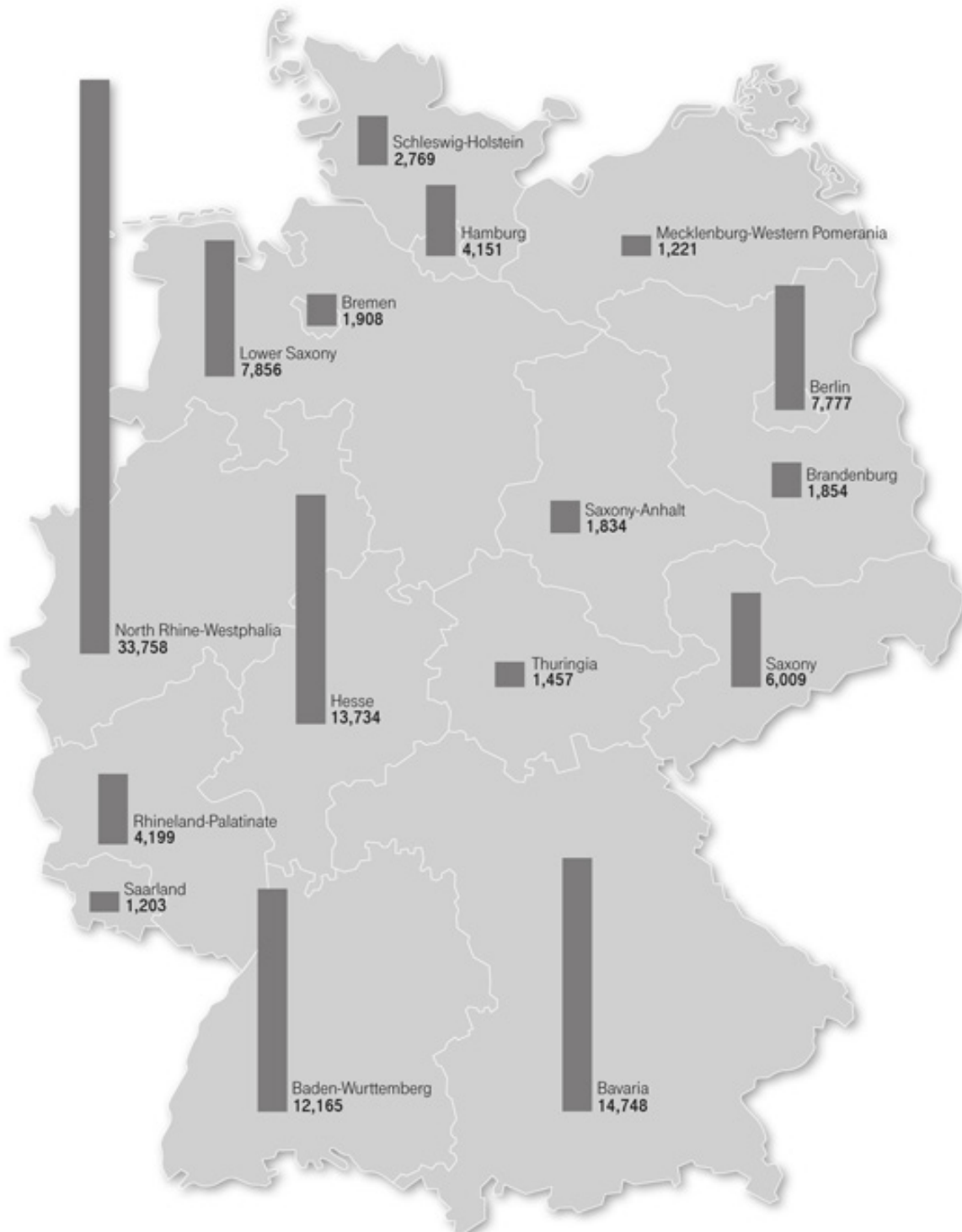


1	Germany	116 643
2	Greece	12 635
3	Hungary	12 558
4	Romania	8 909
5	Slovakia	7 124
6	Croatia	5 621
7	Poland	4 737
8	Spain	3 527
9	Czech Republica	3 241
10	Nederlands	2 187
11	Austria	1 935
12	Macedonia	1 418
13	United Kingdom	957
14	Russia	791
15	Schwitzerland	724
16	Montenegro	651
17	Albania	445
18	France	287
19	Belgium	86
20	Italy	84
21	Denmark	53

\* Bulgaria deconsolidated since August 2013.  
Cyprus deconsolidated since April 2013.

## EMPLOYEES IN GERMANY

By state, in employees (FTE)



# FOREWORD BY DR. THOMAS KREMER



Dr. Thomas Kremer  
Board member for Data Privacy, Legal Affairs  
and Compliance, Chief Human Resources  
Officer (acting)

## OUR CONVICTION: PEOPLE ARE THE SOURCE OF SUCCESS!

We, Deutsche Telekom, are not just another company that provides society with infrastructure. We want to simplify and enrich people's lives in the long term as the leading European telecommunications company.

The key to this success are the people who work for us. They not only serve as the foundation for our success: they represent the identity of our company. We know that only satisfied employees deliver consistent top performance. So, good Human Resources management addresses each person as an individual and as an employee.

Our modern understanding of HR work is reflected in the creation of an innovative work environment in which we offer our employees tailor-made solutions that fit their personal situation, and which makes doing a good job quite enjoyable.

For example, we offer flexible working time models that address the needs of the company as well as the interests of our employees. The focus of our Education 3.0 program is promoting the development of employees through hands-on training that provides them with the skills currently in demand. Our new leadership model "Lead to win" is designed to encourage and reward performance. Our Shareground platform supports our employees as they deal with transformation processes typical in the telecommunications business through new dialog and work models.

But at the same time, we believe that success also means bearing responsibility. When it comes to transformation programs that involve personnel restructuring, our approach is always to give priority to internal employees when vacancies need to be filled.

I invite you to browse through this Human Resources Report and see our future-minded projects and initiatives for yourself. Learn more about the people in our company who are the drivers of success – our employees, a workforce of which we are extremely proud.

Dr. Thomas Kremer  
Chief Human Resources Officer (acting)

# TELEKOM HUMAN RESOURCES STRATEGY

## KEY FACTORS FOR OUR HR ACTIVITIES

Our business environment is characterized by constant change. We must continuously ask ourselves what can be done today in order to respond to the challenges and demands of tomorrow. When it comes to mapping the course of our HR work, we focus attention on three essential things.

**First**, our task as the Human Resources department in our company is to effectively support the realization of Group strategy to ensure that we become the leading telecommunications provider in Europe. This aspiration is anchored in our leadership culture, and we support our employees as they strive to achieve our business objectives. We capture the skills that will be needed to realize the strategy in the years ahead, and use this information to design and conduct specific training and skills development programs for our workforce.

**Second**, Telekom's scope of action is determined by our current situation. The ICT market is highly competitive. It demands constant innovation and improved efficiency to counterbalance extreme price pressure in the industry. And in many areas strict regulation also impacts our business. Our job, therefore, is to ensure that our workforce structure is competitive in this kind of environment. We at Deutsche Telekom want to continue being the customer's trusted partner in a digital world that is becoming more and more complex. Our employees are committed to achieving this goal. We are dedicated to creating an environment that satisfies all of the requirements needed to provide the best customer service. That means delivering future-centric HR services in balance with the dictates of necessary personnel restructuring.

**The third key factor** for our approach involves monitoring global trends that will have a considerable impact on our HR activities. These trends include long-term developments like digitization, globalization, changing norms and values, demographics, and the evolution of the knowledge society. Of course, we also adopt short-term developments. This is exemplified in new forms of education and skills enhancement, such as our Massive Open Online Courses (MOOC) training format, which was originally developed at elite universities in the United States.



Deutsche Telekom at CeBIT 2014

## DERIVING THE HR STRATEGY

Our HR strategy takes all of these key factors into consideration and provides a common shared basis so that all HR units at Deutsche Telekom are focused on the same objectives. This can be expressed quite concisely: Our ambition is to ensure that "Human Resources (HR) accelerates success of business and people."

We strive to realize this ambition at two levels: with the strategic focal points for 2014 and initiatives that drive the implementation of these strategic focal points.

## FOCAL POINTS FOR 2014 – THE HR BIG 5 CONCRETIZE OUR AMBITION

We are concentrating on five strategic focal points in 2014 – the **HR Big 5**.

### HR BIG 1

**Continue business-driven total workforce management:** Our first focal point in 2014 involves the business-driven management of our internal and external workforce structure. The dynamics of our business environment, along with structural factors such as demographics, demand a forward-looking, responsible transformation of our organization. We at HR support the aspects of transformation that impact our workforce. We do this through HR planning that maps our future business and resource needs – for example, with regard to the number of employees and types of skills required. Our actions are guided by the basic principle “internal before external.” When filling job vacancies, and when considering services offered by external personnel, we believe in giving preference to internal applicants. This also means that specific skills need to be promoted so that our internal employees are prepared to perform these jobs successfully. Therefore, fostering the employability of our workforce is one of our core activities (see HR Big 3). This is very important and is the only way to ensure that we have suitable internal candidates available to fill vacancies as they occur.

### HR BIG 2

**Encourage leadership and performance development:** We also aim to continue developing the leadership skills of our managers and sustainably increasing the performance orientation of our employees. To do this we will establish Group-wide leadership principles, aligning our performance and development instruments accordingly. We thus support the performance capabilities and innovative power of our workforce to provide a firm foundation for service innovation and maximum customer satisfaction.

### HR BIG 3

**Foster employability of our workforce:** A third key factor is our investment in the expertise of our employees and in training focused on future jobs. This involves skills development with a view to business-critical job profiles that will be in significant demand in the years ahead. We stand by increasing the women’s quota and are working on the internationalization of our staff. When it comes to demographic change, we rely on integrated demographics management that enables us to ensure the employability of our employees through various programs and measures.

### HR Big 4

**Increase organizational effectiveness:** With innovative work models and flexible work environments, we contribute to increasing the organizational effectiveness of Deutsche Telekom. Constantly growing demands stemming from increases in work complexity require fast and flexible adaptation capabilities at the individual and organizational levels throughout the company. Here we support our employees by providing modern methodologies and tools such as the “Business Labs,” which we introduced in 2013. Modern workplaces, work models and formats are the elements included in our concept of flexible work environments – an initiative that we will continue and expand in 2014. These measures enable us to strengthen effective collaboration and innovation in the company.

### HR BIG 5

**We make it lean and simple:** The ongoing improvement of our operative HR activities is again a key focus in 2014. This fifth focal point involves the constant alignment of our HR product portfolio with the needs of the business, making it simple and transparent, in addition to simplifying, harmonizing and integrating our HR IT systems.



## HR TOP INITIATIVES – DRIVERS FOR IMPLEMENTING OUR HR STRATEGY

We are speeding up the implementation of the HR BIG 5 in 2014 with strategic HR top initiatives. These ensure that our HR strategy has maximum effect on our operative business.

### Current initiatives for implementing HR BIG 1: Continue business-driven total workforce management

- **Internal before external:** In the near future, we will push the “internal before external” principle whenever job vacancies need to be filled, especially during workforce restructuring in Germany. Before considering external recruitment, we will evaluate the situation to see if a qualified internal employee is available for a job. We intend to foster the employability of our own staff, and provide training opportunities in line with current and future business needs.
- **Transformation programs:** In light of ever-changing market demands, we must also make changes that are necessary in our business models. We at HR support the workforce restructuring that is required in this transformation process. We are well aware of our responsibility for our employees, and our actions will be guided by the “internal before external” principle.

### Current initiatives for implementing HR BIG 2: Encourage leadership & performance development

- **“Lead to win” – a new leadership model and performance development system:** We have developed a new leadership model to prepare our managers for the future challenges and opportunities in our industry. It will be launched throughout the company in 2014 and provide our managers with a consistent set of principles for the first time. These principles – known as “collaborate,” “innovate,” and “empower to perform” – enable us to address the key success factors on our way to becoming Europe’s leading telecommunications company. By consistently integrating these principles in our HR processes for leadership, performance, and development, we are accelerating their implementation throughout the Group. This applies first of all to our top executives. From now on, dialog between managers and their staff will take place more frequently and a greater focus will be placed on development. The relationship between targets, performance, development paths, and pay is to be reinforced. Initiative and responsibility are to play a greater role in future for all those involved. This is what defines the expectations we have of our employees and their managers.

### Current initiatives for implementing HR BIG 3: Foster the employability of our workforce

- **Demographics management:** We are identifying the challenges posed by demographic change, and we are developing solutions that will ensure the employability of our employees. Our overarching demographics management addresses matters such as lifelong learning, health, concepts for flexible work time models and culture change within the context of our age structure. Emphasis is currently being laid on the work-life balance and the rollout of measures designed in 2013 as part of the “Demography as a chance” initiative.
- **Education 3.0:** Our objective is to make sure that employees receive the maximum benefit from our investments in education and training. To do this, we offer an integrated training portfolio across all of our institutions for qualification and promote the increased use of modern learning formats. This helps us optimize our qualification steering and enhance efficiency. Another core objective is to further and continuously align our training and skills development portfolio with the needs of the business.

### Current initiatives for implementing HR BIG 4: Increase organizational effectiveness

- **Shareground:** This is our platform for culture transformation. The initiative is a driver of change and promotes networking both within and outside Deutsche Telekom so that a modern work culture will be established. This includes, for example, workshops and team coaching sessions that cover new work and collaboration methods. Another example is Magenta MOOC, an online course open to employees from all areas of Deutsche Telekom. The program was launched in April 2014 under the heading “Share your entrepreneurial spirit.”
- **Future Work:** When it comes to “work of the future,” we strive to achieve an optimal combination of office architecture, IT infrastructure, as well as work and leadership culture. We want our employees to experience a modern working atmosphere through innovative interaction, promoting efficient collaboration, and providing ample freedom for creativity. Based on a pilot project conducted last year, we derived a number of key findings and recommendations that will be incorporated in various other projects in the future.

**Current initiatives for implementing HR BIG 5:****Make HR products lean and simple**

- **Simplifying HR product portfolio:** : We continue to optimize our HR offerings. This involves standardizing and streamlining HR products, a clearly structured HR portfolio, and improved usability of HR tools. This will help us enhance the performance of our employees. We provide them with the best HR products available so that they can spend more time caring for our external customers.
  
- **HR-Suite / One.HR systems:** We launched the HR-Suite and One.HR IT platforms as drivers of quality and efficiency in the provisioning of our internal HR services. HR-Suite combines strategic HR products throughout the company and consolidates them in one shared HR IT system. The focus here is on recruitment, performance management, training, salary reviews, and implementation via a shared platform for all Group employees. The foundation for this is One.HR. The project is comprised of a domestic and an international module. The objective of the domestic module is to optimize the IT landscape in both functional and technical terms. The international module is aimed at harmonizing employee master data, establishing global organizational structures, and simplifying operational reporting.

# OUR HIGHLIGHTS IN 2013/2014

## WE HAVE SELECTED SOME OF OUR HR HIGHLIGHTS FOR YOU

Workforce and structure, performance and talent, responsibility and social commitment. Those are just a few of the exciting topics we would like to present to you.

- **Workforce and structure**
- **Health and safety**
- **Training and development**
- **Performance and talent**
- **Attractive employer**
- **Agile company**
- **Diversity as a strength**
- **Responsibility and social commitment**
- **Efficiency through simplicity**

# WORKFORCE AND STRUCTURE



## SHAPING CHANGE

We want to continue to be successful in future. That's why we are already making the transition from a traditional telephone company to a service provider with completely new prospects. All the while, our goal of becoming the leading European telecommunications company remains clearly in view. The basis for this is and remains our core business: competent and service-oriented employees who operate and market our networks and lines. At the same time, we are intensively exploiting business areas that offer new growth opportunities. These are the areas that will secure the jobs of the future.

We at HR need to make sure that qualified employees are available to fill these jobs at the right time and at reasonable costs. To achieve this, we rely on Total Workforce Management (TWM) for both the quantitative and qualitative aspects of HR planning. TWM covers both internal and external employees, especially in those areas where new skills are in great demand due to technological change. Our internal workforce is comprised of:

- 228,596 employees worldwide,
- with 111,953 working outside of Germany,
- with diverse expertise in mobile communications, IT, fixed-line networks and support functions worldwide.

## TOTAL WORKFORCE MANAGEMENT: EFFICIENT DEPLOYMENT OF PERSONNEL, INCREASED PRODUCTIVITY

Total Workforce Management (TWM) is an instrument we use to bring our current workforce in line with the business requirements of the future and to manage the structure of our workforce in terms of costs, capacities and skills. It helps HR to provide guidance and a fresh impetus to HR planning at Deutsche Telekom. Group Headquarters defines the scope of TWM, whereas the operative implementation takes place in the segments. The shared objective is to improve the effectiveness and efficiency of our workforce and thus contribute to the company's business success. One prime example is integrated network expansion in Germany. A "gigabit society" is growing up around us in which high-speed Internet is taken for granted at home, at the office, and on the move. But this calls for ever more efficient networks. To build these networks, Telekom invested around 3.4 billion euros in 2013. Additional investments in this range are planned for 2014 and 2015. But this commitment is not just a response to the enormous demand in bandwidth expected in the future. We are also investing in new business areas at the same time – areas such as the energy, healthcare and automotive industries.

In 2013, we allocated personnel needed for network expansion by relying on cross-company collaboration within the Technology unit. In some 50 information events, we generated support for Deutsche Telekom Technik GmbH, which is responsible for network expansion. Some 2,700 employees responded to our call for support. Today more than 800 employees are dedicated to network expansion. Our goal is to recruit more employees for this project in 2015 and 2016. This approach offers employees an opportunity to advance themselves by taking on new challenges.

TWM is also critical to the success of the Europe segment: Our objective in our European national companies and in Germany is to set up a

pan-European network based on All-IP which consolidates mobile and fixed-line technologies and enables a new cloud-based production model. The challenge will be to migrate all customers to the IP network in the years ahead.

Based on the TWM approach, HR was involved in drawing up the migration plans from the very start and played a key role in the success of the project in 2013. HR organized the training courses required and managed personnel deployment. This resulted in considerable improvements in efficiency both at international level and in the central project organization – an integrated approach with experts involved at an early stage, fast decision-making and minimized risks.

### FOCUS ON EXTERNAL WORKFORCE MANAGEMENT IN 2013

We put a sharper focus on external workforce management (EWM) in 2013.

Just like many other enterprises, we also rely on external personnel to cope with peak workloads. We also take advantage of external expertise in order to drive innovation forward with greater speed.

EWM helps us manage the efficient deployment of external resources – such as partners, suppliers and service providers – throughout the company. Using standardized criteria, we decide how many external staff are needed, where and at which costs. Our actions are guided by the basic principle “internal before external.” When filling job vacancies, and when considering services offered by external personnel, we believe in giving preference to internal candidates.

We also make sure that all legal aspects are taken into consideration. To this end, we integrated a legal review and approval process for contracting with external providers in 2013. This enables us to prevent false self-employment and illegal personnel leasing from taking place.

### RESPONSIBLE WORKFORCE RESTRUCTURING TO BE CONTINUED

The relentlessly fierce competition in our industry, coupled with a continuing difficult economic situation in some of our core markets, necessitated further staff restructuring in 2013.

The principal developments are outlined below:

### Successful reorganization of Group Headquarters and Group Services

- As part of the reorganization process that took place in 2012, Telekom advertised all positions at Group Headquarters and filled them with qualified candidates on January 1, 2013. This also involved a significant reduction in jobs. The new and temporary Projects & Operations unit gave employees without a suitable position in this new structure a chance to redefine their career and development.
- Now, more than a year later, the positive results of restructuring at Group Headquarters and Group Services have become evident. Two pulse surveys conducted in 2013 confirm the employees' satisfaction. Steering and service tasks are now separated, resulting in a clearer focus and higher efficiency. The international focus has been strengthened.

### Service provider for workforce restructuring: Vivento with new objectives

- Vivento, our personnel service provider, once again supported many Group units in 2013 in their efforts to restructure their workforce. As in previous years, several thousand employees were placed in external positions at the end of 2013, especially in the public sector – for example, with the Federal Employment Agency, Federal Customs Service, Federal Central Tax Office and various local government agencies. With these placements, Vivento supports the modernization efforts at federal, state and local level in Germany. Within Deutsche Telekom itself, Vivento also placed several thousand employees in positions mostly related to customer service. Vivento, founded more than ten years ago, has given some 43,000 employees new perspectives..
- The changing markets and future technological, social and demographic trends that Deutsche Telekom is faced with required us to adjust our personnel restructuring activities and, as a result, the role of our Vivento unit. As an exclusive personnel service provider, Vivento will continue to offer a variety of services to the Group segments in Germany, supporting their workforce restructuring efforts. We are also putting a stronger focus on placing our current employees in positions within Telekom itself, for example through specific training offers. The aim is to keep valuable know-how inside the company and reduce expenses for external service providers. To underline this approach, Vivento was renamed “Telekom Placement Services” in April 2014. Key elements of personnel restructuring will still include employment opportunities in the public sector, in addition to other attractive alternatives such as phased or early retirement, severance pay and new placement consulting.

### Germany operating segment

Workforce restructuring in the Germany operating segment will mainly affect administrative units. Of the some 70,000 employees in Germany, about 13,000 were responsible for steering and cross-functional tasks in early 2013. We trimmed down this segment through the Lean Admin initiative. More than 1,500 employees opted for opportunities such as severance pay, early retirement or internal job placement within the Group. This results in considerable cost reductions for administration functions over a period of several years. We intend to continue the systematic personnel restructuring process in 2014.

### T-Systems invests in forward-thinking business

In 2013, we initiated steps to ensure that our systems solutions business can react to market transformations with more agility.

- The Market Unit represented the first of those steps in the direction of greater simplicity and more performance.
- At Telekom IT we considerably improved the stability of internal IT systems and thus significantly reduced costs for the Group.

This in turn resulted in customer satisfaction with T-Systems that exceeded all previous levels. For the first time, we were among the best ten percent of ICT service providers in Europe having the most satisfied customers, as confirmed by the TRI\*M study.

We also slimmed down the Finance & Controlling organization and introduced more efficient processes there.

The ICT market is and will remain very dynamic. Competition is tough, and the market requires constant innovation along with improved efficiency. In this environment we are consistently developing and optimizing our systems solutions business as part of the T-Systems Transformation 2015+ program so that our customers benefit from the best services and the best price-performance ratio.

- We are continuing to realign the business model of the Market Unit in order to strengthen not only the classic ICT business, but also to promote platform-based services and cloud services as well. We are investing in digital innovation areas such as the connected car, healthcare, energy, cloud computing, and cyber security. We are transforming conventional ICT services, which are based largely on outsourcing, into services that we can offer profitably on a lasting basis.

- The transformation of Telekom IT, started back in 2011, will also be continued. And with the Drive Eco program we will continue to follow the path we have mapped out with the objective of reducing the IT costs for the Group and increasing quality.

We expect this transformation phase to take two years.

The transformation will be accompanied by personnel restructuring that is closely aligned with strategic training measures to prepare employees for future job profiles and requirements. We are also reducing the use of external personnel in favor of employment of our internal workforce. Workforce restructuring will be conducted with foresight and responsibility in cooperation with employee representatives. We as a company rely on voluntary restructuring instruments, an open and fair dialog with all those affected, and the willingness of our employees to embrace change.

### INTENSIVE COOPERATION WITH EMPLOYEE REPRESENTATIVES: CONSTRUCTIVE DIALOG AT GERMAN AND INTERNATIONAL LEVELS

We successfully continued our intensive dialog with employee representatives and trade unions in 2013. Without their cooperation, the realization of many measures and projects would not have been possible. Our commitment to trusted cooperation, which is anchored in our Employee Relations Policy, has been very successful. We will continue this approach of close partnership with employee representatives. A key role is played by the Group Works Council and the Group representatives for disabled employees, our contacts for all codetermination issues within the Group in Germany.

At the European level, we continued our constructive and trusted relationship with the European Works Council (EWC) in 2013. The number of projects of relevance to the EWC was considerably higher than that of 2012.

# HEALTH AND SAFETY

## FIT FOR THE FUTURE

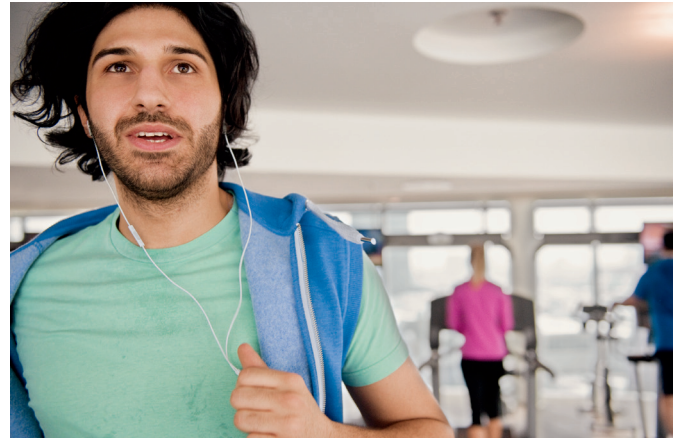
In 2013, the absence rate due to illness among employees in Germany was at its highest level since 1999. Each employee missed 14.7 days of work on average. Absences due to illness are very costly for businesses and the economy. Germany's Federal Institute for Occupational Safety and Health (BAuA) estimates that the economic impact of these absences is 53 billion euros – the figures for 2013 will probably be even higher.

Sick days are not just a problem for the affected employees. Absences can seriously interrupt work processes. They limit the flexibility of business and may even be a strain on the other members of a company's workforce.

At Deutsche Telekom, investments in the health and safety of our employees are a matter of course. A motivated and productive workforce bolsters our ability to compete in the market. Our employees are the driving force behind Deutsche Telekom's success.

It goes without saying that we take responsibility for compliance with laws pertaining to occupational health and safety. But this alone is not enough. In terms of our sustainable HR activities, we place great value on raising awareness, prevention and encouraging individual responsibility in all areas of the Group. We strive to encourage healthy lifestyles and health competence in our workforce through initiatives related to occupational health and safety, health protection and promotion schemes, as well as psychosocial support.

Today much of the work done in Human Resources is influenced by demographic change in some way. This fundamental change in our social structure means that many people will be working longer during their lifetime and that teams comprised of several generations of employees will be the norm. We are committed to fostering productive relationships among employees of all ages throughout the company. With this in mind, we support measures that promote the long-term physical and mental health of our employees. We promote a work environment that delivers benefits to all age groups in the company, from junior staff to experienced employees.



## OCCUPATIONAL HEALTH AND SAFETY IN GERMANY

Standardized products and processes enable us to establish a consistent and solid basis for occupational health and safety. We continuously analyze age-related health risks. Based on data from reports provided by health insurance providers, we evaluate the most important diagnoses to determine how many employees were affected by illness and how long they were absent from work. We use this information to launch concrete prevention measures. Multidisciplinary teams – 135 company physicians, 60 experts providing psychosocial counseling and 120 health and safety specialists – support us in this area. They are responsible for medical checkups, preventive occupational health services as well as physical and technical risk assessments concerning some 40,000 workplaces that are evaluated during 300 on-site inspections conducted annually.

## FROM THE ANALYSIS TO A GROUP-SPECIFIC PRODUCT

From our regular employee surveys we know that the work environment and increasing demands are having an impact on the health of our workforce. In 2011, to identify potential health problems early on, we launched a tool known as early warning cockpit, which consolidates information from several different data collection tools. Data sources include, for example, employee surveys, anonymous data from individual consultation sessions and medical checkups, not to mention overarching facts and figures such as the health and accident rate and reports from health insurance providers. Based on this information, we draw up products and programs tailored to the specific needs of our employees.

## HEALTH AS A MANAGEMENT RESPONSIBILITY

The main focus of our health management activities in 2013 involved managers throughout the company. Following a successful pilot phase in Germany, we introduced a new Group-wide concept known as "Leadership and health – Opportunities and limits." Attentive and supportive leadership plays a key role in safeguarding the wellbeing of our employees and reducing mental stress. Managers should serve as role models for healthy lifestyles that can be emulated by the workforce to help prevent illness. In direct contact with their team members, they should act as ambassadors for healthy living, and provide guidance as part of their obligation to ensure the welfare of employees. We support managers in fulfilling this duty by offering special counseling services, seminars, workshops, and web-based trainings. Our objective is to raise their health awareness and competence. In addition to fulfilling their role in matters related to occupational health and safety, it is also important that managers learn to recognize signs of mental stress at the workplace and how to take appropriate action. Monitoring one's own health status is also important in this context. In our leadership development programs we lay greater emphasis on topics of relevance to company health management – this will also be done at international level in 2014.

## THE ROLE OF PREVENTION IN COMPANY HEALTH PROGRAMS

Prevention is the cornerstone of our approach to occupational health and safety. By offering target group-specific options for preventive healthcare, we encourage our employees to take active responsibility for their health in general. This also encompasses steps taken to prevent "presenteeism," in other words, employees coming to work even though they are ill.

When it comes to mental wellbeing, we offer workshops on subjects such as stress management, addiction and resilience. Our resilience seminars are designed to build personal self-confidence when coping with crisis situations. In addition, all employees can take advantage of confidential psychosocial counseling sessions with external specialists. Other prevention offers, including flu jabs, information on proper nutrition, exercise and relaxation, as well as colon cancer screening, have been assigned high priorities in Deutsche Telekom's health management program for many years. More than 13,000 employees aged 45 or older are screened for colon cancer every year. In many cases the disease was diagnosed early enough to ensure effective treatment. In fact, the Felix Burda Foundation has publicly recognized the high quality of our colon cancer screening program. The foundation draws attention to exemplary programs annually, and Deutsche Telekom was awarded the first prize in the "Corporate Prevention" category.

Our "Blood Pressure?" campaign was quite successful last year in drawing attention to the prevention of cardiovascular diseases. We launched a road show covering 49 sites to inform employees and invited them to have their blood pressure taken free of charge. Some 4,000 employees took part in this campaign, which is why it will be continued in 2014.

## Other prevention programs in the segments and Group companies

A number of prevention initiatives are also conducted at the segment and Group company levels. Here are just a few examples:

- "Fit for work – Exercise, nutrition, balance:" Due to the success of this event series in 2012, we continued the initiative in 2013. The events took place at Group Headquarters and Group Services, Telekom Deutschland GmbH and Deutsche Telekom Technischer Service GmbH. The main focus was on information about nutrition and exercise in preventing muscular and skeletal disorders. These ailments are a major cause of absences due to illness.
- Customer Service Health Award and health and safety campaigns: Deutsche Telekom Kundenservice launched an internal staff competition known as the Health Award along with campaigns highlighting "health on the job." The objective of both is to raise the awareness and responsibility of employees and support them in adopting healthy lifestyles.
- Health dialog: Deutsche Telekom Technischer Service GmbH relies on a health dialog with employees to identify issues in the work environment. If a team feels that the situation at work needs improvement, the team leader can request a health dialog session. With the help of a professional facilitator, the teams and their manager jointly discuss the situation in a workshop and explore the options available that they can implement to improve their daily work environment later on.

## OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

Accidents are indeed terrible for the victims. Companies also suffer due to the high costs stemming from employee absences. That is why we analyze accident reports throughout the Group at regular intervals. We use this information to launch concrete accident prevention measures. Our goal is to prevent employee accidents and thus reduce absences due to injuries. The accident rate at Deutsche Telekom is our yardstick in this context. In 2013, eight accidents per 1,000 employees were recorded – a figure which is below the industry average.



Most accidents occur on the journey to or from work, in addition to stumbling, slipping or falling at the workplace. Thus we developed measures aimed to prevent the causes of such accidents. For example, we offered “step by step” seminars for service technicians who are constantly on the move, often on foot, to safeguard them against mishaps. This program will be continued throughout 2014. Over and above these measures, employees may also participate in driver safety training programs at reduced cost. Employees can sign up directly, or managers can book driver training courses for their teams.

### CERTIFIED QUALITY

For several years now, Telekom has relied on a management system for occupational health and safety based on the British OHSAS 18001 standard. This is subject to external audits at regular intervals. Our approach has been certified for excellence. For example, no other comparable company emphasizes health and safety in its employee survey more than Telekom does. The focus is always on the systematic analysis of the resources and stress factors found at the workplace. This gives us insight into the physical and mental health of our workforce. We then provide managers with concrete recommendations on how to address the issues in their teams that were identified through the health survey. In teams with below-average survey results we urgently call for managers to take appropriate action. These actions are documented by managers in the follow-up process of the employee survey as part of the assessment of risk posed by mental stress. The HR experts responsible for health management, along with employee representatives, have access to the findings of the health survey and the documentation from the follow-up process in so far as this data is related to their area of responsibility. Of course, the confidentiality of employee data is fully guaranteed. They discuss this information in working groups and, if necessary, support management with additional measures, such as in-depth analysis processes.

Furthermore, we also rely on a separate physical and technical risk assessment process to determine the risks posed by specific workplaces. This results in workplace-related measures such as the provisioning of protective masks or specific preventive medical examinations as called for. Should existing workplace equipment be the source of health issues, employees receive appropriate support, which could take the form of a special office chair or computer glasses for those constantly using display screens.

### INTERNATIONAL ROLLOUT ON SCHEDULE

In addition to our successful domestic health management system, we will also be continuing our rollout of the international program until the end of 2015. We are establishing harmonized processes that will lead to more transparency and comparability throughout the Group. For example, standardized performance indicators are being defined to ensure consistent measurement of absences.

To date 30 out of 40 Group companies outside Germany are connected to the Group-wide framework, and in 2014 two more are expected to join the list. We are striving to finish the rollout of this framework at all of our national companies by 2015.



# TRAINING AND DEVELOPMENT

## SAFEGUARDING OUR FUTURE VIABILITY

Every investment in the training of our employees is an important investment in the competitiveness of our company. In 2013, for example, 480,000 training days were devoted to the personal and professional development of our employees within the German Group. This equates to an average of 4.0 training days per employee in Germany.

There are good reasons behind the training we offer. Well qualified personnel afford us greater independence from the external labor market. Furthermore, we are dependent on inside know-how and skills that consistently help us meet the demands of the business in times of continuous change. As a result, the broad range of training we offer also features content that conveys both our corporate strategy and values and our professional know-how, such as machine-to-machine (M2M) technologies, for example. When it comes to the need for agility, Deutsche Telekom places high demands on its employees. We take account of this by creating a particularly flexible, needs-based learning and working culture characterized by the use of modern methods, media and formats.

Such training and continuing education is always based on an assessment of the individual's performance. At the same time, other factors such as the requirements of the business and the needs, interests, skills and experience of our employees are used as a guide for personal development planning.

The demands being made within our industry are changing all the time. That is why we launched our Education 3.0 HR top initiative in 2013. We put our educational and training measures systematically to the test. The project is aimed at the strategic realignment and improved efficiency of the entire in-house training system.

This is the only way we can invest responsibly and draw the maximum benefit for our company and our workforce.

## TRAINING WITH RESPONSIBILITY AT DEUTSCHE TELEKOM

Deutsche Telekom is one of the largest training providers in Germany and a forerunner among DAX-listed companies.

At Telekom in 2013 we opened up career prospects for around 3,200 young people. We provided over 2,500 training places, around 500 for participants of our cooperative study programs and more than 100 for full-time students at the company's own HfTL University of Applied Sciences in Leipzig.

The total number of trainees and students on cooperative study programs at Telekom across all three training years is more than 9,100, which is broken down as follows:

- Over 7,700 are apprentices
- Around 1,300 students are on cooperative study programs
- In addition, around 100 young people are taking part in our entry-level training scheme.

What's more, there are a total of approximately 300 full-time students attending our own HfTL University of Applied Sciences in Leipzig. Of the 412 graduates of our full-time and cooperative study programs, we employed around one half within the Group, and of these almost 70 had attended the HfTL.

Diversity is a huge priority for us. We make a conscious effort to encourage diversity among our junior staff by, for example:

- Offering young single mothers and fathers the opportunity of undertaking a course of training or cooperative study program on a part-time basis
- Enabling disadvantaged young people to be integrated into working life by taking part in an entry-level training placement
- Offering training to young persons with a severe disability, equating to around 1 percent of trainees
- Specifically targeting high-performing junior staff within both IT and Sales with our Young IT Talents and Young Sales Talents programs
- Offering employment in Germany to apprentices and students on cooperative courses from a total of 74 countries.

## NEEDS-BASED AND FUTURE-ORIENTED LEARNING

We also use our special expertise as an innovation leader in the fields of telecommunications and information technology to train our own personnel. In real terms this means learning and working environments are becoming more and more interconnected. Our learning methods and media are modern and geared toward the future. As part of our commitment to lifelong learning, we offer our employees adequate training opportunities, from the start of their career until shortly before they retire. Forms of learning such as e-learning, learning apps, e-books or online simulations ensure knowledge can be directly accessed within the relevant work context. Our in-house Telekom Social Network also promotes cooperation within the Group. Open access to knowledge, irrespective of attendance, promotes self-determination as well as a sense of personal responsibility among employees in their own training and development. Overall, however, it also increases the efficiency of our company, because costs for travel and time spent away from work are reduced.

We encourage and complement individually controlled learning with a variety of strategic training opportunities at various Group levels. These include, for example:

- **Magenta MOOC:** The new Massive Open Online Course (MOOC) training model was initially developed at elite universities in the USA by linking conventional distance learning with social media, however it has since gained worldwide significance. As one of the first major European companies we are using this new form of knowledge transfer and joint knowledge creation in a systematic range of courses. The world's first MOOC for our employees will be held from the beginning of April to the end of June 2014. Over 3,500 employees from 27 countries signed up for this program. 500 of these work on team-based tasks in small international teams, all others keep track of the course contents and support the participants with feedback and discussions held in an online forum.
- **BrainBites** is the open Internet platform for all Group employees that encourages them to 'think outside the box.' It provides daily, up-to-date information, irrespective of time and location, on strategy-related topics. A specialist editorial team also publishes regular information on market innovations, disruptive technologies or cross-sector HR issues. Getting to grips with global trends at an early stage enhances our employees' skills. The ability to access the latest knowledge online – whenever, wherever you want – also promotes an agile approach to work and therefore boosts our competitiveness.



- Another Group-wide training system we offer is **CAMPUS**, a modular program for employees who have no managerial responsibility. **CAMPUS** accompanies them on their journey through different training levels over the course of their careers. This system enables them to systematically update and expand their specialist know-how, for example in finance or human resources.

In addition to our Group-wide training courses, we also provided business area-specific training in the various segments.

- In the Germany operating segment, for example, we offer a development program especially for employees with high potential. Candidates whose potential has been confirmed in a performance assessment can apply to HR and their line manager for an 18-month specialist training course. In 2013, 57 employees from Marketing, 32 from HR and 49 from Finance took part in this course.
- We also set up a series of specialist seminars for junior staff and employees of Deutsche Telekom Technik GmbH in the Germany segment. These training opportunities were our reaction to the

accelerated network expansion and the increased manpower requirements in Telekom's technical sector. By the end of 2013, 1000 employees had taken part in a total of around 12,000 seminar days.

- Deutsche Telekom Technischer Service GmbH has been offering the "Adopting a service mindset" program since 2013. The aim of the program is to increase customer satisfaction, improve operating performance indicators and bring about long-term change in leadership behavior across all levels. A host of measures is being developed for this as part of a 14-day bottom-up approach. All levels right up to the Board of Management are involved in this process, with professional coaches providing intensive support. The plan is for all operational staff at Deutsche Telekom Technischer Service GmbH to have taken part in the program by 2017.
- "2 in 2 Out – Cross-Country Mobility" was the name of the inter-cultural training program implemented by the Europe operating segment. The principle is that two employees from a Telekom Group company change places for a specific period of time with two colleagues from another European national company or the headquarters of the Europe operating segment. 56 employees took up this opportunity in 2013. This initiative gives us valuable ideas on improving collaboration and personnel development across the Group.
- We also identified a need for business area-specific training at T-Systems. In order to be able to react more decisively to dynamic change in the technology market, T-Systems implemented its Strategic Employee Development program. This allows the segment to manage demand in terms of future skills. In 2013 T-Systems invested more than 30 million euros in strategic training for its staff, with the aim of making them fit for new technologies such as cloud, big data, security, intelligent networks, or new markets like health-care, energy, and connected car.

Overall, we are increasingly resorting to our own know-how when it comes to training and development. In learning from the best, we are consciously using the knowledge and skills from trainers and experts working within the company. They are highly regarded among employees. By incorporating our experienced knowledge bearers we can tailor training needs perfectly to the requirements of the business. We also use their expertise for designing and implementing training concepts.

## LEADERSHIP DEVELOPMENT: PROMOTING A NEW LEADERSHIP AND PERFORMANCE CULTURE

Without doubt Deutsche Telekom is facing huge challenges – extremely dynamic markets, technical innovations, regulation and strong competitors, to name just a few. That means a lot of responsibility for managers. They need to make quick decisions and weigh up the risks; they need to demonstrate courage when it comes to innovations, whilst maintaining a focus on consistently high performance.



Our leadership development programs are designed to help managers cope with such tasks and supporting their own personal development. Overall, it is about strengthening innovativeness, internal collaboration and corporate responsibility. This is backed up by our "Lead to win" HR top initiative.

### Lead to win – A new leadership model and performance development system

In order to better equip our managers for future opportunities and challenges within our industry, we developed a new leadership model and introduced it across the Group. Now, for the first time, we have standardized, Group-wide principles in place for all our managers. They tackle topics such as cooperation, innovation, and performance – success factors on our way to becoming the leading telecommunications company in Europe.

By consistently integrating these principles in our HR processes for leadership, performance, and development, we are accelerating their implementation throughout the Group. This applies first of all to our top executives. From now on, dialog between managers and their staff will take place more frequently and greater focus will be placed on development. The relationship between targets, performance, development

paths and pay is to be reinforced. Initiative and responsibility are to play a greater role in future for all those involved. This is what defines the expectations we have of our employees and their managers.

The strategic development of our managers is backed up by the Leadership Excellence and Development (LEAD) portfolio, which was developed in 2013 and applies Group-wide. With this program we are offering training modules that support our managers in developing the business (Leading Business), that reinforce their leadership role and team responsibility (Leading People) or that place the focus on their own leadership personality (Leading Yourself).

#### Examples from the segments

In addition to Group-wide leadership development, the Group also offers a range of segment-specific programs, such as in the Germany operating segment, for example:

- The segment-wide Effective Leadership initiative for increasing efficiency at a managerial level has been in place since 2009. In order to make managers more efficient in performing their primary task, i.e. leading, the segment, in 2013, concentrated in particular on providing tools to strengthen the work-life balance, deal with change processes and improve transfunctional cooperation as well as the feedback culture within the segment.
- Since October 2013, attendance at the “On the right track – Fit for peak performance” series of seminars has been mandatory for managers at Deutsche Telekom Technischer Service GmbH. The aim of these seminars is to reflect on one’s personal leadership conduct as part of experience-based training modules and exchange information and ideas on the direct correlation between leadership and health. In 2013 around 300 managers took part in the ten seminars offered. This will be continued in 2014.
- Training courses that have specifically been devoted to up-and-coming managers include, for example, the leadership development programs offered by Telekom Shop Vertriebsgesellschaft mbH. Driven employees with leadership talent who have their sights set on a position as Shop manager or sales area manager can apply. In 2014 the programs will continue to focus on achieving “the best leadership experience for the best shopping experience.” As in previous years we will be offering the approximately 100 junior managers who are new to the role both practical assignments as well as mentor support.

To strengthen intercultural leadership skills in particular, a host of leadership development measures is also taking place in our Europe and Systems Solutions operating segments.

- Based on the principle that “good cooperation creates huge added value – poor cooperation is worse than none,” the Europe segment, for example, is offering sessions for experienced managers with the aim of improving cooperation and reinforcing readiness to assume greater responsibility. Almost 150 employees have taken part so far and rate this initiative highly. As a result, HR was rolling this out for all managers. A further 30 sessions are planned for 2014.
- Systems Solutions, in cooperation with a prestigious ESMT Business School, organized the Leadership Reflection Days, aimed at strengthening the leadership culture. Managers are given the opportunity of developing leadership styles, tools and skills for the globally networked systems solutions business and of expanding their know-how in the fields of transition management and change. Moreover, the Leadership Reflection Days also boost international networking among T-Systems managers. The proportion of international participants in 2013 was 25 percent.

# PERFORMANCE AND TALENT

## PROMOTING AND REWARDING PERFORMANCE

Identifying and utilizing our employees' strengths is a core component of what HR does. Our employees are the architects of our success. It is only right, therefore, that we thoroughly analyze and evaluate the performance and potential of every employee. This knowledge is vital for planning our manpower in accordance with the requirements of the business. In this way we can ensure that high achievers and talented employees within the Group come to our attention, and that all individuals receive sound feedback on their personal development, allowing them to give their best in the right position within the company.

As part of our performance assessment, in which we ascertain the progress made by every employee once a year, managers, Human Resources and especially the employees themselves are given up-to-date feedback on their current performance profile. This is then followed by specific development plans, agreed in talks between the manager and his or her team members. Each individual development plan stipulates action points on how they intend to meet development needs throughout the year. The interaction among all those involved is what makes our performance process particularly successful:

- Employees who are willing to assume responsibility for themselves and for Deutsche Telekom
- Managers who are there for their staff, encouraging them and giving them feedback
- HR experts who provide a range of professional development measures and offer advice and assistance to managers and their teams

## GREATER COMPARABILITY THROUGH STANDARDIZED PROCESSES

To ensure more focused support for our top performers and high potentials, we have introduced standardized tools for measuring performance on a Group-wide basis: Compass for employees covered by collective agreements and civil servants in Germany, and the Performance & Potential Review (PPR) for executives and employees not covered by collective agreements in Germany as well as employees of Group companies outside Germany. Both tools are already a permanent fixture in Germany. We are in the process of embedding PPR at an international level. In 2013 T-Systems introduced PPR in eleven of 21 countries. 2014 will see it rolled out for a further 6,000 employees in T-Systems' remaining national companies.

In addition to Compass, the civil servants currently employed at Deutsche Telekom AG are given an appraisal in line with the German Federal Civil Service Careers Ordinance (Bundeslaufbahnverordnung). As well as our performance management tools, our target management system ensures that employees consistently act in line with our corporate strategy. This is implemented via collective targets specific to each segment. These are defined for each segment at the beginning of the year, in order to react flexibly to current developments within the corporate environment.

Additionally, individual targets are agreed with executives, employees not covered by collective agreements as well as employees in sales roles in Germany. The target achievement results from the collective and individual targets have a direct impact on the remuneration of our employees.



## IDENTIFYING SPECIAL TALENT AND PROVIDING CONSISTENT SUPPORT

With our Group-wide talent management system we support high-performing, high-potential employees in achieving their wish to take up new challenges within the Group. Here we are primarily pursuing three goals spanning all business areas:

- Identifying talented employees and drawing attention to them for key positions
- Supporting talented employees with Group-wide networking
- Considering talented employees as part of succession management.

Select employees with specialist or leadership talent such as these are offered the opportunity of participating in various talent programs like, for example, Talent Space. Here they are given the chance of gaining experience relevant to the business by working on projects outside their own field of work and exchanging ideas and information with other talented colleagues from international Group companies at networking events. An experienced mentor is on hand to help them plan their career progression. We are currently offering Talent Space for subject areas covering technology, finance and procurement, HR, IT and innovation. Over 240 employees are taking part in the initiative. More than 40 percent are women.

In addition to our Group-wide range of talent promotion schemes, other initiatives are being implemented in the various segments. These include the Managing Director's Talents program, for example, on offer in the Germany operating segment. This is being held under the patronage of Board member Niek Jan van Damme. Last year 47 employees were selected and offered the opportunity to spend a day with the Board of Management – just one of the highlights of the program.

# ATTRACTIVE EMPLOYER

## DEUTSCHE TELEKOM: A GREAT PLACE TO WORK

We are competing with many other companies for the best employees. For our long-term business success it is vital that we motivate our staff to do their best and also give them enough space to fulfill their personal goals. At the same time it is important for us to acquire new, skilled employees. Deutsche Telekom's reputation as an employer is therefore important for us and our HR activities – both internally and externally. Our employees are more committed than ever. Numerous external awards are proof that we are seen to be an excellent employer.

## THE VIEW FROM WITHIN: EMPLOYEE SATISFACTION

Our employees are more committed than ever. We regularly carry out a Group-wide employee survey, most recently in 2012. On a scale of 1.0 to 5.0, our staff commitment was rated a positive 4.0.

The employee survey is complemented by pulse surveys carried out every six months. These give us a regular insight into the mood Group-wide and – focusing on a few core topics – literally take the pulse of our business. In 2013 we asked our employees, amongst other things, to evaluate how our corporate strategy had been implemented and to answer questions about the atmosphere at work. The high level of participation and growing commitment of our employees underline our successful HR work. We will continue with our Group-wide surveys in 2014 too. We are planning to “take the pulse” of our employees again in May and November.

Employee survey results form the basis for a wide range of follow-up measures. These include, for example, the Cultural Heroes initiative in the Europe operating segment. HR experts analyzed the 2012 employee survey results of around 2,500 teams. They identified 28 groups, who excelled with above-average results, as cultural heroes. Factors having a particularly positive effect on employee satisfaction and team performance were: the employer's commitment to ensuring employees' welfare; real opportunities for development within the company; and recognition of job performance. These teams also had a particularly strong customer-service ethos. We are asking other teams to learn from the experiences of our cultural heroes, so that we can continue to expand their influence throughout the company.

## THE VIEW FROM OUTSIDE: AWARDS FOR BEING AN ATTRACTIVE EMPLOYER

Deutsche Telekom's standing as an attractive employer is proved by the numerous awards that our company has won at home and abroad during the last year. The following appraisals and prizes are just an example:

- According to the 2013 Trendence Graduate Barometer Germany, Deutsche Telekom is one of the top 20 IT employers in Germany. More than 37,000 students and graduates about to embark on their careers took part in the online study carried out by the trendence Institute.
- We received three 2013 Human Resource Excellence Awards from Human Resources Manager magazine for our HR projects “Telekom Challenge,” “Blind Applying,” and “Diversity in recruiting with HR



diagnostic-based video interviews." These awards acknowledge outstanding HR projects that attract a great deal of public attention because of their extraordinary innovation and creativity.

- The Female Recruiting Award is given each year as part of the Women & Work trade fair. It rewards companies who, in the opinion of the women attending the event, are seen to be particularly attractive employers. In 2013 our targeted approaches to female applicants were much appreciated and we achieved second place.
- Our customer-oriented HR communications were awarded 2nd place in the 2014 Online Talent Communication study. The Careers website represents the heart of our communications with applicants and brings together numerous ways to interact such as the Careers chat and the "Career Matcher." Our social media offerings are another cornerstone in our dialog with applicants, and interaction lies at its heart.
- Our achievements regularly win international awards too. T-Systems Netherlands won the 2012-2013 TOP ICT Employer Award and T-Systems Malaysia was awarded the Gold Award for Employer of Choice.
- Crnogorski Telekom received two awards in 2013 for being the best and most attractive employer in Montenegro. In addition our Montenegrin company won the Fair Play Award for the open and appreciative way it treats its employees.

# AGILE COMPANY

## HIGHLY FLEXIBLE PLANNING, EXCELLENT IMPLEMENTATION

Rapid innovation cycles, disruptive changes, and growing customer demands have long characterized the telecommunications sector. This in turn leads to hugely increasing demands on our staff to be flexible, customer-oriented and able to act on their own initiative. Against this background, one of Deutsche Telekom's most pressing HR tasks is to strengthen our employees' confidence in dealing with changing demands in the workplace, constantly accelerating development and marketing processes, as well as uncertainties caused by market changes.

The systematic promotion of "agility" – in other words, the ongoing ability to adapt to new expectations and demands – within our workforce is therefore one of the most important challenges in ensuring our company's future viability. By agile working we mean the use of working practices that aim, for example:

- To implement innovations more quickly and with fewer costs
- To build a positive culture of dealing with mistakes
- To put customer requirements consistently at the center of project design and implementation.

Initiatives to consolidate agile working practices can be found in numerous areas within our organization – and the number is increasing all the time. More and more teams are opting for agile working. Way over 1,000 employees in various Group units are organizing their work on the basis of agile technologies such as Scrum or Kanban. We are backing this up with systematic training and coaching opportunities. An important role is played here by the Darmstadt-based Agile Transition team at the Digital Business Unit. In 2013 it organized 30 workshops Group-wide within the Digital Business Unit, in which a total of 340 participants learned agile working methods. In other areas of the company the DBU ran 29 workshops with 409 participants. Additionally, 516 employees Group-wide took part in 53 courses in agile methods and 25 teams received long-term coaching.



With the Shareground platform we foster collaboration and transformation

## AGILE TELEKOM CONVENTION: A PLATFORM FOR DISCUSSING AGILE WORKING PRACTICES

We held our second Agile Telekom Convention in 2013. This is an event where employees with agile working methods can exchange ideas and network. Presentations, workshops and open-space sessions showed the participants how agile working methods can be applied within the Group and the results that can be achieved, as well as the challenges that remain.

There were nearly twice as many participants as at the 2012 Agile Telekom Convention, with around 300 employees attending – proof of the high levels of interest in agile working methods. Events such as the Agile Telekom Convention are an important way of promoting the sustainable consolidation of agile methods in our everyday working lives – and, as a result, making Deutsche Telekom an agile organization.

## TELEKOM CHALLENGE: AN AWARD-WINNING AGILITY PROJECT

An important contribution to the implementation of agile working practices was made in 2013 by the Telekom Challenge. This project saw a team of experts from across the Group develop an innovative telemedicine solution to reducing mother and child mortality in Kenya. Before the project got underway, employees with an interest in taking part could apply to be a member of the interdisciplinary working group via the intranet and the Telekom Social Network (TSN). Business and HR experts eventually chose eight employees with different fields of expertise, including business model development, healthcare or professional experience in Kenya. The employees were released from their usual duties for four weeks. With virtual support via TSN, the team worked in line with the agile working method "design thinking." The basic principle behind the Challenge team's work was to move away from product development

driven purely by technology, toward solutions with the user in mind. The result was that agile teamwork inspired all the Challenge team members and also improved Deutsche Telekom's standing in Kenya as a competent and attractive partner. The team presented a portfolio of eight innovative product suggestions, which attracted attention across the Group. Telekom Challenge also received public recognition: Human Resources Manager magazine gave the project its 2013 HR Excellence Award in the Learning and Development category.

### **BUSINESS LABS: AN INNOVATIVE ADVISORY APPROACH TO PROBLEM SOLVING**

Our Business Labs format is gaining greater significance in consolidating agile working practices within the Group. It is based on a method of counseling and guidance developed specifically for work in Deutsche Telekom, and is focused on the end users of our products and their particular needs. Business Labs are workshops and working sessions led by experienced facilitators. They pass on techniques and principles such as "Flexible reaction to change instead of stubborn adherence to the plan," "Building on other people's ideas instead of constantly reinventing the wheel," and "Start small but fast – not every solution needs to be one hundred percent ready before you can test it."

Ten projects and teams from various units within the company benefited from this internal advisory program in 2013. They dealt with problems ranging from process optimization and efficiency improvements to familiar transformation tasks. All guidance was adapted to the particular requirements and challenges of the project in question, and worked through with the teams. The reason for this is our conviction that sustainable change can only come about through participation and the earliest possible inclusion of everyone involved.

The participating teams unanimously rated the Business Labs as a completely original approach, characterized by sustainable agility, to the challenges facing our company.

### **SMART WORKING: CONNECTED LIFE AND WORK**

The world we work in is becoming increasingly flexible, more mobile and less hierarchical. This needs to be reflected in the way we work and how our workplaces are designed. Where someone works, and when and how, is becoming more specific to the individual and is being adapted more than ever to the work in question and the employee's potential and preferences. This is why Deutsche Telekom is developing sustainable solutions for work and life in the future. We are combining numerous initiatives and pilot projects under the heading "Smart working." This concept gives employees all-round agility and new ways of working together. It also involves aspects such as modern office design and the challenges arising from increased employee mobility. In 2013 key projects dealing with the workplace of the future were as follows:

- The Digital Business Unit in Darmstadt saw a successful run-through of our Future Workplace pilot project. Here we put the basic principles of future working to the test. 60 employees from HR trialed a new, situation-based work environment. This consists of various work areas that merge into each other, as well as a combination of flexible and fixed workstations instead of the usual individual offices. In an area of 560 square meters, this resulted in a 34 percent space saving compared to the original configuration.
- Future work environments, such as the ones we installed in Darmstadt as an example, are characterized above all by the following features: ICT-supported mobile working methods, flexible workplace models – known as desk sharing, where one workstation is used by several employees – and designing innovative and inspiring office landscapes. They are accompanied by a new leadership culture based on trust, appreciation and individual responsibility. We aim to ensure that by designing new working environments our employees enjoy the best possible support for their various duties and personal needs. These requirements give rise to the three central tenets of all smart working approaches at Deutsche Telekom: it is all about people (collaboration), places (workplace design), and tools (making working life easier).
- In 2013 we initiated a Smart Working pilot project at Deutsche Telekom Group Headquarters. On the basis of several models in place at other companies, HR personnel developed an office and collaboration concept which is currently under discussion with the employee representatives. The project was created using the Scrum agile method, with all stakeholders intensively involved in the development. The desk-sharing ratio we are aiming for in the long term is 1 to 1.3, meaning 10 desks will be shared by 13 people.

- In 2013 we launched another pilot project entitled FlexDesk at Telekom Deutschland GmbH. In this project we are trialing the flexible use of workstations that can be freely booked. Around 100 employees from HR and Finance are taking part. They have the option of working from home or they can go online and make a flexible booking to use a workstation at the office. Dedicated areas of Deutsche Telekom buildings have been set aside for this. The project is giving us an insight into how flexible work structures affect the work-life balance, motivation, the economic use of workplaces, and the culture of trust between employees and managers. A central works agreement regulates FlexDesk piloting in Deutsche Telekom units in Germany. This outline agreement is complemented by a range of local regulations and agreements that together enable us to carry out efficient piloting of FlexDesk offerings. We are continuously analyzing how the project is progressing at Telekom Deutschland GmbH. A current evaluation of the booking tool showed an average utilization rate of 61 percent. In an initial survey all the project participants expressed positive and satisfied comments.
- The introduction of flexible working time models is closely linked to new working practices. Consequently, two thirds of Deutsche Telekom's European national companies have developed and implemented such models. These include home office provisions and teleworking as well as opportunities such as sabbaticals, job-sharing, and project work offering flexibility in terms of time and location. In 2013 a pilot project called "Friday in Slippers" got underway in Croatia; it allows employees to work from home on the last Friday of the month.
- Working in virtual, global structures and on cross-border projects is particularly important for our T-Systems subsidiary, which is active on a global scale. Here too the implementation of mobile working concepts and modern office landscapes is continuing to improve teamwork efficiency. We took a further step into the future in 2013 with the introduction of teleworking and desk sharing at our Frankfurt and Leinfelden-Echterdingen sites. The T-Systems branches in Munich and Darmstadt will have a modern office environment in future, and other sites are being prepared. Modern technologies such as WebEx, a video conferencing and chat service, or the Telekom Social Network (TSN) facilitate closer cooperation. In addition, T-Systems organizes over 21,000 employees in approximately 50 so-called Communities of Practice that allow teams in different countries and business units to work together. They share their knowledge, so as to be able to offer customers the best solutions more quickly. We teach them the specific skills they need to do this in special training sessions. In doing so we are strengthening global cooperation in terms of openness, trust and effectiveness.

## NEW IMPULSES: OUR GROUP-WIDE SYSTEM OF IDEAS MANAGEMENT

An entrepreneurial mindset, inventiveness, and openness to new ideas are all closely linked. That is why ideas management plays a central role in encouraging agility in our business. The figures for 2013 show how motivated our employees are to make an active contribution to the constant improvement of our products and services. One in ten employees in Germany submitted a suggestion for improvement or sent a new idea to our central ideas management team. The economic benefit of the total of 12,146 suggestions represented 82.95 million euros in savings or new business potential.

We also use our employees' creative ideas for subjects that really move us. Two examples:

- In 2013 we added the concept of simplicity to one of our Guiding Principles, which now says "Customer delight and simplicity drive our action." Then we called on our employees in Germany to come up with ideas on how we could implement this even better in daily working life. 867 suggestions were submitted as a result. Using these as a basis we formulated measures with which we are able to reduce costs within the company by around 250,000 euros. They also help to ensure that many things in Deutsche Telekom are indeed becoming simpler.
- Our Climate Protection campaign was aimed at improving Deutsche Telekom's environmental footprint. We invited all our employees to come up with ideas – related to our business activities – on how to save energy and reduce greenhouse gas emissions. More than 450 participants from all our business areas entered their ideas in the competition. A jury consisting of the Board Representative for Climate Protection and Sustainability, other specialists in this field and works council representatives rewarded the best suggestions with certificates and prizes. The jury awarded the first prize to an idea for a comprehensive company mobility management system. The heart of the idea is to change people's behavior regarding their journey to work, thereby enabling CO2 emissions to be reduced. Our Climate Protection campaign got many of our employees interested in our ideas management, with around 1,300 staff members registering for our intranet ideas portal – the Ideas Garden – for the first time.

# DIVERSITY AS A STRENGTH



## INSPIRING CREATIVITY AND INNOVATION

Deutsche Telekom is a diverse organization in every respect. We employ some 230,000 people in 32 different countries. Their different cultural experiences, perceptions and skills are the source of our creativity and agility.

Diversity is a decisive factor driving the transformation of our corporate culture forward and making our organization more open, flexible and powerful than ever before.

We value each individual's unique perspectives and experiences, regardless of gender, age, ethnicity, ability, or other aspects.

We bolster our business success by creating a working environment that reflects our corporate values, in which mixed teams use their differing perspectives to inspire creativity and innovation.

## SHARED VALUES GUIDE US THROUGH CHANGE

Diversity must be underpinned with binding values as the basis for cooperation. Our five Guiding Principles encapsulate these values:

1. Customer delight and simplicity drive our action
2. Respect and integrity guide our behavior
3. Team together - Team apart
4. Best place to perform and grow
5. I am T - Count on me

These five principles ensure the stability of our core values in a volatile business environment, and are regularly reviewed in the light of current challenges and goals. Last year we added the concept of simplicity to our first Guiding Principle, which now reads "Customer delight and simplicity drive our action."

The 2013 Guiding Principles Day was dedicated to the reformulated guiding principle and associated expectations to raise awareness among all employees. Events and initiatives were held at various Group locations around the world, including Germany, Malaysia, Macedonia, Hungary, the United Kingdom and many others. There were 30,000 clicks on the 2013 Guiding Principles Day intranet site, underscoring our employees' commitment to greater simplicity in the interests of our customers.

In September 2013, the Telekom BarCamp, held at the Group Headquarters in Bonn, encouraged employees to devise ways of simplifying specific processes. One highlight was the "simplicity quick check" allowing each participant to gauge their own personal simplicity index based on a series of self-assessment questions.

The Guiding Principles are inextricably linked with our Code of Conduct, which acts as a bridge between the corporate culture and compliance awareness. The Code of Conduct helps us to implement the more stringent requirements placed on companies' conduct and compliance efforts today.

## INTEGRATION OF DISABLED EMPLOYEES

For years, Deutsche Telekom has supported the integration of disabled employees. Currently, 6.4 percent of the Group's workforce consists of employees with disabilities. Very few business units fall short of the five percent minimum. Furthermore, on average, around one percent of our apprentices are disabled. This is a testimony to our success with the integration and inclusion of people with disabilities.

## INTERNATIONALIZATION

In the global IT systems solution business, our IT experts worldwide must be able to share knowledge and ideas to develop the best solutions and innovations. We need platforms that allow employees to collaborate across geographical and cultural boundaries. The T-Systems local business units are an excellent example of using various programs and initiatives to facilitate international cooperation. The key activities in 2013 were as follows:

- Communities of practice foster worldwide collaboration on global, business-critical topics such as Big Data or Cloud. For example, the HR community is working together in a global network spanning all countries and business units, offering a range of HR channels such as the Telekom Social Network (TSN), global HR teleconferencing, mailings and conferences for the exchange of information, knowledge, and experience. The HR community supports successful collaboration in a global organization regardless of location, time zone, or culture.
- Global exchange of best practices: The T-Systems HR units work closely together on 80 or more diversity projects, including development programs for female talents, work-life balance initiatives, youth training programs, intercultural training courses and awareness campaigns on topics such as diversity, childcare and parental leave for fathers.
- International talent management: When filling top management vacancies at T-Systems, the promotion of international talents is a particular priority. A growing number of candidates are drawn from outstanding employees in the local business units. In this way, we strengthen Deutsche Telekom's international mindset and cultural diversity.

## DEMOGRAPHY AS A CHANCE: SUSTAINABLE SOLUTIONS FOR THE WORKING AND LIVING ENVIRONMENTS OF THE FUTURE

We see the employment of and collaboration between different generations and age groups as an expression of our diversity. How we master the challenges of demographic change will have a major bearing on our future success. At Deutsche Telekom, the average age has increased continuously in recent years, with a current average of 44.7 years in Germany and 36.0 years at the international level. Parallel to this, the proportion of over-55s in Germany has increased significantly, and this development is likely to continue over the next few years. For the first time, we are experiencing four generations working for the company at the same time, each with different values and expectations of the work and private spheres.

Deutsche Telekom actively and systematically addresses the issue of demographic change. We firmly believe that performance and dedication are not age-related. Older employees can perform equally as well as their younger colleagues. Maximizing the potential of our older employees is therefore just as much a key part of intelligent HR policy as promoting young talents. Our corporate success relies on all generations within the Group.

In order to tackle the challenges of an aging, multi-generational workforce more effectively, in 2013 we set up a working group of top HR executives to scrutinize the latest scientific findings, action areas and requirements of systematic demographic management. Its priorities include:

- Encouraging lifelong learning and the exchange of know-how
- Preserving and promoting health
- Supporting an age-sensitive leadership culture
- Developing a flexible working environment for all life phases
- Forecasting age-specific headcount development

Parallel to this, a strategic HR project entitled "Demography as a chance" is developing specific demography-related products and measures scheduled for implementation in 2014. They include the following:

- The introduction of new worktime models, such as lifetime work accounts for all employees and a new part-time model to create up to 20 extra days off per calendar year. Another initiative in the second half of 2014 will give 50 executives at Deutsche Telekom the opportunity to road-test existing innovative and flexible work forms over a six-month period. The participating managers will act as ambassadors for the company and promote acceptance of part-time work, sabbaticals and mobile working, as well as modern, agile work methods.

- Knowledge transfer tandems: Older employees systematically share their knowledge with their younger successors over a predefined period. Unusually, the same position is held by both individuals simultaneously for up to four months. This ensures rapid induction into the new role, whilst simultaneously maximizing the potential of different generations.

Since 2014, every new part-time contract guarantees a problem-free return to the employee's original weekly working hours, making the transition from full-time to part-time much easier. This helps employees to fit work around their private lives more effectively at different life phases, such as someone wishing to temporarily reduce their weekly working hours in order to raise children or care for a sick relative. The new regulations ensure far more security and flexibility for these individuals.

#### Measures for the work-life balance

In our demographics-led corporate culture, we rate the importance of a good work-life balance very highly. For this reason, in 2014 we will be focusing our attention on the topic of family and work, with the aim of raising the profile of our diverse range of offerings in this field and boosting their acceptance and take-up. 2013 saw a further broadening of our range of services in Germany:



- Our childcare offerings put us in the top quarter of DAX 30 companies:
  - We have 550 nursery places at six locations
  - 18 parent-and-child offices at 15 locations
  - Childcare for 300 primary school children at ten locations during the school holidays
  - Free assistance with finding local childcare facilities or in an emergency
- "Stay in contact": Regular information for parents on parental leave via teleconferencing, e-mail or half-day attendance events. This allows participants to network more effectively and stay in touch with the company, making their subsequent reintegration much easier.
- Advice and placement services for employees who require nursing care for family members. For example, we can help to arrange swift cover when care staff are needed at short notice. In 2013 we also held workshops on all aspects of nursing care for anyone interested.
- Home help for the elderly and assistance for low-income families. The Post/Postbank/Telekom welfare service provides support in case of emergencies, such as natural disasters. One recent example was the floods in 2013 that affected people in many parts of Germany. The welfare service was quick to step in with unbureaucratic aid.
- The Post/Postbank/Telekom family vacation service: In 2013, some 38,000 current and former employees took advantage of this service.
- Deutsche Telekom Family Fund: The fund offers start-up financing for family-friendly projects. Funding covers the development and initial implementation of a project, in some cases over long periods. Deutsche Telekom is the only DAX 30 company with a family fund.

## FAIR SHARE – MORE WOMEN IN MANAGEMENT

“Fair Share” is our initiative to increase the share of women in management. We were the first DAX 30 company to set ourselves the target of 30 percent women in middle and top management positions by the end of 2015. In our pursuit of this goal, we consistently support our high-achieving female employees on their career trajectory to a management role or when developing their current managerial position.

We are proud to report that the share of female employees in managerial roles increased again last year. Group-wide, it has risen from 19 percent in February 2010 to 25 percent in December 2013.

- There are also more women represented on our supervisory boards. In Germany, the proportion of women on the employer side increased from 17.7 percent in 2010 to 28.1 percent in 2013. Globally over the same period, there was an increase from 7.4 percent to 17.1 percent.
- In our international management team below Board level, currently comprised of 64 members, we have increased the number of women from two to nine since February 2010.

Our commitment to increase the proportion of women is being consistently anchored throughout all segments. The mentoring program at Deutsche Telekom Technik GmbH is a good example: Female employees interested in a management role in Deutsche Telekom’s technical area receive systematic support at every stage of their career.

At T-Systems we have increased the proportion of women in middle and top management from 12.1 percent to 15 percent (2013) in just three years. The T-Systems management is fully committed to the women’s quota and supports a mentoring program for female employees designed to recruit more women to management roles in future. The wide range of services for improving the work-life balance at Deutsche Telekom and the intensive collaboration with internal women’s networks also continue to positively impact development of the women’s quota.

## DIVERSITY AWARDS

At Deutsche Telekom we reward internal commitment to diversity.

The T-Systems Diversity Award is one example. Entries for this award were first invited in 2013, as a way of acknowledging the outstanding commitment of employees and exemplary projects. Prizes were awarded in three categories: “Hot Project” (the best diversity initiative worldwide), “Rainbow Team” (the most diverse team) and “Shining Star” (individual prize for a colleague who exemplifies diversity and inclusion). 108 candidates from 21 countries were nominated. The contribution by a group of employees at T-Systems Nordic exemplifies our attitude to diversity. The prize-winning team, which operates at three locations in Denmark and Sweden, was awarded first place in the “Rainbow Team” category. Team members are deliberately selected from a range of different cultures and nations in order to overcome cultural differences and incorporate a variety of perspectives, which in turn benefits customers.

We have also received public recognition for our commitment to diversity: In 2013 we were awarded the German Diversity Prize 2013 for our “excellent diversity score,” ranking us among the most diverse employers in Germany.

Graduates and employees with up to 15 years’ work experience also ranked us in the best 3 companies for our “Diversity Image.”

At international level, we were proud to receive the prestigious KEN Award. The KEN judges praised our commitment to equal opportunities for men and women. KEN is a Europe-wide network with a development platform for the knowledge society, with a particular emphasis on human capital. The annual KEN Award recognizes outstanding achievements in this sector.



# RESPONSIBILITY AND SOCIAL COMMITMENT

## FOCUS ON HUMAN RIGHTS

As an international corporation and responsible employer, Deutsche Telekom is committed to upholding human rights and social principles. These are anchored in a number of key policies: our Guiding Principles, the Code of Conduct, and the Social Charter. We have initiated a range of activities designed to incorporate the human rights perspective into relevant business areas and internal procedures. For example, all company assessments during mergers and acquisitions include this aspect. When purchasing a company or shares, human rights issues are part of the risk assessment from the very outset.

Human rights issues are also firmly anchored in the regular reviews of our Employee Relations Policy.

Apart from these activities, Deutsche Telekom is also involved in various networks focusing on “business and human rights.” Examples include the peer learning group of the German Global Compact Network (DGCN), the econsense project group, and the human rights group of the Global e-Sustainability Initiative. These networks cultivate exchanges of information with other companies on improving human rights due diligence.



## SOCIAL CHARTER

The Social Charter defines our voluntary commitment to respect human rights, with reference to the International Declaration of Human Rights, the OECD Guiding Principles, the United Nations Global Compact and the ILO Core Labor Standards.

The Social Charter sets out guidelines for all our employees, investors, customers and suppliers. In 2013, we revised the ten-year-old Charter in line with recent international developments, e.g. by incorporating the 2011 United Nations Guiding Principles on Business and Human Rights. These Guiding Principles stress the fact that governments and companies have a responsibility to respect human rights and call on companies to practice “human rights due diligence.” We adopted the following changes to our Social Charter to enable us to meet our corporate responsibilities more effectively:

- Creation of a point of contact for human rights issues. The Deutsche Telekom whistleblower portal is also available for reporting human rights abuses or violations of the Social Charter principles.
- Deutsche Telekom strives to uphold international standards, even where national law and regulations and/or their implementation are not sufficient or are absent.
- Extension of the Social Charter principles to include our commitment to environmental protection and sustainability.
- Improving communications and transparency: Deutsche Telekom is committed to share its progress through regular reports and publications on the Group’s website regarding progress made in implementing its Social Charter principles.

## EMPLOYEE RELATIONS POLICY

The Employee Relations Policy sets out Group-wide guidelines on the relationships between our employees and Deutsche Telekom as employer. Annual monitoring of all Group units evaluates the observance and effectiveness of the Employee Relations Policy. In cases where a national unit is of particular significance, or if the monitoring results deviate from the predefined standard range, a review will likewise be carried out in the relevant national unit to identify the cause.

In 2013, three reviews were carried out in the USA, Russia and Macedonia to assess the implementation of the Employee Relations Policy. Developments and problem areas in a given unit are analyzed through discussions with managers and local employees. Since 2013, these reviews also look at human rights developments in the respective country, and human rights issues have been integrated into the assessment processes.

Further reviews are planned for 2014, including one in Mexico. Once again, the aim is to be able to ensure the success of and compliance with uniform global standards for all Group employees. The results of the reviews are published on the Group website.

### EMPLOYEE INVOLVEMENT AT DEUTSCHE TELEKOM

Through their conduct and personal commitment, many Deutsche Telekom employees help us to live up to our corporate responsibilities. We encourage these attitudes at various different career phases. One example is our competition, "Verantwortung gewinnt" ("Responsibility wins"), which is an essential component of training in Germany.

The competition was held again in 2013. First place was awarded to a team created from a supra-regional collaboration between four training centers. The team's "SNOW II" project developed methodological workshops on the topics of integration, social networks, Internet addiction and cyber-bullying. More than 350 pupils in various regions of Germany have already benefited from these workshops. The content is still available on the project homepage to enable future updates. Its main aim is to sensitize young people to this topic and foster social commitment.

Moreover, for many years we have worked with employees on a variety of projects such as the "Telefonseelsorge crisis hotline," the "Nummer gegen Kummer" youth counseling line or the "Yes, I Can" initiative.

### EXEMPLARY FLOOD RELIEF WORK AND READINESS TO MAKE DONATIONS

In spring 2013, disastrous floods on the Rivers Elbe and Danube kept large sections of Germany and neighboring Central European countries on tenterhooks for several weeks. For Deutsche Telekom Technik GmbH, the priorities were, firstly, to protect the technology and infrastructure, and secondly, to repair any damaged equipment. In the drive to repair the flood damage, Deutsche Telekom Technischer Service GmbH was quick to assemble a supra-regional team of volunteers who worked tirelessly in the flooded areas to get telephone and Internet connections up and running again. Vital remote support was provided by the production control and scheduling teams, together with on-site assistance from their colleagues at Telekom-Shop Vertriebsgesellschaft mbH, who were able to supply available hardware - such as Speedports - from rescued shop stock. During this period, Deutsche Telekom Technischer Service GmbH streamlined its usual processes, managed the procurement of materials and staff, and provided information updates to ensure that the information given to customers by employees in the field was accurate at all times.

Thousands of colleagues in Germany and beyond also volunteered for the German Red Cross, the fire brigade and the Technisches Hilfswerk (THW), a federal agency for technical relief. For example, they worked around the clock filling sandbags and helping to shore up the dykes. Co-workers from our national companies in the Czech Republic, Austria and Hungary assisted the flood victims in many different ways, from providing cheap replacement telephones to assisting with the clean-up operation.

Deutsche Telekom was widely praised for its response, by organizations such as the THW and the relief coalition "Aktion Deutschland Hilft" to which our employees and customers donated more than 150,000 euros. Together with the immediate relief provided by the company, this produced financial aid totaling more than 340,000 euros, plus a further 300,000 euros awarded to victims by the Post/Postbank/Telekom welfare service. Of this, around 70,000 euros went to Deutsche Telekom employees. By offering interest-free loans, special leave and salary advances, we demonstrated that as a company, we are capable of acting swiftly and unbureaucratically when solidarity is called for.

Disaster aid has long been an element of Deutsche Telekom's social commitment.

## CORPORATE VOLUNTEERING

We encourage and support employees who engage in voluntary work and reap the benefits from an HR perspective. For example, the [engagement@telekom](mailto:engagement@telekom) platform contains useful information and tips for pre- and post-corporate volunteering. Interested individuals will find suggestions for volunteering in their free time, and contact addresses for specific activities. Deutsche Telekom supports volunteering in a variety of ways, including the following:

- Social Days: Employees spend one day working on social projects as part of a team-building activity.
- Financial support: Employees may be eligible for volunteer funding. Up to 250,000 euros per annum is set aside for this purpose.
- Coaching by Telekom managers: Managers provide job application training for secondary school pupils. Under this scheme, pupils can also apply for internships with Deutsche Telekom.
- The "Geh Deinen Weg" ("Go your own way") initiative launched by the Deutschlandstiftung Integration foundation (DSI): Deutsche Telekom offers exclusive applicant training courses to young talents from migrant families.

A range of social initiatives and projects is likewise underway in the countries where we operate:

- The corporate volunteering project "Building a Dream" by our Albanian affiliate Albanian Mobile Communications Sh.A. combines social commitment with team building. In 2013, teams of employees, equipped with a modest budget, visited orphanages, homes for the elderly and schools for disabled children. The aim was to work together and devise appropriate solutions for the selected institutions.
- For more than ten years, our Slovakian national company Slovak Telekom has been involved in projects to assist people with hearing impairments, for example by training employees in sign language. It also runs various campaigns to sensitize the general public to the needs of the hearing-impaired, and actively promotes their inclusion in society.

- In Hungary, Deutsche Telekom is involved in a range of projects designed to make it easier to use our services. For example, 160 employees volunteered to visit 200 schools and train 14,000 pupils in the responsible, safe use of mobile phones and the Internet.

Further information on the social and ecological commitments of both Deutsche Telekom and its employees can be found here: [www.telekom.com/verantwortung](http://www.telekom.com/verantwortung) and in our annual CR Report.

# EFFICIENCY THROUGH SIMPLICITY

## DESIGNING PROCESSES LEANER, SIMPLER AND FASTER

The world around us is changing ever more rapidly. Today's successful products are often outdated by tomorrow. Digitalization is responsible for a large part of this development, by creating new technologies that enable us to exchange increasingly large volumes of information at ever faster speeds. In 2015, a city of 50,000 people will generate the same data traffic in one month as the entire Internet generated in a year in 1997.

Social networking and other communications opportunities enrich our lives. At the same time, faced with an information overload, we yearn for structure and clarity. This prompted Deutsche Telekom to incorporate the desire for "simplicity" into its business principles. This applies at three levels:

- With the best networks and intelligent IT solutions, our customers can be sure of receiving and exchanging information easily and conveniently from any location, and via any channel.
- We are wherever our customers need us, at the Telekom shops, in the technical service department, and by telephone with our service hotline.
- We offer a streamlined, clearly structured product portfolio incorporating fixed network & DSL, television, mobile communications, cloud, security and IT.

We know that simplicity enhances our customers' satisfaction and is therefore a key factor in our business success. The same applies internally, to our employees, managers and HR. We work consistently to reduce complexity in our HR processes, products and cooperation forms to further enhance satisfaction with our HR work. Simplicity is a key element of our HR strategy. For HR specifically, this means:

- Our range of products and services is transparently and intelligibly structured.
- Our HR structure and collaborative practices ensure efficient, high-quality overall HR performance.
- We use a specific, integrated HR IT system to ensure that our processes are implemented as efficiently as possible.



## FOCUS ON HIGHER SERVICE QUALITY AND REDUCED COMPLEXITY

In 2013, we subjected our entire range of HR offerings to close scrutiny with the strategic HR top initiative "Fix the Basics." Less popular products and services were dropped from the portfolio, and the more widely used ones expanded. We have decided to focus on standardized products rather than a wealth of variants. As such, HR now has a more up-to-date, powerful portfolio that is tailored even more closely to the needs of our workforce. All employees will benefit from this in the long term.

We are continuously improving our range of HR products, and in 2014 our HR top initiative "Streamlining the HR product portfolio" will be dedicated to optimizing our internal customer interface.

We are also simplifying our HR processes to enable us to work more efficiently, and identify areas where new products are needed. In this respect, we are supported by a monitoring system that continuously reviews the practical suitability of our HR services. This means that adjustments prompted e.g. by statutory regulations or customer requests can be implemented quickly.

## COOPERATION AND EFFICIENT HR INFRASTRUCTURE

In 2013, we launched the "Way we work" initiative to improve the work methods and processes of the HR unit. Our aim was to establish a pragmatic, customer-centric, result-driven form of collaboration with HR, to create greater transparency, and to utilize synergies. Over a 13-week period, ten teams road-tested exceptionally agile cooperation methods, and achieved some very positive results. In 2014, we will continue our efforts to anchor agile working within the company.

Structurally, since 1 January 2013, the new HR Business Services unit within Deutsche Telekom has provided the foundation for our HR work in Germany. It combines the full range of HR-related products and services from a single source. For example, employees now have direct online access to personalized documents and templates, whereas in the past, they would have had to telephone HR customer service to request the documents by post. Expanding our range of user-friendly services for day-to-day work benefits everyone. Employees have acknowledged our efforts by awarding us a very high customer satisfaction score of 7.9 out of 10 in 2013. A glance at the HR Business Services portfolio indicates the importance of providing information and data as well as simple processes, products and forms of cooperation. HR Business Services:

- Replied to 67,800 job application letters, conducted 23,250 telephone interviews with applicants and 8,000 job interviews, and coordinated 2,500 external appointments on behalf of the German Group;
- Prepared 2.6 million pay slips;
- Handled 486,000 calls and 278,000 e-mails and letters in the HR customer service department;
- Booked and paid for 1.34 million business trips;
- Issued some 13,000 testimonials;
- Handled 12,146 submitted ideas (corresponding to 9.9 ideas per 100 employees), 645 of which were successfully implemented with a value of 82.95 million euros.

#### IMPLEMENTING AN INTEGRATED IT SYSTEM: THE HR-SUITE

Between now and 2016, we will be rolling out the “HR-Suite” IT platform as the driving force of quality and efficiency for internal HR services.

The HR-Suite links Group-wide strategic HR products and implements them in a joint HR IT system. The focus here is on recruitment, performance management, training, salary reviews and implementation via one shared platform for all Group employees. Multiple local systems will be replaced by a single, joint solution.

The HR-Suite is a unique Group-wide system landscape in the form of a private cloud, operated by T-Systems. This guarantees that Deutsche Telekom employee data remains within the company.

Technical implementation of the HR-Suite began in 2014, starting with the nationwide roll-out of recruiting functions, such as the uniform management of application portals and IT processes for contacting applicants.

#### SIMPLICITY IN EXCHANGE

We support employees who want to spend a certain amount of time working abroad in the company's interests. For example, top performers are eligible to participate in the international development program “Telekom X-change,” where they spend three to six months in an international role and acquire invaluable experience.

HR advises participants and helps them to prepare for the international placement, assists them with relocation, and supports their integration into the receiving national companies or local business units. Selected HR experts are on hand to assist employees for the duration of their placement, and during their return and re-integration into their home company.

#### SIMPLICITY AS A TRANSFORMATION CHALLENGE

Numerous projects and training measures are dedicated to raising our employees' awareness of simplicity. Our mission is to consolidate simplicity as a value within the company, and to give all employees the necessary skills to reduce complexity in their day-to-day collaboration. Two workshop formats exemplify this approach:

- The “Leaders for Simplicity” series of workshops is aimed at Deutsche Telekom management teams. Participants learn strategies to pare down complex structures and reflect on their own conduct as managers. The management team at Telekom Hungary and the HR management team at Deutsche Telekom have already successfully completed the seminars.
- For employees without management responsibility, we have devised the “Simplicity Workshops.” These two-day seminars teach participants to creatively apply different strategies to complexity problems within the team and develop their own solutions. These workshops have been held with a number of national and international groups, including members of Customer Service Management in Hungary, IT Operations Management in Germany, and the audit department of the Group Headquarters.

# FACTS & FIGURES

Here are some informative facts and figures about Deutsche Telekom.

All figures as of December 31, 2013 unless stated otherwise.

All figures calculated on the basis of precise details. Since figures are rounded, totals may differ.

## EMPLOYEES

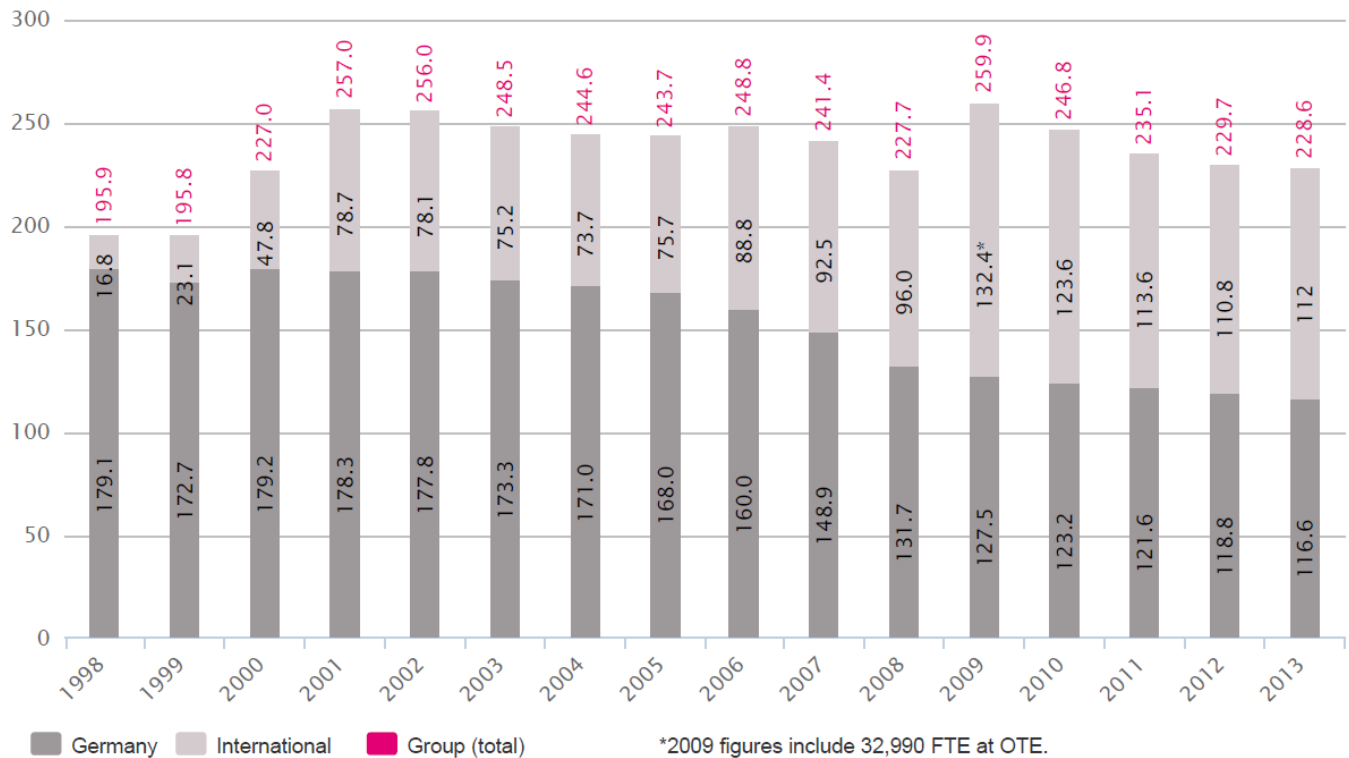
By operating segments, in employees (FTE)

	2009*	2010*	2011*	2012*	2013
Germany	81,336	70,902	69,574	67,497	66,725
USA	40,697	37,760	32,868	30,288	37,071
Europe	71,163	63,338	58,794	57,196	52,519
Systems Solutions	46,021	51,742	52,170	52,847	50,286
Group Headquarters and Group Services	20,703	23,035	21,726	21,858	21,995
Group (total)	259,920	246,777	235,132	229,686	228,596

\* Figures deviate from previous reporting due to restatements. These restatements result from organizational changes within the Group.

## EMPLOYEES

By location, in thousands of employees (FTE), as of Dec. 31 each year



## PROPORTION OF CIVIL SERVANTS IN GERMANY

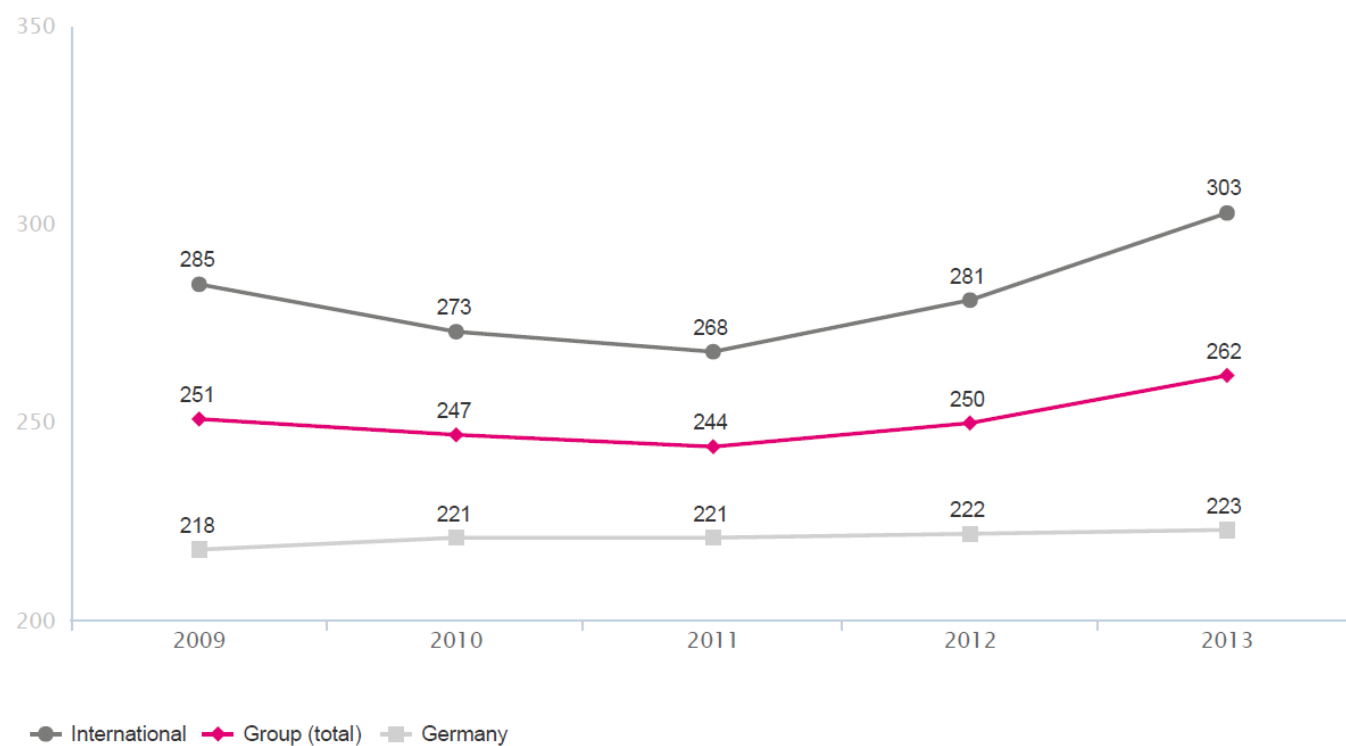
In employees (FTE)

	2009	2010	2011	2012	2013
Active civil servants	29,188	25,570	23,516	21,958	20,523
Civil servants on temporary leave from civil servant status*	6,597	1,678	1,537	1,430	1,412
Civil servants at affiliated companies	13,267	16,729	15,774	14,836	14,179
<b>Civil servants (total)</b>	<b>49,052</b>	<b>43,977</b>	<b>40,828</b>	<b>38,224</b>	<b>36,114</b>
Number of non-civil servants in Germany	78,435	79,197	80,736	80,616	80,529
<b>Total number of employees in Germany</b>	<b>127,487</b>	<b>123,174</b>	<b>121,564</b>	<b>118,840</b>	<b>116,643</b>
Percentage of civil servants in Germany (in %)	38.5	35.7	33.6	32.2	30.96

\* Civil servants whose status as such is currently suspended. They have temporarily switched to an employee relationship.

## REVENUE PER EMPLOYEE (AVERAGE NUMBER OF FTE)

In thousands of EUR





## PERSONNEL COSTS AND PERSONNEL COST RATIO

In billions of EUR

	2009	2010	2011	2012	2013
Personnel costs in the Group	14.3	15.1	14.8	14.7**	15.1
of which: Germany	9.0	9.2	9.2	9.2**	9.4
Special factors	0.5	1.0	1.2	1.2**	1.4
Personnel costs in the Group adjusted for special factors	13.8	14.1	13.6	13.5	13.7
Net revenue*	64.6	62.4	58.7	58.2	60.1
of which: Germany	28.4	28.1	27.2	26.7	26.3
Adjusted personnel cost ratio Group (total, in %)	21.4	22.5	23.1	23.2	22.7
Adjusted personnel cost ratio Germany (in %)	30.1	30.4	30.6	31.1	32.3

\* Since revenue allocation Germany/ international is from an HR perspective, it reflects the location of employees; contrary to the financial report, which allocate revenue to the region where it is generated.

\*\* Correction of 2012 to settle rounding differences

## TOTAL WORKFORCE COSTS

In billions of EUR

	2010	2011	2012	2013
<b>TWC<sup>1</sup></b>	<b>17</b>	<b>15.6</b>	<b>15.5</b>	<b>15.3</b>
<b>of which: Germany</b>	<b>10.2</b>	<b>9.6</b>	<b>9.4</b>	<b>9.3</b>
IWC <sup>2</sup> (PC <sup>3</sup> adjusted)	8.5	8.3	8.3	8.5
EWC <sup>4</sup> Leased and temporary workers	0.1	0.1	0.1	0.1
EWC <sup>4</sup> Freelancers and consultants	1.6	1.1	1.0	0.8
<b>of which: international</b>	<b>6.8</b>	<b>6.1</b>	<b>6</b>	<b>6</b>
IWC <sup>2</sup> (PC <sup>3</sup> adjusted)	5.5	5.3	5.2	5.2
EWC <sup>4</sup> Leased and temporary workers	0.2	0.3	0.3	0.2
EWC <sup>4</sup> Freelancers and consultants	1.1	0.6	0.6	0.6

<sup>1</sup> Total workforce cost: external workforce cost + personnel cost adjusted for special factors

<sup>2</sup> Internal workforce cost

<sup>3</sup> Personnel cost

<sup>4</sup> External workforce cost: cost of leased and temporary workers + cost of freelancers and consultants

## TOTAL WORKFORCE RATIO

In billions of EUR

	PC <sup>1</sup> adjusted	EWC <sup>2</sup>	TWC <sup>3</sup>	Revenue*	TWR <sup>4</sup> adjusted	TWR <sup>4</sup> adjusted 2012	TWR <sup>4</sup> adjusted 2011
Germany	8.5	0.8	9.3	26.3	35.4%	35.3%	35.1%
International	5.2	0.8	6	33.9	17.7%	19.2%	19.4%
Group (total)	13.7	1.6	15.3	60.1	25.5%	26.6%	26.7%

<sup>1</sup> Personnel cost

<sup>2</sup> External workforce cost: cost of leased and temporary staff + cost of freelancers and consultants

<sup>3</sup> Total workforce cost: external workforce cost + personnel cost adjusted for special factors

<sup>4</sup> Total workforce ratio = TWC/revenue

\* Since revenue allocation to determine quotas is from an HR perspective, it reflects the location of employees; contrary to the financial report, which allocate revenue to the region where it is generated.

## REVENUE DEVELOPMENT

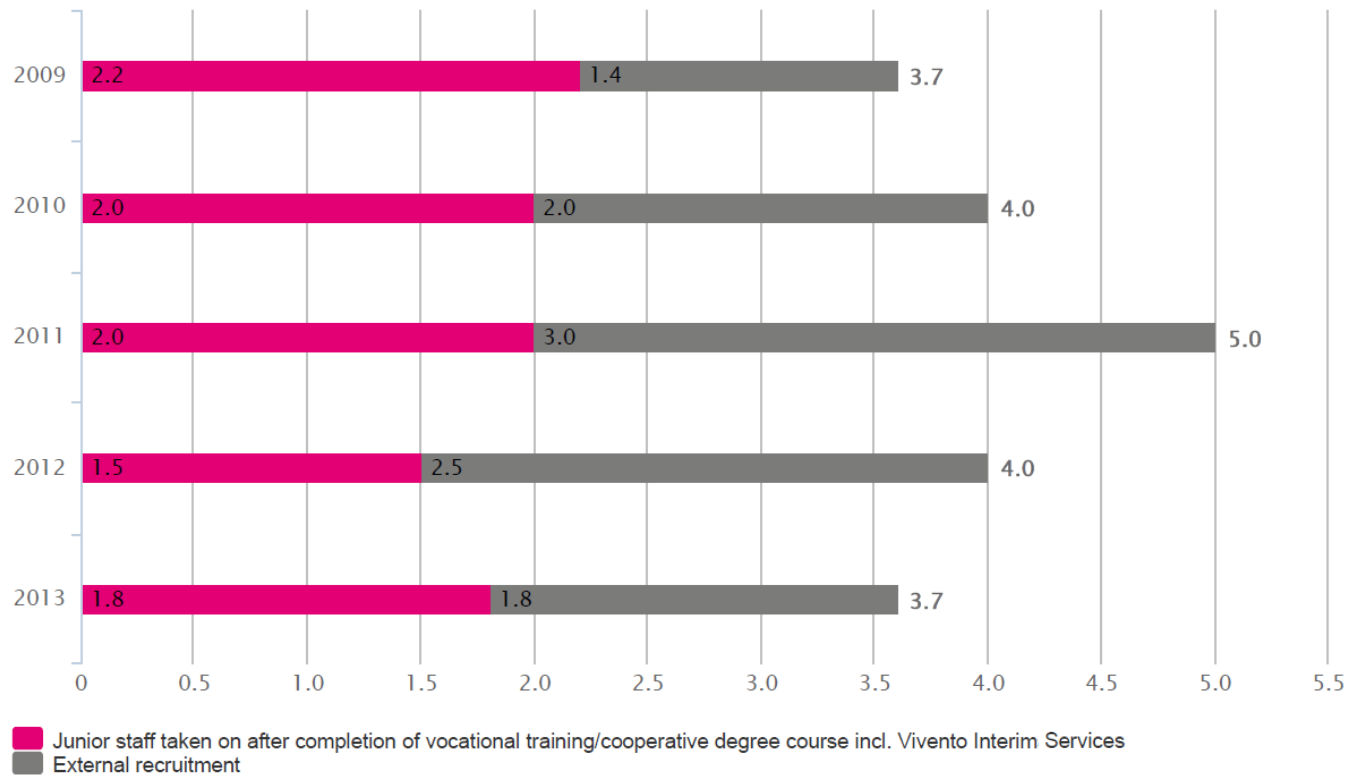
In billions of EUR

	2012	2013	Change on 2012
Net revenue Germany*	26.7	26.3	-0.4
Net revenue international*	31.5	33.9	+2.4
Net revenue Group (total)	58.2	60.1	+1.9
International revenue as a percentage of Group revenue*	54.2%	56.3%	+2.1

\* Since revenue allocation to determine quotas is from an HR perspective, it reflects the location of employees; contrary to the financial report, which allocate revenue to the region where it is generated.

**RECRUITMENT IN GERMANY**

In thousands of employees (FTE)



**FLEXIBILIZATION OF WORKFORCE IN GERMANY**

2009 - 2013: Reskilling and upskilling of employees as an alternative to new hires and reductions

In employees (FTE)



**Measures for internal skills shift**

- Centralized training Group-wide for experts through CAMPUS programs
- Part-time- studies and doctorate programs within the scope of Bologna@Telekom
- General development via Telekom Training
- Skills development measures for C-grade civil-servants in the technical career track (cooperation between Vivento and University of Applied Sciences in Leipzig)

## TOOLS FOR SOCIALLY RESPONSIBLE STAFF REDUCTION IN GERMANY

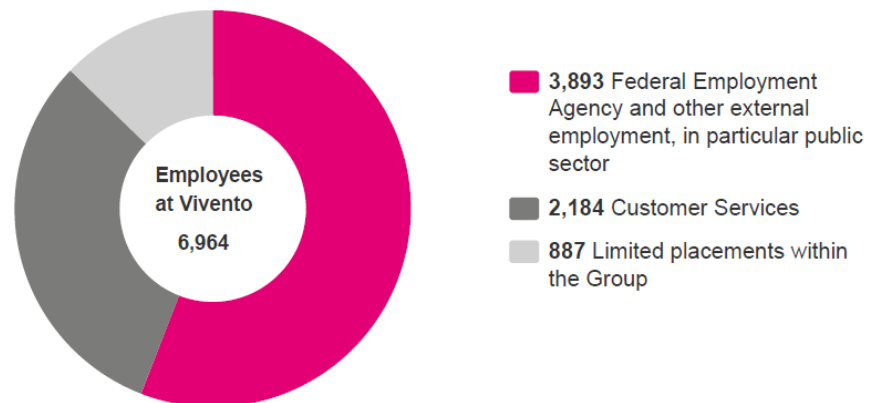
In employees (FTE)

	2009	2010	2011	2012	2013
Early retirement (civil servants)	2,788	3,947	2,564	2,266	1,618
Early retirement (non-civil servants)	468	121	0	3	27
Severance payments	2,192	2,227	709	955	1,316
Partial retirement (start of passive phase)	643	846	959	1,417	711
Other socially responsible tools	132	782	163	120	241

## VIVENTO WORKFORCE

Incl. business models and projects

In employees (FTE)



Permanent employees and support staff: **592**

Number of employees who found a new job through Vivento in 2013: **766**

Staff transfers to Vivento since its foundation: **50,898**

Staff who have left Vivento since its foundation: **42,868**

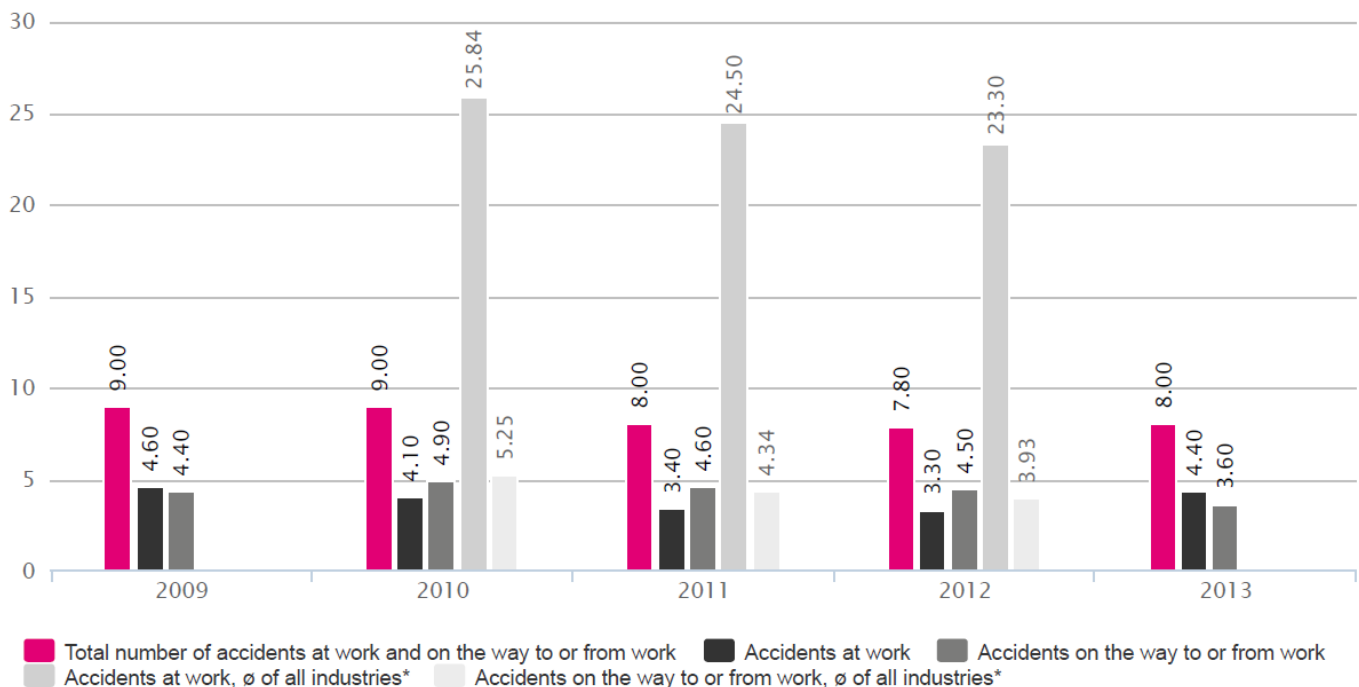
## HEALTH RATE IN GERMANY

By operating segment, in percent

	2009	2010	2011	2012	2013
Early retirement (civil servants)	2,788	3,947	2,564	2,266	1,618
Early retirement (non-civil servants)	468	121	0	3	27
Severance payments	2,192	2,227	709	955	1,316
Partial retirement (start of passive phase)	643	846	959	1,417	711
Other socially responsible tools	132	782	163	120	241

## WORK ACCIDENTS IN GERMANY

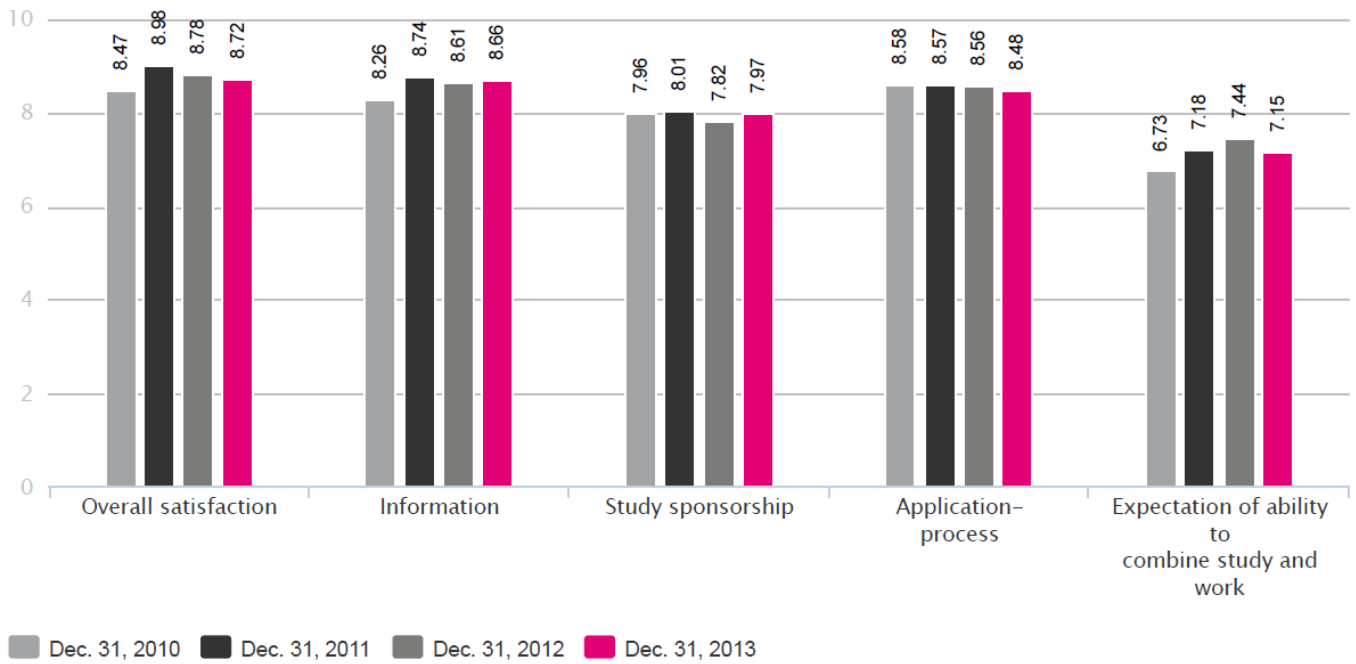
Per thousand employees (FTE)



\* Accidents from 2013 have not yet been included in the statistics published to date.

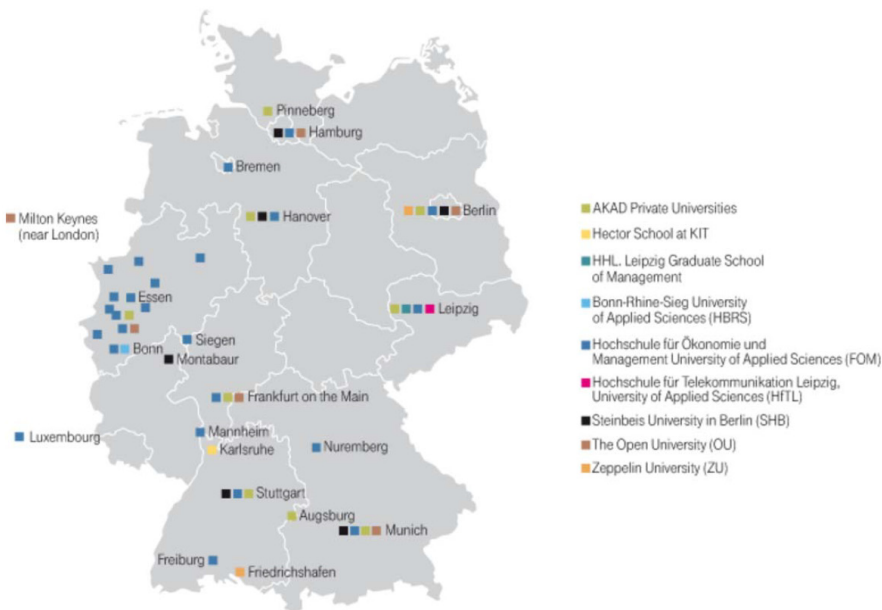
**BOLOGNA@TELEKOM: LEVEL OF SATISFACTION AMONG NEW STUDENTS**

Scale of 1 to 10



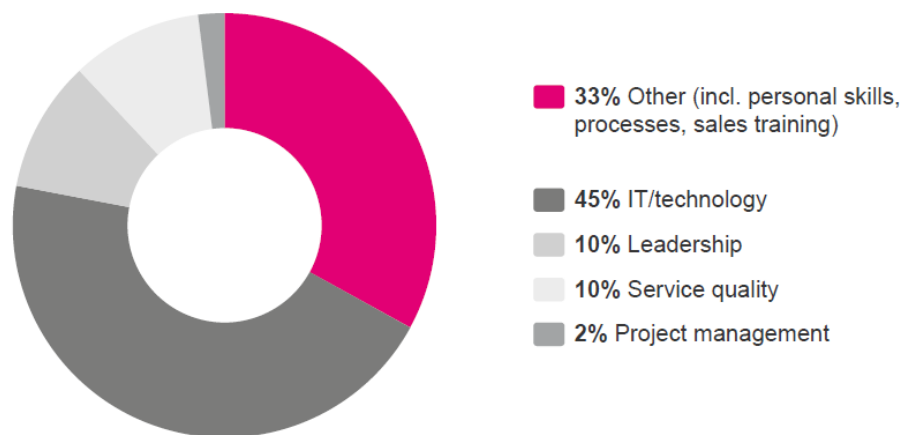
2010: 157 respondents, 2011: 187 respondents, 2012: 158 respondents, 2013: 135 respondents

**PARTNER UNIVERSITIES FOR BOLOGNA@TELEKOM**



## TRAINING COURSES OFFERED BY TELEKOM TRAINING IN GERMANY

By key themes



Seminars: **36,054**

Participants: **278,575** (Ø of 2 seminars attended per employee)

Participant days: **477,086**

Ø number of training days per participant: **1.7**; per employee: **4.0**

Number of web-based training courses carried out (content usages on internal e-learning platform): **930,800**

## INTERNATIONAL DEVELOPMENT AND MANAGEMENT PROGRAMS

In employees (FTE)

		2010	2011	2012	2013
Participants FEP*/ LDP**	Total	661	612	409	491
	Women	35%	32%	43%	37%
Participants Professional Programs	Total	162	164	167	165
	Women				45%
Participants LEP***	Total	1,067	994	918	
Participants LEP	Men	890	802	712	
Participants LEP	Women	177	192	206	
Participants LEP	Germany	930	855	710	
Participants LEP	International	137	139	208	

\* Führungskräfte-Entwicklungsprogramm

\*\* Leadership Development Program

\*\*\* Leadership Excellence Program

LEP is not provided any further since 2013 due to a change in conception of Leadership development.  
The new concept will be realized in the first quarter of 2014.

## SATISFACTION RATE AND COMMITMENT INDEX

Managers

	2011	2012	2013
Germany	83%	85%	86%
International	70%	82%	81%
<b>Group (total)</b>	<b>78%</b>	<b>84%</b>	<b>84%</b>
Commitment index, scale of 1 to 5	3,8*	4,0	4,0*

The calculated values originate from pulse check and employee survey (MAB) current at the time, the most recent pulse check carried out in November 2013. MAB not carried out in 2013 according to plan.

\* from MAB of prior year

## FLUCTUATION RATE

Unmanaged (termination by employee)

	2012	2013
Germany	1.95%	1.82%
International*	**	7.63%
<b>Group (total)*</b>		<b>4.17%</b>

\* without USA

\*\* Fluctuation figures of 2012 not fully collected at Systems Solutions.



**PULSE CHECK**

Results from the pulse checks conducted in Oct./Nov. 2013, in percent

**High ratings (agree)**



**Low ratings (disagree)**

Germany International

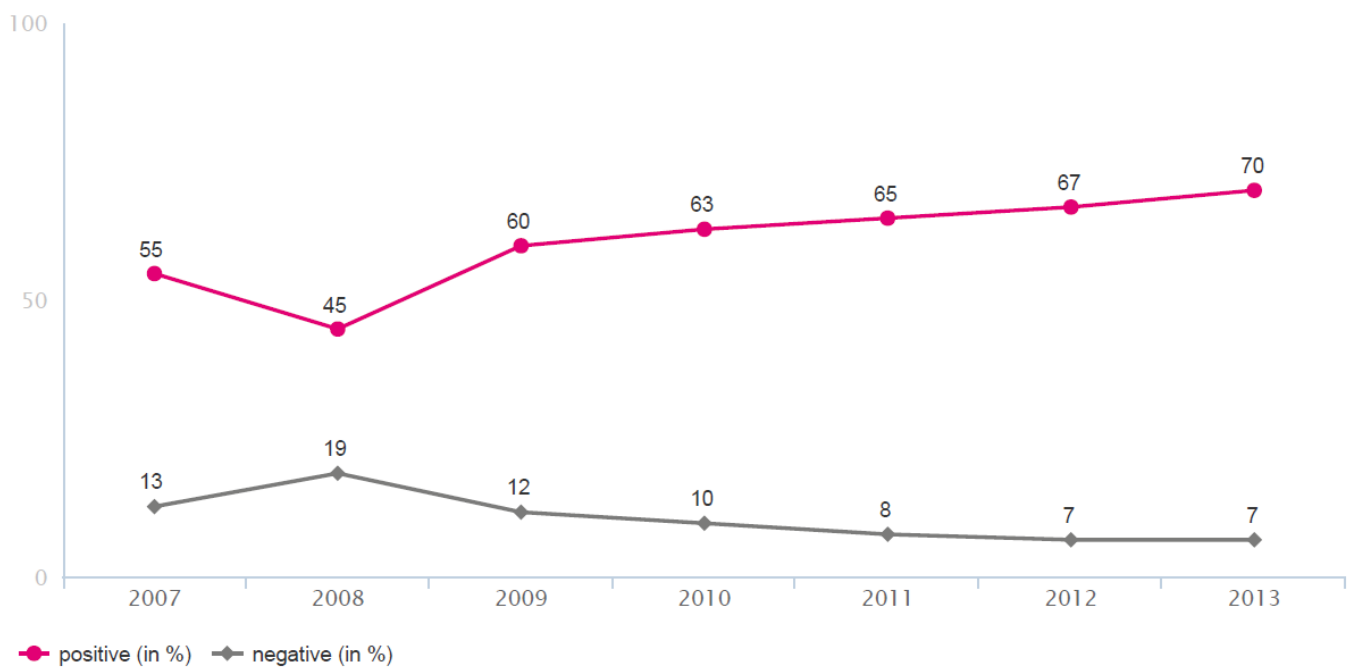
High ratings = Very good, good/agree fully, agree.  
 Low ratings = Poor, very poor/do not agree, do not agree at all.  
 "Neither agree nor disagree" ratings are not included.

**Explanations of questions asked:**

- Satisfaction = How do you feel in the company?
- Product recommendation = I recommend the products/services of our company to potential customers outside of my work environment.
- Employer attractiveness = I would recommend our company as a great place to work.
- Changes = I can understand the changes in our company.
- Strategy = I can clearly explain to others the strategy of Deutsche Telekom.
- Collaboration = In my experience, we all work together as partners at Deutsche Telekom in the interests of the Group's success.
- Workload/quality = In my team, the workload and quality requirements are consistent with one another.
- Work-life balance = The current working hours allow a good balance between private (family/leisure act.) and job-related interests.
- HR development = Our company offers sufficient training opportunities to support my professional development.
- Processes = Processes and procedures allow me to effectively meet my (internal and/ or external) customers' needs.
- Recognition = Considering all my efforts and achievements, I feel that I have received the appropriate amount of recognition at work.

## EMPLOYEE SATISFACTION IN GERMANY

Results from the pulse checks conducted from 2007 to 2013, in percent

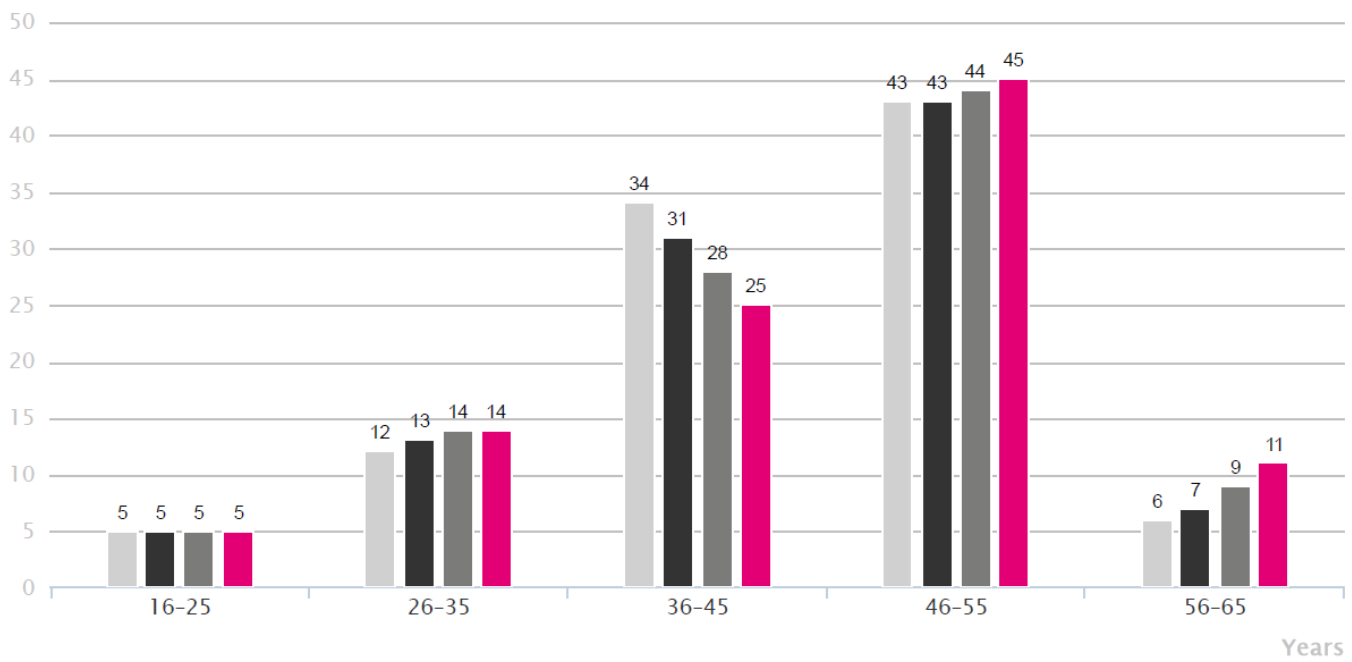


Pulse checks 2007-2013:

„How do you feel about working at Deutsche Telekom?“

### AGE STRUCTURE IN GERMANY

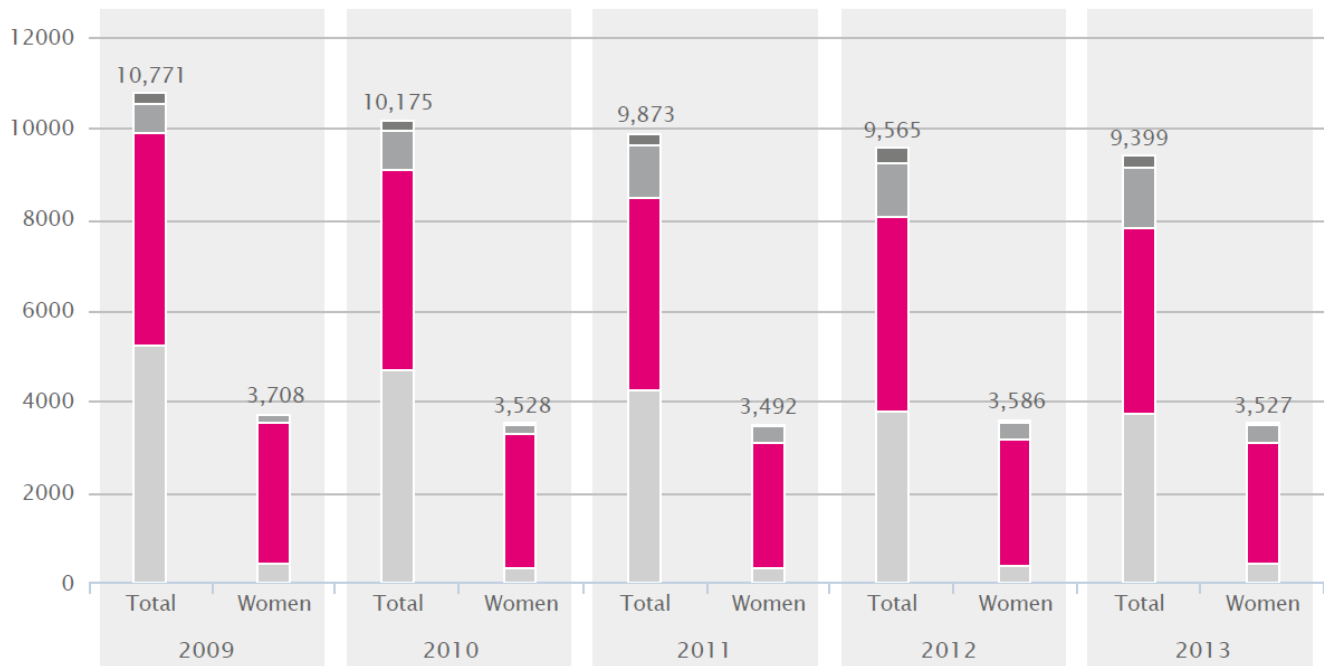
In percent



2010    Ø age in 2010 (in years): 44.0   
  2011    Ø age in 2011 (in years): 44.1   
  2012    Ø age in 2012 (in years): 44.4   
  2013    Ø age in 2013 (in years): 44.7

## APPRENTICES AND TRAINING PROGRAMS IN GERMANY

Total and percentage of women, in employees (FTE)



Technical/IT
  Business administration
  Students on cooperative degree courses
  On-campus students at the University of Applied Sciences in Leipzig

Examples for commercial training programs: office communications administrators, retail sales or dialog marketing assistants, industrial business administrators

Examples for cooperative study programs: bachelor in business administration, telecommunication informatics, business informatics.

## TRENDS IN APPLICANT NUMBERS AND IN PERMANENT EMPLOYMENT OF JUNIOR STAFF\* IN GERMANY

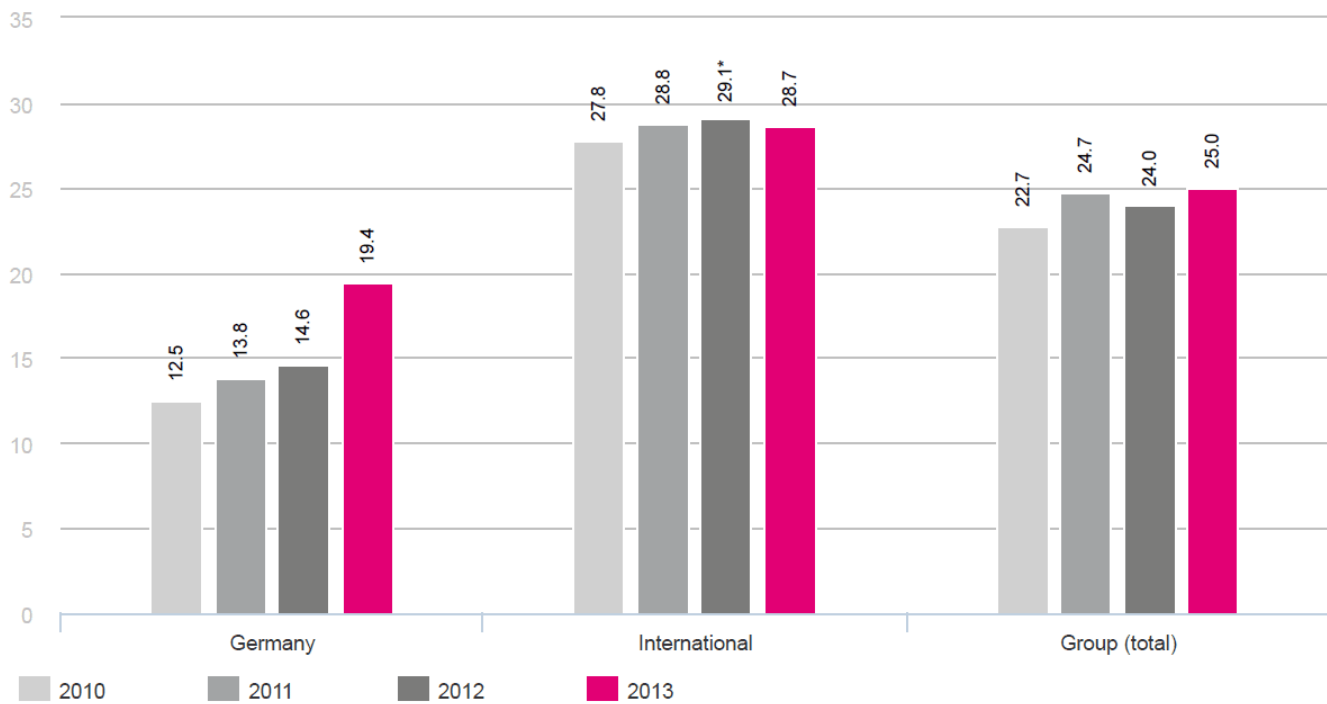
In employees (FTE)

	2007	2008	2009	2010	2011	2012	2013
Apprentices and students entitled to apply	3,811	3,828	4,046	3,742	3,433*	3,340	3,119
Of which applied	2,064	2,361	2,482	2,785	2,692	2,428	2,436
Of which applied (in %)	54	62	61	74	78	73	78
Taken on permanently	731	1,384	1,592	1,740	1,750	1,324	1,671
Those who were entitled to apply and were taken on permanently (in %)	19	36	39	47	51	40	54
Those who applied and were taken on permanently (in %)	35	59	64	62	65	55	69

\* Junior staff means Apprentices, students on cooperative degree courses/ students of the University of Applied Sciences in Leipzig who are taken on with a permanent or temporary contract in a consolidated company after completing their education.

## WOMEN IN MIDDLE AND UPPER MANAGEMENT

In percent



\* Differences caused by rounding of figures corrected for 2012

## EMPLOYEES WITH DISABILITIES IN GERMANY

By operating segments, in percent

	2009	2010	2011	2012	2013
Germany	6.3	6.6	6.7	7.1	7.6
Europe					2.5
Systems Solutions	3.6	3.7	3.8	4.1	4.2
Group Headquarters and Group Services	7.7	7.9	8.1	7.6	5.6
<b>Group (total) in Germany</b>	<b>6.0</b>	<b>6.2</b>	<b>6.3</b>	<b>6.4</b>	<b>6.4</b>

## GENIAL@TELEKOM IN GERMANY

	2009	2010	2011	2012	2013
Ideas submitted	5,592	10,498	10,831	13,043	12,146
Savings in millions of EUR	122	136	116	104	83