



TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

TUAC assessment of Deutsche Telekom's 2011 Corporate Responsibility
based on the GRI reporting standards
Response to Deutsche Telekom
Paris, 17 February 2012

In a letter dated 26 December 2011, Mr Luis Neves, Head of Corporate Responsibility at Deutsche Telekom (DT) contested TUAC's assessment of DT's Corporate Responsibility Report 2011, which was made public on 8 December 2011¹.

In what follows the TUAC responds to DT's letter.

The GRI "Application Level Check" and third party assurance

Mr Neves states that he *"cannot fully understand the assessment in every respect, particularly with regard to the GRI Application Level A+ (G3) being called into question"*. Mr Neves argues that:

- The application level A+ *"has been checked and confirmed in a multi-stage process by GRI"* and *"key components of the CR Report of Deutsche Telekom have been subjected to an independent assurance engagement by [...] PricewaterhouseCoopers"*.
- With PwC's certification, it is argued, DT *"is going beyond what is usual practice for most A+ reporting organizations, which subject only key figures to external verification"*.

TUAC response:

Regarding the role of the GRI Secretariat: the GRI Application Level Check is an optional procedure whereby the GRI Secretariat based in the Netherlands verifies whether G3 disclosure items are being "addressed". The Application Level Check does not issue a judgement on whether these disclosure items are being reported effectively and according to the G3 Guidelines. As stated on the website of the GRI, Application Level Checks *"do not give an opinion on the sustainability performance of the reporting organization, the quality of the report, or on formal compliance with the G3 or G3.1 Guidelines"*². Furthermore in a letter to DT dated 12 January 2012, the GRI Secretariat states: TUAC's *"criticism is on the content of the report and, as this is not something GRI looks at in an Application Level Check, we are unable to comment on this. Another criticism from TUAC is of the quality of the external assurance. Again, this is not something the GRI is in position to comment on"*. For information, it should also be reminded that the GRI Secretariat does not hold a mandate to proceed with any form of external assurance or "certification" of individual company reports.

¹ http://www.tuac.org/en/public/e-docs/00/00/0A/42/document_doc.phtml

² <https://www.globalreporting.org/reporting/reporting-framework-overview/application-level-information/Pages/default.aspx>

Regarding the role of the external auditor: PwC auditors have certified a selected number of DT's Key Performance Indicators (KPIs). As welcome as they may be, PwC certification cannot be considered as an assurance process of the whole DT reporting disclosure requirements under a GRI G3 application level A, which includes far more items than the KPIs.

Content reporting

According to DT's letter, our assessment is "*based on some errors and misinterpretations*" and "*misinterprets [...] the contents and scope of [...] DT's policies*". In support of that claim, the letter makes four arguments:

1. There are seven KPIs in the DT reporting framework "*and not seventeen, as erroneously assumed by*" TUAC.
2. In addition to the KPIs, the CR Report of Deutsche Telekom includes "*a further eleven social performance indicators*".
3. DT's Code of Conduct is "*inaccurately described as a document that focuses on data privacy*", while DT claims that it is a code that "*explicitly deal[s] with subjects such as protection against discrimination, freedom of association and the right to collective bargaining*".
4. The scope of application of DT's Guiding Principles has also been "*misinterpreted*" because they "*represent binding values for the entire Telekom Group and therefore include the entire workforce*", and because they "*are being introduced in all subsidiaries in an elaborate implementation process*" and are incorporated "*into the most important business and HR processes*" in 2010.

TUAC response:

1. Regarding the number of KPIs, we acknowledge a mistake in our assessment. There are indeed seven, and not seventeen KPIs. Accordingly we have amended our assessment report:

page 10 "*According to the G3 Guidelines, the materiality test should help identify the company's Key Performance Indicators (KPIs). DT lists seven Corporate Responsibility (CR) KPIs and ten Ecological KPIs. DT also claims to have a list of HR KPIs in its HR report but no such list could be found. The table below compares the CR and Ecological KPIs in terms of coverage and stakeholders.*"

page 11 "*From the above we conclude:*

- *Out of 17 sustainability KPIs, 13 target the environment, 1 targets investors, 1 targets suppliers, 1 targets German public opinion, and only 1 targets DT's workers.*
- *The stand-alone KPI on workers aims to measure workers' understanding, not acceptance or agreement with DT's strategy.*
- *Five Two KPIs are limited to Germany.*"

page 1: "*Out of the company's 17 sustainability Key Performance Indicators, only one relates to workers—and that one aims to measure workers' understanding*".

This mistake however does not alter the main conclusion of our assessment, which is:

“Given the more than 250,000 workers employed by DT, there is reason for concern that only one KPI relates to workers —and that one aims to measure workers’ understanding. There are reasons to believe that DT’s process for selecting its KPIs is not in full compliance with the GRI reporting principle for materiality.”

2. Regarding the 11 social performance indicators: these are duly acknowledged in our assessment where we verify DT’s compliance with the GRI indicators on labour, employment and human rights. These indicators are not listed as KPIs however and accordingly are not relevant in the above discussion on DT’s selection process of its KPIs.

3. Regarding DT’s Code of Conduct: when we conducted the assessment in September-October 2011 the weblink³ pointing to the “code of conduct” referred to a PDF file showing DT’s privacy policy which contains no reference to freedom of association or more broadly to labour rights. Since then, and having re-checked DT’s website, it appears that the weblink still is shown on the webpage but redirects to the homepage of DT’s website. TUAC cannot take responsibility for changes made ex-post to the online reporting framework of DT.

4. Regarding DT’s Guiding Principles: we do not contest the scope or level of application of the Guiding Principles. In our assessment we simply note that the content of it (five stand-alone phrases) are insufficient to meet the GRI standards for the Human Right Disclosure Management Approach.

Process for defining material issues

DT’s letter also stresses the process for defining material information, stating that it is “relying on an intensive exchange with our stakeholders”, that it carries out “a materiality process to define and prioritize the contents of our CR Report each year” in which “international stakeholders” are “increasingly” involved, and that “in addition to internal stakeholders, the respondents mainly include external stakeholders such as trade union representatives” and for the matter points to a webpage of DT’s website.

TUAC response:

We note the above with interest, but we fail to see how it could contradict or contest our assessment.

TUAC Conclusion

We acknowledge a mistake in counting the number of Key Performance Indicators (there are 7 of them, and not 17). However this mistake does not alter our assessment of the way DT selects its KPIs, pages 1 & 11:

“Given the more than 250,000 workers employed by DT, there is reason for concern that only one KPI relates to workers — and that one aims to measure workers’ understanding. There are reasons to believe that DT’s process for selecting its KPIs is not in full compliance with the GRI reporting principle for materiality.”

³ <http://www.telekom.com/dtag/cms/contentblob/dt/en/51858/blobBinary/privacy-code-of-conduct.pdf>

We also maintain our assessment that DT's reporting has not been adequately assured by a third party for a GRI A+ level reporting, as we write in our assessment page 9:

"The assurance certificate provided by PwC does not cover all of the G3 reporting items that are necessary for a GRI level A application. In fact, the assurance covers almost none of it and is limited to Germany and three other European countries".

By omission in its letter, we further understand that DT does not contest the key findings of our assessment as shown in the executive summary page 1:

"DT claims that eight core Labor indicators are "covered completely" in the report and one is "covered partly," but our analysis shows three core Labor indicators are covered partly and the remaining six are not covered at all".

"DT claims that all six core Human Rights indicators are "covered completely," but our analysis shows that only two are covered completely and four are covered partly".

DT's response is also silent on our assessment of the GRI reporting Principles, as shown in the executive summary:

"Deutsche Telekom has clear reporting weaknesses:

- In terms of the GRI boundary setting principle, in many cases, reporting by DT is limited to German facilities—thus excluding almost half the workforce.*
- In terms of the balance principle, compliance is questionable as the CR Report tends to emphasize initiatives related to managers only.*
- The clarity principle is not respected at all, as the GRI index prepared by DT is not precise enough to provide easy access to information, and some claims are not backed by adequate sources and definitions."*

DT's response reinforces our opinion that DT's claim of a GRI A+ level reporting is not verified both with regard to the content disclosures (that are needed to achieve an A level) and the assurance by a third party (needed to achieve a '+' level).

On a separate note, the case of DT exposes the ambiguities of the language included in the "Statements of Application Level Check" that the GRI Secretariat may grant to reporting companies. Indeed the current text may be misinterpreted as a "seal of proof" of quality of the content reporting which it is not, as the case of DT shows clearly. This is an issue that, we understand, is to be addressed in the current development process of new 'G4' reporting guidelines⁴.

⁴ <https://www.globalreporting.org/reporting/latest-guidelines/g4-developments/Pages/default.aspx>