

Internal organisation, powers and responsibilities

The Telecommunications Enterprise Act (TEA) makes reference to the Swiss Code of Obligations in respect of the non-transferable and irrevocable duties of the Board of Directors of Swisscom Ltd. The Board of Directors is therefore responsible for overall direction and supervision of the Swisscom Group Executive Board. It lays down the strategic, administrative, budgetary and accounting guidelines, taking into account the four-year goals set by the Federal Council in accordance with the TEA and which it, as majority shareholder, aims to achieve. The Board of Directors has delegated day-to-day business management to the CEO in accordance with the TEA, the Articles of Incorporation and the Organisational Regulations.

The Board of Directors convenes as often as business requires. In fiscal 2009 it convened eleven times, with meetings lasting an average of seven hours. It also held one telephone conference. At the beginning of 2009, a further-education workshop was held for the members of the Board of Directors. A number of members also attended lectures and seminars in Switzerland and abroad during the course of the year. Wherever possible, the Board of Directors also attends the Swisscom Group's annual one-day management meeting.

The Board of Directors is convened by the Chairman. If he is unable to attend, the meeting is convened by the Deputy Chairman. The CEO, CFO and CSO of Swisscom Ltd are regularly invited to meetings of the Board of Directors. The agenda is set by the Chairman. Any Board member may request the inclusion of further items on the agenda. Board members receive supporting documents prior to the meeting to allow them to prepare themselves on items on the agenda. The Board of Directors may invite members of the Group Executive Board, senior employees of Swisscom Ltd, auditors or other experts to attend its meetings, in order to ensure appropriate reporting to members of the Board. Furthermore, the Chairman of the Board of Directors and the CEO report to each meeting of the Board of Directors on unusual events, the general course of business and major business transactions, as well as on any measures that have been implemented. On average, 98% of members were present at the meetings of the Board of Directors.

The Board of Directors has four standing committees and one ad-hoc committee whose task it is to carry out detailed examinations of matters of importance. The committees comprise two to four members. Each member of the Board of Directors also sits on one of the standing committees. The Chairman is a member of all standing committees; these are chaired by other members. The duties and responsibilities of the standing committees are laid down in a set of regulations. All minutes of the meetings of the Finance, Audit and Personnel and Organisation Committees are distributed to all members of the Board of Directors in order to ensure transparency.

Finance Committee

This committee is chaired by Torsten G. Kreindl; the other members are Hansueli Loosli, Catherine Mühlemann and Anton Scherrer. The CEO, CFO and the CSO regularly attend meetings of the Finance Committee. Other members of the Group Executive Board or project managers are also regularly invited to the meetings, depending on the items on the agenda. The committee met on six occasions in fiscal 2009. The meetings lasted on average four hours and 98% of members were present. The committee prepares, for the attention of the Board of Directors, the groundwork for business transactions such as the establishment or winding-up of major Group companies, the formation or sale of important participations, the entering into or termination of strategic alliances, medium-term budgeting, and major investments or disposals, as well as authorisation for all important purchases, contracts, sureties, guarantees, and letters of comfort. The Finance Committee has the final say in approving important loans, credits and financing.

Personnel and Organisation Committee

This committee is chaired by Felix Rosenberg; the other members are Hugo Gerber, Michel Gobet and Anton Scherrer. The CEO and CPO (Chief Personnel Officer) also regularly attend meetings of the Personnel and Organisation Committee along with other members of the Group Executive Board or project managers, depending on the topics to be discussed. The committee met on six occasions in fiscal 2009. All members were present at the two- to three-hour meetings. The committee prepares, for the attention of the Board of Directors, the groundwork for all organisational issues concerning the Group structure and matters relating to corporate policy, personnel and salary policy, general terms and conditions of employment for members of the Group Executive Board, the collective employment agree-

ment and major restructuring projects. The Personnel and Organisation Committee has the final say, particularly with regard to the approval of statutes and organisational regulations issued by “strategic” and “important” Group companies, the approval of general terms and conditions of employment for senior executives of Swisscom Ltd (with the exception of members of the Group Executive Board), the approval of employee equity share plans offered by Swisscom Ltd and the Group companies, the approval of pension fund and social-insurance policies, as well as the election of employer representatives to the pension funds.

Audit Committee

This committee is chaired by Othmar Vock; the other members are Richard Roy and Anton Scherrer. The CEO, CFO, Head of Group Accounting & Reporting, Head of Internal Audit and the external auditors also attend the meetings. The committee met on six occasions in fiscal 2009. All members were present at the meetings, which lasted on average six hours. Three teleconferences were also held, lasting on average one hour. All members are classified as independent and possess the specialist knowledge required. Othmar Vock is considered a financial expert. The committee handles all matters relating to internal and external audit as well as all matters to be dealt with by the Board of Directors that require specialist financial know-how, and thus constitutes the central controlling instrument of the Board of Directors. It prepares, for the attention of the Board of Directors, the groundwork for the following business: structure of the accounting system, financial controls and financial planning, appointment of the auditors, business performance reviews, including quarterly statements and projections, the annual report and applications for the registration of shares. It is responsible for checking and assessing the qualifications, independence and performance of the external auditors, managing the share register, monitoring the organisation and processes of the internal control system for financial reporting, and ensuring that an adequate risk management system is in place. In addition, the committee has approved a procedure for handling complaints submitted anonymously by employees in matters relating to external accounting, the internal control system for financial reporting and the auditing of the annual accounts (“whistle blowing”).

Compensation Committee

For details of the Compensation Committee, please refer to the section Remuneration report on page 116.

Nomination Committee

This committee meets on an ad-hoc basis in order to prepare the groundwork for the election of new members to the Board of Directors and the Group Executive Board. As a rule, it comprises the Chairman of the Board of Directors and the chairmen of the Finance, Audit and Personnel and Organisation Committees. Based on a general requirements profile covering all aspects of corporate management, the committee presents suitable candidates to the Board of Directors. The Board of Directors selects the members of the Group Executive Board and submits proposals on the election of members of the Group Executive Board to the Annual General Meeting. The committee met on two occasions in fiscal 2009. All members were present at the meetings, which lasted on average two hours. The regulations of the Board of Directors and the regulations of all committees of the Board of Directors are available in German at www.swisscom.ch/basicprinciples.