



CEO interview – Driving down emissions in the telecoms industry

How Deutsche Telekom is focusing on sustainability now and in the years ahead

An interview with Timotheus Höttges, CEO, Deutsche Telekom AG

Timotheus Höttges has been CEO of Deutsche Telekom since January 2014. Among many other responsibilities, he oversees DT's goals of reducing its CO2 emissions by 90 percent by 2030 and having the complete value chain climate neutral by 2050. In this interview with Arthur D. Little, he talks about progress toward those goals and how society's focus on sustainability has made it an even more pressing issue for the company.

Arthur D. Little: How has the significance of sustainability for DT changed over the last years? What do you see as being the main issues that are different to, say, five years ago?

Timotheus Höttges: Deutsche Telekom set itself sustainability goals for the first time in 1995. In this respect, the topic is not new to us. It has become more pressing

because societies have made it more pressing globally. Time is running out, and it's hard to even reach the two-degree goal. Awareness has certainly also changed, thanks to the Fridays for Future movement.

Arthur D. Little: What is your vision for sustainability for DT?

Timotheus Höttges: In short: By 2030, we want to reduce our CO₂ emissions, which we are doing ourselves, by 90 percent. Today, people are already surfing the "green net" in Germany and many other markets. The energy comes entirely from renewables. If we can achieve more by 2030, that would be great. But that also depends on whether, for example, the transformation of the automotive industry towards e-mobility succeeds. We are happy to contribute to this by helping to build the charging network for e-mobility. We want to be completely climate neutral, at the latest, by 2050. And that includes our whole supply chain. To this end, we are talking to our suppliers and discussing how they can make their production completely climate neutral and help us to reduce customer emissions.

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Arthur D. Little: Deutsche Telekom has set ambitious targets for the Group and put a series of guidelines (e.g., Deutsche Telekom Environmental Guidelines) in place. How did you manage to align all NatCos, employees, and stakeholders on those targets and guidelines?

Timotheus Höttges: Frankly, this is a process that works rather top-down. DT has huge challenges to build out infrastructure in all its markets. It is an infrastructure that, by the way, contributes to others being able to operate more sustainably. Our data centers are, of course, much more energy efficient than if every customer runs their computers in their own basement. In addition, there are many applications in the “smart city” or

“smart farming” that also help to save energy. There are many examples of this. But investing in sustainability, in addition to the important infrastructure investments, is not a primary concern of many business units. This has to be set by top management. And finally, we’re a telco corporation, so working on team level closely together on sustainability topics helps to define our next steps and to implement our plan.

Arthur D. Little: Many large companies struggle to find the right governance approaches for sustainability. What sort of governance have you put in place to make sure your DT sustainability guidelines are followed?

“Resolve conflicts of interest between sustainability goals and financial goals.”



“We see an increasing trend of start-ups picking up sustainability either as part of their operational philosophies, or even as part of their solutions.”

Timotheus Höttges: Our CSR department defines the goals and monitors them. There are audits for this, not only in our own departments, but also, for example, at our suppliers.

Arthur D. Little: How do you manage and resolve conflicts of interest – if there are any – between sustainability goals and financial goals?

Timotheus Höttges: There is no compromise on the goals we have set ourselves. But it would be a lie to say that more financial leeway would not help us to meet ambitious climate targets as well. You can only spend each euro once. And it is always a balancing act between the demands that different stakeholders place on us.

Arthur D. Little: For many companies, the supply chain is one of the biggest challenges in managing sustainability and environmental impact. We know that DT uses a number of tools, methods and measures that improve sustainability efforts along the supply chain. What are the main challenges in supply chain sustainability that tend to appear on the top management agenda, and which approaches do you consider the most (and least) effective in dealing with them?

Timotheus Höttges: The supply chain indeed is a tricky animal. Our biggest challenge is probably to create sufficient transparency and traction down the tiers, beyond our direct suppliers. Working with worldwide programs such as the Carbon Disclosure Project and being very vocal to our suppliers about our goals are one solution. But all of this requires more than just one player. We have to join forces and agree to common ambitions, such as limiting global warming to at least well below 2 degrees, to be successful. This is why cooperation on sustainability within and outside the industry is key.

Arthur D. Little: Telcos can play a major role in driving down the emissions of other industries by offering intelligent ICT solutions. How does DT approach this, and in which sectors do you see the highest potential?

Timotheus Höttges: As I said, the cloud is already more energy efficient than if everyone runs their computers in their own basement. This is true regardless of industry. Independently of this, there are many possibilities in the area of “smart” application, such as the “smart city” – be it better

traffic guidance systems, intelligent waste management, or something like street lighting that only lights up when someone is on the road.

Arthur D. Little: With hub:raum and Deutsche Telekom Capital Partners (DTCP), Deutsche Telekom also operates as part of the start-up ecosystem. What impact does DT's sustainability agenda have on these companies' target portfolios?

Timotheus Höttges: The focus of DTCP and hub:raum is primarily on start-ups in the field of "network-related innovation", such as 5G and AI. And, of course, it is precisely these innovative companies that are helping to ensure that the sustainability potential that lies dormant in information technology is actually realized. We see an increasing trend of start-ups picking up sustainability either as part of their operational philosophies, or even as part of their solutions.

Arthur D. Little: Changing the hearts and minds of employees and partners on sustainability is usually key for success. How have you gone about this challenge?

Timotheus Höttges: This is an ongoing process. For example, we founded the "Green Pioneers", and we have an internal program that connects different functions across our corporation. This is a network of people in the company who develop their own ideas, give suggestions and help to implement them in the group. But they also keep raising the issue of sustainability in their own departments, and thus help to make our products and services more sustainable step by step. So there is also some "bottom-up", when it comes to realizing a really sustainable DT.



“For products for technology and field service, Deutsche Telekom relies on customized packaging.”

Arthur D. Little: What sustainability issues are next on the agenda for DT?

Timotheus Höttges: Being more sustainable in terms of ESG (environment, social & governance) requires us to work on several fields in parallel already today. I don't see completely new topics coming. We

will go on enforcing our engagement on resource efficiency as well as climate change, for example, moving on with sustainably packed products and take-back schemes. But we will also keep focus on bridging the digital divide and taking a clear stand for our democratic values in a digital world.



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