Just a placeholder

With nearly 115 billion euros in revenue in 2022, Deutsche Telekom is one of the five largest companies in Germany. In the future, the company not only wants to measure itself by its financial numbers but also by its sustainability goals – announced by Telekom CEO Tim Höttges during the Bonn-based corporation's annual general meeting, where he also confirmed that the majority of T-Mobile USA had now been secured.

The oversized Telekom "T" on the stage of the Bonn World Conference Center is unusually not in the striking magenta tone. Instead, it shines green because the interior of the Telekom logo is adorned with potted plants. When CEO Tim Höttges takes the stage, he quickly makes it clear what today's focus is: "No green, no go!" The casual phrase is meant to be somewhat ambiguous, signaling that Telekom aims to unite ecology and economy.

Höttges dedicates about an hour of his address to shareholders to the topic of sustainability, as it becomes increasingly important for institutional investors and customers. Slightly less enthusiasm comes from the approximately 2,500 Telekom shareholders in the World Conference Center, most of whom hold smaller stock packages. They applaud the loudest when Höttges highlights the positive performance of the T-share price. Joy also arises when the Telekom CEO announces the successful completion of the majority acquisition of T-Mobile USA – after years of tough negotiations. T-Mobile has been a significant profit driver for the corporation, while the German core business sometimes struggles.

During the general debate, shareholders also express criticism, particularly concerning the perceived meager dividend of 70 cents per share and the chronically deficit-laden business customer segment T-Systems, which several speakers demand should finally be sold. Höttges also faces uncomfortable questions about the “China connection.” In the Telekom’s networks, such as transmission towers, components from the Chinese supplier Huawei are widely used. Due to increasing tensions between China and the Western world, there has been increased speculation in public debates that the Chinese government could potentially misuse its companies’ technology in Western telecommunications networks, such as to capture secret data.

The shareholders in the room want to know what impact this sensitive situation could have on business in the USA, where concerns about China are particularly significant. Höttges counters, “Transmitting towers are essentially nothing more than antennas. The same goes for cell phones. So, one would also have to ban smartphones from China.”

The Telekom CEO reacts somewhat impatiently to the many critical questions about Huawei. Today, he prefers to talk about sustainability – just as he did in his keynote speech earlier. In it, Höttges uses “sustainability” as a conceptual framework for a broad spectrum of topics, including sound financial management, “building the best network at all times,” being a reliable partner for customers, and a commitment to consistent digitization.

However, climate protection and social responsibility also play a significant role. According to Höttges, in 2022, Telekom provided services worth 2.3 billion euros for employee training, the support of socially disadvantaged individuals, earthquake relief in Turkey and Syria, as well as assistance to refugees from Ukraine. This accounts for approximately ten percent of Telekom’s investments this year.

Regarding climate protection, the CEO wants to accelerate the pace. By 2025, Telekom aims to become completely carbon-neutral in its core business and associated third-party energy procurement (Scope 1/2). By 2040, the entire upstream and downstream value chain (Scope 3) should also be carbon-neutral. Höttges announces a new interim target for the Scope 1/3 package: a 55 percent reduction in CO2 emissions by 2030 compared to 2020. A look at Telekom’s sustainability report shows that the company has already reduced its Scope 1/2 emissions by a factor of ten from 2020 to 2021 to less than 250,000 tons of CO2 equivalents per year, primarily through the use of renewable energy. However, over 90 percent of emissions are still in the Scope 3 category, primarily upstream emissions. In 2020, 114.4 million tons of CO2 equivalents were emitted, and in 2022, it was even 12.3 million tons.

Taking back more phones and routers

To demonstrate how Telekom plans to achieve these goals, the CEO lists a series of measures. “The most important future project” for Höttges is the rapid expansion of the new nationwide fiber-optic network. This should enable the fastest possible shutdown of the old copper network because operating two partially parallel networks leads to increased emissions. Currently, Telekom’s antennas are already equipped with a kind of “motion detector” so that the cell is only activated when people are present and using Telekom services. This could save ten percent of electricity in the networks.

> *„200 million old cell phones are lying dormant in drawers,” Höttges warns. “They should all be recycled because they consist of 45 percent metals, especially copper.“ Telekom-CEOTim Höttges*

To boost the circular economy, recycling old hardware like routers and phones plays a central role for Telekom. “200 million old cell phones are lying dormant in drawers,” Höttges warns. “They should all be recycled because they consist of 45 percent metals, especially copper.” The appeal is not without reason, as the current sustainability report of the company shows: While old devices can be returned to Telekom shops, so far, only about 2.3 out of 100 devices are actually returned – the return rate has remained stagnant for years. By 2030, Telekom aims to bring all end devices back into the recycling process – but there seems to be a long way to go until then.

To significantly reduce the CO2 footprint, especially in the upstream value chain (part of Scope 3), the company is pushing for the carbon-neutral production of cell phones. “We are changing our procurement practices for that,” Höttges announces. They are no longer solely looking at the price of the product but also its environmental impact. “Those who cannot achieve green production will eventually be removed from the product range.” Talks are already underway. However, what exactly “green production” entails and when this “eventually” will happen remains unclear.

Höttges’ remarks receive mixed feedback from shareholders. Henrik Pontzen, responsible for sustainability at the Volksbanken fund Union Investment, praises Telekom’s direction. “You have systematically moved forward,” Pontzen says during the general debate. “We can only support you.” Another fund representative, Ingo Speich from Deka Investment, wants to know how much Telekom’s employees have internalized sustainable thinking. On the other hand, free shareholder Christian Strenger criticizes that sustainability is not adequately considered as a performance indicator in executive compensation but praises the overall strategy.

Markus Dufner, CEO of the Dachverbands Kritischer Aktionär:innen (Umbrella Association of Critical Shareholders), dismisses Höttges’ speech as “pure image polishing” and criticizes Telekom’s perceived poor sustainability performance. Individual shareholder Peter Fritz Streichan believes that Telekom should have started saving energy 50 years ago. And shareholder Gerhard Bachmann holds up a photomontage at the end of his speech showing a landfill full of wind turbines. This too is a, albeit quite drastic, expression of opinion on the topic of sustainability. But after all, the T-share is supposed to be a “people’s share”