

Tax strategy – Tax Compliance, Sustainable Tax Efficiency, Tax as Valued Business Partner

The three pillars of the Tax Strategy – *Tax Compliance, Sustainable Tax Efficiency, Tax as Valued Business Partner* – were approved by the management board of Deutsche Telekom and are consistent with the approaches to tax management applied by the tax departments of non-German group companies.

Organization of the Deutsche Telekom tax functions

Group Tax and the director of Group Tax (*Senior Vice President Tax*) directly report to the CFO of Deutsche Telekom. Group Tax is part of the Deutsche Telekom Group's central functions and located within the Group's parent company Deutsche Telekom AG. The director of Group Tax reports on specific issues on a case-by-case basis as well as regularly directly with the CFO of Deutsche Telekom and also participates in meetings of the finance function steering committee (*Senior Leadership Team Finance*), in the course of which aspects of Group taxes are addressed.

The director Group Tax is also a member of the executive leadership circles of the top 250 and the top 50 business leaders of the Deutsche Telekom Group, which exchanges regularly to ensure a best possible information flow and networking between the business leaders as well as the headquarters' central functions of Deutsche Telekom Group.

Group Tax is organized in two sub-departments, which are managed by a respective leadership function directly reporting to the head of Group Tax. In addition to the department for international and indirect taxes, transactional tax advice as well as for exercise taxes there is the department for profit taxes' reporting including income tax compliance (filing of income tax declarations and support of income tax audits).

In the course of the establishment of a *Tax Compliance Management System (Tax CMS)* Group Tax has comprehensively defined and documented its responsibilities and processes as well as its approaches, guidelines and principles.

In addition to Group Tax of Deutsche Telekom AG, various group companies have also their own tax departments, which ensure tax compliance in the individual countries and constitute the local points of contact for the respective local tax administrations. Group Tax is connected with all such local tax departments on a regular basis. Some of such local tax departments have their own further guidelines, which are aligned with local requirements.

Our Group Tax' working principles

Top priority of the tax policy is compliance with all applicable tax laws and regulations.

Based on the first pillar of the Tax Strategy of Deutsche Telekom, addressed by the management board of Deutsche Telekom as a whole ("*Tax Compliance – Complying with all Tax Requirements No Matter What ('Correct Tax Numbers Always and Everywhere')*", the compliance with all applicable laws and regulations applies to all group companies of Deutsche Telekom, i.e. such German and non-German group companies that are indirectly or directly majority-owned by Deutsche Telekom AG.

Group Tax makes use of the external tax expertise of legal and tax advisors worldwide, if needed.

Group Tax uses several special IT tools, partially being created for and by Group Tax which support the efficient documentation of tax-relevant facts and compliance with tax obligations as well as to create the best possible working environment for the tax authorities for tax audits. In addition to the so-called VAT Validation Tool, which already for many years is ensuring the VAT compliance in the German part of the Group, this concerns in particular the *TEO - tax everything online* IT-solution, developed by Group Tax in collaboration with an IT consultancy firm specialising in tax IT-development and used within Deutsche Telekom Group as well as by several further groups of companies on a licence basis ("TEO User-Group"). In addition to the Group's tax reporting, TEO massively supports the project regarding the carrying out of a timely tax audit ("*zeitnahe Betriebsprüfung*") agreed upon between Deutsche Telekom in Germany and the German tax administration, aiming at a tax audit and a final assessment regarding a relevant tax year already in the subsequent year. Furthermore, Group Tax increasingly uses AI-supported tools in its daily work

The project of the timely tax audit enables a significant reduction of tax risks within the German part of Deutsche Telekom Group through leaving only one or two "open" tax years, which are still subject to tax audit (filing of all tax declarations as a rule in the first half of the subsequent year, commencement of the tax audit in the second half of such subsequent year, conclusion of the tax audit through the final audit meeting and issuance of the final tax assessments three to four quarters subsequently).

Our responsible approach to tax

It is the aim of Group Tax to facilitate the business and value creation in the Group as much as possible, not to hinder it, and to make a constructive contribution to the formulation of solutions and approaches that are as robust and practicable as possible from a tax perspective through a deep knowledge of the Group's business activities and processes. The decisions and approaches taken by Group Tax also take into account the consequences for business activities and the Group's internal processes as well as any other implications, for example, for the reputation, profile, or policies of the Group.

Tax risks wherever decisive were ruled out or minimized by obtaining binding statements from the competent tax authorities in advanced. Also, due to the already-mentioned project regarding the timely tax audit with the German tax administration, potential tax risks regarding the German part of the Group are in any case as a rule limited to one to two open tax years (so-called "all in one year" tax audit process).

Approach to transfer prices, publication of tax information and transparency as well as to tax structures and tax risks

Transfer pricing

For transfer pricing matters, the Deutsche Telekom Group has a Transfer Pricing Guideline, which applies the current arm's length principle. The Transfer Pricing Guideline is implemented on a groupwide basis and binding. It provides the employees of Deutsche Telekom with information regarding the tax requirements with respect to the setting of prices for intra-group supplies and gives respective instructions. We ensure through appropriate

processes that the arm's length principle is taken into account when agreeing the terms and conditions of intragroup relationships. In this respect the implementation of the Transfer Pricing Guideline is secured by transfer pricing experts of Group Tax through the carrying out of expert communication exchanges with and the monitoring of business units.

Publication of tax information and transparency

The Deutsche Telekom Group is implementing the reporting obligations arising in connection with the BEPS developments, including country-by-country reporting. The respective information and documents are sent to the competent tax authorities on time.

The published annual reports as well as further publications and statements that are accessible to the public contain extensive data and other information regarding the tax framework and the tax circumstances of the Group.

In addition, various of the group companies are themselves organised as stock corporations, the shares of which are as such also publicly traded at a number of stock exchanges. Therefore, such group companies comply themselves also with comprehensive reporting requirements regarding tax according to the regulations applicable to them.

In addition, Deutsche Telekom publishes further information with respect to taxes at Deutsche Telekom, for example country-by-country reporting and additional explanations regarding tax rates, which can be accessed via the chapter on taxes of the CR report. This annually includes the so-called Total Tax Contribution of the major telecommunication companies of the Deutsche Telekom Group, which information has been assembled by Deutsche Telekom for several years now in order to determine and make visible the contributions of the respective entrepreneurial activities to public financing and finances.

Approach to tax structures and tax risks

Due to the high importance of local telecommunication infrastructure as well as local permits for the carrying out of respective activities the core business is from the outset specifically local and as a rule also addressed by relevant tax laws and regulations. Therefore, the locally generated added value is as a rule also locally taxed. Deutsche Telekom Group has less of an international business model, but rather a multi-national one: The customers are served locally by local group companies with local infrastructure.

In accordance with the profile as an international telecommunications group, Deutsche Telekom has business activities in a large number of countries. Generally, the local business activities are conducted through subsidiaries in the respective country.

Inappropriate profit transfers are prevented from the outset by applying the arm's length principle.

Any aggressive tax structures without economic substance exclusively for tax avoidance are not operated.

Group Tax engages in robust tax planning based on a comprehensive analysis of the tax laws and regulations. Substantial risks due to tax uncertainties regarding the application of the law are, to the extent possible and sensible, addressed through binding rulings or similar pre-alignments with the tax administration. Due to the timely tax audit regarding the German part of the Group, tax risks in that jurisdiction are as a rule limited to only a few open tax years.

Tax governance and control framework, risk management

Proper implementation of the detailed Tax Strategy is ensured by Group Tax. Responsible is the head of Group Tax who directly reports to the CFO of Deutsche Telekom.

Tax participates in the general governance and control framework as well as in the general risk management of Deutsche Telekom.

Group Tax is in exchange with all relevant business units and departments of the Group in order to ensure the correct tax evaluation of the activities and to monitor the compliance with tax rules and regulations. Group Tax also conducts on a case-by-case basis specific trainings and workshops regarding relevant tax topics within and outside Group Tax. Group tax moreover publishes relevant tax information on the intranet. Consecutive tax know-how training within Group Tax shall result in the identification by all members of Group Tax of risks, chances and respective topics for further analysis. Processes to be carried out in regular intervals within Group Tax result in the recording of and dealing with potential tax risks, this through the application of IT-solutions specifically developed for such purposes.

In addition, within the framework of its Tax Compliance Management System Group Tax revises and controls its procedures and potential risks. This includes a description of the processes with responsibilities, risk assessments and measures for risk mitigation etc.

Group Tax is furthermore represented in numerous associations addressing tax questions and therefore thus receives up-to-date information on relevant tax topics and participates in respective exchanges. A focus is laid on initiatives regarding the advancing digitalization of tax and tax-relevant processes with the aim of further enhancing the respective procedures.

Inclusion of stakeholders and management of stakeholders' tax concerns

Deutsche Telekom has established general processes regarding enquiries by stakeholders, in particular by shareholders respectively investors, as well as all other interested parties and the public. This includes enquiries relating to tax. Through such channels, the enquiries with a tax aspect reach Group Tax.

In addition, Group Tax participates in tax expert discussions within the framework of a number of industry organizations and tax working groups of various institutions. Members of Group Tax contribute as speakers or panelists to expert seminars and conferences and thereby receive also extensive up-to-date information regarding relevant topics. One focus of Group Tax is to find possibilities of a further digitalization of tax-relevant processes; in this respect Group Tax is involved with respective institutions.

Social commitment: Pro-bono consulting

Deutsche Telekom welcomes and promotes the social engagement of its employees. As such, it expressly supports Group Tax staff who want to contribute their expertise in the form of pro-bono consultations for charitable purposes. The Corporate Responsibility unit provides them with help, where necessary, in finding suitable opportunities for such work. A framework policy governs the exact approach for this kind of pro-bono work – e.g., the drafting of articles of association that satisfy public benefit criteria for tax purposes – by individual Group Tax employees.