

Remuneration system for Board of Management members

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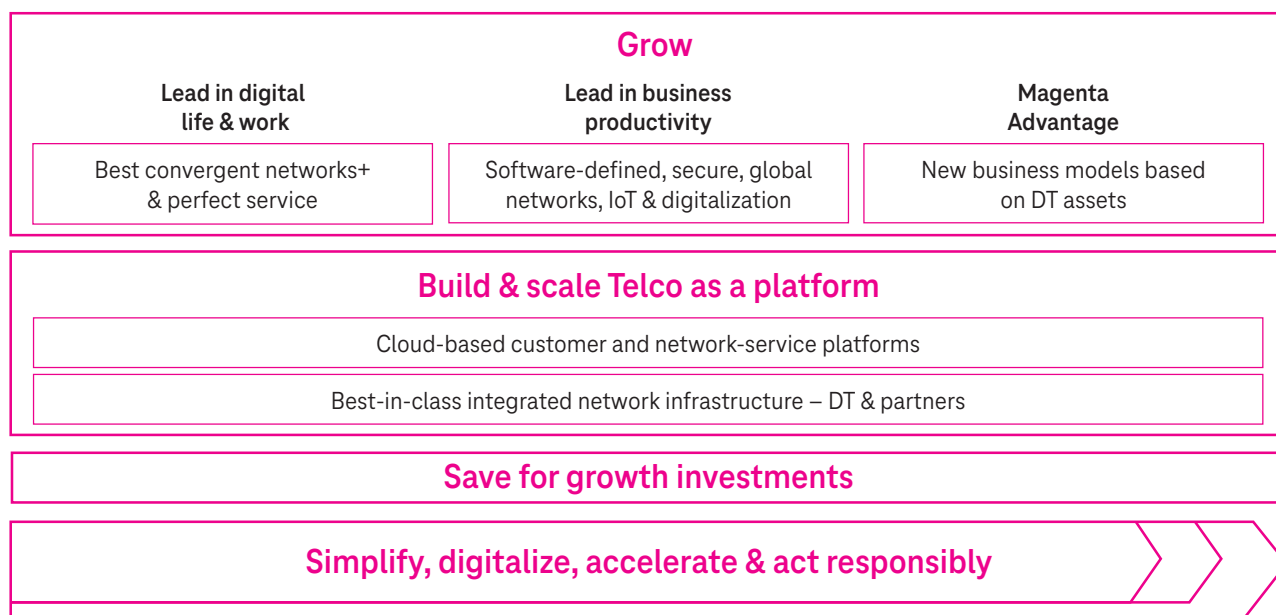
1. Objective of the remuneration system of the Board of Management and reference to the corporate strategy

The new remuneration system of the Board of Management defines the framework conditions in accordance with which the Supervisory Board can grant the members of the Board of Management remuneration components. The Supervisory Board has prepared the new remuneration system in line with the regulations of the German Stock Corporation Law (AktG) in the version amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II) as well as the recommendations for the remuneration system for management board members in Section G of the German Corporate Governance Code (GCGC) in the version dated December 16, 2019. In the financial year 2021, the Supervisory Board contractually transferred the members of the Board of Management to this new remuneration system with effect from January 1, 2021.

When drafting the remuneration system for members of the Board of Management, the Supervisory Board worked on the basis of the following principles:

- ▶ Conforming to regulatory/statutory requirements in Germany as well as the principles of good corporate governance
- ▶ Promoting the implementation of the long-term strategy for sustainable corporate development
- ▶ Determining reasonable compensation levels within market standards
- ▶ Strong focus on pay for performance
- ▶ Focus on shareholders' interests while accounting for stakeholders' interests
- ▶ As consistent as possible with the compensation system for executives within the Group
- ▶ Intuitive and easy-to-understand compensation system

Over the past seven years, it was the aspiration and strategy of Deutsche Telekom to become the “leading European telco. We have implemented this strategy extremely successfully and consistently, anticipated changes to our ecosystem early on, and adapted our strategy in areas where altered market conditions required it. Digitalization is the main catalyst for the principal trends, and from our position as “leading European telco”, our new mission is to become the “leading digital telco”. This will necessitate further bold changes in the way we deal with our customers, our business models, and the technology and architecture of our production landscape.



Lead in digital life and work

The relevancy of convergent and differentiated networks continues to increase. We want to offer all our customers (B2C and B2B) a seamless and technology-neutral telecommunications experience and will orchestrate this across partner networks and independently from our own infrastructure. We want our customers to have the best customer experience, whether on the fixed or mobile network, online or offline, across all services and products. Within the context of digitalization, all customers will therefore be offered a uniform, individualized, context-relevant experience spanning all channels. This uniform customer experience will evolve into a convergent product world where services and devices are seamlessly integrated and personalized.

Lead in business productivity

The advancing digitalization of critical processes within companies is dependent on reliable, secure, global connectivity. In future, we want to continue to supply companies with globespanning connectivity requirements and we will go where our customers are. That is why we are investing in robust, global fixed network and mobile connectivity and acting as a “one-stop connectivity shop” by orchestrating our own and our partners’ networks. To accommodate the new hybrid work environments and satisfy customers’ demands for user-friendliness and flexibility, we are working to replace our existing production chains with a flexible, modular, cloud-based production system, complemented by security solutions which fuse with the network to create a highly secure end-to-end solution.

Magenta Advantage

In our core business, we create substantial value and capabilities that other companies do not have. This is our Magenta Advantage. We interact with 18 million consumers in Europe and have 9 million pay TV customers. What’s more, our business customer arm gives us access to the world’s biggest corporations across all industries. In close collaboration with our partners, our aim is to use our reach more effectively, and develop new digital business models alongside the core business. Through us, our partners can make new services accessible to a broad audience faster. Everything we do is closely aligned with our market promise of reliability, security and trust.

Building and scaling telco as a platform

We underscore our claim to technological leadership by investing in the development of cloud-based service platforms as well as network infrastructure. We are consistently expanding our fixed and mobile networks and interlinking them to give our customers to get the fastest possible highquality connection, anytime, anywhere. Almost all our European NatCos are leading the field in expanding the optical fiber-based fixed network. We are using the fifth-generation (5G) communications standard to create an ultrareliable mobile network. We use our global footprint to generate Groupwide synergies and compete with the global tech giants. We also complement our own infrastructure with that of our strategic partners and integrate alternative access networks. This presupposes a technology- and domainindependent technical orchestration in order to control our “network of networks”. This is reliant on further network automation, cloudification, and disaggregation.

To be successful in these areas of operation, Deutsche Telekom will continue to make heavy investments. We generate the leeway for this by making savings in other areas and becoming more efficient for example. It is also for this reason that we want to make Deutsche Telekom – on the whole – simpler, more digital, and faster. For example, we will simplify our offerings and further automate our internal processes. This will ensure that we can cut costs while responding to our customers’ needs even more quickly.

We are also continuing to drive our cultural transformation, with our brand at its core. Its market value has risen continuously in recent years; what is more, it is also pivotal to our employees’ self-image. In future we will continue to consistently align our employees’ capabilities with our strategic needs and further accelerate the skills transformation with a particular focus on digital skills. Mindful of our social responsibilities, we never waver from focusing on the sustainability of our core corporate processes. Our climate change program #Green Magenta has been designed to

make an effective contribution toward protecting the climate and conserving resources, in a further expansion of our climate strategy.

Alongside further aspects, the remuneration system for the Board of Management greatly contributes to promoting this long-term corporate strategy. By selecting appropriate liquidity and profitability KPIs as financial performance indicators, this system creates incentives to generate the required means to be able to successfully implement Deutsche Telekom's investment strategy. By using KPIs for the customer and employee satisfaction ratios as non-financial KPIs, the stakeholders' interests – which are also important to be able to be successful in the strategic areas of operation and achieve the financial performance indicators – are also appropriately taken into consideration. The Supervisory Board has also added ecological objectives to the remuneration system. As part of the Company's sustainability strategy to ensure – in the framework of the Company's sustainability strategy – the “Act responsibly” and “Enable sustainability” mission is also emphasized via the remuneration of the Board of Management.

Through consideration of the share price in various components of the remuneration of the Board of Management and the direct obligation to acquire and maintain shares in the company, the objective is to ensure the greatest possible reconciliation of interests between the shareholders and the Board of Management of Deutsche Telekom.

The remuneration system should be structured in such a manner that the challenging task of the members of the Board of Management, namely managing a global telecommunications company that operates in a very dynamic competitive field and is subject to intense regulation, is taken into consideration. At the same time, the remuneration of the Board of Management should be globally competitive to support Deutsche Telekom when searching for highly-qualified managers.

Through this approach, the Board of Management remuneration system provides incentives to successfully implement the corporate strategy, to ensure a sustainable development of the company, and is also focused on creating long-term value for the shareholders. This meets all requirements of the German Stock Corporation Act and all recommendations of the German Corporate Governance Code 2020 (GCGC) governing the Board of Management's remuneration.

This remuneration system was developed over a period of around two years alongside the regulatory developments. It was continually refined within the context of the General Committee meetings and interim states were also regularly discussed in the Supervisory Board meetings. Alongside this, discussions were held in 2020 with investors and proxy advisors in order to be able to also consider the investors' perspective regarding the requirements and structure of an effective remuneration system. The Chair of the Supervisory Board used these events to align the opinion of the Supervisory Board with the requirements of the investors, explain the reasoning of the Supervisory Board, to respond to criticisms from the investors, and to notify the Supervisory Board of the investor feedback during the course of the coordination of the remuneration system. At the Supervisory Board meeting on December 15, 2021 and on February 23, 2022, three adjustments to the existing Board of Management remuneration system versus the system adopted by the Shareholders' Meeting on April 1, 2021 were resolved.

2. Procedure to determine the concrete total remuneration of the Board of Management and review of the Board of Management remuneration system.

2.1 Determination of the remuneration amounts

In accordance with § 87 (1) AktG, the Supervisory Board defines the total remuneration for each member of the Board of Management. To this end, the Supervisory Board obtains support from the General Committee for issues regarding the remuneration of the Board of Management. The General Committee drafts suggestions for the Board of Manage-

ment remuneration system, analyzes further developments, and prepares decisions for the definition of targets and derives the target achievements. These suggestions are then discussed and resolved by the Supervisory Board. In the event that the Supervisory Board would like to call upon an external remuneration expert for its discussions, the independence of this person is ensured.

The Supervisory Board defines the concrete target total remuneration and the maximum remuneration for the upcoming financial year. Here, the Supervisory Board ensures that this remuneration is in appropriate relation to the duties and performances of the member of the Board of Management as well as to the situation of the company and that it does not exceed the usual remuneration without good reason. The Supervisory Board has aligned the remuneration structure with a sustainable and long-term development of the company in which the variable components of remuneration have a basis of assessment lasting several years. With regard to the variable remuneration, the percentage of the long-term targets is greater than the percentage of the short-term targets. The performance criteria relevant for the variable remuneration components are defined by the Supervisory Board for each member of the Board of Management. These criteria are based on operational, and, primarily, strategic targets. Here, the Supervisory Board determines the extent to which the targets are decisive for each individual member of the Board of Management and for all members of the Board of Management as a whole. It is not possible to retrospectively amend the target values or the comparison parameters.

Following the end of the financial year, the General Committee – in line with the target achievement – recommends the amount of the individual remuneration components to be paid for the relevant financial year. These components are discussed and resolved by the Supervisory Board. In doing so, the Supervisory Board ensures that the remuneration of the Board of Management is comprehensible in terms of reason and size.

The level of the total remuneration is regularly subject to a review of its appropriateness by the Supervisory Board. Here, the General Committee prepares a horizontal and vertical comparison of remuneration. Using this comparison of remuneration, the Supervisory Board discusses the appropriateness and the normality of the remuneration and makes a decision regarding a need to amend the remuneration if the comparison indicates a need to do so.

2.1.1 Horizontal comparison of remuneration

With regard to the horizontal comparison of remuneration, Deutsche Telekom primarily aligns itself to the remuneration granted by DAX 30 companies. In doing so, the criteria “revenue”, “number of employees”, and “market capitalization” are used in order to perform a statistical comparison of Deutsche Telekom with the reference group. Here, the objective is to ensure that the remuneration at Deutsche Telekom represents an offer that is market-standard yet also competitive compared to other DAX-listed companies. According to the statistical comparison, Deutsche Telekom is currently in the upper quarter of the DAX 30 companies and therefore wishes to ensure that the remuneration of the Board of Management is also on this level. In addition to the fundamental orientation towards the level of remuneration at DAX 30 companies, the Supervisory Board also regularly observes and examines the development of the European and global remuneration level in the telecommunications sector. Due to the highly fluctuating sizes of the competing telecommunications companies and the significantly different remuneration models and levels in the respective target markets, the horizontal remuneration comparison is given a greater weight on the basis of the data from the DAX-30 peer group; the results from the industrial comparison supplement the knowledge gained.

2.1.2 Vertical comparison of remuneration

The Supervisory Board also takes the remuneration structures within Deutsche Telekom into account when defining the remuneration of the Board of Management. With this in mind, a qualitative assessment is performed of the remuneration components that are offered at various employee levels within the Company, which components have differences in terms of their structure, and how high the average employee remuneration is at the individual hierarchical

levels. Within this vertical comparison of remuneration, the Supervisory Board limits its assessment to the German workforce and also takes into account senior management and the workforce as a whole, whereby a distinction is made between seven employee levels. With this comparison, the development of the remuneration over time is also taken into consideration.

2.2 Review of the Board of Management remuneration system

The General Committee prepares the regular review of the remuneration system by the Supervisory Board. Where necessary, the General Committee recommends potential changes to the system to the Supervisory Board. If a change to the system is made, it is presented to the Shareholders' Meeting once again for approval. If the remuneration system remains the same over time, the system is submitted to the Shareholders' Meeting not later than four years after the last approval of the system. If the Shareholders' Meeting fails to give its approval to a remuneration system, the General Committee will recommend a new, amended remuneration system to the Supervisory Board for consultation and resolution, which the Supervisory Board will subsequently present for approval at the next ordinary Shareholders' Meeting.

3. Contractual terms, durations of appointment, and age limits

The Supervisory Board takes the regulations of § 84 AktG and the German Corporate Governance Code into account with regard to the appointment of members of the Board of Management and the term of Board of Management contracts.

The initial appointment of members of the Board of Management is for a maximum of three years. The maximum term for reappointments or extensions to the term of office is five years.

The Supervisory Board has defined a standard age limit of 65 years for members of the Board of Management.

4. Components of the total remuneration of the Board of Management

FIXED COMPENSATION ELEMENTS	VARIABLE COMPENSATION ELEMENTS
<p>Basic remuneration Twelve monthly payments</p> <p>+</p>	<p>STI Single-year variable, performance-based compensation for the current business year.</p> <p>Obligatory own investment: share deferral</p> <p>+</p>
<p>Remuneration in kind</p> <ul style="list-style-type: none"> ▪ Company car ▪ Insurance coverage ▪ Driver ▪ Non-cash benefits <p>+</p>	<p>Share matching plan After four years the share deferral will be matched by the Company 1:1 with T-Shares</p> <p>+</p>
<p>Other fringe benefits</p> <ul style="list-style-type: none"> ▪ Relocation costs ▪ Dual household maintenance costs ▪ Compensatory payments for the loss of variable compensation elements from previous employer 	<p>LTI Variable long-term performance-based compensation over four years. Consists of four equally weighted KPIs</p>
	<p>Share-ownership Guidelines (SOG) Building up the equivalent of an annual basic remuneration.</p>

4.1 Fixed remuneration components

Overview of the potential fixed elements of the compensation system for the Board of Management		
Compensation component	Structure	Objectives and bearing on strategy
Basic remuneration	<ul style="list-style-type: none">▪ Fixed agreed compensation▪ Paid out at the end of each month	<ul style="list-style-type: none">▪ Reflects the person's position within the Board of Management, personal experience, and market conditions▪ Guaranteed element of the compensation of the Board of Management
Remuneration in kind	<ul style="list-style-type: none">▪ Provision of a company car/Driver▪ Annual health checkup▪ Insurances▪ Consultation on security-related issues and measures for structural and technical security	<ul style="list-style-type: none">▪ Assumption of costs which are incurred in the Company's interests
Other fringe benefits	<ul style="list-style-type: none">▪ Reimbursement of any job-related relocation costs incurred▪ Time-limited reimbursement of dual household maintenance costs▪ Compensatory payments for the loss of variable compensation elements from previous employer in the event of a transfer to Deutsche Telekom	<ul style="list-style-type: none">▪ Compensation for financial losses which arise as part of Board activities or are incurred due to the transfer to Deutsche Telekom

4.1.1 Basic remuneration

The basic remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law and is paid on a monthly basis. It takes the individual role of the member of the Board of Management on the Board of Management, experience, the area of responsibility, and the market conditions into consideration. In the event of temporary incapacity for work caused by illness, accident or any other reason for which the respective Board of Management member is not responsible, the fixed basic remuneration continues to be paid. The continued payment of remuneration ends at the latest after an uninterrupted period of absence of six months, or for a maximum of three months following the end of the month in which the Board of Management member's permanent incapacity for work is established.

4.1.2 Remuneration in kind

According to market-oriented and corporate standards, the company grants all members of the Board of Management additional benefits, some of which are viewed as non-cash benefits and taxed accordingly. Within the context of a specified budget, members of the Board of Management are eligible for a company car for business and private use. Where necessary, they may also make use of a personal chauffeur. In accordance with the contract, the members of the Board of Management are obligated to have an annual health check. The costs for this check are assumed by the company. The Company grants the members of the Board of Management accident and liability insurance and bears the allocated non-cash benefits. Required means of communication are also made available to the members of the Board of Management – also at their homes – free of charge. Members of the Board of Management can also receive consultation regarding security-relevant measures. If necessary, costs for measures to ensure structural security can be assumed.

4.1.3 Fringe benefits

The fringe benefits are not a permanent and guaranteed component of the remuneration of the Board of Management and, in fact, are only granted by the Supervisory Board if necessary. The need for the benefits as described below generally arises in connection with an engagement of a new member of the Board of Management who has an active employment relationship with another employer. If a member of the Board of Management moves their main place of residence to Germany at the request of the Company, the Supervisory Board can grant either a full or a flat-rate financial reimbursement for additional services such as those related to relocation, dual household maintenance, accommodation, language courses, and costs associated with international schools for the children of members of the Board of Management. The same applies for assuming the costs for tax consulting services if a member of the Board of Management relocates to Germany from abroad and must pay tax in other countries beside Germany. Furthermore, the Supervisory Board can also define a remuneration payment if a new member of the Board of Management is affected by significant losses to their variable remuneration components as a result of their transfer to Deutsche Telekom.

4.2 Variable remuneration components

The variable remuneration should establish the right incentives to achieve the operational and strategic targets of the Company, to link the interests of shareholders and members of the Board of Management, and also to support the sustainability drive of Deutsche Telekom in the long term without, at the same time, leading to temptation to take inappropriate risks. The variable remuneration components reflect both the performances of the members of the Board of Management as a collective as well as the individual performances of individual members, and the economic development of Deutsche Telekom. When defining target-relevant success factors, the Supervisory Board ensured that they are in line with Deutsche Telekom's strategy. The financial success factors are derived from the corporate planning and measure the fulfillment of budget values. The Supervisory Board of Deutsche Telekom will retrospectively disclose the concrete ambition level of the used success factors of a variable remuneration to be paid out in the remuneration report.

Overview of the potential variable elements of the compensation system for the Board of Management

Compensation component	Structure	Objectives and bearing on strategy
Variable remuneration that is calculated on the basis of the achievement of short-term objectives (STI)	<ul style="list-style-type: none"> Term of one year Disbursement date: after the shareholders meeting of the following year Possible target achievements: 0–150 percent The relevant target achievements are; <ul style="list-style-type: none"> 1/3 Group targets 1/3 Segment targets 1/3 ESG targets Applicability of individual performance factor: 0.8–1.2 Possible total target achievement taking into account the individual performance factor: 0–180 percent 	<ul style="list-style-type: none"> Achieving single-year corporate targets derived from medium-term planning Operational successes at Group and segment level taken into account Continual development of the operating business Creating the conditions for dividend and investment capabilities Sustainable and ecological aspects of the Company's business taken into account Taking stakeholders' interest into account Performance of individual members of the Board of Management may also be taken into account
Obligation to invest (personal investment)	<ul style="list-style-type: none"> Each year after the STI is defined by the Supervisory Board Minimum investment volume is 1/3 of the STI Maximum investment volume is 1/2 of the STI Holding period of 4 years (from time of investment) 	<ul style="list-style-type: none"> Reaching target figures and short-term corporate targets Acts as incentive for long-term increase in shareholder value Synchronizes the interests of members of the Board of Management with those of shareholders Retention effect for the member of the Board of Management
Share matching plan (SMP)	<ul style="list-style-type: none"> Requires the personal investment made four years earlier Each year following the end of the four-year holding period for the personal investment Matching ratio: 1:1 for each share of the personal investment one share will be transferred as matching share Limited share price development: at 150 percent of the paid STI. In the event that during the holding period the share price increases by more than 150 percent of the STI relevant for the personal investment, the member of the Board of Management will not participate in any further increase of the share price. In this case the matching ratio is below 1:1 	<ul style="list-style-type: none"> Acts as incentive for long-term increase in shareholder value Synchronizes the interests of members of the Board of Management with those of shareholders Retention effect for the member of the Board of Management
Variable remuneration arising from the achievement of long-term objectives (LTI)	<ul style="list-style-type: none"> Type of plan: cash-settled and share-based Term: 4 years (rolling) Target parameters: 4 equally weighted targets <ul style="list-style-type: none"> Return On Capital Employed (ROCE) Earning Per Share (EPS) Customer satisfaction Employee satisfaction Share-based by mapping as virtual shares during the planned term Taking into account actual dividend payments Possible achievement of the targets: 0–150 percent Maximum disbursement possibilities capped at 200 percent 	<ul style="list-style-type: none"> Achieving multiple-year corporate targets derived from medium-term planning Acts as incentive for implementation of the long-term corporate strategy Taking stakeholders' interests into account Synchronizes the interests of members of the Board of Management with those of shareholders Retention effect for the member of the Board of Management

4.2.1 Annual variable remuneration (Short-Term Incentive/STI) with assessment period of one year

The economic success of the current financial year should be reflected within the framework of the STI. Furthermore, the Supervisory Board has decided to support the significance of the sustainability strategy by implementing two ESG targets in the variable remuneration with an assessment period of one year. The Supervisory Board considers it important that 1/3 of the STI of the members of the Board of Management responsible for the operative business is assessed based on the success of the operating segment for which responsibility is assumed. For members of the Board of Management who do not have any operating responsibility, this measurement takes place on a Group level and, depending on the area of responsibility, includes or excludes U.S. business. The objective of this is to reinforce the crossarea collaboration in the Board of Management team and, at the same time, to align a significant percentage of the annual variable remuneration of members of the Board of Management with responsibility for operating business towards the development of the respective operating segment.

GROUP FINANCIAL TARGETS		+	SEGMENT FINANCIAL TARGETS		+	ESG TARGETS		×	PERFORMANCE FACTOR
1/3 of the target amount			1/3 of the target amount			1/3 of the target amount			Personal strategic target + Value adherence
Service revenues	30%	Service revenues	33%	Reduction in CO ₂ emissions	50%				
EBITDA AL (unadjusted)	30%	EBITDA AL (unadjusted)	33%	Reduction of energy consumption	50%				
Free cash flow AL	40%	Indirect costs AL (adjusted)	33%						
0%–150%			0%–150%			0%–150%			0,8–1,2

The suffix AL in the table refers to the respective “after leases” KPI.

Group financial targets

Service revenues

Service revenues are the revenues that are generated from customers by services (i.e., revenue from fixed and mobile network voice calls – incoming and outgoing calls – as well as data services) plus roaming revenues, monthly basic charges and visitor revenues, as well as revenues generated from the ICT business. As a result, the service revenues are an important indicator for the successful implementation of the growth strategy of the Group. Starting 2021, they will form a component of the annual variable remuneration with an assessment period of one year. Only total revenue was taken into account to date. The reason for this change is the intended focus on revenue elements with greater value in order to avoid an inappropriate incentivization of the Board of Management to maximize revenue in the short-term through low-margin terminal equipment business and the expansion of revenue that is more valuable in the long-term. When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent. When defining the target achievement, the Supervisory Board has the opportunity to amend the service revenues in order to, at the same time, take significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

EBITDA AL (unadjusted)

EBITDA AL is the most important KPI when it comes to measuring the operating performance of the Company and reflects the result of our growth strategy on the customer side (consumers and business customers) as well as the savings for promoting investment. EBITDA AL (earnings before interest, taxes, depreciation and amortization) is calculated by adjusting EBITDA for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. As a result of the mandatory first-time application of the IFRS 16 accounting standard since the start of the 2019 financial year, this has been taking place i.a. in order to establish the best possible comparability with the KPIs

we previously used (in this case EBITDA). As a result, EBITDA AL plays a particular role in capital market communication and, for this reason, is a principle ratio when it comes to the annual capital market guidance (where, as part of the comparability with other telecommunications companies, EBITDA AL adjusted is reported). When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent.

Free Cash Flow AL

FCF AL is a further important KPI when it comes to measuring the operating performance of the Company that is directly linked to the financial strategy of the Company (ability to pay a dividend and the ability to reduce liabilities). When determining the free cash flow AL, the FCF (cash generated from operations minus payments for investments) is adjusted for the repayment of lease liabilities. As a result of the mandatory first-time application of the IFRS 16 accounting standard since the start of the 2019 financial year, this has been taking place i.a. in order to establish the best possible comparability with the KPIs we previously used (in this case FCF). As a consequence, FCF AL plays a particular role in capital market communication and, for this reason, is a principle ratio when it comes to the annual capital market guidance. When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent.

To improve comparability of our performance indicators with the EBITDA and free cash flow indicators reported in the financial statements of T-Mobile US in accordance with U.S. GAAP, which continues to differentiate between operating and finance leases, expenses and repayments for finance leases at T Mobile US will not be taken into account when determining EBITDA AL and free cash flow AL.

When defining the target achievement, the Supervisory Board has the opportunity to amend the unadjusted EBITDA AL and the free cash flow AL in order to, at the same time, take significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

Segment financial targets

Service revenue and EBITDA AL (unadjusted)

The statements made above apply to both target parameters. The members of the Board of Management in the Germany, Europe, T-Systems and Group Development & U.S. segments are given the KPIs broken down for the segments as defined in the corporate planning as their set of targets. In doing so, the Supervisory Board wishes to incentivize the operational responsibility for the respective segment by linking it to a significant percentage of the annual variable remuneration. The segment targets for the Chair of the Board of Management and the Chief Financial Officer are the Group targets for both objectives, the non-operating members of the Board of Management responsible for HR as well as Technology and Innovation are given the respective Group targets excl. U.S.

Indirect costs AL (adjusted, Group-external)

The adjusted indirect costs AL are an important metric for the operational efficiency of the Company and underline the strategic efforts to make savings in order to support investment in growth. Savings made in terms of indirect costs contribute towards the improvement of the operating performance that is reflected in EBITDA AL and free cash flow AL and, consequently, have a positive impact on the valuation of the Company on the capital market. In terms of the incentivization of the members of the Board of Management with operational responsibility, the focus is placed on the Groupexternal, adjusted indirect costs AL for the respective segment excl. the U.S.; as things stand, setting targets based on the indirect costs in the case of T-Mobile US is not a wise choice as the U.S. Business – as a growth area – is currently not focused on optimizing costs. In a similar manner to the determination of EBITDA AL, the adjusted in-

direct costs for the adjusted indirect costs AL are also calculated by adjusting for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. The segment target for the Chair of the Board of Management and the members of the Board of Management for Finance, HR, and Technology & Innovation is the adjusted external indirect costs AL for the Group excl. U.S. as the target and the members of the Board of Management with operating responsibility for Group Development & U.S., Germany, Europe, and T-Systems are given the segment-specific target respectively.

Description of the ESG targets

Reduction of energy consumption

Climate change and environmental devastation pose existential threats to the whole world. In the coming years, it is essential to sustainably decouple the economic growth from the use of resources. Companies must therefore significantly increase their energy and resource efficiency and further restrict their absolute energy consumption. This is necessary because even the production of green electricity has a negative impact on the environment. Not only that, there will also be capacity bottlenecks in the production and distribution of green electricity in the foreseeable future that will render it impossible to fully cover the needs of all market participant with green energy. Consequently, the reduction of the absolute energy consumption and, as a result, a decoupling of economic growth and the use of resources will be pursued. For the information and communications technology industry, the aspect of energy and resource efficiency will become increasingly important and it will be expected that the basic consumption of energy remains at least stable in the medium term or even slightly declines despite the build-out of the telecommunications network.

Deutsche Telekom is also aiming to increasingly decouple its growth from the use of resources. Despite an extensive build-out of the telecommunications networks in the coming years, Deutsche Telekom is aiming to keep its absolute energy consumption stable in the medium-term. To achieve this, the energy efficiency must be significantly increased in light of a high increase in data volume.

The Supervisory Board therefore considers it important to incentivize the Board of Management to at least ensure that energy consumption that is harmful to the environment is kept at least stable in the medium term. This objective is supported by the introduction of programs and investments in energy-saving measures for all energy sources while, at the same time, implementing optimizations and innovations in terms of the future infrastructure and the use of innovative technology components.

Reduction of CO₂ emissions

In addition to reducing energy consumption resulting from operating its core business model, Deutsche Telekom is also fulfilling its responsibility to climate protection and resource conservation by pursuing a variety of initiatives aimed at reducing the CO₂ emissions caused by its business activities. Therefore, Deutsche Telekom will switch to using 100 percent green electricity in 2021, thus reducing its CO₂ emissions by almost 90 percent. Furthermore, the focus is now being directed at the utilized fossil fuels. By incentivizing the Board of Management with regard to the target of significantly reducing CO₂ emissions, the Supervisory Board expects to sustainably anchoring the use of 100 percent green electricity, optimizing consumption levels in buildings, and successively switching the Group's vehicle fleet from fossil fuels to emission-free or low-emission engine types.

The Supervisory Board reserves the right to amend the utilized ESG targets in the future if this appears necessary due to updates of the sustainability strategy in order to ensure that Deutsche Telekom is able to implement its ecological responsibility as well as possible.

In terms of the annual variable remuneration, the Group financial/segment/ESG targets are given an equal weighting and can each have a target achievement of between 0 and 150 percent. Any target achievements for individual targets that exceed 150 percent are not taken into account (as 150 percent is the maximum score) and cannot be used to offset any targets with a poorer target achievement level.

Once the total target achievement of these three targets have been defined, the Supervisory Board will apply a performance factor. The performance factor can be between 0.8 and 1.2. When defining the performance factor, the Supervisory Board assesses the strategic individual targets that were agreed with the respective member of the Board of Management prior to the start of the financial year and also assesses the individual value adherence of the member of the Board of Management. Here, the application of the performance factor acts as a penalty for the member of the Board of Management for everything below 1.0 and acts as a bonus for everything above 1.0.

The strategic targets for the Board of Management goals may be structured as follows:

Example overview of potential strategic implementation target

Acceleration of the digital transformation
Further development of the “new normal”
Implementation of the workforce strategy
Minimization of legal and regulatory risks
Efficiency increase by lowering indirect costs
Ensuring ability to refinance
Ensuring ability to finance strategic priorities of the Group
Transformation of the IT business
Ensuring a value-oriented portfolio management
Ensuring the resiliency of the supply chain and improvements to the effectiveness of the partnering approach
Increasing innovation potential in terms of delivery and networks

The value adherence consists of six categories which are used in order to help evaluate actions in line with the Group’s Guiding Principles on the basis of a 10-point scale. The categories used to determine value adherence are as follows:

Value adherence categories

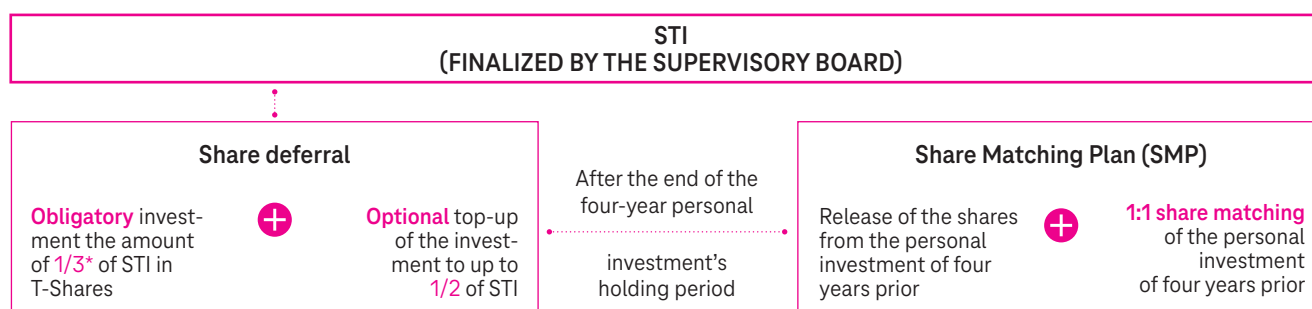
Delight our Customers
Act with respect and integrity
Team together/Team apart
I am T – count on me
Stay curious and grow
Get things done

The members of the General Committee discuss their personal impression of the performance of each member of the Board of Management in all categories of value adherence, individually and in relation to the performance of the other members of the Board of Management. With regard to the performances of the ordinary members of the Board of Management, the Chair of the Board of Management also provides an evaluation of their daily work with their colleagues. At the end of the discussions, the members of the General Committee evaluate each value adherence category on a scale of 1–10 points. Using this evaluation, a mathematical average for all categories is formed which represents the basis of the target achievement for the value adherence. The General Committee then provides the calculated results to the members of the Supervisory Board for resolution. In the relevant Supervisory Board meeting, the target achievement values as calculated in the General Committee are presented and justified in terms of its content before the target achievement levels are finally defined.

If a top score is achieved in all components in the STI, the highest target achievement level is therefore 180 percent (150 percent x 1.2).

4.2.2 Obligation to invest/personal investment

Members of the Board of Management are obligated to invest a sum totaling at least one-third of the annual gross STI as determined by the Supervisory Board in Deutsche Telekom AG shares for every year of their appointment. Members of the Board of Management have the option of extending their personal investment to a maximum of 50 percent of the gross STI. The shares are subject to a four-year lock-up period starting from the date of purchase. The shares acquired by the member of the Board of Management for this purpose are held in a special blocked security deposit of the administering bank so that it is not possible to access the shares early. Once the four-year retention period has ended, the personal investment made by the member of the Board of Management is automatically transferred into the depositing account of the member of the Board of Management by the administering bank and is then available for the member to use as they see fit. The personal investment made by the member of the Board of Management then qualifies them to participate in the share matching plan.



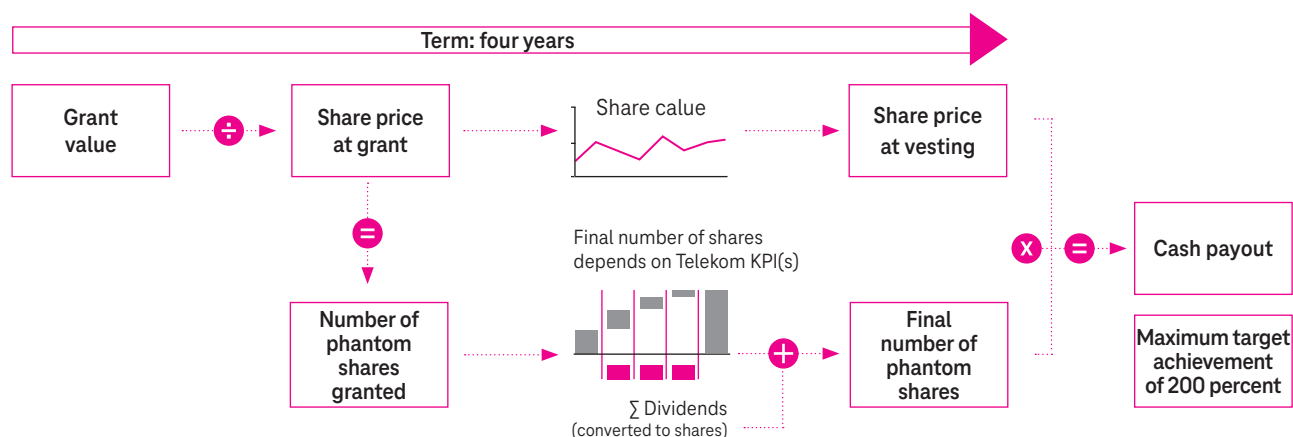
4.2.3 Share matching plan (SMP)

The personal investment made by the member of the Board of Management then allows them to participate in the share matching plan. Once the four-year retention period for the personal investment is over, it is not only the obligation to retain the share that is ended, a free additional share is transferred to the deposit account of member of the Board of Management for each share purchased by way of personal investment. The shares transferred in this manner are available for the member to use as they see fit as soon as they are transferred for the member of the Board of Management. However, the transfer of the shares results in a non-cash benefit for the member of the Board of Management and is taxed as income within the context of the salary statement which follows the transfer of the shares. When the matching shares are transferred, the share price development in relation to the equivalent value is capped at 150 percent of the relevant STI in the year of the personal investment. This ensures that, when the matching shares are transferred, the equivalent value of these shares do not amount to more than 150 percent of the relevant STI. If this case should become a reality, the cap would mean that the matching ratio of a share would decrease to the detriment of the member of the Board of Management for each invested share.

4.2.4 Long-term variable remuneration (long-term-incentive LTI) with a perennial assessment period

Potential payments from the LTI are significantly determined by the strategic success factors derived from the long-term corporate planning to ensure that members of the Board of Management orient their actions in particular towards the KPIs that are especially important for the long-term development of the Company. Furthermore, payments from the LTI also depend on the share price development of Deutsche Telekom over the four-year planning period. This ensures that the interests of shareholders are in line with the interests of the Board of Management. As is the case with the share matching plan, a further aim of the LTI is to help retain members of the Board of Management at the Company.

All four utilized strategic success factors are given the same weighting and, prior to the plan's start, are given an appropriate ambition level by the Supervisory Board for the entire four-year planning period. Each success factor can earn a target achievement level of between 0 and 150 percent. The impact of the share price development on the amount of the LTI has been capped by the Supervisory Board in such a manner that the maximum payout volume of the LTI cannot exceed 200 percent of the grant value.



The LTI that is exclusively oriented towards the achievement of long-term targets will be issued annually in tranches over a four-year period. The members of the Board of Management participate in the respective tranche to the amount of the grant value as stated in the contract which is converted into phantom shares on the basis of a 100 percent target achievement level at the start of the planning period. During the conversion, the non-weighted averages of the closing prices of the Deutsche Telekom shares in the XTRA trading system of Deutsche Börse during the last ten trading days before the start or end of the plan are used.

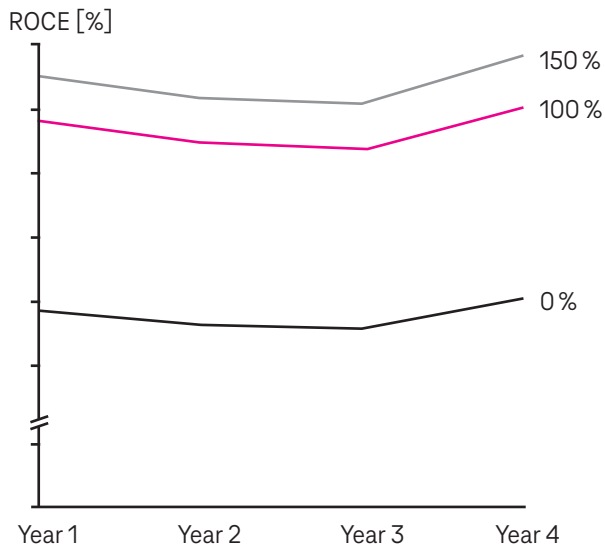
The volume of phantom shares increases over the term of the LTI as a result of the dividends actually paid out by Deutsche Telekom during the planning period. Each dividend payout is converted into phantom shares on the basis of the closing price of the XETRA trading system of Deutsche Börse on the day after the Shareholders' Meeting and increases the volume of phantom shares held by the members of the Board of Management.

At the end of the planning period, the resulting final number of phantom shares is calculated following the final determination of the target achievement of the strategic success factors from the final plan year by the Supervisory Board. The conversion of the shares into a monetary value is carried out in a similar way to the conversion at the start of the plan. Following the first Shareholders' Meeting following the end of the planning period, the LTI can be paid out together with the last dividend payout to the members of the Board of Management.

Return on Capital Employed (ROCE)

A central financial performance indicator of the Deutsche Telekom Group is the Return on Capital Employed (ROCE). ROCE is the ratio of operating result after depreciation, amortization and impairment losses plus imputed taxes (net operating profit after taxes (NOPAT)) to the average value of the assets tied up in the course of the year (net operating assets, NOA). The objective of ROCE is to achieve or exceed the return targets imposed on us by providers of debt capital and equity on the basis of capital market requirements. We measure return targets using the weighted average cost of capital (WACC). The indicator measures how efficiently revenue is generated with the capital employed. ROCE is especially informative when taking a long-term view, because it takes into account both the value of the assets that are tied up in the capital-intensive infrastructure, and their utilization. This reveals the crucial advantage of this KPI. It does not focus on the absolute amount of the earnings generated, but rather how much earnings the capital employed generates.

Example of the ambition curve of the ROCE performance parameter in an LTI tranche:



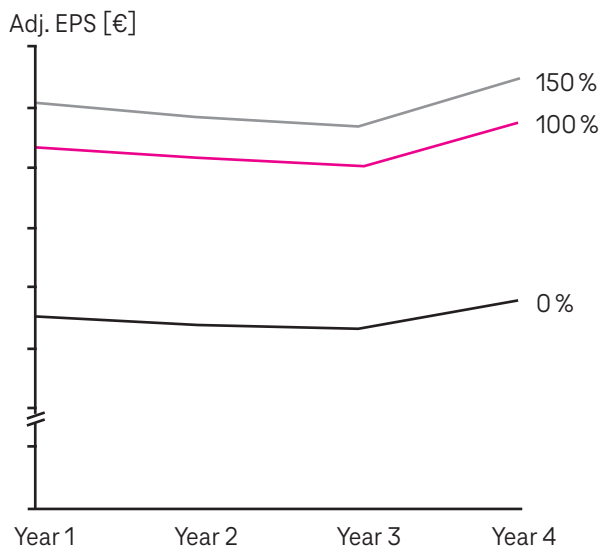
When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the values of the planning (budget as well as following planning years) and the ROCE derived therefrom result in a target achievement degree of at least 100 percent. Positive deviations to the planning values can increase the target achievement for each plan year to a maximum of 150 percent and negative deviations can reduce it to 0 percent. When deriving the target achievement, the Supervisory Board has the option of adjusting the ROCE for significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning in order to ensure that the Board of Management does not make decision that could lead to the maximization of ROCE but do not correspond to the long-term interests of the Company.

Adjusted Earnings Per Share (EPS)

A further significant performance indicator at Deutsche Telekom is the adjusted earnings per share (adjusted EPS). The earnings per share is calculated as the adjusted net profit in relation to the adjusted, weighted average number of ordinary shares outstanding. As the net profit takes all income and expenses as well as the minority interests from the current period into consideration, the earnings per share are a very good gage to determine the level of the dividend (currently anchored in the Group's financial strategy).

When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the values of the planning (budget as well as following plan years) results in a target achievement degree of at least 100 percent. When defining the target achievement, the Supervisory Board has the opportunity to amend the adjusted earnings per share in order to, at the same time, reflect significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

Example of the ambition curve of the EPS performance parameter in an LTI tranche:



Customer loyalty/satisfaction (TRI*M)

At Deutsche Telekom, the customer loyalty/satisfaction is determined with the help of the globally recognized TRI*M method. The results of systematic surveys from an external service provider are expressed by an indicator known as the TRI*M index. This index combines questions on customer satisfaction, the likelihood of recommendation to others, the further willingness of use, and the competitive advantage and, consequently, covers the decisive aspects for the evaluation of customer loyalty and, as a result, offers a greater added value compared to other determination methods that, in some instances, only measure customer loyalty via a single category. In doing so, the TRI*M indexes calculated for all the included operating entities are aggregated as an approximation of the respective entities' percentage of total revenue to create a TRI*M Group value. When preparing the ambition level, the Supervisory Board takes the individual competitive situation of the individual units involved into consideration. In principle, the target is to also become the leader in terms of customer loyalty in the markets. With regard to the consolidated units, there are companies that are already the leaders in the markets in terms of perceived customer loyalty so that maintaining this competitive advantage already represents the economically required ambition level. In other markets, the Group companies are significantly behind the market leaders so that the Supervisory Board expects increases with regard to customer loyalty in order to achieve the desired level. The total target achievement of the customer loyalty/satisfaction success factor is determined from the average of the results from the four plan years.

Employee satisfaction

The most important feedback instruments across the Group (excluding T-Mobile US) for assessing employee satisfaction include regular employee surveys and the pulse surveys carried out twice a year. To this end, an "engagement index" – determined from the results of the most recent employee survey – is measured as an employee performance indicator at Deutsche Telekom. From the regularly used set of questions, the Supervisory Board selects some of the questions that it believes are of particular significance when it comes to evaluating employee satisfaction. For these questions, the Supervisory Board analyzes the development of the response behavior from the past and defines target levels that it considers to be worthwhile for future survey results. For each plan year, the Supervisory Board consequently generates an ambition level as an average value of the relevant questions whereby all questions are given the same weighting. When deriving the target achievements, the Supervisory Board calculated the average of the relevant questions from the current survey results from the current year and compares them to the determined target values at the start of the plan. Every over achievement or under achievement in terms of the plan value by a value of one percentage point increases/decreases the final target achievement by ten percentage points respectively. The total target achievement of the customer satisfaction success factor is calculated from the average of the results from all four tranches.

An example of the method used for target achievement is provided below:

	Target value year 01	Result year 01	Determination of the total target achievement	
Question 1	60	60	Target achievement year 01	120 %
Question 2	68	70	Target achievement year 02	90%
Question 3	55	57	Target achievement year 03	100 %
Question 4	54	61	Target achievement year 04	130 %
Question 5	72	71		
Average	62	64		
Target achievement year 01		120 %	Total target achievement	110 %

The Supervisory Board considers it important that the response behavior of the employees remains free from opportunities to interfere, i.e., by managers. For this reason, the Supervisory Board does not publish questions it believes to be particularly relevant – either internally or externally – that it has made part of the employee satisfaction performance parameter within the framework of the LTI.

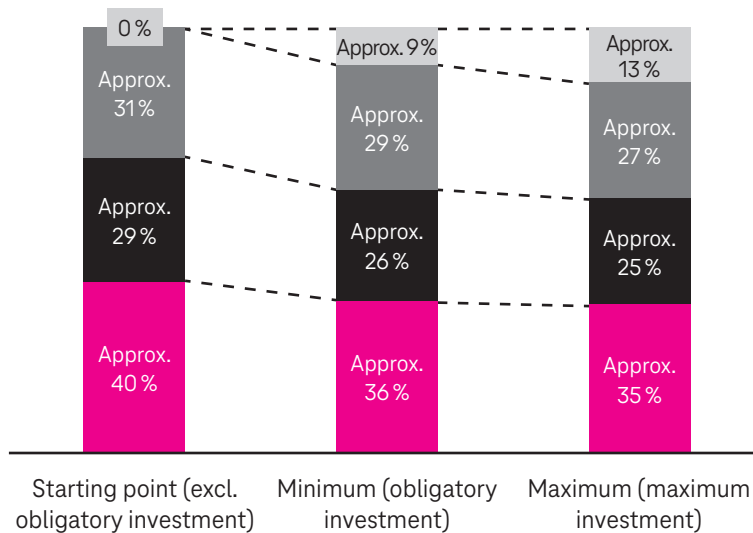
5. Components no longer present in the remuneration system

Board of Management pension plan

With the introduction of the new Board of Management remuneration system, the Supervisory Board has decided to no longer commit to granting a company pension scheme for newly appointed members of the Board of Management. As a result, the financing of a pension plan is the sole responsibility of the respective member of the Board of Management. This decision means that, in the future, the individual biometric risks and the interest rate risks to finance the pension commitment for the company will not apply. A special rule applies for the pension plans that are already in place for the members of the Board of Management who were already on the Board of Management at Deutsche Telekom before this new system was introduced. Please see the explanations under “12. Temporary deviations from the remuneration system”.

6. Remuneration structure

The relation of the variable remuneration components to each other at Deutsche Telekom is, in accordance with the regulatory provisions, primarily oriented towards the achievement of long-term targets. This focus ensures that the remuneration structure is oriented towards a sustainable and long-term development of the company and the remuneration of the members of the Board of Management contributes towards supporting the company strategy and the long-term development of the company. The extent to which the long-term component exceeds the short-term portion is, among other things, determined by the investment behavior of the members of the Board of Management. The following illustration shows the relation of the remuneration components based on the contractually agreed target values to one another. The non-variable components are exclusively presented using the basic remuneration and do not include remuneration in kind or other fringe benefits.



- 1:1 match from the share matching plan
- Variable remuneration (LTI) arising from the long-term objectives
- Variable remuneration (STI) arising from the short-term objectives
- Basic remuneration

Other fringe benefits and remuneration in kind are not included in this illustration.

In the first column, the remuneration relation is calculated excluding the consequences regarding the members of the Board of Management obligation to invest and the share matching plan. When reviewing the system, the recruitments of new members of the Board of Management, and the monetary-based graduation of the individual members of the Board of Management, the Supervisory Board is guided by this form of presentation. The presentation in the second column shows the relation in consideration of the obligatory investment and the share matching plan and the third column illustrates the relation in the event of maximum investment.

The existing relation of the remuneration components to each other also ensures that the variable remuneration components are primarily invested in company shares or are based on shares. The Board of Management remuneration system at Deutsche Telekom includes both variants. The share matching plan with the existing prior obligation to invest is based on real Deutsche Telekom shares. The phantom share plan takes into consideration the share price performance on the basis of virtual shares that are converted to cash sums at the start and end of the plan. Based on this, the following relations with respect to the proportion of long-term compared to short-term remuneration as well as share-based compared to non-share-based remuneration of the members of the Board of Management are calculated.

Taking into consideration the minimum investment	Long-term	:	Short-term
	Share-based	:	Non-share-based
	73	:	27

Taking into consideration the maximum investment	Long-term	:	Short-term
	Share-based	:	Non-share-based
	81	:	19

In both investment versions, the share of the long-term targets significantly exceeds the share of the short-term targets. The same applies to the share-based components compared to the non-share-based components within the variable remuneration components.

Mr. Höttges is in a different situation as a result of the deviations concerning the remuneration system on account of his commitment to the company pension scheme.

7. Limitation of the variable remuneration components and the total remuneration (caps)

When defining the target parameters relevant for the variable remuneration components, the Supervisory Board ensures that they are challenging and that they offer a balanced risk and opportunity profile without tempting the members of the Board of Management to take inappropriate risks. All of the variable remuneration components for the remuneration of the Board of Management are capped in terms of monetary value.

Remuneration component	Cap	Structure
Annual variable remuneration (STI) with an assessment period of one year	180 %	<ul style="list-style-type: none"> Maximum of 150 % for each KPI used Through the application of the performance factor, maximum total target achievement of 180 % of the STI target value
Share matching plan (SMP)	150 %	<ul style="list-style-type: none"> Share price performance of the shares to be transferred is capped at a maximum value of 150 % of the STI in the year of the investment
Long-term variable remuneration (LTI) with an assessment period of several years	200 %	<ul style="list-style-type: none"> Maximum of 150 % for each KPI used While taking the share price development of the phantom shares into account, the total target achievement is capped at 200 %.

The maximum remuneration defined pursuant to § 87a (1) sentence 2 no. 1 will amount to € 5,300,000 for ordinary members of the Board of Management and € 9,100,000 for the Chair of the Board of Management and will limit remuneration to this amount. The maximum threshold level for the total remuneration comprises all of the remuneration components as presented below:

Elements of the maximum total compensation threshold

Fixed compensation elements	<ul style="list-style-type: none"> Basic remuneration Remuneration in kind Other fringe benefits
Variable compensation elements	<ul style="list-style-type: none"> Annual variable compensation (STI) Share matching plan (SMP) Long-term variable compensation (LTI)

8. Clawback rules for variable remuneration components

In accordance with § 87 (2) AktG, the Supervisory Board is authorized to reduce remuneration for the future to an appropriate level or to amend the structure of the total remuneration as well as the structure of the remuneration components in order to ensure an appropriate level of remuneration. In doing so, the position of the company and that of the affiliated companies must be taken into consideration.

In addition to the relevant statutory provisions which stipulate that the Supervisory Board shall – in the event of a breach of duty by members of the Board of Management – minimize the financial damage to the Company and, where necessary, make claims for damages against the members of the Board of Management, the following clawback rule applies for the members of the Board of Management of Deutsche Telekom: The Supervisory Board has the right to reclaim payments made to the members of the Board of Management from the STI and LTI if it is found that the payment was carried out wrongfully, entirely or in part, because the Supervisory Board had received information regarding the decision determining the level of target achievement which was evidently incomplete or incorrect. The reimbursement claims expire three years after the erroneous definition of the target achievement was made.

9. Share ownership guideline (SOG)

In order to harmonize the interests of the Board of Management and the shareholders of Deutsche Telekom as well as to reinforce a sustainable development, the obligations to purchase and retain shares (share ownership guideline) are a significant element of the remuneration system for the Board of Management. Members of the Board of Management are obligated to invest a third of the gross amount of the annual variable remuneration as stipulated by the Supervisory Board (STI) in Deutsche Telekom shares (deferral). Members of the Board of Management also have the option of extending their obligatory personal investment to a maximum of 50 percent of the gross STI. The shares purchased in this way will be held in a separate blocked security deposit at the bank responsible for the administration for exactly four years so that the shares cannot be sold early. After this four-year period, the member of the Board of Management receives the shares from the personal investment in their deposit account and is free to use them as they see fit. Within the context of the share matching plan and provided that the member of the Board of Management is still in the role at the Company, the member of the Board of Management receives one share free of charge from Deutsche Telekom for each released share from the personal investment for their free disposal. Structuring this share deferral in combination with the share matching plan ensures that the members of the Board of Management establish and maintain a significant amount of shares within the four-year rolling lock-up period during their appointment with which they are also participating in the long-term development of the company – both positively and negatively. In this way, the requirements from the German Corporate Governance Code (GCGC) and all stipulations from the AktG concerning the alignment of remuneration towards a sustainable company development are met. The member of the Board of Management is given the duration of initial appointment to build up their number of shares. The equivalent value of an annual basic remuneration must be demonstrably obtained in Deutsche Telekom shares no later than the payment of the third STI.

The following table illustrates an example of how the personal investments and transfers from the share matching plan respectively develop for an investment of one-third (first table) or half (second table) over a period of eight years (three years for the initial appointment and a reappointment for five years). The calculations assume that, for the period in question, the STI always remains the same at €1,000,000, that no shares are sold during the eight-year period, that the share price remains the same for the entire period, and that the member of the Board of Management receives a basic remuneration of €1,000,000.

Therefore, making an annual obligatory investment amounting to one-third of the STI results in achieving an equivalent value of an annual basic remuneration in Deutsche Telekom shares in year 04. Making the maximum investment totaling 50 percent of the annual STI will result in reaching the equivalent value of one annual basic remuneration in shares after three years.

Example of the development of the share volume when obligatory investment is made

	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08
STI	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Obligatory investment ½ of the STI in €		333,333	333,333	333,333	333,333	333,333	333,333	333,333
Transfer of matching shares in €						333,333	333,333	333,333
Value of obligatory investment and matching shares per year in €		333,333	333,333	333,333	333,333	666,667	666,667	666,667
Accumulated value over time in €		333,333	666,667	1,000,000	1,333,333	2,000,000	2,666,667	3,333,333
Equivalent value of a basic remuneration in %				100 %	133 %	200 %	267 %	333 %

Example of the development of the share volume when the maximum investment is made

	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08
STI	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Maximum investment ½ of the STI in €		500,000	500,000	500,000	500,000	500,000	500,000	500,000
Transfer of matching shares in €						500,000	500,000	500,000
Value of obligatory investment and matching shares in €		500,000	500,000	500,000	500,000	1,000,000	1,000,000	1,000,000
Accumulated value over time in €		500,000	1,000,000	1,500,000	2,000,000	3,000,000	4,000,000	5,000,000
Equivalent value of a basic remuneration in %			100 %	150 %	200 %	300 %	400 %	500 %

In both scenarios, the earliest point in which some of the shares from the personal investment and the received matching shares can be sold is in 06.

Within the context of the new remuneration system, the Supervisory Board can introduce additional share ownership guidelines that go beyond the rules as described here.

10. Commitments in connection with the termination of a position on the Board of Management

10.1 Severance payments

The existing rules concerning the payout of a severance payment if the membership on the Board of Management is terminated early at the Company's instigation do not exceed the value of two annual remunerations (severance cap) and do not total more than the remaining term of the service contract. If compensation is paid for the period of prohibition of competition due to an existing post-contractual prohibition of competition, it is ensured that these compensation payments are set off against the volume of the severance entitlement.

10.2 Processing of the remuneration components upon termination

In the event of termination, the existing remuneration components are significantly defined by the primary reason for the termination. Essentially, the member of the Board of Management will continue to receive the monthly basic remuneration and the ongoing fringe benefits until the point of termination. This also applies to the entitlement to participate in the variable remuneration that is calculated on the basis of the achievement of short-term incentives (STI). The STI is paid out in the same way and at the same time as for the still-active members of the Board of Management in accordance with the respective rules of the company. The concrete reason for the termination is decisive with regard to the further participation in the variable remuneration calculated based on the achievement of long-term incentives (LTI) and the share matching plan. Depending on the reason for the termination, the plans may be completely forfeited or the members may be able to continue participating on a full or pro rata basis. It is ensured that, when outstanding variable remuneration components are paid, no deviations from the agreed targets and comparison parameters or from the due dates or holding period as defined in the contract occur.

10.3 Post-contractual prohibitions of competition

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Pursuant to these provisions, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. To this end, the members of the Board of Management are paid a compensation for the period of prohibition of competition. The sum is 50 percent of the most recent basic remuneration and 50 percent from the most recent Variable I (STI) assuming a target achievement of 100 percent. Remuneration to be paid for the period of prohibition of competition will be set off against the total of a potential severance payment. In the event of an upcoming contract termination, Deutsche Telekom AG has the right to cancel the post-contractual prohibition of competition provided that appropriate notice is observed. If the agreed deadline is observed, the member of the Board of Management would not receive a remuneration payment.

10.4 Incapacity for work

Temporary incapacities for work as a result of an uninterrupted period of illness-related absence up to a period of one month have no impact on the continued payment of the contractually agreed remuneration components. In the event of longer absences due to illness, the basic remuneration will be paid for a maximum of six months and, with regard to variable remuneration components, participation is only permitted on the basis of a pro rata calculation. Service contracts for the Board of Management will end automatically at the end of the month in which a permanent incapacity for work is determined for the member of the Board of Management in question. In such a case, there is no entitlement to a severance payment.

10.5 Change of control clauses

The service contracts for the Board of Management at Deutsche Telekom AG contain no commitments in relation to the early termination of the member of the Board of Management Member due to a change of control.

11. Board-related payments

11.1 Group-internal boards

It is expected that members of the Board of Management assume certain Group-internal Supervisory Board or Advisory Council seats within the context of the responsibilities as regulated in the schedule of responsibilities. Wherever legally possible, the members of the Management Board will forgo the remuneration payable for such seats. If this is not possible or if the acceptance of the remuneration results in an economic advantage for Deutsche Telekom, the remuneration payable can be accepted but, in such a case, it will be offset against the payable basic remuneration so that, ultimately, the member of the Board of Management has no economic advantage.

11.2 Group-external boards

External secondary occupations always require an explicit preapproval from the Supervisory Board. In every case, the Supervisory Board very closely examines the expected time associated with such a seat on a board and the advantages that such a seat will bring for Deutsche Telekom AG and will also bring for the personal development of the member of the Board of Management. Furthermore, the Supervisory Board also ensures that no member of the Board of Management now assumes more than two seats on the Supervisory Board of non-group listed companies or similar roles and that no role is taken as Chair of the Supervisory Board of a non-group listed company. If a seat on the supervisory board of a non-group company is assumed, the Supervisory Board will always decide whether or to what extent the remuneration for this seat will be offset against the remuneration of the Board of Management.

12. Temporary deviations from the remuneration system

12.1 General temporary deviations

In special justified exceptional cases, it is possible to temporarily deviate from individual components of the remuneration system as described here if this is necessary for Deutsche Telekom's long-term wellbeing and is appropriate to maintain the incentive effect of the remuneration of the Board of Management. The remuneration of the Board of Management will continue to be oriented towards the sustainable and long-term development of the company and shall not overwhelm the financial capacity of the company. Such a justified exceptional case could include unusual and far-reaching changes to the economic situation which make it impossible for the originally defined target criteria to be achieved, thus nullifying the incentive effect of the remuneration system of the Board of Management if they or their concrete impacts for the Supervisory Board were not foreseeable at the time at which the targets were defined. However, general unfavorable market developments explicitly do not qualify as a justified exceptional case. The Supervisory Board at Deutsche Telekom AG must adopt a resolution for such a temporary deviation. Temporary deviations may occur within the context of the obligatory personal investment if, at the time of the obligation to purchase, information relevant in terms of insider trading policy was available that would make the trading of shares with Deutsche Telekom impossible. In such a case, the period to accumulate shares within the framework of the share ownership guideline could also become affected. This guideline would also need to be amended. In exceptional cases, temporary deviations may also have to take place within the framework of the STI or LTI performance criteria.

12.2 Chair of the Board of Management deviations

Among the current members of the Board of Management, only Mr. Höttges has a performance-based pension benefit in the form of lifelong pension payments, in which up to 50 percent of the pension entitlement can be paid out optionally as a lump sum upon entering retirement. By including this optional payment option as a lump sum, the Supervisory Board is intending to converge with the contribution-based pension commitments applicable to Board of Management members since 2009, whereby vested pension benefits are only payable as a lumpsum upon occurrence of the insured event. The Supervisory Board has therefore resolved to continue Mr. Höttges' pension commitment further in this Board of Management remuneration system. The details of the existing pension commitment of Mr. Höttges will therefore be presented here.

The company pension scheme of Mr. Höttges is directly linked to his annual basic remuneration. Up until 2018, Mr. Höttges received a defined percentage of the most recent basic remuneration prior to the qualifying event as a company pension scheme for each completed year of service. The pension commitment may be in the form of a life-long retirement pension upon reaching the age of 62 or in the form of an early retirement pension upon reaching the age of 60. Opting for the early retirement pension scheme is connected with actuarial deductions. The company pension is calculated by multiplying a basic percentage rate of 5 percent by the number of years of service as a member of the Board of Management. After ten years of service, Mr. Höttges had attained the maximum pension level of 50 percent of the last fixed annual remuneration. Following Mr. Höttges' reappointment and the adjustment to his basic remuneration, the Supervisory Board decided to dynamically increase his pension entitlements accrued up to December 31, 2018 by 2.4 percent per year. The primary measurement base for calculation for the dynamization was the basic remuneration valid up to December 31, 2018. Future increases in his remuneration will thus not lead to higher pension payments. The pension payments to be made upon retirement increase dynamically, at a rate of 1 percent per year. In addition, the pension agreement includes arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is ruled out. The standard criteria for eligibility in the pension commitments are in line with market conditions. In the event of a permanent incapacity for work (invalidity), the beneficiary is also entitled to the pension credit accrued.

The Supervisory Board believes that the presented remuneration system of the Board of Management corresponds to the national and international standards of good and responsible corporate governance. All of the recommendations of the German Corporate Governance Code (2020 version) and the requirements of the German Stock Corporation Act are met. The success parameters relevant in terms of the remuneration of the Board of Management are in line with the strategy and objective of Deutsche Telekom meaning that the remuneration of the Board of Management contributes towards a sustainable development of the company.