



2014 Corporate Responsibility Report

We take responsibility

## Supply chain management

Supplier development program launched.

[Find out more](#)

„Together for  
Sustainability“

Deutsche Telekom supports business partners.

[Find out more](#)

Anti-corruption

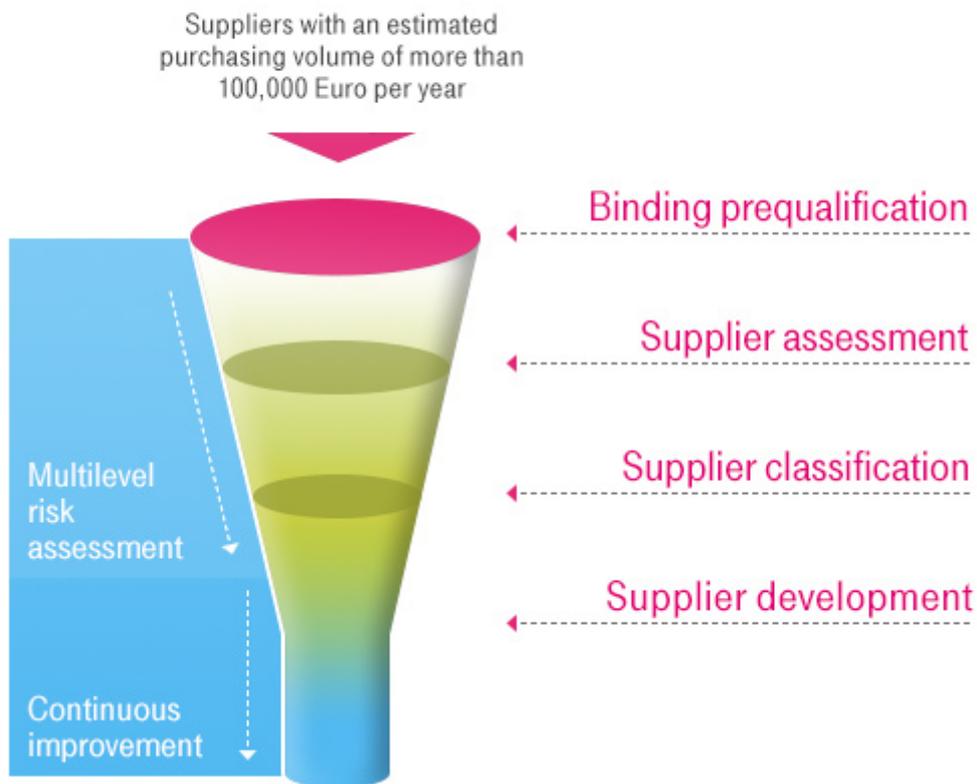
Deutsche Telekom maintains business relationships with more than 30,000 suppliers in over 80 countries. Our relationships with suppliers are based on trust and dialog combined with monitoring and providing concrete support for the implementation of sustainability standards. We have a variety of instruments, methods and measures in place to help us improve the sustainability of our supply chain. Our basic aim is to recognize the cause of any problems and to work closely together with our suppliers to resolve them.

### Management approach

Depending on the development phase of the supplier relationship, we use different tools to make our supply chain more sustainable. A ten-percent sustainability weighting factor has been included in all bids for proposals since June 2013. This creates strong incentives for suppliers to offer more sustainable products and services in the bidding process.

We also use a four-level approach to minimize risks and encourage our suppliers to improve their practices. The funnel chart illustrates the process. Via our supply chain management system we initially ask potential suppliers with an order volume of more than 100,000 euros per year about 16 sustainability-related aspects (level 1). These 16 aspects relate to human rights and corruption as well as environmental protection and occupational health and safety.

## Risk minimization and supplier development



As the business relationship proceeds, we ask strategically relevant and high-risk suppliers to enter extensive information about their practices in the EcoVadis information system. Experts evaluate these statements on the basis of additional background information and targeted research. We take things a step further in our relationships to some suppliers that exhibit a higher CR risk and conduct on-site social audits (level 2). In doing so, we focus not only on direct suppliers of Deutsche Telekom but also on downstream suppliers as far as possible.

We also boost the effectiveness of our audits by collaborating with a current nine other companies in the [Joint Audit Cooperation](#) (JAC). Thanks to the increasing number of JAC members, we are able to conduct a higher number of audits on joint suppliers.

Based on the information obtained from suppliers and on audit results, we classify and evaluate suppliers according to CR criteria - particularly cross-functional suppliers (level 3). This is done using supplier scorecards, which let us assess a supplier's sustainability performance and compare them with other suppliers at a glance. The evaluation is also based on press information and reports from non-governmental organizations (NGOs). We also collaborate closely with selected suppliers to address acute issues and improve their sustainability performance in the long term. Our supplier development program is particularly helpful during this phase (level 4).

In cases of significant disregard of our requirements, we initiate an escalation process to effect fast resolution in accordance with the Deutsche Telekom sustainability standards.

The results of the supplier evaluations and the measures taken to solve the problems are recorded centrally.

## Supplier development program launched

We made another important step toward establishing sustainable procurement practices in 2014. In June 2014 we launched a pioneering project, the Together for Sustainability program, in which we are collaborating with three key suppliers from the device and network technology sectors. The goal is to find common solutions to issues such as regulations for working hours and occupational health and safety and to create competitive advantages in doing so. It is a clear win-win situation for us as well as our suppliers because better working conditions have a positive influence on employee loyalty and motivation, raise productivity and improve the quality of products.

The first measurable successes were reported only a few months after the project was launched. Overtime, for example, was reduced by 30 percent, while salaries increased 15 percent and employee satisfaction improved by 6 percent. In 2015 another five suppliers will join the project.

## Anti-corruption training for suppliers

Our business is based on integrity, respect and compliance with laws and regulations. In turn, we expect Deutsche Telekom's partners to comply with the principles of good, compliant business practices. In many cases, however, small and medium-sized businesses do not have the resources needed to effectively address compliance issues.

Deutsche Telekom has been offering compliance training to roughly 12,000 business partners in Germany since September 2014. This offer encourages our partners even more to conduct their business ethically and in compliance with relevant laws and regulations.

### Focus on prevention

The seminars outline compliance-relevant topics such as corruption prevention, antitrust law and sustainability, as well as Deutsche Telekom's compliance management system. We also offer free online training to help us reach as many suppliers as possible. Participation is not a mandatory requirement for a partnership with Deutsche Telekom, but it is looked upon favorably. Target groups include members of the executive management as well as employees from sales and contract management departments.

## Your opinion is important to us!

Question 1

Question 2

What sustainability-related topics should an ICT company like Telekom pay pa

Respect for human and employee rights by suppliers

Respect for health, safety and environmental standards by suppliers

Country of origin of raw materials (conflict-free procurement)

Transparent CO<sub>2</sub> accounting in the supply chain (Scope 3 emissions)

Other:



Next Question