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Group Policy on Employee Relations

Deutsche Telekom, Competence Center Human Resources Management

Version 2.0
As of Oct. 23, 2013
Status Final version

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Publication details

Published by

Deutsche Telekom AG
Competence Center Human Resources
Friedrich-Ebert-Allee 140, 53113 Bonn
Germany

Title	Version	Last revised
Group Policy on Employee Relations	1.0	Jan. 21, 2011

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Bonn, Feb. 15, 2011	Bonn, Feb. 16, 2011	Bonn, Feb. 15, 2011

Number of pages	Period of validity	Type and location of document
8	From March 15, 2011	DTAG Corporate Rule Base (http://richtlinien.telekom.de)

Summary

This policy specifies the key elements of employee relations within Deutsche Telekom. It describes what we stand for in our relationship with employees all over the globe. Every key element is explained, the responsibilities of crafting the employee relations are described as well as how to deal with cases of misconduct.

Change history

Version	Last revised	Edited by	Changes/comments
1.0.	Feb 15, 2011		Final version
2.0.	Oct 23, 2013	Sabine Heise	Adjustment of first "Guiding Principle" (including "simplicity")

Note:

A printout of this Group Policy may already be outdated. Please always check the Corporate Rule Base of Deutsche Telekom AG (<http://richtlinien.telekom.de>) to determine whether this is the current version of the Group Policy.

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1 Introduction

Deutsche Telekom is a place full of great experiences. By integrating all nations and societies, the employee relations policy promotes great experiences for every employee across the Deutsche Telekom Group. Based on our shared values and Guiding Principles, this policy offers a framework that enables the entire workforce to strengthen business performance, contribute individually to business objectives and increase shareholder value.

What do we mean by employee relations?

Employee relations cover all aspects of the work life cycle that are relevant to the employment relationship. By contrast, we understand labor relations as the relationships between management and democratically elected and/or legally authorized employee representatives at national and international level. The term industrial relations refers to the relationships between management and the labor unions and/or union confederations at national and international level.

Why do we need a Group policy on employee relations?

Opening up of markets and globalization have led to an increasingly knowledge-based working world. Work-sharing processes have been established on a global scale and workforces have been internationalized. New forms of networking are changing communication, public impact, reputation and compliance challenges and other key elements of company management. This all has an inevitable effect on our corporate culture and the way we deal with employees on a global compliance basis. There is a need to define our global understanding about what should characterize our interaction towards our employees and vice versa to ensure a consistent working experience for every employee.

Deutsche Telekom has become one of the world's leading service companies for telecommunications and information technology, represented in some 50 countries worldwide. Naturally, there are differences between every country, and sometimes even between the companies operating within a country. These differences result from local laws as well as from cultural individualities and values. Still, Deutsche Telekom wants to be "One Company" and strives to deliver great experiences to everyone who contributes to its success.

With this Group policy on employee relations, we are aiming to build a global cultural umbrella for our diverse and international workforce. It specifies the key elements of Deutsche Telekom's human resources policy. It describes what we stand for in our relationships with employees all over the globe. These relationships are characterized by our shared values and derive from our five Guiding Principles as well as from other Group policies. Together they represent the basis for building employee relationships within the Deutsche Telekom Group.

Target group and scope of this Group Policy

The Group Policy on Employee Relations is applicable worldwide to all employees and leaders at the Deutsche Telekom Group to the extent that the competent executive body (management board) has approved the validity of this policy. Employee relations are independently and individually crafted by national management based on the key elements described in this Group policy. A country's specific laws, cultural practices and local legislation shall always be complied with. Should anything in this policy, due to unexpected local developments, enter in conflict with local legislation, the latter will prevail.

2 Key elements for designing employee relations

2.1 Guiding Principles

Our Guiding Principles, with their global focus for the whole of Deutsche Telekom, play a key role in the design of employee relations at Deutsche Telekom:

- Customer delight and simplicity drive our action
- Respect and integrity guide our behavior
- Team together – Team apart
- Best place to perform and grow
- I am T – count on me

The Guiding Principles are illustrated by our Code of Conduct and enable our day-to-day work to create a solid and practical impact. The “Ask me!” portal is helpful in answering questions about the Code of Conduct. Questions can be submitted via an intranet-based form or using the local compliance portal.

Our Guiding Principles are brought to life in our Group competency model that offers management staff and employees a standardized way of evaluating observable actions.

2.2 Recruitment and development

We are convinced that competent employees are vital to our long-term success. The diversity of our people and cultures enables employees to gain great experience. Employees with the willingness to perform find both challenging and attractive work. We nurture the talent of our staff by offering all employees fair opportunities for learning and development. We are committed to filling vacancies first and foremost with our own employees. In doing so, we succeed in retaining talent on a long-term basis.

In order to reach our target culture we also apply our Guiding Principles to the selection of new employees. Aside from job requirements and minimum qualifications, we review that a candidate’s motivation fits with our culture.

2.3 Responsible management of organizational changes

In today’s rapidly changing business environments, we may need to adjust to the increasing external demands by taking steps to restructure, upsize and downsize our organization. It is the only way to guarantee sustainable business practices that serve the interests of our employees and those of future generations. It means changing not only our structures and processes, but also our culture and technology.

We do not have sole control over what needs to be changed – but we alone decide how we shape changes and how we implement them into our organization. In the acknowledgement of the impact changes may have on our employees and their family lives, we act responsibly in our business decisions and the resulting change processes. We always consider the legitimate interests of our employees. We strive to avoid the need for restructuring by carefully considering a range of alternative solutions. We focus to recognize the business, legal, professional and ethical considerations in handling such situations. When a restructuring project is unavoidable, we deploy reasonable efforts to reduce, as much as possible, the negative social impact of such a situation by applying our full change expertise when change affects units, teams and individuals in our company. Furthermore, when taking over employees in the frame of our outsourcing business, we also apply our change processes to integrate these employees into our culture and values.

2.4 Health, safety and sustainability

We accept social responsibility for protecting our workforce and the environment. We act responsibly and gear our thoughts and actions to sustainable business practices in the interests of future generations and we build social trust by promoting the welfare of people.

We consider health and safety to be vital prerequisites for company success; they play an important role towards employee satisfaction, well-being, quality of work, corporate culture, but also cost-efficiency. Protecting the lives and physical safety of our employees has priority over economic considerations. We therefore think ahead and consider the relevant national legal provisions and standards as minimum requirements that we frequently exceed. We aim at not only protecting our employee's health but also at promoting their psychological well-being. We work to improve health and safety continuously at all our Group units and include our employees actively in our health and safety measures. We aim to implement a modern management system to ensure that our health and safety policy is implemented in an effective manner.

2.5 Remuneration and rewarding

Application of remuneration systems for our employees that are both motivating and geared to local market conditions is a major success factor for our company.

We offer our employees fair, competitive remuneration, which is based on standard wages in their respective national employment markets. We observe statutory regulations and collective agreements wherever applicable. We actively use our compensation and benefits practices to become a fair and competitive employer in the labor markets in which we operate and seek to create a high performance culture.

It is of particular importance that we acknowledge, reward and recognize people for outstanding performance. For executives at Deutsche Telekom, the Global Compensation Guideline is a globally valid framework. For all other employees, the local markets and their cultural aspects shape the rewarding and recognition system besides the company needs.

2.6 Work-life

Technological developments and radical elevation in the telecommunications markets are changing the way we organize our work. Work has to be organized in a way that accommodates the company's interest in the flexible, efficient deployment of our employees. At the same time, work has to meet the employees' needs for greater autonomy and control over how they use their time.

We aim to be international leaders for connected life and work. As a consequence of our vision and as part of our effort to promote diversity within our workforce, we support our employees in maintaining a healthy balance between work and family life. To this end, we launched the "worklife@telekom" program, which is designed to promote the reconciliation of work and private life. It is directed equally at younger and older employees, singles and families with the aim of harmonizing work and private life and establishing work-life at Deutsche Telekom as a permanent feature of our corporate and leadership culture.

2.7 Leadership

Our Guiding Principle "Best place to perform and grow" is binding for all management staff and requires a common sense of leadership understanding throughout the Deutsche Telekom Group. This is the only way to motivate employees to make Deutsche Telekom the Most Highly Regarded Service Company in the industry.

Leaders need to act as role models for our Guiding Principles and make this vision reality for their teams. We expect our leaders to set up challenging, but also realistic targets, while motivating their teams to strive for their achievement. The motivation of teams is of major importance as performance and success in teams is more than the sum of results of the individual. International focus, Group-wide networking and implementation of the "One Company" concept are key characteristics and skills that we require from our leaders. With the support of a broad training portfolio, we expect our leaders to reflect and further advance their leadership skills on a high level.

2.8 Diversity

A wide range of skills and personalities reinforce our technological innovation capacity and, hence, our business success. Our human resources, talent policy and practices appreciate the potential and experience of all individuals. This is underlined by the Guiding Principle of "Respect and integrity guide our behavior." A mindset and way of thinking across national and cultural borders is essential.

Given these dimensions, the company undertakes every effort to create equal opportunities for all current and potential employees regardless of gender, origin, disability, sexual orientation, religion, union memberships and political orientation, etc. Likewise, we aim at creating platforms for talent acceleration of previously disadvantaged individuals. This is supported by our recruitment practices, creating adequate support and mentorship structures backed by solid performance.

We take the rule for non-discrimination based on gender seriously and introduced - as a pioneer amongst large global companies - a women's quota in 2010. By the end of 2015, at least thirty percent of upper and middle management positions in our company are to be filled by women. This regulation applies worldwide except where impermissible under national law, in which case it is considered as a statement of affirmative intent to increase the diversity of the management level workforce over time. In addition to broadening our talent pool, we are also expecting to add value to the company in the long term with greater diversity at management level.

2.9 Prohibition on discrimination and harassment

Implementation of our Guiding Principle "Respect and integrity guide our behavior" requires all our employees and management staff to show mutual respect, acknowledgement and appreciation in their dealings with each other. We do not tolerate any form of discrimination, harassment or mobbing and are expressly committed to promoting equal opportunities and diversity in the workforce, taking the cultural and legal particularities of individual countries into account.

2.10 Engagement and communication

Employee engagement also encompasses communication. We aim to establish and sustain a working environment in the Deutsche Telekom Group, which is characterized by an open communication and feedback culture, with management staff and employees acting on equal terms. To communicate means to us more than just to inform. It means also to listen and to engage in dialogue. We believe that our best solutions result from great team work. We therefore encourage our employees to communicate openly through various channels, such as employee meetings and dialog, town hall meetings and different surveys, as key components of our feedback culture. On this basis we aim to achieve a climate that promotes enjoyment at work and enables our employees to voice their opinions openly and objectively, without fear of reprisal or intimidation.

2.11 Labor and industrial relations

National management and its functions are responsible for shaping labor and industrial relations within the framework of our shared values taking into account national laws and customs.

As a corporate group operating in the international market, we respect democratically and/or legally authorized forms of cooperation with employees and employee representatives in the countries in which our affiliates operate. In addition, we are committed to mutual trust and respectful cooperation with each other.

We respect and acknowledge the right to freedom of association and collective action within the scope of national regulations, customs and existing agreements. We will not interfere with, restrain, or coerce employees in the exercise of these rights. There will be no threat of reprisal or force, or promise of benefit when expressing any views, argument, or opinion towards employees making use of their right to self-organization

3 Shared responsibilities

Each employee has a responsibility in dealing with employee relations, be it as a leader or as a team member. All employees act in accordance with this Group policy in order to keep work relationships as productive as possible and to establish a dynamic working environment.

All employees, but especially our leaders, actively shape our corporate culture and the experience of being part of Deutsche Telekom. Therefore, we expect them to promote the key elements defined in this Group policy and to ensure that employees and new team members are aware and have a clear understanding of it. Furthermore, our leaders are expected to actively lead and act in a manner that respects and embraces our shared values. Their goal is to create a dynamic work environment that fosters open and direct communication and enables employees to voice their concerns without fear of reprisal.

Our leaders and the national HR teams have a leading role in crafting employee relations on the basis of our shared values. Within this continuous process the local HR unit provides professional support in handling employee relations matters and optimizing the quality of these relationships.

If statements in this policy enter in conflict with local legislation or practices, HR functions shall provide notification of the conflict and the necessary deviations taken from the policy to comply with the local statutory laws or regulations.

4 Handling uncertainty and cases of misconduct

In conducting routine business, situations may arise in which employees have questions on relevant policies or are uncertain about what they should do. There are also many other situations that may give the appearance of laws and/or company policies having been violated. In such cases, which also include a breach or suspected breach of this Group policy, employees should initially contact their immediate manager. Should this approach be out of the question, cases of misconduct can also be reported using the portal "Tell me!" or the local whistleblower portal via telephone or regular mail, as well as by fax or e-mail. Tips can also be sent anonymously using the Web-based "Tell me!" portal. However, this should only be done in exceptional cases in which employees have concerns for or fear of serious personal, professional or social harm.

The Deutsche Telekom Group effectively disciplines individuals guilty of intentional and unlawful misconduct as well as violations within the framework of legal provisions, and does so irrespective of an employee's rank or position within the company.

5 Effective date of this Group Policy

This Group Policy enters into force by resolution of the Board of Management on March 15, 2011. In subsidiaries this policy becomes effective in accordance with the resolution by the competent executive body (management board).