

Corporate Governance and Remuneration Report

Corporate Governance

Corporate governance is a fundamental component of Swisscom's corporate policy. Swisscom is committed to effective and transparent corporate governance as part of its effort to deliver long-term value.

1 Principles

In performing their activities, the Board of Directors and Group Executive Board of Swisscom are guided by the objective of long-term and sustainable business management. They incorporate the legitimate interests of Swisscom shareholders, customers, employees and other interest groups into their decisions. To this end, the Board of Directors practises effective, transparent corporate governance, which is characterised by clearly assigned responsibilities and based on recognised standards. In this regard, Swisscom complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse*, the umbrella organisation representing Swiss business, and the requirements of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC).

The interaction of investors, proxy advisors and other stakeholder groups with the respective specialist divisions allows the Board of Directors to identify trends at an early stage and to adjust its corporate governance to new requirements as and when necessary.

Swisscom's principles and rules on corporate governance are set out primarily in the company's Articles of Incorporation, Organisational Rules and the Rules of Procedure of the Board of Directors' committees. Of particular importance is the Code of Conduct approved by the Board of Directors. It contains an explicit declaration by Swisscom of its commitment to absolute integrity as well as compliance with the law and all other external and internal rules and regulations. Swisscom expects its employees to take responsibility for their actions, show

responsibility for people, society and the environment, comply with applicable rules, demonstrate integrity and report any violations of the Code of Conduct.

The latest versions of these documents as well as their earlier, unamended and superseded versions can be viewed online on the Swisscom website under "Basic principles".

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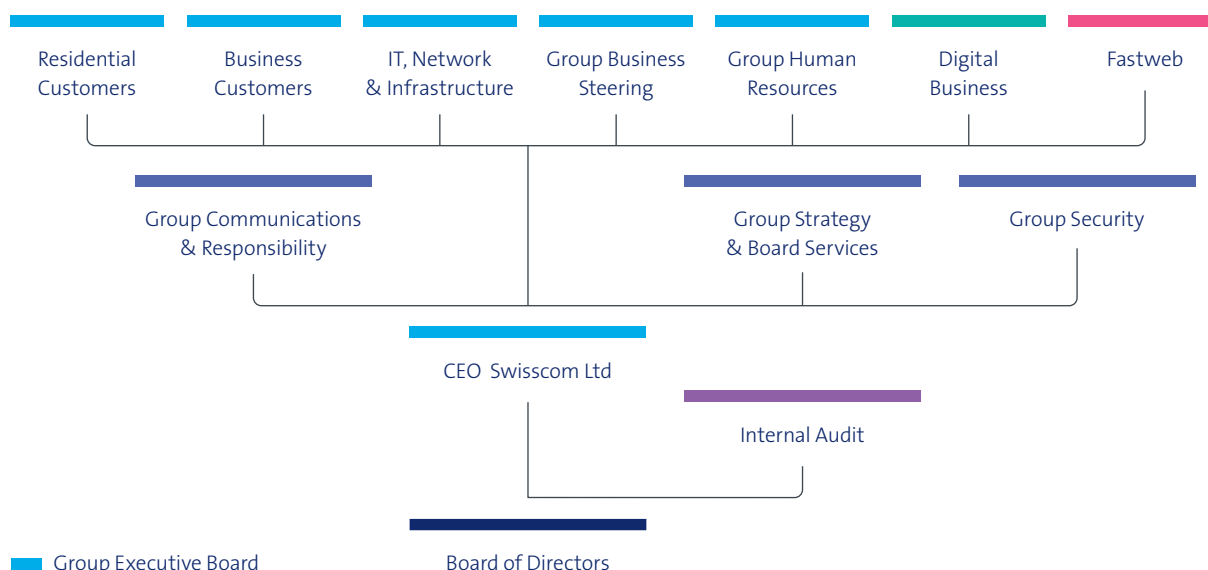
2 Group structure and shareholders

2.1 Group structure

Operational Group structure

Swisscom Ltd is a holding company. It comprises five Group divisions: Group Business Steering, Group Human Resources, Group Strategy & Board Services, Group Communications & Responsibility and Group Security. The Board of Directors delegates the day-to-day business management to the CEO of Swisscom Ltd. The Group Executive Board is comprised of the CEO, the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO), plus the heads of the business divisions Sales & Services, Products & Marketing, Enterprise Customers, and IT, Network & Infrastructure. As of 1 January 2020, the Sales & Services (SAS) and Products & Marketing (PMK) divisions were merged into the new Residential Customers division, and the Enterprise Customers division was renamed "Business Customers". The Group also includes the Digital Business division and Group companies such as the Italian subsidiary Fastweb S.p.A.

The operational Group structure as at 1 January 2020 is shown in the diagram below.



Swisscom Ltd structure

The business activities are carried out by Swisscom Group companies. Strategic and financial management is assured through the rules governing the assignment of powers and responsibilities set by the Board of Directors of Swisscom Ltd. The Group companies are divided into three categories: strategic, important and other. Swisscom Ltd, Swisscom (Switzerland) Ltd and the subsidiary Fastweb S.p.A. are classified as strategic Group companies. The Board of Directors of Swisscom (Switzerland) Ltd comprises the CEO of Swisscom Ltd as Chairman, the CFO of Swisscom Ltd and the Head of Enterprise Customers (renamed “Business Customers” as of 1 January 2020). The CEO of Swisscom Ltd is responsible for the executive management of Swisscom (Switzerland) Ltd. Seats on the Board of Directors of Fastweb S.p.A. are held by the CEO of Swisscom Ltd, who acts as Chairman, together with the CFO of Swisscom Ltd and other representatives of Swisscom. The Board of Directors also includes an external member. The Board of Directors of Fastweb S.p.A. has empowered the Delegate of the Board of Directors with the executive management of the company. All other Group companies are assigned to a Group division or business division for management purposes. The members of the Board of Directors of the other Group companies are appointed by the CEO. In some cases, external parties also serve as members of the Board of Directors. A list of Group companies, including company name, registered office, percentage of shares held and share capital, is provided in Note 5.4 to the consolidated financial statements.

□ See report pages 165—166

For financial reporting purposes, the business divisions of Swisscom are allocated to individual segments. Further information on segment reporting can be found in the Management Commentary.

□ See report page 48

Listed company

Swisscom Ltd is a company governed by Swiss law and has its registered office in Ittigen (Canton of Berne, Switzerland). It is listed in the Standard for Equity Securities, Sub-Standard International Reporting, of the SIX Swiss Exchange (Securities No.: 874251; ISIN:CH0008742519; ticker symbol SCMN).

Trading in the United States is conducted over the counter (OTC) as a Level 1 programme (ticker symbol: SCMWY; ISIN: CH008742519; CUSIP for ADR: 871013108). Within the framework of the programme, the Bank of New York Mellon Corporation issues the American Depositary Shares (ADS). ADS are American securities that represent Swisscom shares. Ten ADS correspond to one share. The ADS are evidenced by American Depositary Receipts (ADR).

As at 31 December 2019, the stock market capitalisation of Swisscom Ltd was CHF 26,553 million. There are no other listed companies in the Swisscom Group.

2.2 Major shareholders

Pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA), there is a duty to disclose

shareholdings to Swisscom Ltd and SIX Swiss Exchange whenever a person or group subject to the disclosure obligation reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, 33¹/₃, 50 or 66²/₃ per cent of the voting rights of Swisscom Ltd, irrespective of whether or not the voting rights can be exercised. The detailed disclosure requirements and the method for calculating these limits are specified in the FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA). Under the FMIO-FINMA, nominee companies which are not able to independently decide how voting rights are exercised are not required to disclose when any of their shareholdings reach, exceed or fall below these limits. As shareholders are only required to notify the company and SIX Swiss Exchange if their shareholdings exceed or fall below one of the limits indicated above, the percentage of shares actually held by significant shareholders may differ from the percentage most recently disclosed.

The shareholding notifications can be viewed on the website of the SIX Exchange Regulation at: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

In the 2019 reporting year, no shareholdings subject to Article 120 FMIA were reported to Swisscom. In August 2017, BlackRock, Inc., New York, reported a shareholding of 3.44% of the voting rights in Swisscom Ltd. According to the Swisscom share register, Chase Nominees Ltd., London, held 4.74% of the voting rights in Swisscom Ltd on 31 December 2019.

The Swiss federal government (Swiss Confederation), as majority shareholder, held 50.95% of the issued share capital of Swisscom Ltd on 31 December 2019, which was unchanged from the previous year. The Telecommunications Enterprises Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd. The Federal Council defines the goals which the Confederation as principal shareholder of the company aims to achieve in the next four years. As a rule, stakeholder talks with the Chairman of the Board and the CEO are conducted three times a year by the responsible federal government departments – the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and Federal Department of Finance (FEF) – led by the Head of DETEC, in which the status of target achievement is examined. After the close of the business year, target achievement is assessed by the Federal Council.

© See www.swisscom.ch/targets_2018-2021

2.3 Cross-participations

No cross-shareholdings exist between Swisscom Ltd and other public limited companies.

3 Capital structure

3.1 Capital

The share capital of Swisscom AG has remained unchanged since 2009, totalling CHF 51,801,943. There is no authorised or conditional share capital. Information concerning equity can be found in the financial statements of Swisscom Ltd.

□ See report page 182

3.2 Shares, participation and profit-sharing certificates

All of the shares issued by Swisscom Ltd are fully paid-up registered shares with a par value of CHF 1. Each share entitles the holder to one vote. Shareholders may only exercise their voting rights, however, if their shares have been entered with voting rights in the share register of Swisscom Ltd. All registered shares with the exception of treasury shares held by Swisscom are eligible for a dividend. There are no preferential rights.

Registered shares of Swisscom Ltd are not issued in certificate form but are held as book-entry securities in the depositary holdings of SIX SIS AG, up to a maximum limit determined by the Swiss Confederation. Shareholders may at any time request confirmation of the registered shares they hold. However, they have no right to request the printing and delivery of certificates for their shares (registered shares with no right to printed certificates).

The holder of an ADR possesses the rights listed in the Deposit Agreement (e.g. the right to issue instructions for the exercise of voting rights and the right to dividends). The Bank of New York Mellon Corporation, which acts as the ADR depository, is listed as the shareholder in the share register. ADR holders are therefore unable to directly enforce or exercise shareholder rights. The Bank of New York Mellon Corporation exercises the voting rights in accordance with the instructions it receives from the ADR holders. If it does not receive instructions, it does not exercise the voting rights.

Swisscom Ltd has issued neither participation nor profit-sharing certificates.

Further information on the shares is available in Section 7 “Shareholders’ participation rights” as well as in the Management Commentary.

□ See report page 92

□ See report page 61

3.3 Limitations on transferability and nominee registrations

Swisscom shares are freely transferable, and the voting rights of the shares registered in the share register in accordance with the Articles of Incorporation are not subject to restrictions of any kind. In accordance with Article 3.5.1 of the Articles of Incorporation, the Board of Directors may refuse to recognise an acquirer of shares as a shareholder if the total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. For the shares in excess of the limit, the acquirer is entered in the share register as a shareholder or beneficial holder without voting rights. The other statutory provisions on restricted transferability are described in Section 7.1 of this Corporate Governance report, "Voting right restrictions and proxies".

☉ See www.swisscom.ch/basicprinciples

▢ See report page 92

Swisscom has issued special regulations governing the registration of trustees and nominees in the share register. To facilitate the tradability of the company's shares on the stock exchange, the Articles of Incorporation (Article 3.6) allow the Board of Directors, by means of regulations or agreements, to permit the fiduciary entry of registered shares with voting rights for trustees and nominees in excess of the 5% threshold, provided they disclose their trustee capacity. In addition, they must be subject to supervision by a banking or financial market supervisory authority or otherwise provide the necessary

assurance that they are acting for the account of one or more unrelated parties. They must also be able to provide evidence of the names, addresses and holdings of the beneficial owners of the shares. This provision of the Articles of Incorporation may be changed by resolution of the Annual General Meeting, for which an absolute majority of valid votes cast is required. In accordance with this provision, the Board of Directors has issued regulations governing the entry of trustees and nominees in the Swisscom Ltd share register.

☉ See www.swisscom.ch/basicprinciples

The entry of trustees and nominees as shareholders with voting rights is subject to application and the conclusion of an agreement by which the trustee or nominee acknowledges the applicable entry restrictions and disclosure obligations as binding. Trustees and nominees related in terms of capital or voting rights either contractually or through common management or other means are treated as a single shareholder (trustee or nominee).

3.4 Convertible bonds, debenture bonds and options

Swisscom has no convertible bonds outstanding. Details of the debenture bonds are given in Note 2.2 to the consolidated financial statements.

▢ See report page 128

Swisscom does not issue options on registered shares of Swisscom Ltd to its employees.



4 Board of Directors

4.1 Members of the Board of Directors

As of 31 December 2019, the Board of Directors comprised the following non-executive members:

Name	Nationality	Year of birth	Function	Taking office at the Annual General Meeting
Hansueli Loosli ¹	Switzerland	1955	Chairman	2009
Roland Abt	Switzerland	1957	Member	2016
Alain Carrupt	Switzerland	1955	Member, representative of the employees	2016
Frank Esser	Germany	1958	Deputy Chairman	2014
Barbara Frei	Switzerland	1970	Member	2012
Sandra Lathion-Zweifel ²	Switzerland	1976	Member, representative of the employees	2019
Anna Mossberg	Sweden	1972	Member	2018
Michael Rechsteiner ²	Switzerland	1963	Member	2019
Renzo Simoni ³	Switzerland	1961	Member, representative of the Confederation	2017

¹ Since 1 September 2011 Chairman.

² Elected to the Board of Directors as of 2 April 2019.

³ Designated by the Swiss Confederation.

Valérie Berset Bircher, the representative of the employees, resigned from her position on the Board of Directors on 31 December 2018 for professional reasons. Sandra Lathion-Zweifel was elected as her replacement by the Annual General Meeting on 2 April 2019. The Board of Directors therefore comprised only eight members from 1 January 2019 until the Annual General Meeting. At the

Annual General Meeting on 2 April 2019, Catherine Mühlemann retired from the Board of Directors, having served the maximum permitted term of office. On the same date, the shareholders elected Michael Rechsteiner as her successor to the Board of Directors.

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4.2 Education, professional activities and affiliations

Key details of the career and qualifications of each member of the Board of Directors are provided in the summary below, along with the mandates held outside the Group and other significant activities. Pursuant to the Articles of Incorporation, Board members may perform no more than three additional mandates in listed companies and no more than ten additional mandates in non-listed companies. In total, they may not perform more than ten such additional mandates. These restrictions on the number of mandates do not apply to mandates performed by a Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations, or employee retirement-benefit foundations. The number of mandates held by order of Swisscom is limited to ten, while the number of mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations is limited to seven. The Board members are obligated to consult the Chairman of the Board of Directors prior to accepting new mandates and to immediately advise him of any changes in their professional lives. The issue of affiliations is addressed with the Board of Directors as part of an annual internal training session that focuses on stock exchange regulations. Details on the regulation of external mandates, in particular the definition of the term “mandate” and information on other mandates that do not fall under the aforementioned numerical restrictions for listed and non-listed companies, are set out in Article 8.3 of the Articles of Incorporation. No member of the Board of Directors exceeds the limits set for mandates.

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The members of the Board of Directors are required to order their personal and business affairs and take whatever measures necessary to ensure that conflicts of interest are avoided as far as possible. Should a conflict of interest nevertheless arise, the member concerned must inform the Chairman of the Board of Directors immediately. The members of the Board of Directors are obliged to abstain from negotiations in business which conflict with their own interests or with the interests of natural or legal persons closely associated to them.



Hansueli Loosli

Commercial apprenticeship; Swiss Certified Expert in Financial Accounting and Controlling

Career history

1982–1985 Mövenpick Produktions AG, Adliswil, Controller and Deputy Director; 1985–1992 Waro AG, Volketswil, most recently as Managing Director; 1992–1996 Coop Switzerland, Wangen, Director of Non-Food Product Procurement; 1992–1997 Coop Zurich, Zurich, Managing Director; 1997–2000 Coop Switzerland, Basel, Chairman of the Executive Committee and Coop Group Executive Committee; January 2001–August 2011 Coop Genossenschaft, Basel, Chairman of the Executive Committee

Mandates in listed companies

Mandate of the Coop Group: Chairman of the Board of Directors, Bell AG, Basel

Mandates in non-listed companies

Mandates of the Coop Group: Chairman of the Board of Directors, Coop Group Association, Basel; Chairman of the Board of Directors, Transgourmet Holding AG, Basel; Chairman of the Board of Directors, Coop Mineraloel AG, Allschwil. Other mandate: member of the Advisory Board, Deichmann SE, Essen

Other significant activities

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Roland Abt

Doctorate in Business Administration (Dr. oec.)

Career history

1985–1987 CFO of a group of companies with operations in the areas of IT and real estate; 1987–1996 Eternit Group (later Nueva Group); 1987–1991 Head of Controlling, 1991–1993 CEO, Industrias Plycem, Venezuela, 1993–1996 Division Manager, Fibre Cement Activities; 1996–2016 Georg Fischer Group: 1996–1997 Chief Financial Officer (CFO), Georg Fischer Piping Systems, 1997–2004 CFO, Agie Charmilles Group (currently Georg Fischer Machining Solutions), 2004–2016 CFO, Georg Fischer AG, and member of the Group Executive Board

Mandates in listed companies

Member of the Board of Directors of Conzzeta AG, Zurich

Mandates in non-listed companies

Member of the Board of Directors, Raiffeisenbank, Zufikon; Chairman of the Board of Directors, Eisenbergwerk Gonzen AG, Sargans; member of the Board of Directors and since June 2019 Chairman of the Board of Aargau Verkehr AG (AVA), Aarau

Other significant activities

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Alain Carrupt

Swiss school-leaving certificate in economics

Career history

1978–1994 PTT companies, most recently as Head of Administration at the telecoms directorate in Sion; 1994–2000 PTT Union, Central Secretary of the Telecommunications sector; 2000–2010 Communications Union: 2000–2002 Deputy General Secretary and Head of Personnel, 2003–2008 Vice Chairman, 2008–2010 Chairman; 2011–2016 syndicom Trade Union: 2011–2013 Joint Chairman, 2013–February 2016 Chairman

Mandates

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Other significant activities

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Frank Esser

Graduate in Business Administration, Doctorate in Economics (Dr. rer. pol.)

Career history

1988–2000 Mannesmann Deutschland, most recently from 1996 member of the Executive Board of Mannesmann Eurokom; 2000–2012 Société Française du Radiotéléphone (SFR): 2000–2002 Chief Operating Officer (COO), 2002–2012 CEO, in this function from 2005–2012 also a member of the Group Executive Board of the Vivendi Group

Mandates in listed companies

Member of the Board of Directors of interXion Holding N.V., Amsterdam

Mandates in non-listed companies

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Other significant activities

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Barbara Frei

Degree in mechanical engineering, ETH; Doctorate (Dr. sc. techn.), ETH; Master of Business Administration, IMD Lausanne

Career history

1998–2016 ABB Group in various managerial positions, including, in particular, 2008–2010 ABB s.r.o., Prague, Country Manager; 2010–2013 ABB S.p.A., Sesto San Giovanni (Italy), Country Manager and Regional Manager Mediterranean; November 2013–December 2015 Drives and Control Unit, Managing Director; 2016 Head of Strategic Portfolio Reviews for the Power Grids division; since December 2016 Schneider Electric, Paris: Chairman of the Executive Committee of Schneider Electric GmbH, Germany, in which capacity she was also Zone President Germany until June 2017; from July 2017–December 2018 Zone President Germany, Austria and Switzerland for the group Schneider Electric, Paris; since January 2019 Executive Vice President Europe Operations

Mandates in listed companies

Member of the Board of Directors, Swiss Prime Site, Olten

Mandates in non-listed companies

Mandate for Schneider Electric Group: CEO of ELSO GmbH until October 2018, of Merten GmbH until April 2019, of Schneider Electric GmbH until April 2019, of Schneider Electric Holding Germany GmbH until July 2019, of SE Real Estate GmbH until April 2019, of Schneider Electric “Austria” Ges.m.b.H until April 2019, and member of the Supervisory Board of Schneider Electric Sachsenwerk GmbH until April 2019; Chairman of the Board of Directors, Schneider Electric (Schweiz) AG, Ittigen until March 2019; Delegate of the Board of Directors, Feller AG, Horgen until June 2019; since February 2019 Chairman of Schneider Nordic Baltic A/S

Other significant activities

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Sandra Lathion-Zweifel

Degree in law, attorney-at-law; Master of Laws from the University of Zurich and Columbia University, New York; trader's licence from SIX Swiss Exchange

Career history

2005–2010 lawyer for Mergers & Acquisitions, Lenz & Staehelin law firm, Zurich; 2010–2014 Head of Financial Products, Legal & Compliance, Credit Suisse AG, Zurich; 2014–2018 Head of the Institutions and Products section of the Asset Management division of the Swiss Financial Market Supervisory Authority (FINMA); 2018–June 2019 counsel for Banking & Finance, Lenz & Staehelin law firm, Geneva

Mandates in listed companies

Member of the Board of Directors, Banque Cantonale du Valais, Sion

Other significant activities

Member of the Advisory Board of the Capital Markets and Technology Association, Geneva



Anna Mossberg

Executive MBA for Growing Companies, Stanford Business School, Palo Alto, USA; Master of Science in Industrial Engineering and Management, Lulea University of Technology, Lulea, Sweden

Career history

1996–2010 Telia: in various roles, in particular Vice President and Head of Business & Product Management, Head of Internet, Consumer Segment, Director Data Services, Product & Services; 2010 Bahnhof AB, CEO; 2011 Stanley Securities AB, Senior Advisor; 2012–2014 Deutsche Telekom, Senior Vice President Strategy and Portfolio Management; 2015–March 2018 Google Ltd, Sweden, member of the Management Team

Mandates in listed companies

Member of the Board of Directors, Swedbank AB, Sweden; since May 2019, member of the Board of Directors, Schibsted ASA, Oslo

Other significant activities

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Michael Rechsteiner

Master of Science in Mechanical Engineering, Zurich Federal Institute of Technology (ETH); Master of Business Administration, University of St. Gallen (HSG).

Career history

1990–2000 various roles at ABB Kraftwerke AG, most recently General Manager of ABB Power Generation, Kuala Lumpur; 2000–2002 Head of Power Plants, Vice President Project Execution, Alstom Power; 2003–2007 Chief Operating Officer, Sultex; 2007–2015 various roles at Alstom Power, most recently CEO and Senior Vice President; 2015–2017 General Electric (GE) Officer and Vice President of Global Product Lines at GE Power Services; since April 2017 regional managerial responsibility for GE Power Services Europe and CEO of GE Gas Power Europe

Mandates in non-listed companies

GE mandates: President of the Executive Board, General Electric (Switzerland) GmbH, Baden, Switzerland; member of the Supervisory Board, GE Power Sp z.o.o., Warsaw, Poland

Mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations

GE mandate: Board of Trustees of General Electric Switzerland Pension Fund

Other significant activities

Member of the Board of Swissmem



Renzo Simoni

Doctorate in Mechanical Engineering (Dr. sc. techn.), Zurich Federal Institute of Technology (ETH)

Career history

1985–1989 Gruner Group, technical assistant in Civil Engineering and Building Construction; 1989–1995 Federal Institute of Technology in Zurich (ETH Zurich), scientific assistant; 1995–1998 ETH Zurich, lecturer (part-time); 1995–2002 Ernst Basler + Partner AG, Civil Engineering Developer Consulting Services; 2002–2006 Helbling Beratung + Bauplanung AG, member of the Management Board, most recently as Co-CEO; 2007–2017 AlpTransit Gotthard AG, Chairman of the Management Board

Mandates in non-listed companies

Member of the Board of Directors, Gruner AG, Basel; member of the Board of Directors, Rhätische Bahn AG; Chairman of the Board of the Psychiatric Hospital of the University of Zurich

Other significant activities

Member of the Advisory Committee of DB Stuttgart-Ulm GmbH (PSU) Project Company ("Stuttgart 21") of the Deutsche Bahn until November 2019

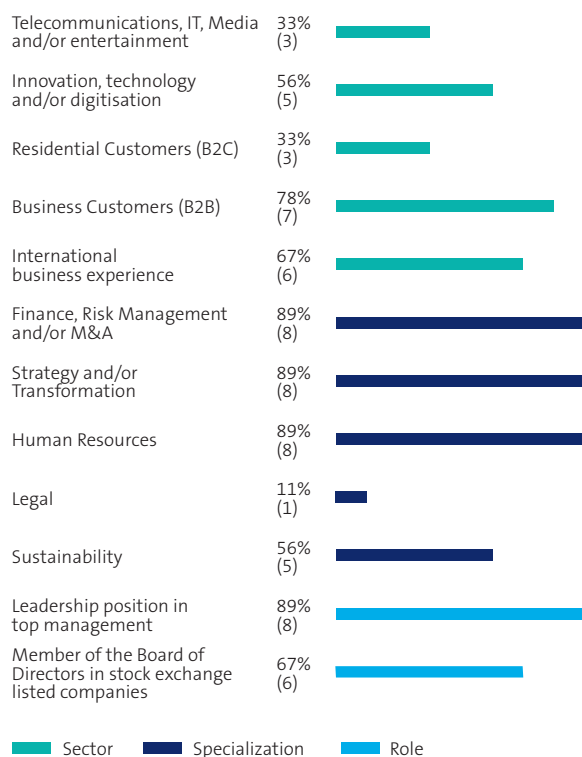
4.3 Composition of the Board of Directors

The Board of Directors regularly examines its composition and plans the appointments to the committee positions on an annual basis. The members of the Board of Directors possess comprehensive expertise in important areas and broad experience.

The following diagrams show breakdowns of the Board of Directors by competency, term of office and gender.

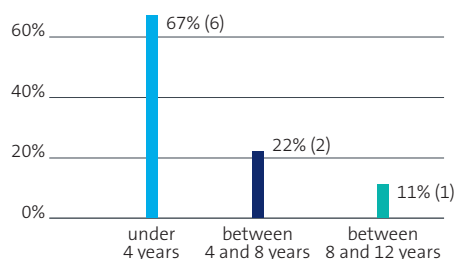
Board of Directors by career, experience, skills and knowledge

In % and (number of members) as of 31 December 2019



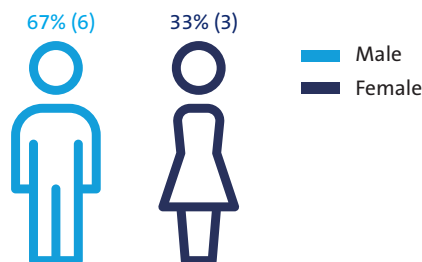
Board of Directors by length of term of office

In % and (number of members) as of 31 December 2019



Board of Directors by gender

In % and (number of members) as of 31 December 2019



4.4 Independence

To determine independence, the Board of Directors applies the criteria set out in the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*. Independent members are thus understood to mean non-executive members of the Board of Directors who were never a member of the executive management or who have not been a member of the executive management for at least three years and who have no or only comparatively minor business relations with the company. The term of office of a member of the Board of Directors is not a criterion that can be used to assess independence. No members of the Board of Directors hold an executive role within the Swisscom Group or have held such a role in any of the three business years prior to the reporting year. The Board members have no significant commercial links with Swisscom Ltd or the Swisscom Group. The Swiss Confederation, represented on the Board by Renzo Simoni, holds the majority of the capital and voting rights in Swisscom in accordance with the TEA. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 6.2 to the consolidated financial statements.

□ See report page 170

4.5 Election and term of office

Under the terms of the Articles of Incorporation, the Board of Directors comprises between seven and nine members and, if necessary, the number can be increased temporarily. Under the Articles of Incorporation of Swisscom Ltd, the Swiss Confederation is entitled to appoint two representatives to the Board of Directors of Swisscom Ltd. At present, only one representative is appointed. Under the terms of the Telecommunications Enterprise Act (TEA), employees must be granted appropriate representation on the Board of Directors of Swisscom Ltd. The Articles of Incorporation also stipulate that the Board of Directors is to include two employee representatives and that employees are entitled to make proposals for their employee representatives. Alain Carrupt was nominated as employee representative by the syndicom trade union

and Sandra Lathion-Zweifel was nominated as employee representative by the transfair staff association. The employee representatives are elected by the shareholders at the Annual General Meeting upon a motion proposed by the Board of Directors, the same as the other members of the Board of Directors are, with the exception of the representative of the Swiss Confederation, who is appointed by the Federal Council.

The Annual General Meeting elects the members and the Chairman of the Board of Directors as well as the members of the Compensation Committee individually for a term of one year. The term of office runs until the conclusion of the following Annual General Meeting. Re-election is permitted. If the office of the Chairman is vacant or the number of members of the Compensation Committee falls below the minimum number of three members, the Board of Directors nominates a chairman from among its members or appoints the missing member(s) of the Compensation Committee to serve until the conclusion of the next Annual General Meeting. Otherwise, the Board of Directors constitutes itself. The maximum term of office for members elected by the Annual General Meeting, as a rule, is a total of twelve years. This flexible arrangement makes it possible for shareholders to extend the maximum term of office in exceptional cases if special circumstances exist. Members who reach the age of 70 retire from the Board as of the date of the next Annual General Meeting. The maximum term of office and age limit for the representative of the Swiss Confederation are determined by the Federal Council.

4.6 Succession planning

The Board of Directors regularly examines whether its members' qualifications, abilities and experience are still aligned with the Board's needs and requirements. The Board commences the evaluation of potential new members early on so as to ensure that it has access to the expertise it requires, is well-diversified and can nominate new members as needed in the future. As a guide for the ad-hoc Nomination Committee, the Board of Directors formulates a requirements profile specifying the qualifications and experience that are desired. On the basis of this, the Nomination Committee evaluates potential candidates and makes recommendations to the Board of Directors regarding motions for the election of new Board members to be submitted to the Annual General Meeting. The Board of Directors submits a motion to the Annual General Meeting regarding the approval of new Board members.

4.7 Ongoing development and continuing education

The Board of Directors attaches great importance to the ongoing development and continuing education of the Board and its individual members. The Board of Directors and its individual committees assess themselves in terms of their performance and efficiency once a year in January. They assess the work of the respective body and the performance of the Board or Committee Chairman. Each body conducts a self-evaluation on the basis of a questionnaire. The self-assessment covers the issues of composition, organisation, work processes, responsibilities under the Organisational Rules and the priorities and goals for the reporting year. The Board of Directors and the Committees discuss the results of the survey and formulate goals and measures for the coming year. The Chairman also conducts a one-on-one annual discussion with each member in which possibilities for further individual development may be addressed.

Once a year, a one-day mandatory training course is held such as the one in January 2019. At least four times per year, the members of the Board of Directors also have the opportunity to explore the upcoming challenges facing the Group and business divisions in-depth as part of "company experience days". The majority of members of the Board of Directors regularly take advantage of these opportunities. In addition, all the members of the Board of Directors attend the Swisscom Group's annual management meeting whenever possible. New Board members are given a task-specific introduction to their duties. At a one-day introduction, they are provided with an overview of Group management and the current operational challenges. In addition, they are introduced to topics related to the Italian subsidiary Fastweb and attend task-related training courses.

4.8 Chairman of the Board of Directors

Hansueli Loosli has been a member of the Board of Directors since 2009 and Chairman of the Board since September 2011. The tasks and responsibilities of the Chairman are defined in the Organisational Rules. In the event that the Chairman of the Board of Directors is unavailable or there is a potential conflict of interest, the Vice-Chairman, Frank Esser, takes over the Chairman's tasks and responsibilities.

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4.9 Internal organisation and modus operandi

The Board of Directors is responsible for the strategic and financial management of Swisscom and for monitoring the company's executive management. As the supreme governing body of the company, it has decision-making authority unless such authority is granted to the Annual General Meeting by virtue of law.

The Board of Directors is usually convened once per month by the Chairman (except in July and November) for a one-to-two-day meeting. Further meetings are convened as business requires. In the event that the Chairman is hindered, the meeting is convened by the Vice-Chairman. The Chairman sets the agenda. Any Board member may request the inclusion of further items on the agenda. The Board members receive the agenda and supporting documentation approximately ten days prior to the meetings, so that they can prepare. The CEO, the CFO and the Head of Group Strategy & Board Services always attend the Board meetings as well. At every Board of Directors' meeting, the Chairman of the Board, the CEO and the Chief Personnel Officer report on particular events, on the general course of business and major business transactions, as well as on

any measures that have been implemented. To further ensure appropriate reporting to the members of the Board, the Board of Directors invites members of the Group Executive Board and senior employees of Swisscom as well as auditors and other internal and external experts, as necessary, to all its meetings as dictated by the specific issues being addressed. The Board of Directors did not call on any external consultants during the reporting year.

The duties, responsibilities and modus operandi of the Board of Directors and its conduct with respect to conflicts of interest are defined in the Organisational Rules and in the rules governing the standing committees.

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The following table gives an overview of the Board of Directors' meetings, conference calls and circular resolutions in 2019.

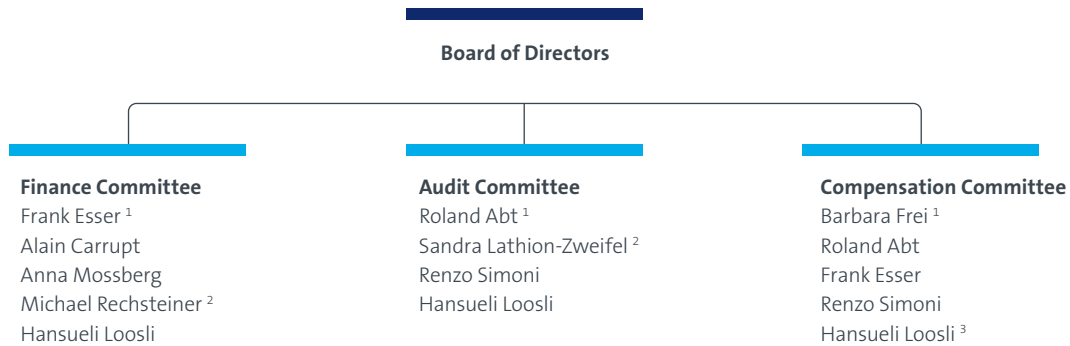
	Meetings	Conference calls	Circular resolutions
Total	13	1	2
Average duration (in hours)	06:53	00:35	–
Participation:			
Hansueli Loosli, Chairman	13	1	2
Roland Abt	13	1	2
Alain Carrupt	13	1	2
Frank Esser, Deputy Chairman	13	1	2
Barbara Frei	13	1	2
Sandra Lathion-Zweifel ¹	10	1	2
Anna Mossberg	13	1	2
Catherine Mühlemann ²	3	–	–
Michael Rechsteiner ¹	10	1	2
Renzo Simoni	13	1	2

¹ Elected to the Board of Directors as of 2 April 2019.

² Resigned from the Board of Directors as of 2 April 2019.

4.10 Committees of the Board of Directors

The Board of Directors has delegated individual tasks to committees. The standing committees of the Board of Directors of Swisscom Ltd were constituted as follows as at 31 December 2019:



¹ Chairman of the Board Committee

² Elected to the Board of Directors on 02 April

³ Without voting right

The Board of Directors has three standing committees (Audit, Finance and Compensation) and one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. The committees usually consist of three to six members. As a rule, each member of the Board of Directors sits on at least one of the standing committees. Subject to being appointed to the Compensation Committee (without voting rights), the Chairman of the Board of Directors is a member of all the standing committees. The standing committees are chaired by other members, however. The chairs of the committees report verbally on the latest committee meetings at the next meeting of the Board of Directors. All members of the Board of Directors also receive copies of all Finance and Audit Committee meeting minutes. The minutes of the Compensation Committee are provided to the other members of the Board of Directors upon request.

Finance Committee

The Finance Committee prepares information for the Board of Directors on corporate transactions, for example, in connection with setting up or dissolving significant Group companies, acquiring or disposing of

significant shareholdings, and entering into or terminating strategic alliances. The Committee also acts in an advisory capacity on matters relating to major investments and divestments. The Finance Committee has the ultimate decision-making authority when it comes to issuing rules of procedure and directives in the areas of Mergers & Acquisitions and Corporate Venturing. Details of the Committee's activities and responsibilities are set out in the Finance Committee rules of procedure.

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The Finance Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but as a rule once per quarter for a half-day meeting. The CEO, the CFO and the Head of Group Strategy and Board Services always attend the meetings of the Finance Committee. In 2019, all the meetings were attended by other members of the Group Executive Board, members of the Management Boards of the strategic Group companies or project managers, depending on the agenda items. The Finance Committee did not call on any external consultants during the reporting year.

The following table gives an overview of the Finance Committee's composition, meetings, conference calls and circular resolutions in 2019.

	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	04:55	–	–
Participation:			
Frank Esser, Chairman	3	–	–
Alain Carrupt	2	–	–
Anna Mossberg	3	–	–
Catherine Mühlemann ¹	–	–	–
Michael Rechsteiner ²	3	–	–
Hansueli Loosli	3	–	–

1 Resigned from the Board of Directors as of 2 April 2019.

2 Elected to the Board of Directors as of 2 April 2019.

Audit Committee

The Audit Committee handles all business relating to financial management (for example, accounting, financial controlling, financial planning, tax strategy and financing), assurance (risk management, the internal control system, compliance and internal audit), security and the external audit. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (dividend policy, for example). The Committee is the Board of Directors' most important controlling instrument and is responsible for monitoring the Group-wide assurance functions. It formulates positions on business matters which lie within the decision-making authority of the Board of Directors and has the final say on those business matters for which it has the decision-making authority. Details of the Committee's activities and responsibilities are set out in the Audit Committee rules of procedure.

☞ See www.swisscom.ch/basicprinciples

The Audit Committee is composed of four independent members. The Chairman and one other member of the Committee are experts in the financial field, and the majority of the remaining Committee members are experienced in finance and accounting. The Audit Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but at least once per quarter and one additional time in December. The meetings usually last between three and six hours. The CEO, CFO, Head of Group Strategy & Board Services, Head of Accounting, Head of Internal Audit and the external auditors always attend the Audit Committee meetings. In 2019, the Board of Directors called upon other members of the Group Executive Board and Swisscom management to attend, depending on the agenda. The Audit Committee can also involve independent third parties such as lawyers, public accountants and tax experts as required. The Audit Committee did not call on any external consultants during the reporting year.

The following table gives an overview of the Audit Committee's composition, meetings, conference calls and circular resolutions in 2019.

	Meetings	Conference calls	Circular resolutions
Total	5	–	–
Average duration (in hours)	04:27	–	–
Participation:			
Roland Abt, Chairman ¹	5	–	–
Sandra Lathion-Zweifel ²	4	–	–
Renzo Simoni	5	–	–
Hansueli Loosli ¹	5	–	–

1 Financial expert.

2 Elected to the Board of Directors as of 2 April 2019.

Compensation Committee

For information on the Compensation Committee, refer to the section “Remuneration Report”.

□ See report page 96

Nomination Committee

The Nomination Committee is formed on an ad-hoc basis for the purpose of preparing the groundwork for electing new members to the Board of Directors and the Group Executive Board when needed. The Committee is presided over by the Chairman and its composition is determined on a case-by-case basis. The Committee carries out its work based on a specific requirements profile defined by the Board of Directors outlining the qualifications and experience being sought and presents suitable candidates to the Board of Directors. It has no decision-making power. The Board of Directors appoints the members of the Group Executive Board and decides upon the motion to be submitted to the Annual General Meeting for the election and approval of members of the Board of Directors. The Nomination Committee is convened by the Chairman or at the request of a Committee member as often as business requires. In December 2019, the Board of Directors appointed a Nomination Committee composed of the following members: Hansueli Loosli (Chairman), Frank Esser, Anna Mossberg and Michael Rechsteiner. The Nomination Committee did not convene in the 2019 financial year.

4.11 Assignment of powers of authority

The Telecommunications Enterprise Act (TEA) refers to the Swiss Code of Obligations regarding the non-transferable and irrevocable duties of the Board of Directors of Swisscom Ltd. Pursuant to Article 716a of the Code of Obligations, the Board of Directors is responsible for the overall management and supervision of persons entrusted with managing the company's operations. It decides on the appointment and removal of members of the Group Executive Board. The Board of Directors also sets the strategic, organisational, financial planning and accounting guidelines, including the tax strategy, taking into account the goals that the Swiss Confederation, as majority shareholder, aims to achieve. The Swiss Federal Council formulates these goals for a four-year period in accordance with the provisions of the TEA.

© See www.swisscom.ch/targets_2018-2021

The Board of Directors has delegated day-to-day business management to the CEO in accordance with the TEA and the Articles of Incorporation. In addition to the duties reserved for it under law, the Board of Directors decides on business transactions of major importance to the Group, including, for example, the acquisition or disposal of companies with a financial exposure in excess of CHF 20 million and capital investments or divest-

ments thereof with a financial exposure in excess of CHF 50 million. The division of powers between the Board of Directors and the CEO is set out in detail in the Organisational Rules and in Annex 2 to the Organisational Rules, “Rules of Procedure and Accountability” (see function diagram).

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4.12 Information and controlling instruments of the Board of Directors vis-à-vis the Group Executive Board

The Board of Directors is briefed comprehensively so it can fulfil its tasks and responsibilities. The Chairman of the Board of Directors and the CEO meet at least once a month to discuss fundamental issues concerning Swisscom Ltd and its Group companies. The Chairman also meets in person with each member of the Group Executive Board as well as the heads of other Group and business divisions at least once a year for an in-depth discussion of topical issues.

The CEO also provides the Board of Directors at every ordinary meeting with detailed information on the course of business, major projects and events, and any measures adopted. Every month, the Board of Directors receives a report containing all key performance indicators relating to the Group and the segments. In addition, the Board of Directors receives a quarterly report on the course of business, financial position, results of operations and risk position of the Group and the segments. It also receives projections for operational and financial developments for the current financial year. The management reporting is carried out in accordance with the same financial statement reporting policies as for external financial reporting. It also includes key non-financial information that is important for controlling and steering purposes. Every member of the Board of Directors is entitled to request information on all matters relating to the Group at any time, provided this does not conflict with the provisions regarding the recusal of a member from Board deliberations or confidentiality obligations. The Board of Directors is informed immediately of any events of an exceptional nature.

The Board of Directors is responsible for establishing and monitoring the Group-wide assurance functions of risk management, internal control system, compliance and internal audit and is briefed comprehensively on these matters at least once a year.

Risk management

The Board of Directors has set the objective of protecting the company's enterprise value through the implementation of Group-wide risk management. A corporate culture that promotes the conscious handling of

risks facilitates the achievement of this objective. Accordingly, Swisscom has implemented a Group-wide, central risk management system that is based on ISO Standard 31000 and takes account of both external and internal events. Swisscom engages in level-appropriate, comprehensive reporting and maintains the appropriate documentation. Its objective is to identify, assess and address significant risks and opportunities in good time. To this end, the central Risk Management unit, which reports to both the CFO and Controlling, works closely with the Controlling and Strategy departments and other assurance functions and line functions. The risk management system is examined periodically by an external auditor. Swisscom assesses its risks in terms of the probability that they will occur and their quantitative and qualitative effects in the event that they do occur. It manages risks on the basis of a risk strategy. The risks are evaluated in terms of their impact on key performance indicators. Swisscom reviews and updates its risk profile on a quarterly basis. The Audit Committee and the Group Executive Board are provided a report on risks every quarter, as well as in-depth information in April and December on significant risks, their potential effects and the status of remedial measures. The Board of Directors is briefed on an annual basis. In urgent cases, the Chairman of the Audit Committee is informed without delay about any significant new risks. Significant risk factors are described in the Risks section of the Management Commentary.

□ See report pages 63-65

Internal control system and financial reporting

The internal control system (ICS) ensures the reliability of financial reporting with an appropriate degree of assurance. It acts to prevent, uncover and correct substantial errors in the consolidated financial statements, the financial statements of the Group companies and the remuneration report. The ICS encompasses the following internal control components: control environment, assessment of accounting risks, control activities, monitoring controls, information and communication. The Accounting unit, which is attached to Group Business Steering, and Internal Audit periodically monitor the functioning and effectiveness of the ICS. Significant shortcomings in the ICS identified during the monitoring activities are reported together with the corrective measures in a status report to the Audit Committee twice a year and to the Board of Directors on an annual basis. Should the ICS risk assessment change significantly, the Chairman of the Audit Committee is informed without delay. Corrective measures to remedy the shortcomings are monitored centrally. The Audit Committee assesses the performance and effectiveness of the ICS on the basis of the periodic reporting.

Compliance management

The Board of Directors has set the objective of safeguarding the Swisscom Group and its executive bodies and employees from legal sanctions, financial losses and reputational damage by ensuring Group-wide compliance. A corporate culture that promotes willingness to behave in a way that complies with the relevant regulations facilitates the achievement of this objective. The principles underlying this are laid down in the Code of Conduct approved by the Board of Directors. Swisscom has therefore implemented a Group-wide, central compliance system. Within the framework of this system, every year Group Compliance, a specialist unit of the Group legal department, applies a risk-based approach towards identifying areas of legal compliance that require monitoring by the central system. Within these areas of legal compliance, the business activities of the Group companies are reviewed periodically in a proactive manner in order to identify risks in good time and determine the required corrective measures. The employees affected are informed of the measures and their implementation is monitored. The decentralised Compliance organisational units independently monitor compliance with the Group regulations that affect them, and they report to Group Compliance. Once every year, Group Compliance reviews the appropriateness and effectiveness of the system. In certain areas, an annual audit of the implemented measures is also performed by external auditors (financial intermediation in accordance with the Money Laundering Act). Group Compliance reports to the Audit Committee and the Board of Directors once per annum on its activities and its risk assessments. Should there be significant changes in the risk assessment or if serious breaches are identified, the Chairman of the Audit Committee is informed without delay.

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Internal auditing

Internal auditing is carried out by the Internal Audit unit. Internal Audit supports the Swisscom Ltd Board of Directors and its Audit Committee in fulfilling their statutory and regulatory supervisory and controlling obligations. Internal Audit also supports management by highlighting areas of potential for improving business processes and the assurance functions. It documents the audit findings and monitors the implementation of measures.

Internal Audit is responsible for planning and performing audits throughout the Group in compliance with professional auditing standards and possesses maximum independence. It is under the direct control of the Chairman of the Board of Directors and provides reports to the Audit Committee. At an administrative level, Internal Audit provides reports to the Head of Group Strategy & Board Services.

Internal Audit liaises closely and exchanges information with the external auditors. The external auditors have unrestricted access to the audit reports and audit files of Internal Audit. Internal Audit closely coordinates audit planning with the external auditors. The integrated strategic audit plan, which includes the coordinated annual plan of both the internal and external auditors, is prepared annually on the basis of a risk analysis and presented to the Audit Committee for approval. Notwithstanding the above, the Audit Committee can commission special audits based on information received on the whistle-blowing platform operated by

Internal Audit. This reporting procedure, approved by the Audit Committee, ensures that objections raised relating to external reporting, financial reporting and assurance functions can be submitted anonymously and handled confidentially. At its meetings, which are held at least quarterly, the Audit Committee is briefed on audit findings, the reports submitted to the whistle-blowing platform and the status of any corrective measures implemented. The Head of Internal Audit took part in all five meetings of the Audit Committee in 2019. He did not attend the meetings of the full Board of Directors.



Group Executive Board as of 1 January 2020.

5 Group Executive Board

5.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Executive Board shall comprise one or more members, who may not be members of the Board of Directors of Swisscom Ltd at the same time. Temporary exceptions are only permitted in exceptional cases. The Board of

Directors has delegated responsibility for the overall executive management of Swisscom Ltd to the CEO. The CEO is entitled to delegate his powers to subordinates, mainly to other members of the Group Executive Board. The members of the Group Executive Board are appointed by the Board of Directors.

□ See report pages 68-69

An overview of the composition of the Group Executive Board as at 31 December 2019 is given in the table below.

Name	Nationality	Year of birth	Function	Appointed to the Group Executive Board as of
Urs Schaeppi ¹	Switzerland	1960	CEO Swisscom Ltd	March 2006
Mario Rossi	Switzerland	1960	CFO Swisscom Ltd	January 2013
Hans C. Werner	Switzerland	1960	CPO Swisscom Ltd	September 2011
Marc Werner ²	Switzerland and France	1967	Head of Sales & Services	January 2014
Urs Lehner	Switzerland	1968	Head of Enterprise Customers ³	June 2017
Christoph Aeschlimann	Switzerland	1977	Head of IT, Network & Infrastructure	February 2019
Dirk Wierzbitzki	Germany	1965	Head of Products & Marketing ⁴	January 2016

¹ Since November 2013 CEO.

² Resigned from the Group Executive Board as of 31 January 2019.

³ New name of the function from 1 Januar 2020 Head of Business Customers.

⁴ From 1 Januar 2020 Head of Residential Customers.

Heinz Herren left the Group Executive Board on 31 January 2019. Christoph Aeschlimann took over as the new Head of IT, Network & Infrastructure on 1 February 2019.

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Amendments as at 1 January 2020

Marc Werner, Head of Sales & Services, left the Group Executive Board on 31 December 2019. As of 1 January 2020, the Sales & Services (SAS) and Products & Marketing (PMK) divisions were merged into the new Residential Customers division, which is headed by Dirk Wierzbitzki. From 1 January 2020, the Group Executive Board will thus consist of six members. The Enterprise Customers division headed by Urs Lehner was renamed “Business Customers” as of 1 January 2020.

5.2 Education, professional activities and affiliations

Key details of the careers and qualifications of the members of the Group Executive Board are provided below along with a summary of the mandates they hold outside the Group and other significant activities. Pursuant to the Articles of Incorporation, the Group Executive Board members may perform no more than one additional mandate in listed companies and no more than two additional mandates in non-listed companies. In total, they may not perform more than two such additional mandates. These restrictions on the number of mandates do not apply to mandates performed by an Executive Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations or employee retirement benefit foundations.

The number of mandates held by order of Swisscom is limited to ten, while the number of mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations is limited to seven. Prior to accepting new mandates and other duties outside the Swisscom Group, the members of the Group Executive Board are obligated to obtain the approval of the Chairman of the Board of Directors. Details on the regulation of external mandates, in particular the definition of the term “mandate” and information on other mandates that do not fall under the aforementioned numerical restrictions for listed and non-listed companies, are set out in Article 8.3 of the Articles of Incorporation. None of the members of the Group Executive Board exceed the set limits for mandates. The members of the Group Executive Board perform most of their other significant activities by order of Swisscom.

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The members of the Group Executive Board are required to order their personal and business affairs and take whatever measures necessary to ensure that conflicts of interest are avoided as far as possible. Should a conflict of interest nevertheless arise, the member concerned must inform the CEO immediately. The members of the Group Executive Board are obliged to abstain from negotiations in business which conflict with their own interests or with the interests of natural or legal persons closely associated to them.



Urs Schaeppi

Degree in Engineering (Dipl. Ing., Zurich Federal Institute of Technology (ETH)) and Business Administration (lic. oec., University of St. Gallen (HSG))

Career history

1994–1998 plant manager, Biberist paper factory; 1998–2006 Head of Commercial Business, Swisscom Mobile; 2006–2007 CEO, Swisscom Solutions Ltd; 2007–August 2013 Head of Enterprise Customers, Swisscom (Switzerland) Ltd; since January 2013 Head of Swisscom (Switzerland) Ltd; 23 July–6 November 2013 acting CEO, Swisscom Ltd, since 7 November 2013 CEO and since March 2006 member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Member of the Executive Board, Association Suisse des Télécommunications (asut), Berne; member of the Foundation Board, IMD International Institute for Management Development, Lausanne; until May 2019, member of the Foundation Council, Swiss Innovation Park Foundation, Berne; member of the Board of Directors, Admeira AG, Berne; member of the Board of Trustees of the Swiss Entrepreneurs Foundation

Other significant activities

Member of the Board of Directors, Swiss-American Chamber of Commerce, Zurich; member of the Executive Board, Glasfasernetz Schweiz, Berne; member of the Advisory Board of the Department of Economics of the University of Zurich; member of the Steering Committee of digitalswitzerland, Zurich (formerly Digital Zurich 2025); member of the Advisory Board on Digital Transformation for the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Department of Economic Affairs, Education and Research (EAER); since January 2019 member of the international Advisory Committee of the ZHAW School of Management and Law, Zurich



Mario Rossi

Commercial apprenticeship; Swiss Certified Public Accountant

Career history

1998–2002 Swisscom Ltd, Head of Group Controlling; 2002–2006 Swisscom Fixnet Ltd, Chief Financial Officer (CFO); 2006–2007 Swisscom Ltd, CFO and member of the Group Executive Board; 2007–2009 Fastweb S.p.A., CFO; 2009–2012 Swisscom (Switzerland) Ltd, CFO; since January 2013 Swisscom Ltd, CFO and again member of the Swisscom Group Executive Board

Mandates by order of Swisscom

President of the Board of Trustees, comPlan, Berne; member of the Board of Directors, Belgacom International Carrier Services S.A., Brussels

Mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations

Member of the Foundation Board of the Hasler Foundation, Berne

Other significant activities

Member of the Sanctions Committee of SIX Swiss Exchange AG, Zurich; member of the Board of Directors of SwissHoldings, Berne



Hans C. Werner

Graduate in business management, PhD in business administration (Dr. oec.)

Career history

1997–1999 Kantonsschule Büelrain, Winterthur, Rector; 1999–2007 Swiss Re: 1999–2000 Head of Technical Training and Business Training, 2001 Divisional Operation Officer, Reinsurance & Risk Division, 2002–2003 Head of Human Resources (HR) Corporate Centre and HR Shared Services, 2003–2007 Head of Global HR; 2007–2009 Schindler Aufzüge AG, Head of HR and Training; 2010–2011 Europe North and East Schindler, HR Vice President; since September 2011 Swisscom Ltd, Chief Personnel Officer (CPO) and member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Member of the Board of Trustees, comPlan, Berne

Mandate in non-listed company

Since September 2019, member of the Board of Directors, Kantonsspital Aarau AG

Other significant activities

Member of the Board, Swiss Employer's Association, Zurich; President of the Institute Council of the International Institute of Management in Technology (iimt) of the University of Fribourg



Marc Werner (resigned on 31.12.2019)

Technical apprenticeship with specialised secondary school diploma, Swiss Certified Marketing Executive

Career history

1997–2000 Minolta (Schweiz) AG, Head of Marketing and Sales and member of the Executive Management; 2000–2004 Bluewin AG, Head of Marketing & Sales, member of the Executive Board; 2005–2007 Swisscom Fixnet Ltd, Head of Marketing & Sales Residential Customers; 2008–2013 Swisscom (Switzerland) Ltd: 2008–2011 Head of Marketing & Sales Residential Customers and Deputy Head of Residential Customers, 2012–2013 Head of Customer Service Residential Customers and Deputy Head of Residential Customers; September 2013–December 2015 Swisscom, Head of Residential Customers division; 2016–2019 Swisscom, Head of Sales & Services and 2014–2019 member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Member of the Board of Directors, Digital Festival AG; member of the Board of Trustees, "Stiftung für Marketing in der Unternehmensführung"

Other significant activities

Member of the Communications Council of KS/CS Communication Switzerland (formerly the Verband SW Schweizer Werbung), Zurich; until September 2019, member of the Executive Board of the SVC Swiss Venture Club



Urs Lehner

Degree in IT Engineering (UAS, University of Applied Sciences), Executive MBA in Business Engineering, University of St. Gallen (HSG)

Career history

1997–2013 Trivadis Group, most recently: 2004–2008 Solution Portfolio Manager, member of the Executive Board of Trivadis Group, 2008–2011 Chief Operating Officer (COO) of Trivadis Group, 2011–2013 member of the Board of Directors of Trivadis Holding AG; July 2011–June 2017 Swisscom (Switzerland) Ltd: July 2011–December 2013 Head of Marketing & Sales Corporate Business, 2014–2015 Head of Marketing & Sales Enterprise Customers, 2016–June 2017 Head of Sales & Services Enterprise Customers; since June 2017 Head of Enterprise Customers (renamed “Business Customers” in 2020) and member of the Swisscom Group Executive Board

Mandates

–

Other significant activities

–



Christoph Aeschlimann

Degree in computer science (Dipl. Ing.), École polytechnique fédérale de Lausanne (EPFL); MBA, McGill University (Canada)

Career history

2001–2004 Odyssey Asset Management Systems, Software Development Manager; 2006–2007 Zühlke Group, Business Unit Manager; 2007–2011 Odyssey Financial Technologies: 2007–2008 Area Services Manager, 2008–2011 Senior Account Manager EMEA; 2011–2012 BSB, Head of Switzerland and General Manager D-A-CH & CIS; 2012–2018 ERNI Group: 2012–2014 Business Area Manager, 2014–2017 Managing Director Switzerland, 2017–2018 CEO; since February 2019, Swisscom, Head of IT, Network & Infrastructure and member of the Swisscom Group Executive Board

Mandates

–

Other significant activities

–



Dirk Wierzbitzki

Degree in electrical engineering (Dipl. Ing.)

Career history

1994–2001 Mannesmann (now Vodafone Germany): various management roles in the area of product management; 2001–2010 Vodafone Group: 2001–2003 Director for Innovation Management, Vodafone Global Products and Services, 2003–2006 Director of Commercial Terminals, 2006–2008 Director of Consumer Internet Services and Platforms, 2008–2010 Director of Communications Services; 2010–2015 Swisscom (Switzerland) Ltd: member of Management Residential Customers, 2010–2012 Head of Customer Experience Design for Residential Customers, 2013–2015 Head of Fixed-network Business & TV for Residential Customers; since January 2016, Swisscom: until 2019 Head of Products & Marketing and since 2020 Head of Residential Customers; since 2016, member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Member of the Board of Directors, SoftAtHome, Paris; member of the Board of Directors, Admeira AG, Berne, and until March 2019 member of the Board of Directors, Adtelier AG, Berne

Other significant activities

—

5.3 Management agreements

Neither Swisscom Ltd nor any of the Group companies included in the scope of consolidation have entered into management agreements with third parties.

6 Remuneration, shareholdings and loans

All information on the remuneration of the Board of Directors and the Group Executive Board of Swisscom Ltd is provided in the separate Remuneration Report.

□ See report page 96

7 Shareholders' participation rights

7.1 Voting right restrictions and proxies

Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to recognise an acquirer of shares as a shareholder or beneficial holder with voting rights if the latter's total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. For the shares in excess of the limit, the acquirer is entered in the share register as a shareholder or beneficial holder without voting rights. This restriction on voting rights also applies to registered shares acquired through the exercise of subscription, option or conversion rights. The calculation of the percentage restriction is subject to the Group clause in accordance with Article 3.5.1 of the Articles of Incorporation.

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The 5% voting right restriction does not apply to the Swiss Confederation, which, under the terms of the Telecommunications Enterprise Act (TEA), holds the majority of the capital and voting rights in Swisscom Ltd. The Board of Directors may also recognise an acquirer of shares with more than 5% of all registered shares as a shareholder or beneficial holder with voting rights, in particular in the following exceptional cases:

- Where shares are acquired as a result of a merger or business combination
- Where shares are acquired as a result of a non-cash contribution or an exchange of shares
- Where shares are acquired with a view to cementing a long-term partnership or strategic alliance

In addition to the percentage restriction on voting rights, the Board of Directors may refuse to recognise and enter as a shareholder or beneficial holder with voting rights

any person acquiring shares who fails to expressly declare upon request that they have acquired the shares in their own name and for their own account or as beneficial holder. Should an acquirer of shares refuse to make such a declaration, they will be entered as a shareholder without voting rights.

Where an entry has been made on the basis of false statements by the acquirer, the Board of Directors may, after consulting the party concerned, delete their share register entry as a shareholder with voting rights and enter him/her as a shareholder without voting rights. The acquirer must be notified of the deletion immediately.

The restrictions on voting rights provided for in the Articles of Incorporation may be changed by resolution of the Annual General Meeting, for which an absolute majority of valid votes cast is required.

During the year under review, the Board of Directors did not recognise any acquirers of shares with more than 5% of all registered shares as a shareholder or beneficial holder with voting rights, did not reject any requests for recognition or registration and did not remove any shareholders with voting rights from the share register due to the provision of false data.

7.2 Statutory quorum requirements

The Annual General Meeting of Shareholders of Swisscom Ltd adopts its resolutions and decides its elections by the absolute majority of valid votes cast. Abstentions are not deemed to be votes cast. In addition to the special quorum requirements under the Swiss Code of Obligations, a two-thirds majority of the voting shares represented is required in the following cases:

- introduction of restrictions on voting rights
- conversion of registered shares to bearer shares
- change in the Articles of Incorporation concerning special quorums for resolutions

7.3 Convocation of the Annual General Meeting and agenda items

The Board of Directors convenes the Annual General Meeting at least 20 calendar days prior to the date of the meeting by means of an announcement in the Swiss Commercial Gazette. The meeting can also be convened by registered or unregistered letter to all registered shareholders. One or more shareholders who together represent at least 10% of the share capital can demand in writing that an extraordinary general meeting be convened, stating the agenda item and the proposal or, in the case of elections, by stating the names of the proposed candidates.

The Board of Directors is responsible for defining the agenda. Shareholders representing shares with a par value of at least CHF 40,000 may request that an item be placed on the agenda. This request must be submitted in writing to the Board of Directors at least 45 days prior to the Annual General Meeting, stating the agenda item and the proposal (Article 5.4.3 of the Articles of Incorporation).

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7.4 Representation at the Annual General Meeting

Shareholders may be represented at the Annual General Meeting by another shareholder with voting rights or by the independent proxy elected by the Annual General Meeting. The law firm Reber Rechtsanwälte, Zurich, was appointed as independent proxy for the period up until the conclusion of the General Annual Meeting in April 2020. Partnerships and legal entities may be represented by authorised signatories, while minors and wards may be represented by their legal representative, even if the representative is not a shareholder.

A power of attorney may be granted in writing or electronically via the shareholders' platform operated by Computershare Switzerland Ltd. Shareholders who are represented by a proxy may issue instructions for each agenda item and also for all unannounced agenda items and motions, stating whether they wish to vote for or against the motion or abstain. The independent proxy must cast the votes entrusted to him by shareholders according to their instructions. If the independent proxy receives no instructions, he shall abstain. Abstentions are not deemed to be votes cast (Article 5.7.4 of the Articles of Incorporation).

7.5 Entries in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. To ensure due procedure, the Board of Directors defines a cut-off date at its own discretion for determining voting entitlements, which is normally three business days before the respective Annual General Meeting. Entries in and deletions from the share register can be made at any time, regardless of the cut-off date. The cut-off date is announced with the invitation to the Annual General Meeting and also published in the financial calendar on the Swisscom website. Shareholders entered in the share register with voting rights as of 5 p.m. on 28 March 2019 were entitled to vote at the Annual General Meeting of 2 April 2019. Shareholders entered in the share register with voting rights as of 5 p.m. on 1 April 2020 are entitled to vote at the Annual General Meeting of 6 April 2020.

8 Change of control and defensive measures

Under the terms of the Telecommunications Enterprise Act (TEA), the Swiss Confederation must hold the majority of the capital and voting rights in Swisscom Ltd. This requirement is also set out in the Articles of Incorporation. There is thus no duty to submit a takeover bid as defined in the Federal Act on Stock Exchanges and Securities Trading, since this would contradict the TEA.

Details on clauses on change of control are given in the section "Remuneration Report".

□ See report page 96

9 Auditor

9.1 Selection process, duration of mandate and term of office of the auditor-in-charge

The statutory auditor is appointed annually by the Annual General Meeting following a proposal submitted by the Board of Directors. Re-election is permitted. The policies for appointing the statutory auditor have been set forth in a policy by the Audit Committee. A new invitation to tender is issued for the statutory auditor's mandate at least every 10 to 14 years. The statutory auditor's tenure is limited to 20 years. The Audit Committee steers the selection process, defines transparent selection criteria (audit firm, audit team, audit approach, acceptance of mandate, fees, overall impression). It submits two proposals for an audit firm accompanied by a substantiated recommendation to the Board of Directors. As stipulated by the Swiss Code of Obligations, the person who leads the audit may only perform the mandate for a maximum of seven years.

In 2018, the Board of Directors issued a new call for tenders for the audit mandate for Swisscom Ltd and its Group companies – with the exception of Fastweb S.p.A. At the Annual General Meeting on 2 April 2019, PricewaterhouseCoopers AG (PwC), Zurich, was elected as the new statutory auditors for the 2019 financial year. The Auditor-in-charge is Peter Kartscher. The statutory auditors mandate was previously performed by KPMG, Muri bei Bern, from 2004 to 2018.

9.2 Audit fees

The fees paid to PricewaterhouseCoopers (PwC) as auditors for the 2019 financial year amount to CHF 3,209 thousand.

9.3 Supplementary fees

The fees charged by PricewaterhouseCoopers (PwC) in 2019 for additional audit-related services amounted to CHF 718 thousand, and for other services CHF 229 thousand.

Audit-related services include audit services in connection with customer orders for IT outsourcing, IT audits, due diligence support in an M&A project, and audit services in the area of revenue assurance. Other services include consulting services for a performance management system and services in the area of the European General Data Protection Regulation (GDPR).

9.4 Supervision and controlling instruments vis-à-vis the auditors

The Audit Committee verifies the qualifications and independence of the statutory auditors as a state-supervised auditing firm on behalf of the Board of Directors. It also assesses the performance and remuneration of the auditors. Assessment criteria are the competence and availability of the audit team, the audit process, and reporting and communication. It is also responsible for observing the statutory rotation principle for the Auditor-in-charge and for reviewing and issuing the new invitations to tender for the audit mandate. The Audit Committee approves the integrated strategic audit plan, which includes the annual audit plan of both the internal and external auditors, and the annual fee for the auditing services provided to the Group and Group companies. To help ensure independence, the Audit Committee has laid down principles for awarding additional services to the auditors, including a list of prohibited services. In order to ensure the independence of the auditors, additional service mandates must be approved by the Audit Committee where the fee exceeds CHF 300 thousand. The Audit Committee requires that the CFO reports to it quarterly and the auditors annually on current mandates being performed by the auditors, broken down according to audit services, audit-related services and non-audit services, and on their independence.

The statutory auditors, represented by the Auditor-in-charge and his deputy, usually attend all Audit Committee meetings. They inform the Committee in detail on the performance and results of their work, in particular regarding the annual financial statement audit. They further submit a written report annually to the Board of Directors and the Audit Committee on the conduct and results of the audit of the annual financial statements, as well as on their findings with regard to accounting and the internal control system. Finally, the Chairman of the Audit Committee liaises closely with the Auditor-in-charge beyond the meetings of the Committee and regularly reports to the Board of Directors. KPMG, the previous statutory auditors, attended the meeting held by

the Audit Committee in February 2019 regarding the annual financial statements for 2018. The statutory auditors, PwC, took part in all five meetings of the Audit Committee in 2019. The Head of Internal Audit also attended all five meetings of the Audit Committee in 2019. Neither the auditor nor Internal Audit participated in the meetings of the full Board of Directors.

10 Information policy

Swisscom pursues an open, active information policy vis-à-vis shareholders, the general public and the capital markets. Shareholders are provided with notifications and announcements in accordance with Article 12 of the Articles of Incorporation, which are published in the Swiss Commercial Gazette. Swisscom publishes comprehensive, consistent and transparent financial information on a quarterly basis. Furthermore, it publishes an annual sustainability report in accordance with the Global Reporting Initiative (GRI) and an annual report including a management commentary, corporate governance report, remuneration report, consolidated financial statement and the financial statements of Swisscom Ltd. The interim reports and annual report are available on the Swisscom website under “Investors” or may be ordered directly from Swisscom. The Sustainability Report is available on the Swisscom website under “Company”.

☉ See www.swisscom.ch/financialreports

☉ See www.swisscom.ch/cr-report2019

Swisscom meets investors regularly throughout the year, presents its financial results at analysts’ meetings and road shows, attends selected conferences for financial analysts and investors, and keeps its shareholders and other interested parties continuously informed about its business through press releases.

Related presentations and the ad-hoc press releases published by Swisscom are available on the Swisscom website under “Investors”. It is possible to subscribe online to the ad-hoc press releases published by Swisscom.

☉ See www.swisscom.ch/adhoc

The comprehensive minutes of the Annual General Meeting of 2 April 2019 and minutes from past meetings are available on the Swisscom website.

☉ See www.swisscom.ch/generalmeeting

Those responsible for investor relations can be contacted via the website or by e-mail, telephone or post. The contact details and address of the head office may be found in the website publishing details.

▢ See report page 191

11 Financial calendar

- Annual General Meeting for the 2019 financial year:
6 April 2020, in Zürich Oerlikon
- 1st Quarter Interim Report: 30 April 2020
- Half-year Interim Report: 13 August 2020
- 3rd Quarter Interim Report: 29 October 2020
- Annual Report 2020: February 2021

The detailed financial calendar is published on the Swisscom website under “Investors” and is updated on a regular basis.

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Remuneration Report

Remuneration paid to the Board of Directors and the Group Executive Board is tied to the generation of sustainable returns and therefore creates an incentive to achieve long-term corporate success as well as added value for shareholders.

1 Governance

1.1 General principles

The Remuneration Report is based on sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by the SIX Swiss Exchange and Articles 13 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC). Swisscom implements the requirements of the OaEC and complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse*, the umbrella organisation representing Swiss business.

Swisscom's internal principles for determining the level of remuneration are primarily set out in the Articles of Incorporation, the Organisational Rules and the Regulations of the Compensation Committee. The latest versions of these documents as well as their earlier, unamended and superseded versions can be viewed online on the Swisscom website under "Basic principles".

© See www.swisscom.ch/basicprinciples

As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 6 April 2020.

1.2 Division of responsibilities between the Annual General Meeting, the Board of Directors and the Compensation Committee

The Annual General Meeting approves the maximum total remuneration amounts payable to the Board of Directors and the Group Executive Board for the following financial year upon the motion proposed by the Board of Directors. Details of the relevant regulation and the consequences of a negative decision by the Annual General Meeting are set out in Articles 5.7.7 and 5.7.8 of

the Articles of Incorporation. Article 7.2.2 of the Articles of Incorporation also defines the requirements for and the maximum level of the additional amount that can be paid to a member of the Group Executive Board who is newly appointed during a period for which the Annual General Meeting has already approved the remuneration.

The Board of Directors approves, *inter alia*, the personnel and remuneration policy for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Board. It sets the remuneration of the Board of Directors and decides on the remuneration of the CEO as well as the total remuneration for the Group Executive Board. In doing so, it takes into account the maximum total amounts approved by the Annual General Meeting for the remuneration to be paid to the Board of Directors and the Group Executive Board for the financial year in question.

The Compensation Committee handles all business matters of the Board of Directors concerning remuneration, submits proposals to the Board of Directors in this context, and, within the framework of the approved total remuneration, is empowered to decide upon the remuneration of the individual Group Executive Board members (with the exception of the CEO). Neither the CEO nor the other members of the Group Executive Board are entitled to participate in meetings at which their remuneration is discussed or decided.

The decision-making powers are governed by the Articles of Incorporation, the Organisational Rules of the Board of Directors and the Regulations of the Compensation Committee.

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The table below shows the division of responsibilities between the Annual General Meeting, the Board of Directors and the Compensation Committee.

Subject	Remuneration Committee	Board of Directors	Annual General Meeting
Maximum total amounts for remuneration of the Board of Directors and Group Executive Board	V ¹	A ²	G ³
Additional amount for remuneration of newly appointed members of the Group Executive Board	V	A	G
Principles for performance-related and equity-participation schemes for the Board of Directors and the Group Executive Board	V	A	G
Personnel and remuneration policy	V	G ⁴	—
Principles underlying retirement-benefit plans and social security payments	V	G	—
Concept of remuneration to members of the Board of Directors	V	G ⁴	—
Equity-share and performance-based participation plans of the Group	V	G ⁴	—
General terms of employment of the Group Executive Board	V	G ⁴	—
Determination of the targets for the variable performance-related salary component	V	G ⁴	—
Remuneration of the Board of Directors	V	G ⁵	—
Remuneration of the CEO Swisscom Ltd	V	G ⁵	—
Total remuneration of the Group Executive Board	V	G ⁵	—
Remuneration of the members of the Group Executive Board (excl. CEO)	G ^{5,6}	—	—

1 V stands for preparation and proposal to the Board of Directors.

2 A stands for proposal to the Annual General Meeting.

3 G stands for approval.

4 In the framework of the Articles of Incorporation.

5 In the framework of the maximum total remuneration defined by the Annual General Meeting.

6 In the framework of the total remuneration defined by the Board of Directors.

1.3 Election, composition and modus operandi of the Compensation Committee

The Compensation Committee consists of three to six members. They are elected individually each year by the Annual General Meeting. If the number of members falls below three, the Board of Directors appoints the missing member(s) from its midst until the conclusion of the next Annual General Meeting. The Board of Directors appoints the Chairman of the Compensation Committee, which constitutes itself. If the Annual General Meeting elects the Chairman of the Board of Directors to the Compensation Committee, he has no voting rights. The Chairman of the Board of Directors recuses himself when discussions take place or decisions are made with regard to changes in his own remuneration. The CEO, CPO, Head of Group Strategy & Board Services and the Head of Rewards & HR Analytics attend the meetings in an advisory capacity. In the case of agenda items that concern the Board of Directors exclusively or concern changes in the remuneration of the CEO and CPO, the CEO and CPO may not be present. Other members of the Board of Directors, auditors or experts may be called upon to attend the meetings in an advisory capacity. Minutes are kept of the meetings, which are provided to the members of the Committee and to other members

of the Board of Directors on request. The meetings of the Compensation Committee are generally held in February, June and December. Further meetings can be convened as and when required. The Chairman of the Compensation Committee reports verbally on the activities of the Committee at the next meeting of the Board of Directors. The Compensation Committee did not call on any external consultants during the reporting year.

The details are governed by Article 6.5 of the Articles of Incorporation, the Organisational Rules of the Board of Directors and the Regulations of the Compensation Committee.

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The members of the Compensation Committee neither work nor have worked for Swisscom in an executive capacity, nor do they maintain any significant commercial links with Swisscom Ltd or the Swisscom Group. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 6.2 to the consolidated financial statements.

▢ See report page 170

The following table gives an overview of the composition of the Committee, the Committee meetings, conference calls and circular resolutions in 2019.

	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	01:20	–	–
Participation:			
Barbara Frei, Chairwoman	3	–	–
Roland Abt	3	–	–
Frank Esser	3	–	–
Renzo Simoni ¹	3	–	–
Hansueli Loosli ²	3	–	–

1 Representative of the Confederation.

2 Participation without voting rights.

2 Remuneration of the Board of Directors

2.1 Principles

The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated individuals for the Board of Directors' function. It also seeks to align the interests of the members of the Board of Directors with those of the shareholders. The remuneration is commensurate with the activities and level of responsibility of each member. The basic principles regarding the remuneration of the Board of Directors and the allocation of equity shares are set out in Articles 6.4 and 8.1 of the Articles of Incorporation.

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The remuneration is made up of a Director's fee that varies in relation to the member's function, plus meeting attendance fees, social insurance contributions and any applicable fringe benefits. No variable performance-

related emoluments are paid. The members of the Board of Directors are obligated to draw a portion of their fee in the form of equity shares and to comply with the requirements on minimum shareholdings, thus ensuring they directly participate financially in the performance of Swisscom's shares. The remuneration is normally reviewed every December for the following year for ongoing appropriateness. In December 2018, the Board of Directors assessed the appropriateness of the remuneration as part of a discretionary decision. The Board of Directors compared Swisscom's remuneration with that of other listed companies domiciled in Switzerland, which, like Swisscom, must fulfil Swiss and foreign legal requirements, including full personal liability. The Board of Directors took as a reference the remuneration paid by peers Cie Financière Richemont, Geberit, Givaudan, Lonza, SGS, Sika and Swatch Group. The Board of Directors opted not to adjust remuneration for the 2019 financial year. No external consultants were called on with regard to the structuring of remuneration.

2.2 Remuneration components

Director's fee

The Director's fee is made up of a basic emolument and functional allowances as compensation for the individual functions. The following net amounts are paid per year:

in CHF/net

Base salary per member	110,000		
Functional allowances¹		Chairmanship	Member
Presidium	255,000		
Vice presidium	20,000		
Representative of the Confederation	40,000		
Finance Committee		20,000	10,000
Audit Committee		50,000	10,000
Remuneration Committee		20,000	10,000

¹ No functional allowance is paid for participation in ad-hoc committees appointed on a case-by-case basis.

Under the Management Incentive Plan, the members of the Board of Directors are obligated to draw 25% of their Director's fee in the form of shares, with Swisscom adding a 50% top-up to the amount to be invested in shares. Thus, the Director's fee (excluding meeting attendance fees, social insurance contributions and fringe benefits) is made up of a two-thirds cash portion and a one-third equity share portion. The amount of the share purchase obligation can vary in the case of members who join, leave or assume or give up a function during the year. Shares are allocated on the basis of their value accepted for tax purposes, rounded up to the next whole number of shares, and are subject to a blocking period of three years. This restriction on disposal also applies if members leave the company during the blocking period. The shares, which are allocated in April of the reporting year for the reporting year, are recorded at market value on the date of allocation. The share-based remuneration is augmented by a factor of 1.19 in order to take account of the difference between the tax value and the market value. In April 2019, a total of 1,409 shares were allocated to the members of the Board of Directors (prior year: 1,486 shares) with a tax value of CHF 411 per share (prior year: CHF 390). Their market value was CHF 489.50 (prior year: CHF 464) per share.

Meeting attendance fees

For meetings, attendance fees of CHF 1,100 net are paid for each full day and CHF 650 net for each half-day.

Social insurance contributions and fringe benefits

Swisscom pays the employee contributions to social insurance, particularly old-age and survivors' insurance and unemployment insurance, for the members of the Board of Directors. The disclosed remuneration paid to the members of the Board of Directors includes the share of social insurance contributions payable by the employee. The share of contributions payable by Swisscom in its role as employer is disclosed separately and is also included in the total remuneration.

The disclosure of service-related and non-cash benefits and expenses relies on a tax-based point of view. Swisscom does not offer any significant service-related or non-cash benefits. Expenses are reimbursed on the basis of actual costs incurred. Accordingly, neither service-related and non-cash benefits nor out-of-pocket expenses are included in the reported remuneration.

2.3 Total remuneration

The total remuneration paid to the individual members of the Board of Directors for the 2019 and 2018 financial years is presented in the tables below, broken down into individual components. The lower amount of total

remuneration for 2019 is attributable to the early resignation of one member of the Board of Directors as of 31 December 2018 and the fact that fewer meetings were held overall in 2019.

2019, in CHF thousand	Base salary and functional allowances				Total 2019
	Cash remuneration	Share-based payment	Meeting attendance fees	Employer contributions to social security	
Hansueli Loosli	314	186	31	29	560
Roland Abt	144	85	23	14	266
Alain Carrupt	96	57	18	10	181
Frank Esser ¹	128	76	20	–	224
Barbara Frei	112	66	18	11	207
Sandra Lathion-Zweifel ²	64	56	16	8	144
Anna Mossberg ³	90	54	18	32	194
Catherine Mühlemann ⁴	31	3	5	2	41
Michael Rechsteiner ²	64	56	15	8	143
Renzo Simoni	136	80	22	14	252
Total remuneration to members of the Board of Directors	1,179	719	186	128	2,212

1 Frank Esser is liable to social insurance contributions in Germany. Neither employer nor employee contributions were included.

2 Elected to the Board of Directors as of 2 April 2019.

3 Anna Mossberg is liable to social insurance contributions in Sweden. No employee contributions were included.

4 Resigned from the Board of Directors as of 2 April 2019.

2018, in CHF thousand	Base salary and functional allowances				Total 2018
	Cash remuneration	Share-based payment	Meeting attendance fees	Employer contributions to social security	
Hansueli Loosli	314	186	34	29	563
Roland Abt	127	85	26	14	252
Valérie Berset Bircher ¹	102	57	24	11	194
Alain Carrupt	96	57	19	10	182
Frank Esser	130	80	22	13	245
Barbara Frei	112	66	18	11	207
Anna Mossberg ^{2,3}	60	52	13	24	149
Catherine Mühlemann	96	57	19	10	182
Theophil Schlatter ⁴	52	4	6	3	65
Renzo Simoni	136	80	22	14	252
Total remuneration to members of the Board of Directors	1,225	724	203	139	2,291

1 The cash remuneration (including meeting attendance fees) for the mandate as member of the Board of Directors of Worklink AG of CHF 6,500 is included.

2 Elected to the Board of Directors as of 4 April 2018.

3 Anna Mossberg is liable to social insurance contributions in Sweden. No employee contributions were included.

4 Resigned from the Board of Directors as of 4 April 2018.

The total remuneration paid to the members of the Board of Directors for the 2019 financial year is within the maximum total amount of CHF 2.5 million approved by the 2018 Annual General Meeting (AGM) for 2019.

2.4 Minimum shareholding requirement

The members of the Board of Directors are required to maintain a minimum shareholding equivalent to one annual emolument (basic emolument plus functional allowances). They have four years to acquire the shareholding, in the form of the blocked shares paid as part of remuneration and, if necessary, through share purchases

on the open market, observing internal trading restrictions. Compliance with the shareholding requirement is reviewed annually by the Compensation Committee. If a member's shareholding falls below the minimum requirement due to a drop in the share price, the difference must be made up by no later than the time of the next review. In justified cases, such as personal hardship or legal obligations, the Chairman of the Board of Directors can approve individual exceptions at his discretion.

2.5 Shareholdings of the members of the Board of Directors

As at 31 December 2018 and 2019, the members of the Board of Directors and/or related parties held blocked

and non-blocked shares as shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

number	31.12.2019	31.12.2018
Hansueli Loosli	3,474	3,113
Roland Abt	544	379
Valérie Berset Bircher ¹	–	329
Alain Carrupt	439	329
Frank Esser	798	642
Barbara Frei	1,047	919
Sandra Lathion-Zweifel ²	114	–
Anna Mossberg	222	112
Catherine Mühlemann ³	–	1,559
Michael Rechsteiner ²	109	–
Renzo Simoni	480	324
Total shares held by the members of the Board of Directors	7,227	7,706

¹ Resigned from the Board of Directors as of 31 December 2018.

² Elected to the Board of Directors as of 2 April 2019.

³ Resigned from the Board of Directors as of 2 April 2019.

3 Remuneration of the Group Executive Board

3.1 Principles

The remuneration policy of Swisscom applicable to the Group Executive Board is designed to attract and retain highly skilled and motivated specialists and executive staff over the long term and provide an incentive to achieve a lasting increase in the enterprise value. It is systematic, transparent and long-term-oriented, and is predicated on the following principles:

- Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- Remuneration is based on performance in line with the results achieved by Swisscom.
- Through direct financial participation in the performance of the Swisscom share, the interests of management are aligned with the interests of shareholders.

The remuneration of the Group Executive Board is a balanced combination of fixed and variable salary components. The fixed component is made up of a base salary, fringe benefits (mainly the use of a company car) and pension fund benefits. The variable remuneration includes a performance-related component settled partly in cash and partly in shares.

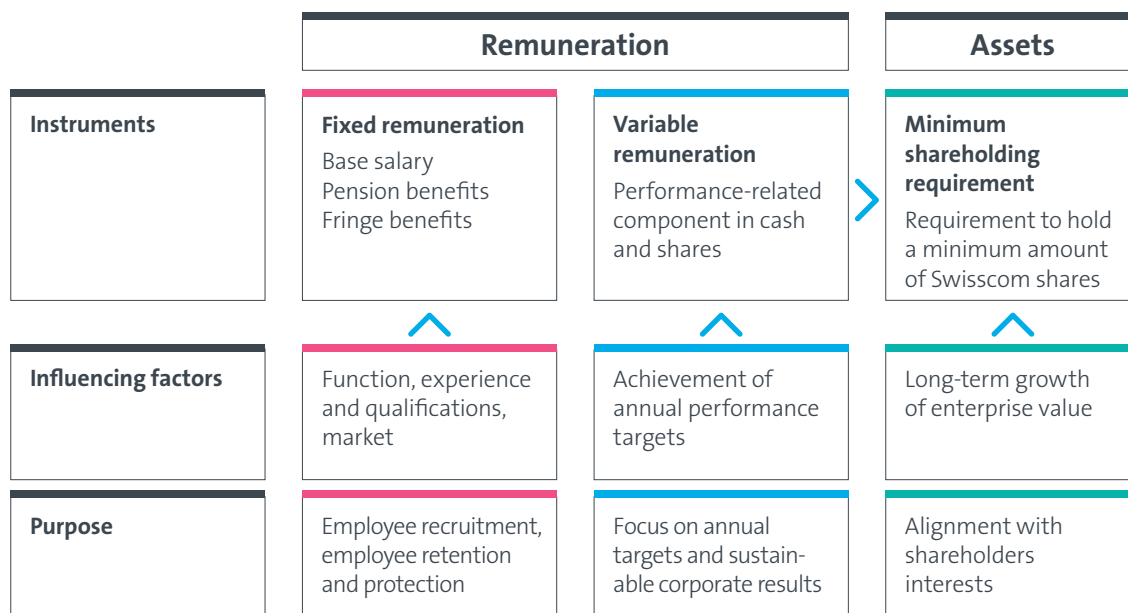
The members of the Group Executive Board are required to hold a minimum shareholding, which strengthens their direct financial participation in the medium-term performance of the Swisscom share and thus aligns their interests with those of shareholders. To facilitate compliance with the minimum shareholding requirement, Group Executive Board members have the possibility of drawing up to 50% of the variable performance-related component of their salary in shares.

The basic principles regarding the performance-related remuneration and the profit and equity participation plans of the Group Executive Board are set out in Article 8.1 of the Articles of Incorporation.

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Remuneration system

Remuneration components and determining factors



The Compensation Committee decides at its discretion on the level of remuneration, taking into consideration the external market value of the function in question, the internal salary structure and individual performance.

For the purpose of assessing market values, Swisscom relies on cross-sector market comparisons with Swiss companies as well as international sector comparisons. These two comparative perspectives allow Swisscom to form an optimal overview of the relevant employment market for managerial positions. Swisscom did not consult any new comparative studies in the year under review, but relied on the previous years' studies by Willis Towers Watson. The comparison with the Swiss market covers major companies domiciled in Switzerland from various sectors, with the exception of the financial and pharmaceutical sectors. On average, these companies generate revenue of CHF 13.3 billion and employ 14,552 people. The international sector comparison covers telecommunications companies from eleven western European countries with median revenue of CHF 8.9 billion and median workforce of 18,800 employees. The evaluation of the two comparative studies takes into account the comparability of the extent of responsibility in terms of revenue, number of employees and international scope. No external consultants were called on with regard to the structuring of remuneration.

As a rule, the Compensation Committee reviews the individual remuneration paid to members of the Group Executive Board every three years of employment. Taking

into account the benchmarks, the Board of Directors adjusted the salaries of two members of the Group Executive Board during the course of the reporting year in order to take the experience and performance of these members into account and to bring the salaries into line with standard market remuneration levels.

3.2 Remuneration components

Base salary

The base salary is the remuneration paid according to the function, qualifications and performance of the individual member of the Group Executive Board. It is determined based on a discretionary decision taking into account the external market value of the function and the salary structure for the Group's executive management. The base salary is paid in cash.

Variable performance-related salary component

The members of the Group Executive Board are entitled to a variable performance-related salary component which represents 70% of the base salary if objectives are achieved in full (performance-related bonus). The amount of the performance-related component paid out depends on the extent to which the targets are achieved, as set by the Compensation Committee, taking into account the performance evaluation by the CEO. If targets are exceeded, up to 130% of the performance-related bonus may be paid. The maximum performance-related salary component is thus limited to 91% of the base salary. This ensures that the

performance-related salary component does not exceed the annual base salary, even taking account of the market value of the component paid in shares.

Targets for the variable performance-related salary component

The targets underlying the variable performance-related salary component are adopted annually in December for the following year by the Board of Directors following a proposal submitted by the Compensation Committee. The targets relevant to the reporting year were left unchanged from the previous year, in line with the Group's continuing corporate strategy. The targets are based on the Swisscom Group's budget figures for 2019.

The targets for the members of the Group Executive Board consist of financial as well as business transformation targets. The financial targets include net revenue, operating income before interest, taxes, depreciation and amortisation as a percentage of net revenue (EBITDA

margin), and operating free cash flow proxy. The Group Executive Board members delegated by Swisscom to the Board of Directors of the Italian subsidiary Fastweb S.p.A. (Fastweb) are also measured on the basis of the Fastweb financial targets.

The business transformation targets are summarised under the Business Transformation Multiplier (BTM). They include the net promoter score for residential and business customers, which is a recognised indicator of customer loyalty, an availability coefficient, growth targets and net cost savings targets. Further information on customer satisfaction can be found in the Management Commentary.

□ See report page 34-35

The achievement of corporate objectives is calculated by multiplying the achievement of the financial targets with the achievement of the business transformation targets.

Determination of overall target achievement

As the decisive basis for the payment of the profit share



The target structure thus takes account of the following two strategic priorities of Swisscom: strengthening the core business by offering the best infrastructure, where the results achieved are rewarded, and focusing on

future success, where realisation of new growth opportunities and the best customer experiences is rewarded in particular.

The following table illustrates the target structure for all Group Executive Board members in the year under review and shows the individual targets and their respective weighting.

Target levels	Objectives	Weighting of targets level CEO	Weighting of targets level of other members of the Group Executive Board
Financial performance factor	Net revenue	24%	24–30%
	EBITDA margin	24%	24–30%
	Operating free cash flow proxy	32%	32–40%
	Financial objectives Fastweb	20%	0–20%
	Total finance target factor	100%	
Business transformations targets	Net promoter score	40%	40%
	Availability key indicator	20%	20%
	Growth	20%	20%
	Net cost savings	20%	20%
	Total business transformation multiplier	100%	

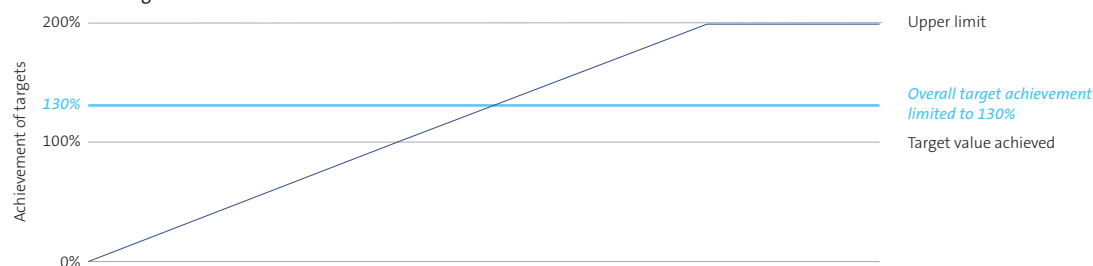
Achievement of targets

The Compensation Committee determines the level of target achievement in the subsequent year once the consolidated financial statements become available. Its

decision is based on an assessment of the extent to which targets have been met using a scale for the overachievement and underachievement of each target. The achievement of an individual target can vary from 0% to 200%.

Determination of achievement of targets

Per financial target



There is an upper limit of 200% for each target. An upper limit of 130% applies to the overall target achievement and thus to the payment of the target success share.

The overall achievement of targets governing the payment of the performance-related component is calculated according to the weighting of the individual targets. These targets consist of financial and business transformation targets, which are multiplied by one another as factors. An upper limit applies to the factor for the financial targets, and a lower and an upper limit apply to the factor for the business transformation targets. The overall achievement of targets is limited to a maximum of 130%. In determining the level of target achievement, the Compensation Committee can, under certain circumstances, exercise a degree of discretion in assessing the effective management performance, taking into account special factors such as fluctuations in exchange rates. Based on the overall achievement of targets, the Compensation Committee submits a proposal for the approval of the Board of Directors for the amount of the performance-related salary component to be paid to the Group Executive Board and the CEO.

In the year under review, some of the targets relevant to remuneration were not met. The resulting payment of the performance-related component is 90% of the target bonus for the CEO and for the other members of the Group Executive Board.

Payment of the variable performance-related salary component

The variable performance-related salary component for a given financial year is paid in April of the following year, with 25% being paid in the form of Swisscom shares, in accordance with the Management Incentive Plan. Group Executive Board members may opt to increase the share component up to a maximum of 50% of the total variable performance-related compensation.

The remaining portion of the performance-related component is settled in cash. In the event of a departure from the Group Executive Board during the course of the year, the payment of the performance-related component for the current year is generally made in cash only. The decision as to what percentage of the variable performance-related salary component is to be drawn in the form of shares must be communicated prior to the end of the reporting year, but no later than in November following the publication of the third-quarter results. In the year under review, one member of the Group Executive Board opted for a higher share component. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares, and are subject to a three-year blocking period. This restriction on disposal also applies if the employment relationship is terminated during the blocking period. The share-based remuneration disclosed in the year under review is augmented by a factor of 1.19 in order to take account of the difference between the market value and the tax value. The market value is determined as of the date of allocation. The allocation of shares for the 2019 reporting year will be made in April 2020.

In April 2019, a total of 1,815 shares (prior year: 1,974 shares) with a tax value of CHF 411 (prior year: CHF 390) per share and a market value of CHF 489.50 (prior year: CHF 464) per share were allocated for the 2018 financial year to the members of the Group Executive Board.

Pension fund and fringe benefits

The members of the Group Executive Board, like all eligible employees in Switzerland, are insured against the financial consequences of old age, death and disability through the comPlan pension plan (for pension fund

regulations, see www.pk-complan.ch). The reported pension benefits ("pension benefits" here meaning amounts paid that give rise to or increase pension entitlements) cover all savings, guarantee and risk contributions paid by the employer to the pension plan. They also include the pro-rata costs of the AHV bridging pension paid by comPlan in the event of early retirement and the premium for the term life insurance concluded for Swisscom management staff in Switzerland. Further information about this is provided in Note 4.3 to the consolidated financial statements.

□ See report pages 156-161

A tax-based point of view is taken in reporting service-related and non-cash benefits and expenses. The members of the Group Executive Board are entitled to the use of a company car. The disclosed service-related and non-cash benefits rendered therefore include an amount for private use of the company car. Out-of-pocket expenses are reimbursed on a lump-sum basis in accordance with expense reimbursement rules approved

by the tax authorities, and other expenses are reimbursed on an actual cost basis. They are not included in the reported remuneration.

3.3 Total remuneration

The following table shows the total remuneration paid to the members of the Group Executive Board for the 2018 and 2019 financial years, broken down into individual components and including the highest amount paid to one member. In the year under review, the variable performance-related salary component for members of the Group Executive Board (CHF 2,393 thousand in total) was around 66% of the base salary (CHF 3,606 thousand in total). The total remuneration paid to the highest-earning member of the Group Executive Board (CEO, Urs Schaeppi) decreased by 3.8% compared to the prior year. The decrease in total remuneration paid to the Group Executive Board and the CEO is primarily attributable to the lower variable remuneration as compared to the prior year and due to the change in the composition of the Group Executive Board.

In CHF thousand	Total Group Executive Board 2019	Total Group Executive Board 2018	Thereof Urs Schaeppi 2019	Thereof Urs Schaeppi 2018
Fixed base salary paid in cash	3,606	3,694	882	882
Variable performance-related remuneration paid in cash	1,636	1,874	417	459
Variable performance-related remuneration paid in shares ¹	757	886	165	182
Service-related and non-cash benefits	105	95	15	22
Employer contributions to social security ²	539	575	132	137
Retirement benefits	873	892	148	147
Total remuneration to members of the Group Executive Board	7,516	8,016	1,759	1,829
Benefits paid following retirement from Group Executive Board ³	—	605	—	—
Total remuneration paid to Group Executive Board, incl. benefits paid following retirement from Board	7,516	8,621	1,759	1,829

1 The shares are reported at market value and are blocked from sale for three years.

2 Employer contributions to social security (AHV, IV, EO and FAK, incl. administration costs, and daily sickness benefits and accident insurance) are included in the total remuneration.

3 Contractual compensation payments made during the notice period to a Group Executive Board member who resigned from Board during the financial year.

Total remuneration paid to the members of the Group Executive Board for the 2019 financial year is within the maximum total amount approved by the 2018 Annual General Meeting (AGM) for 2019 of CHF 9.7 million.

3.4 Minimum shareholding requirement

The members of the Group Executive Board are required to hold a minimum amount of Swisscom shares. The minimum shareholding to be held by the CEO is equivalent to two years' base salary and the other Group Executive Board members are required to maintain a shareholding equivalent to one year's base salary. The members of the Group Executive Board have four years to build up the required minimum shareholding in the form of the blocked shares paid as part of remuneration

and, if necessary, through share purchases on the open market, observing internal trading restrictions. Compliance with the shareholding requirement is reviewed annually by the Compensation Committee. If a member's shareholding falls below the minimum requirement due to a drop in the share price or a salary adjustment, the difference must be made up by no later than the time of the next review. In justified cases, such as personal hardship or legal obligations, the Chairman of the Board of Directors can approve individual exceptions at his discretion.

3.5 Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by members of the Group Executive Board and/or related parties as at

31 December 2018 and 2019 are shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

number	31.12.2019	31.12.2018
Urs Schaeppi (CEO)	4,752	4,380
Mario Rossi	1,707	1,483
Hans C. Werner	1,440	1,259
Marc Werner	1,364	1,158
Urs Lehner	509	290
Christoph Aeschlimann ¹	–	–
Heinz Herren ²	–	1,856
Dirk Wierzbitzki	969	604
Total shares held by the members of the Group Executive Board	10,741	11,030

1 Joined the Group Executive Board as of 1 February 2019.

2 Resigned from the Group Executive Board as of 31 January 2019.

3.6 Employment contracts

The employment contracts of the members of the Group Executive Board are subject to a twelve-month notice period. No termination benefits apply beyond the salary payable for a maximum of twelve months. The employment contracts stipulate that Swisscom may allow any wrongfully awarded remuneration to lapse or may reclaim any remuneration that is wrongfully paid. The contracts do not contain either a non-competition clause or a clause on change of control.

4.2 Remuneration for former members of the Board of Directors or Group Executive Board and related parties

In the year under review, no remuneration was paid to former members of the Board of Directors in connection with their earlier activities as a member of a governing body of the company or which are not at arm's length. Similarly, no such remuneration was paid to former members of the Group Executive Board. Further, there were no payments to individuals who are closely related to any former or current member of the Board of Directors or the Group Executive Board which are not at arm's length.

4 Other remuneration

4.1 Remuneration for additional services

Swisscom may pay remuneration to members of the Board of Directors for assignments in Group companies and assignments performed by order of Swisscom (Article 6.4 of the Articles of Incorporation). No such remuneration was paid in the year under review.

© See www.swisscom.ch/basicprinciples

The members of the Group Executive Board are not entitled to separate remuneration for any directorships they hold either within or outside the Swisscom Group.

4.3 Loans and credits granted

Swisscom Ltd has no statutory basis for the granting of loans, credit facilities or pension benefits apart from the retirement benefits paid to the members of the Board of Directors and Group Executive Board.

In the 2019 financial year, Swisscom did not grant any collateral, loans, advances or credit facilities of any kind either to former or current members of the Board of Directors or related parties, or to former or current members of the Group Executive Board or related parties. There are therefore no corresponding receivables outstanding.

Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen (Bern)

We have audited the remuneration report of Swisscom Ltd for the year ended 31 December 2019. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 2.3, 2.5, 3.3, 3.5 and 4.1 to 4.3 on pages 96 to 106 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Swisscom Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

Other Matter

The remuneration report of Swisscom Ltd for the year ended 31 December 2018 was audited by another firm of auditors whose report, dated 6 February 2019, expressed an unmodified opinion.

PricewaterhouseCoopers AG

Peter Kartscher
Audit expert
Auditor in charge

Petra Schwick
Audit expert

Zurich, 5 February 2020

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