

Compensation of Supervisory Board members (item 10 of the agenda)

1. Objectives of Supervisory Board compensation and relevance to the Company strategy

The key duties of the Supervisory Board include monitoring the Board of Management's activities to manage the business. Supervisor Board compensation must be structured to ensure the independence of the Supervisory Board required for its monitoring duties. Supervisory Board compensation at Deutsche Telekom AG consists exclusively of fixed remuneration components and attendance fees. The amount of remuneration paid to individual Supervisory Board members depends exclusively on the duties assumed on the Supervisory Board and/or its committees, as well as the scope of participation in its meetings. As such, the structure of Supervisory Board compensation at Deutsche Telekom AG represents a counterbalance to the primarily performance-based Board of Management compensation at Deutsche Telekom AG. This approach strengthens the independence of the Supervisory Board and thus the long-term development of Deutsche Telekom AG. Although Supervisory Board compensation is not directly linked with the success of the Company's strategy, it still contributes to the successful implementation of the Company's strategy.

2. Determination of and process to review Supervisory Board compensation

The compensation of Supervisory Board members, which is subject to the compensa-

tion system described here, is regulated in § 13 of the Deutsche Telekom AG Articles of Incorporation. This is as follows:

“§ 13 Remuneration

- (1) In addition to reimbursement for cash expenses and value-added tax paid on remuneration and expenses, the members of the Supervisory Board shall receive fixed annual remuneration of EUR 70,000.
- (2) The Chairman of the Supervisory Board shall receive EUR 70,000 in addition to the remuneration stated in (1) hereof, and the Deputy Chairman EUR 35,000.
- (3) Members of the Supervisory Board also receive compensation as follows for activities on Supervisory Board committees:
 - (a) The Chairman of the Audit Committee EUR 80,000, all other Audit Committee members EUR 40,000,
 - (b) The Chairman of the General Committee EUR 70,000, all other General Committee members EUR 30,000,
 - (c) The Chairman of the Nomination Committee EUR 25,000, all other Nomination Committee members EUR 12,500,

(d) The Chairman of another committee EUR 40,000, all other members of a committee EUR 25,000. Chairpersonship and membership of the Mediation Committee are not remunerated.

- (4) Further, members of the Supervisory Board shall receive an attendance fee amounting to EUR 1,000.00 for each meeting of the Supervisory Board or its committees attended by them.
- (5) Members of the Supervisory Board who are on the Supervisory Board for only part of the financial year in question shall receive one twelfth of the remuneration for every month of membership or part thereof. The same shall apply to the increase in remuneration for the Supervisory Board Chairman and Deputy Chairman pursuant to (2) hereof and to the increase in remuneration for Supervisory Board committee membership or chairmanship pursuant to (3) hereof.
- (6) The remuneration pursuant to (1) hereof and the attendance fee shall fall due at the end of the shareholders' meeting to which the consolidated financial statements for the financial year in question are presented or which decides on its approval.”

The Supervisory Board reviews on an ad hoc basis the appropriateness of the components, amount, and structure of its compensation. The Supervisory Board is supported by the General Committee in these efforts. To this end, the General Committee evaluates Supervisory Board remuneration at similar companies, particularly those also represented in the DAX index; compares them with the compensation of the Supervisory Board at Deutsche

Telekom AG with regard to components, amount, and structure of said remuneration; and reports the results to the Supervisory Board. Based on this analysis and taking into account the importance and effort required by the work on the Supervisory Board and its committees, the Supervisory Board then decides whether changes to its remuneration are necessary. The last change to Supervisory Board remuneration in 2016 was also made in accordance with this process, on the initiative of the Supervisory Board.

Due to the particular nature of the Supervisory Board compensation, which is granted for activities that are fundamentally different from the activities of employees of Deutsche Telekom AG and the Deutsche Telekom Group, a “vertical comparison” with employee compensation is not relevant to the review and determination of the compensation. Accordingly, the definition of a group of employees who must be included in such a comparison is unnecessary.

Since the amendment of the German Stock Corporation Act through the Act Implementing the Second Shareholders' Rights Directive (ARUG II) § 113 (3) sentence 1 AktG provides that the shareholders' meeting must resolve on the compensation of Supervisory Board members every four years; a resolution that confirms the compensation is permitted. In preparation for this resolution, the Supervisory Board will perform an analysis of its compensation at least every four years in future. The Supervisory Board and Board of Management will submit the compensation of the Supervisory Board members for resolution at least every four years. In the event there are grounds for changing the compensation of

the Supervisory Board members, the Board of Management and Supervisory Board will also submit a proposal for a corresponding amendment of § 13 of the Deutsche Telekom AG Articles of Incorporation in this context. This may also provide that the Supervisory Board compensation be determined according to the changed provision in the Articles of Incorporation for the entire financial year in which the change to the Articles of Incorporation is entered in the commercial register. Should the shareholders' meeting fail to reach the necessary majority for a resolution, a reviewed Supervisory Board compensation must be submitted at the next ordinary shareholders' meeting at the latest.

It is only natural that the members of the Supervisory Board be involved in the structuring of the compensation and underlying compensation system that is applicable to them. The resulting conflict of interest is offset, however, by the fact that the final decision on the structure of the compensation and the underlying compensation system is assigned by force of law to the shareholders' meeting, which is presented a resolution proposal by both the Supervisory Board and the Board of Management.

3. Compensation-related transactions, term of appointment, age limit

The remuneration entitlements of individual Supervisory Board members result from the cooperative legal relationship established between the Company and the Supervisory Board member through their election to the Supervisory Board and their acceptance, and which is structured by the Articles of Incorporation and possibly a resolution on Supervisory Board compensation by the shareholders' meeting. Accordingly, no agreements on Su-

pervisory Board compensation exist between Deutsche Telekom AG and the Supervisory Board members.

The term of appointment of Supervisory Board members is regulated by § 9 (2) of the Deutsche Telekom AG Articles of Incorporation as follows:

“The members of the Supervisory Board shall be elected for the period ending with the shareholders' meeting that approves the actions of the Supervisory Board for the fourth financial year following commencement of tenure of office. The financial year in which tenure of office commences shall not be counted. The shareholders' meeting may determine, for members representing shareholders, a shorter tenure of office at the time of their election. A successor to a member representing shareholders who has resigned prior to expiry of his/her tenure of office shall be elected for the remainder of the retired member's tenure of office, unless the successor's tenure of office is otherwise determined by the shareholders' meeting.”

The Supervisory Board has decided to normally define the term of office for nominations of members representing shareholders as the period ending with the shareholders' meeting that approves the actions of the Supervisory Board for the third financial year following commencement of term of office. The financial year in which term of office commences shall not be counted.

The removal of Supervisory Board members is possible according to the requirements of the statutory provisions applicable at the time. Members of the Supervisory Board may resign

from their office pursuant to § 9 (4) of the Deutsche Telekom AG Articles of Incorporation by written notice to the Chairman of the Supervisory Board or to the Board of Management, giving notice of four weeks. This shall be without prejudice to the right to resignation for good cause.

Members of the Supervisory Board who are on the Supervisory Board for only part of the financial year in question shall receive one twelfth of the remuneration for every month of membership or part thereof. The same shall apply to the increase in remuneration for the Supervisory Board Chairman and Deputy Chairman and to the increase in remuneration for Supervisory Board committee membership or chairmanship. Aside from this, there is no further remuneration in case of retirement from the Supervisory Board.

4. Components, amount, and structure of Supervisory Board remuneration

According to the provisions defined in the Articles of Incorporation, each member of the Supervisory Board receives fixed annual basic remuneration in the amount of EUR 70,000.00. The Chairman of the Supervisory Board and the Deputy Chairman receive increased basic remuneration for the increased organizational and administrative efforts associated with their activities and for their responsibility for the successful, efficient collaboration of the overall Board. The increase amounts to EUR 70,000.00 for the Chairman and EUR 35,000.00 for the Deputy Chairman.

Additional compensation is paid for membership of committees of the Supervisory Board in light of the importance of committee work and the increased preparation and work required. The amounts differ between individual com-

mittees. Accordingly, the Chairman of the Audit Committee receives EUR 80,000.00, each other member of the Audit committee receives EUR 40,000.00, the Chairman of the General Committee receives EUR 70,000.00, each other member of the General Committee receives EUR 30,000.00, the Chairman of the Nomination Committee receives EUR 25,000.00, and each other member of the Nomination Committee receives EUR 12,500.00. For all other committees with the exception of the Mediation Committee, the respective committee chairman receives EUR 40,000.00 and each other committee member receives EUR 25,000.00. Chairpersonship and membership of the Mediation Committee are not remunerated.

To take proper account of the time required by meeting attendance in Supervisory Board remuneration, members of the Supervisory Board also receive an attendance fee of EUR 1,000.00 for each meeting of the Supervisory Board and its committees that they attend.

The remuneration and the attendance fee shall fall due at the end of the shareholders' meeting to which the consolidated financial statements for the financial year in question are presented or which decides on its approval.

In the interest of the Company, the Supervisory Board members are covered by a directors and officers (D&O) liability insurance policy. The Company shall pay the premiums.

The Company shall reimburse all Supervisory Board members for their expenses and for the value-added tax on their remuneration. The Company shall also support the members of the Supervisory Board, within reason, with their induction and with further education and training measures.