

Corporate Governance

Corporate governance is a fundamental component of Swisscom's corporate policy. Swisscom is committed to practising effective and transparent corporate governance as part of its aim to deliver long-term value. In particular, Swisscom complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse* and meets the requirements of the Ordinance Against Excessive Compensation in Listed Stock Companies.

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 corporate governance. They incorporate in their decisions the legitimate interests of Swisscom shareholders, customers, employees and other interest groups. To this end, the Board of Directors practices effective and transparent corporate governance, which is characterised by clearly assigned responsibilities and based on recognised standards. In particular, 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.
- > the Corporate Governance Directive issued by the SIX Swiss Exchange of 1 September 2014, which also forms the basis of this report.
- > the requirements of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC) of 20 November 2013, which entered into force on 1 January 2014.
- > legal requirements pursuant to the Swiss Code of Obligations.

The exchange of insights and information with investors, proxy advisors and other stakeholder groups by the respective specialist divisions allows the Board of Directors to identify new standards at an early stage and to adjust its corporate governance activities to new requirements. 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 a 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 consideration for people, society and the environment, comply with applicable rules, demonstrate integrity and report any violations of the Code of Conduct. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic principles".

 See
[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)

1 Group structure and shareholders

1.1 Group structure

1.1.1 Group operating structure

Swisscom Ltd is the holding company responsible for overall management of the Swisscom Group. It comprises the five Group divisions Group Business Steering, Group Strategy & Board Services, Group Communications & Responsibility, Group Human Resources and Group Security. Day-to-day business management is delegated by the Board of Directors to the CEO of Swisscom Ltd, who together with the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) as well as the heads of all business divisions (Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation) forms the Group Executive Board. Strategic and financial management of the Group companies is assured through the assignment of powers and responsibilities by the Board of Directors of Swisscom Ltd. The Group companies are divided into three categories: strategic, important and other. Swisscom (Switzerland) Ltd and the Italian subsidiary Fastweb S.p.A. are classified as strategic Group companies. The operations of Swisscom (Switzerland) Ltd are managed by the Group Executive Board. The Board of Directors of Swisscom (Switzerland) Ltd comprises the CEO of Swisscom Ltd as Chairman, the CFO of Swisscom Ltd and a further member of the Group Executive Board. Seats on the Board of Directors of the “strategic” company Fastweb S.p.A. are held by the CEO of Swisscom Ltd as Chairman together with the CFO of Swisscom Ltd and other representatives of Swisscom. The Board of Directors of Fastweb S.p.A. is supplemented by an external member. In the “important” Group companies, the responsibilities of the Chairman of the Board of Directors are fulfilled by the CEO of Swisscom Ltd, the CEO of a “strategic” Group company, the head of a Group or business division or another person appointed by the CEO. Other representatives of Swisscom are also members of the Board of Directors.

The Group structure is shown in the Management Commentary in the section on Group structure and organisation. A list of Group companies, including company name, registered office, percentage of shares held and share capital, is given in Note 41 to the consolidated financial statements. As of 1 January 2014, the activities of Swisscom IT Services Ltd were integrated into the operations of Swisscom (Switzerland) Ltd. The reporting, which is based on the management structure, was not adjusted, however. It is, as in 2013, divided into the segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business”, “Wholesale” and “Network & IT”, which are grouped together as “Swisscom Switzerland”, as well as “Fastweb”, “Other Operating Segments” and “Group Headquarters”. “Other Operating Segments” mainly comprises Swisscom IT Services and Group Related Businesses, while “Group Headquarters” primarily covers the Group divisions and the employment company Worklink AG.

Changes as of 2015

The absorption merger of Swisscom IT Services Ltd with Swisscom (Switzerland) Ltd will take place at the beginning of 2015 and mark the legal completion of the integration. From 2015, segment reporting will be adjusted to the management structure and Swisscom IT Services – as well as Swisscom Real Estate Ltd – will then be reported in the “Swisscom Switzerland” segment.

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1.1.2 Listed companies

The Swisscom Group comprises the following listed companies:

Swisscom Ltd

Swisscom Ltd, a company governed by Swiss law and headquartered in Ittigen (canton of Berne, Switzerland), is listed in the Main Standard of the SIX Swiss Exchange (Securities No. 874251; ISIN Code: CH0008742519; Ticker Symbol: SCMN). Trading in the United States is conducted over-the-counter (OTC) as a level 1 programme (Symbol: SCMWY; ISIN No.: CH008742519; CUSIP for ADR: 871013108). At 31 December 2014, Swisscom Ltd had a stock market capitalisation of CHF 27,067 million.

PubliGroupe Ltd

Swisscom Ltd acquired PubliGroupe Ltd in 2014 within the framework of a public takeover. The takeover price was CHF 474 million. PubliGroupe Ltd, a company governed by Swiss law and headquartered in Lausanne (Switzerland), is listed in the Main Standard of the SIX Swiss Exchange (Securities No.: 462630; ISIN Code: CH0004626302; Ticker Symbol: PUBN). At 31 December 2014, PubliGroupe Ltd had a stock market capitalisation of CHF 493 million. Swisscom Ltd currently holds 98% of the shares in PubliGroupe Ltd. On 18 September 2014, PubliGroupe Ltd requested the cancellation of the untendered shares (squeeze-out). On 1 October 2014, it submitted an application for the delisting of the registered shares to the SIX Exchange Regulation. SIX Swiss Exchange approved the application on 22 October 2014. The delisting is scheduled to take place in the first quarter of 2015.

1.2 Disclosure notifications of significant shareholders

Pursuant to Article 20 of the Federal Act on Stock Exchanges and Securities Trading, there is a duty to disclose shareholdings where a person or group subject to the disclosure obligation reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, 33^{1/3}, 50 or 66^{2/3} per cent of the voting rights of Swisscom Ltd.

In the year under review, no participations subject to the disclosure obligation were reported to Swisscom Ltd. No disclosure notifications were therefore published on the disclosure and publication platform of the Disclosure Office of SIX Swiss Exchange. Information on significant shareholders can be found in Note 8 to the financial statements of Swisscom Ltd.

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1.3 Cross-shareholdings

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

2 Capital structure

2.1 Capital

At 31 December 2014, the share capital of Swisscom Ltd amounted to CHF 51,801,943, divided into registered shares with a nominal value of CHF 1 per share. The shares are fully paid up.

2.2 Authorised and conditional capital

There is no authorised or conditional share capital.

2.3 Changes in capital

The share capital was unchanged in the years 2012 to 2014. During this period, changes in shareholders' equity of Swisscom Ltd in the individual financial statements drawn up under Swiss commercial law were as follows:

In CHF million	Share capital	Capital surplus reserves	Retained earnings	Total equity
Balance at 1 January 2012	52	21	4,462	4,535
Net income	–	–	1,749	1,749
Dividends paid	–	–	(1,140)	(1,140)
Balance at 31 December 2012	52	21	5,071	5,144
Net income	–	–	239	239
Dividends paid	–	–	(1,140)	(1,140)
Balance at 31 December 2013	52	21	4,170	4,243
Net income	–	–	2,472	2,472
Dividends paid	–	–	(1,140)	(1,140)
Balance at 31 December 2014	52	21	5,502	5,575

The Annual General Meetings held on 4 April 2012, 4 April 2013 and 7 April 2014 approved an ordinary dividend of CHF 22 per share respectively.

2.4 Shares and participation certificates

Each registered share of Swisscom Ltd has a par value of CHF 1. Each share entitles the holder to one vote. Shareholders may only exercise their voting right, however, if they 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. For further details, see section 6 "Shareholders' participation rights".

Registered shares of Swisscom Ltd are not issued in certificate form, but are held as book-entry securities in the depository 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).

Swisscom Ltd has issued no participation certificates.

2.5 Profit-sharing certificates

Swisscom Ltd has issued no profit-sharing certificates.

2.6 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 any special restrictions. The statutory provisions on restricted transferability are described in section 6.1 “Voting right restrictions and proxies”.

Swisscom has issued special regulations governing the registration of trustees and nominees in the share register. To facilitate tradability of the company’s shares on the stock exchange, the Articles of Incorporation allow the Board of Directors, by means of regulations or agreements, to permit the fiduciary entry of registered shares with voting rights by trustees and nominees exceeding the threshold of 5%, 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 of 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. In accordance with this provision in the Articles of Incorporation, which can be revised with an absolute majority of the voting shares cast, the Board of Directors has issued regulations governing the entry of trustees and nominees in the Swisscom Ltd share register. The entry of trustees and nominees as shareholders with voting rights is subject to application and the conclusion of an agreement specifying the entry restrictions and disclosure obligations of the trustee or nominee. In particular, each trustee or nominee undertakes, within the limit of 5%, to request entry as a shareholder with voting rights for the account of an individual beneficial owner for no more than 0.5% of the registered share capital of Swisscom Ltd entered in the commercial register.

No exceptions for the fiduciary entry of registered shares with voting rights above the aforementioned percentage restriction were granted in the 2014 financial year.

2.7 Convertible bonds, debenture bonds and options

Swisscom has no convertible bonds outstanding. Details of the debenture bonds are given in Note 26 to the consolidated financial statements.

Swisscom does not issue options on registered shares of Swisscom Ltd to its employees. The Swisscom Ltd equity-share-based payments are described in Note 11 to the consolidated financial statements.

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3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors of Swisscom Ltd currently comprises nine members, none of whom holds or has held an executive role within the Swisscom Group in any of the three business years prior to the period under review. The Board members have no significant commercial links with Swisscom Ltd or the Swisscom Group. The Swiss Confederation, represented on the Board by Hans Werder, is the majority shareholder. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are given in Note 37 to the consolidated financial statements.

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Members of the Board of Directors at 31 December 2014 are as follows:

Name	Year of birth	Function	Taking office at the Annual General Meeting	Appointed until Annual General Meeting
Hansueli Loosli ^{1, 2, 3, 4, 5}	1955	Chairman	2009	2015
Frank Esser ¹	1958	Member	2014	2015
Barbara Frei ⁷	1970	Member	2012	2015
Hugo Gerber ²	1955	Member, representative of the employees	2006	2015
Michel Gobet ¹	1954	Member, representative of the employees	2003	2015
Torsten G. Kreindl ^{3, 6}	1963	Member	2003	2015
Catherine Mühlemann ¹	1966	Member	2006	2015
Theophil Schlatter ^{3, 8}	1951	Deputy Chairman	2011	2015
Hans Werder ^{2, 3, 9}	1946	Member, representative of the Confederation	2011	2015

¹ Member of the Finance Committee.

² Member of the Audit Committee.

³ Member of the Remuneration Committee (Hansueli Loosli without voting rights).

⁴ Since 21 April 2009 Member of the Board of Directors, since 1 September 2011 Chairman.

⁵ Chairman of Nomination Committee (ad hoc).

⁶ Chairman of Finance Committee.

⁷ Chairwoman of Remuneration Committee.

⁸ Chairman of Audit Committee.

⁹ Designated by the Swiss Confederation.

3.2 Education, professional activities and affiliations

Details on the qualifications and career of each member of the Board of Directors are provided below. This section also discloses the mandates of each Board member outside the Group as well as other significant activities such as permanent functions in important interest groups.

Pursuant to the Articles of Incorporation, the Board members may perform no more than three additional mandates in listed companies and no more than ten additional mandates in non-listed companies, with a total of no more than ten such additional mandates being permitted. These numerical restrictions shall not apply to mandates performed by a Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations. The number of these mandates is, however, limited to seven or ten. Prior to accepting new mandates outside the Swisscom Group, the Board members are obligated to consult 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 the Articles of Incorporation (Article 8.3 of the Articles of Incorporation), which can be accessed on the Swisscom website under “Basic principles”.

No member of the Board of Directors exceeds the set limits for mandates.

See
[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)



Hansueli Loosli

Swiss citizen

Education: 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, latterly 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: Chairman of the Board of Directors, Bell AG, Basel

Mandates in non-listed companies: Chairman of the Board of Directors, Coop-Gruppe Genossenschaft, Basel; Chairman of the Board of Directors, Transgourmet Holding AG, Basel; Chairman of the Board of Directors, Coop Mineraloel AG, Allschwil; member of the Advisory Board, Deichmann SE, Essen; member of the Board of Directors, Heinrich Benz AG, Weiach

Mandates by order of Swisscom: Member of the Board of Directors and Executive Committee of economiesuisse

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Frank Esser

German citizen

Education: PhD in business administration, Dr. rer. pol.

Career history: 1988–2000 Mannesmann Deutschland, latterly from 1996 as a member of the Executive Board, Mannesmann Eurokom; 2000-2005 Société Française Radiotéléphonie (SFR), Chief Operating Officer (COO), from 2002 CEO; 2005–2012 Vivendi Group, member of the Group Executive Board

Mandates in listed companies: Member of the Board of Directors, AVG Technologies N.V., Amsterdam; member of the Supervisory Board, Rentabiliweb Group S.A.S., Brussels; member of the Board of Directors, InterXion Holding N.V., Amsterdam, since June 2014

Mandates in non-listed companies: –

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Barbara Frei

Swiss citizen

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

Career history: Since 1998 various managerial positions in the ABB Group, in particular 2008–2010 ABB s.r.o., Prague, Country Manager; 2010–2013 ABB S.p.A., Sesto San Giovanni, Country Manager and Regional Manager Mediterranean; since November 2013 Drives and Control Unit, Managing Director

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, ABB Beijing Drive Systems Co. Ltd., Beijing

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Hugo Gerber

Swiss citizen

Education: Diploma in postal services; IMAKA management programme; diploma in personnel and organisational development, Solothurn University of Applied Sciences, Northwestern Switzerland

Career history: 1986–1990 Swiss Association of Christian Postal Workers (ChPTT), Central Secretary; 1991–1999 Association of the unions of the Christian transport and government personnel (VGCV), General Secretary; 2000–2003 Transfair Union, General Secretary; 2003–2008 Transfair Union, Chairman; since 2009 independent consultant; July to December 2014 Federal Administrative Court, St. Gallen, Deputy Head of Human Resources on an ad interim basis

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, POSCOM Ferien Holding AG, Berne

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: Member of the Board of Trustees, RUAG Pension Fund, Berne

Other significant activities: Member of the Board of Directors, Worklink AG, Berne



Michel Gobet

Swiss citizen

Education: Degree in history

Career history: PTT Union, General Secretary and Deputy General Secretary; since 1999 syndicom Trade Union, Central Secretary

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, Swiss Post Ltd, Berne; member of the Board of Directors, GDZ AG, Zurich; member of the Board of Directors, Swiss Travel Fund (Reka) Cooperative, Berne

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: Member of the World Executive Committee, the European Executive Committee and the European ICTS Steering Committee, UNI Global Union, Nyon



Torsten G. Kreindl

Austrian citizen

Education: Doctorate in industrial engineering (Dr. techn.)

Career history: Chemie Holding AG; W. L. Gore & Associates Inc.; Booz Allen & Hamilton, member of the Management Board, Germany; 1996–1999 Deutsche Telekom AG CEO, Broadband Cable Business, and CEO, MSG Media Services; 1999–2005 Copan Inc., Partner; since 2005, Grazia Group Equity GmbH, Stuttgart, Germany, Partner

Mandates in listed companies: Independent Director of Hays plc, London

Mandates in non-listed companies: Member of the Supervisory Board, Pictet Digital Communications/Pictet Fund Management, Geneva; member of the Board of Directors, Starboard Storage Systems Inc., Boulder, Colorado, USA

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Catherine Mühlemann

Swiss citizen

Education: Lic. phil I; Swiss Certified PR Consultant

Career history: 1994–1997 Swiss Television DRS, Head of Media Research; 1997–1999 SF1 and SF2, programme researcher; 1999–2001 TV3, programme director; 2001–2003 MTV Central, Managing Director; 2003–2005 MTV Central & Emerging Markets, Managing Director; 2005–2008 MTV Central & Emerging Markets and Viva Media AG (Viacom), Managing Director; since 2008 Andmann Media Holding GmbH, Baar, partner, until December 2012 owner

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Supervisory Board, Messe Berlin GmbH, until June 2014; member of the Board of Directors of Switzerland Tourism; member of the Supervisory Board, Tele Columbus AG, Berlin, since September 2014

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Theophil Schlatter

Swiss citizen

Education: Degree in business administration (lic. oec. HSG); Swiss Certified Public Accountant

Career history: 1979–1985 STG Coopers & Lybrand, public accountant; 1985–1991 Holcim Management und Beratung AG, controller; 1991–1995 Sihl Papier AG, CFO and member of the Executive Committee; 1995–1997 Holcim (Switzerland) Ltd, Head of Finance/Administration and member of the Executive Committee; 1997–March 2011 Holcim Ltd., CFO and member of the Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: Chairman of the Board of Directors, PEKAM AG, Mägenwil; member of the Board of Directors, Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Hans Werder

Swiss citizen

Education: Dr. rer. soc.; lic. iur.

Career history: 1987–1996 Berne Directorate of Public Works, Transport and Energy (BVE), General Secretary; 1996–2010 Federal Department of the Environment, Transport, Energy and Communications (DETEC), General Secretary

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, BLS AG, Berne

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –

3.3 Composition, election and term of office

With the exception of the representative of the Swiss Confederation, the Board of Directors of Swisscom Ltd is elected by shareholders at the Annual General Meeting. Under the terms of the Articles of Incorporation it may comprise between seven and nine members, and, if necessary, the number can be increased temporarily. It currently comprises nine members. The Annual General Meeting elects the members and the Chairman of the Board of Directors and 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. It is possible to be re-elected. 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 is generally a total of twelve years. Members who reach the age of 70 retire from the Board as of the date of the next Annual General Meeting.

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. Hans Werder is currently the sole representative. The maximum term of office or age limit for the federal representative is determined by the Federal Council. 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 must include two employee representatives. These are currently Hugo Gerber and Michel Gobet.

3.4 Internal organisation

The Board of Directors is convened by the Chairman and meets as often as business requires. If the Chairman is unavailable, the meeting is convened by the Vice Chairman. The CEO and CFO Swisscom Ltd are regularly invited to the meetings of the Board of Directors. The Chairman sets the agenda. Any Board member may request the inclusion of further items on the agenda. Board members receive documents prior to the meeting to allow them to prepare for the items on the agenda. The Board of Directors may invite members of the Group Executive Board, senior employees of Swisscom, auditors or other internal and external experts to attend its meetings on specific issues 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 particular events, on the general course of business and major business transactions, as well as on any measures that have been implemented.

The Board of Directors has three standing committees and one ad hoc committee tasked with carrying out detailed examinations of matters of importance. The committees usually consist of three to six members. Each member of the Board of Directors also sits on at least one of the standing committees. Subject to being appointed to the Compensation Committee (without voting rights), the Chairman is a member of all standing committees; they all are chaired by other Board members, however. The latter brief the Board of Directors on the committee meetings held. All members of the Board of Directors also receive copies of all Finance and Audit Committee meeting minutes. The duties and responsibilities of the Board of Directors are defined in the Organisational Regulations, those of the standing committees in the relevant committee regulations, which can be accessed on the Swisscom website under "Basic principles".

The Board of Directors and the committees conduct self-assessments, usually once a year. New members are given a task-specific introduction to their new activity. The Board of Directors supports ongoing education for Board members. A one-day mandatory training course was held at the beginning of 2014. Each quarter, the members of the Board of Directors also had the opportunity to explore in-depth the upcoming challenges facing the Group and business divisions as part of so-called company experience days. In addition, various members of the Board of Directors attended selected presentations and seminars during the year. Wherever possible, the Board of Directors attends the Swisscom Group's annual management meeting.

The following table gives an overview of the Board of Directors' meetings, conference calls and circular resolutions taken in 2014.

See
www.swisscom.ch/basicprinciples

	Meetings	Conference calls	Circular resolutions
Total	10	3	1
Average duration (in hours)	8:10	0:50	–
Participation:			
Hansueli Loosli, Chairman	10	3	1
Frank Esser ¹	7	2	1
Barbara Frei	10	3	1
Hugo Gerber	10	3	1
Michel Gobet	10	3	1
Torsten G. Kreindl	10	3	1
Catherine Mühlemann	9	3	1
Richard Roy ²	3	1	–
Theophil Schlatter	10	3	1
Hans Werder	10	3	1

¹ Elected as of 7 April 2014.

² Resigned as of 7 April 2014.

3.5 Committees of the Board of Directors

Finance Committee

Torsten G. Kreindl is Chairman of the Finance Committee; the other members are Frank Esser, Michel Gobet, Hansueli Loosli and Catherine Mühlemann. The CEO, CFO and the Head of Group Strategy & Board Services usually attend meetings of the Finance Committee. Depending on the agenda, other members of the Group Executive Board, the Management Boards of the strategic Group companies or project managers are also called upon to attend the meetings. The Committee prepares materials for the attention of the Board of Directors on transaction-related matters, for example, in connection with establishing or dissolving significant Group companies, acquiring or disposing of significant shareholdings, or 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 approving rules of procedure and directives in the areas of Mergers & Acquisitions and Corporate Venturing. Details of the Committee's activities are set out in the Finance Committee Rules of Procedure, which can be accessed on the Swisscom website under "Basic principles".

The following table gives an overview of the Finance Committee's meetings, conference calls and circular resolutions taken in 2014.

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[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)

	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	2:50	–	–
Participation:			
Torsten G. Kreindl, Chairman	3	–	–
Frank Esser ¹	2	–	–
Michel Gobet	3	–	–
Hansueli Loosli	3	–	–
Catherine Mühlemann	3	–	–

¹ Elected as of 7 April 2014.

Audit Committee

The Audit Committee is chaired by Theophil Schlatter, who is a financial expert; other members are Hugo Gerber, Hansueli Loosli and Hans Werder, representative of the Swiss Confederation. The CEO, CFO, Head of Accounting, Head of Internal Audit and the external auditors also attend the Audit Committee meetings. Depending on the agenda, other management members are called upon to attend. The Audit Committee is also authorised to involve independent third parties such as lawyers, public accountants and tax consultants. The members of the Audit 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 given in Note 37 to the consolidated financial statements. The majority of members are experienced in the fields of finance and accounting.

The Audit Committee handles all financial management business (for example, accounting, financial controlling, financial planning and financing), assurance (risk management, the internal control system, compliance and the internal audit) and the external audit. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (the dividend policy, for example). The Committee is therefore 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 corresponding competence. Details of the Committee's activities are set out in the Audit Committee Rules of Procedure, which can be accessed on the Swisscom website under "Basic principles".

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 See
[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)

The following table gives an overview of the Audit Committee's meetings, conference calls and circular resolutions taken in 2014.

	Meetings	Conference calls	Circular resolutions
Total	5	–	–
Average duration (in hours)	5:20	–	–
Participation:			
Theophil Schlatter, Chairman	5	–	–
Hugo Gerber	5	–	–
Hansueli Loosli	5	–	–
Richard Roy ¹	1	–	–
Hans Werder	5	–	–

¹ Resigned as of 7 April 2014.

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Compensation Committee

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

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. The Committee is presided over by the Chairman and the 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 and presents suitable candidates to the Board of Directors. The Board of Directors elects the members of the Group Executive Board or submits the proposal for presentation to the Annual General Meeting for the election and approval of members of the Board of Directors. No Nomination Committee meetings were held in the 2014 financial year.

3.6 Assignment of powers of authority

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. Pursuant to Article 716a of the Code of Obligations, the Board of Directors is responsible first and foremost 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 of Swisscom Ltd. The Board of Directors also determines the strategic, organisational, financial planning and accounting guidelines, taking into account the four-year targets set by the Federal Council in accordance with the provisions of the Telecommunications Enterprise Act (TEA) and the will of the Swiss Confederation in its role as principal shareholder.

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. In addition to its statutory duties, the Board of Directors decides on business transactions of major importance to the Group, such as the acquisition or disposal of companies with a financial exposure in excess of CHF 20 million, or investments or divestments 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 annex 2 to the Organisational Regulations (see function table in the Rules of Procedure and Accountability), which can be accessed on the Swisscom website under "Basic principles".

See
[www.swisscom.ch/
targets_2014-2017](http://www.swisscom.ch/targets_2014-2017)

See
[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)

3.7 Information instruments of the Board of Directors vis-à-vis the Group Executive Board

The Chairman of the Board of Directors and the CEO meet once or twice a month to discuss fundamental issues concerning Swisscom Ltd and its Group companies. The CEO also reports in detail at each ordinary meeting of the Board of Directors on the general course of business, major events and any measures taken. The Board of Directors also receives a monthly report on all key performance indicators relating to the Group and all segments containing important Group companies. In addition, the Board of Directors receives quarterly detailed information on the course of business and on the financial position, results of operations, cash flows and risk position of the Group and the segments. It also receives projections for the income statement, cash flow statement and balance sheet for the current financial year. Internal financial reporting is carried out in accordance with the same accounting principles and standards as external reporting. Reporting also includes key non-financial information for controlling and steering purposes. Each member of the Board of Directors is entitled to request information on any matters relating to the Group at any time, provided this does not conflict with any abstention provisions or confidentiality obligations. The Board of Directors is informed immediately of any events of an exceptional nature.

The Board of Directors deals with the oral and written reports of the assurance functions of risk management, the financial reporting internal control system (ICS) and compliance management once a year. The Audit Committee examines the reports of the Risk Management unit, the ICS and Internal Audit on a quarterly basis. In urgent cases the Chairman of the Audit Committee is informed without delay about any significant new risks. He is also informed in a timely manner if there is a significant change in assessed compliance or ICS risks or if serious breaches in compliance (including violation of rules that are designed to ensure reliable financial reporting) are detected or currently being investigated.

3.8 Controlling instruments of the Board of Directors vis-à-vis the Group Executive Board

The Board of Directors is responsible for establishing and monitoring the Group-wide assurance functions of risk management, the internal control system, compliance and internal audit.

3.8.1 Risk management

The Board of Directors aims to safeguard the company's enterprise value through the implementation of Group-wide risk management. A risk-aware corporate culture is designed to support the achievement of this objective. Swisscom has therefore implemented a Group-wide and central risk management system based on COSO II and ISO 31000. It maintains level-appropriate and comprehensive reporting and appropriate documentation. The objective is to identify, assess and address significant risks in good time. To this end, the central Risk Management unit collaborates closely with the Controlling department, the Strategy department, other assurance functions and line functions. Swisscom assesses its risks according to their probability of occurrence and their quantitative effects in the event of occurrence. It manages these risks on the basis of a risk strategy and evaluates the risks in terms of their impact on key performance indicators reported by Swisscom. Swisscom reviews and updates its risk profile on a quarterly basis. The Audit Committee and the Group Executive Board are informed about significant risks, their potential effects and the status of remedial measures on a quarterly basis, and the Board of Directors on an annual basis. Significant risk factors are described in the Risks section of the Management Commentary.

3.8.2 Financial reporting internal control system

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 financial statement accounting risks, control activities, monitoring activities, information and communication. A central ICS team assigned to Group Business Steering and Internal Audit periodically monitors the existence 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 on a quarterly basis and to the Board of Directors on an annual basis. Corrective measures to remedy shortcomings are monitored centrally. The Audit Committee assesses the performance and reliability of the ICS on the basis of the periodic reporting.

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pages 86–87

3.8.3 Compliance management

The Board of Directors has set the objective of protecting the Swisscom Group, its executive bodies and employees against legal sanctions, financial losses and reputational damage by ensuring Group-wide compliance. A corporate culture which promotes the willingness to behave in a way that complies with the relevant regulations should support the achievement of this objective. Swisscom has therefore implemented a Group-wide and central compliance system based on COSO II and IDW PS 980 (principles for the proper auditing of compliance management systems, 2011). Within the framework of the system, Group Compliance each year identifies areas of legal compliance using a risk-based approach which require monitoring by the central system. Within these areas of legal compliance, the business activities of the Group companies are reviewed in a periodic and proactive manner in order to identify risks in good time and determine the required measures. The employees affected are informed of these measures and their implementation is monitored. The suitability and effectiveness of the system is reviewed annually by Group Compliance. Within the Health business division (Curabill) of Swisscom Switzerland Ltd and in the area of billing for added-value services, an audit of the implemented measures is also performed by external auditors (financial intermediation). Group Compliance informs the Risk Management unit of identified significant risks on a quarterly basis and reports to the Audit Committee and the Board of Directors each year on its activities and 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 in a timely manner.

3.8.4 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. 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. It conducts an objective evaluation and audit of the appropriateness, efficiency and effectiveness of, in particular, the governance and control systems of the operational processes as well as the assurance functions of risk management, the internal control system and compliance management in all organisational units of the Swisscom Group.

Internal Audit possesses maximum independence. Organisationally it is under the control of the Chairman of the Board of Directors and reports to the Audit Committee. At its meetings, and at least on a quarterly basis, the Audit Committee is briefed on audit findings and the status of any corrective measures implemented. In addition to ordinary reporting, Internal Audit also informs the Audit Committee of any irregularities which come to its attention.

Internal Audit liaises closely and exchanges information with the external auditors. The external auditors have unrestricted access to the audit reports and audit documents of Internal Audit. Internal Audit closely coordinates audit planning with the external auditors. The integrated strategic audit, 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. Independently of this audit, 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 the anonymous and confidential receipt and handling of objections raised relating to external reporting, financial reporting and assurance function issues. The Chairman of the Board of Directors and the Chairman of the Audit Committee are informed of notifications received and a report is drawn up at least once a year for the Audit Committee.

4 Group Executive Board

4.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Group Executive Board must comprise one or more members who may not simultaneously be members of the Board of Directors of Swisscom Ltd. Temporary exceptions are only permitted in exceptional cases. Accordingly, the Board of Directors has delegated responsibility for overall executive management of Swisscom Ltd to the CEO. The CEO is entitled to delegate his powers to subordinates, in the first instance to other members of the Group Executive Board. The members of the Group Executive Board are appointed by the Board of Directors.

The Group Executive Board is composed of the CEO Swisscom Ltd, the heads of the Group divisions Group Business Steering and Group Human Resources, and the heads of the divisions Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers and IT, Network & Innovation.

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An overview of the composition of the Group Executive Board at 31 December 2014 is given below. Andreas König, the former Head of Enterprise Customers, left the Group Executive Board at the end of March 2014.

Name	Year of birth	Function	Appointed as of
Urs Schaeppi ¹	1960	CEO Swisscom Ltd	November 2013
Mario Rossi ²	1960	CFO Swisscom Ltd	January 2013
Hans C. Werner	1960	CPO Swisscom Ltd	September 2011
Marc Werner	1967	Head of the division Residential Customers	January 2014
Roger Wüthrich-Hasenböhler ³	1961	Head of the division Small and Medium-Sized Enterprises	January 2014
Christian Petit ⁴	1963	Head of the division Enterprise Customer	April 2014
Heinz Herren ⁴	1962	Head of the division IT, Network & Innovation	January 2014

¹ Since 2006 member of the Group Executive Board, from July to November 2013 CEO ad interim.

² From March 2006 to December 2007 CFO Swisscom Ltd and member of the Group Executive Board.

³ From January 2011 to December 2012 member of the Group Executive Board.

⁴ From August 2007 to December 2012 member of the Group Executive Board.

4.2 Education, professional activities and affiliations

Details of career and qualifications are provided below for each member of the Group Executive Board. This section also discloses the mandates of each Group Executive Board member outside the Group as well as other significant activities such as permanent functions in important interest groups. Pursuant to the Articles of Incorporation, the members of the Group Executive Board may perform no more than one additional mandate at a listed company and no more than two additional mandates at non-listed companies, with a total of no more than two such additional mandates being permitted. Mandates performed by a member of the Group Executive Board by order of Swisscom or mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations are not subject to these numerical restrictions. The number of these mandates is, however, limited to ten or seven respectively. Prior to accepting new mandates 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 the Articles of Incorporation (Article 8.3 of the Articles of Incorporation), which can be accessed on the Swisscom website under “Basic principles”.

No member of the Group Executive Board exceeds the set limits for mandates.

See
[www.swisscom.ch/
basicprinciples](http://www.swisscom.ch/basicprinciples)



Urs Schaeppi

Swiss citizen

Education: Degree in engineering (Dipl. Ing. ETH) and business administration (lic. oec. HSG)

Career history: 1994–1998 Papierfabrik Biberist, plant manager; 1998–2006 Swisscom Mobile, Head of Commercial Business and member of the Executive Board; 2006–2007 Swisscom Solutions Ltd, CEO; 2007–August 2013 Swisscom (Switzerland) Ltd, Head of Corporate Business division; January–December 2013 Swisscom (Switzerland) Ltd, Head; 23 July–6 November 2013 Swisscom Ltd, CEO ad interim; since 7 November 2013 CEO

Since March 2006 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: Member of the Executive Board, Association Suisse des Télécommunications (asut), Berne; member of the Advisory Board, Venture Foundation, Windisch, since May 2014; member of the Foundation Board, IMD International Institute for Management Development, Lausanne, from January 2015

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: Member of the Board of Directors, Swiss-American Chamber of Commerce, Zurich, since June 2014; member of the Executive Board, Glasfasernetz Schweiz, Berne, since June 2014



Mario Rossi

Swiss citizen

Education: Commercial apprenticeship; dipl. 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
Since January 2013 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: Vice President of the Board of Trustees, comPlan, Baden, until December 2014; President of the Board of Trustees, comPlan, from January 2015

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: Member of the Sanctions Committee, SIX Swiss Exchange Ltd, Zurich



Hans C. Werner

Swiss citizen

Education: PhD in business administration, Dr oec.

Career history: 1997–1999 Kantonsschule Büelrain, Winterthur, Rector; 1999–2000 Swiss Re, Head of Technical Training and Business Training; 2001 Swiss Re, Divisional Operation Officer, Reinsurance & Risk Division; 2002–2003 Swiss Re, Head of HR Corporate Centre and HR Shared Services; 2003–2007 Swiss Re, Head of Global Human Resources; 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)

Since September 2011 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: Member of the Board, Swiss Employer's Association, Zurich; member of the Board of Trustees, comPlan, Basel

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: Member of the Advisory Board of the International Institute of Management in Technology (iimt) at the University of Fribourg



Marc Werner

Swiss and French citizen

Education: Technical apprenticeship with Maturity Certificate, Swiss Certified Marketing Executive; Senior Management Programme (University of St. Gallen), Senior Executive Programme (London Business School)

Career history: 1997–2000 Minolta (Schweiz) AG, Head of Marketing and Sales and member of the Board of Directors; 2000–2004 Bluewin AG, Head of Marketing & Sales, member of the Executive Board; 2005–2007 Swisscom Fixnet Ltd, Head of Marketing & Sales Residential Customers; 2008–2011 Swisscom (Switzerland) Ltd, Head of Marketing & Sales Residential Customers and Deputy Head of Residential Customers; 2012–2013 Swisscom (Switzerland) Ltd, Head of Customer Service Residential Customers and Deputy Head of Residential Customers; since September 2013 Swisscom, Head of Residential Customers division

Since January 2014 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, Net-Matrix AG, Zurich; Member of the Executive Board, simsa – Swiss Internet Industry Association, Zurich

Mandates by order of Swisscom: –

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: Member of the Executive Board, IAA (International Advertising Association) Swiss Chapter, Zurich, until April 2014; member of the Executive Board, Swiss Advertising Association (SW), Zurich, since May 2014



Roger Wüthrich-Hasenböhler

Swiss citizen

Education: Degree in electronic engineering (HTL), Executive MBA HSG

Career history: 1997–1999 Swisscom Ltd, Network Services, Head of Zurich branch; 1999–2000 Swisscom Ltd, Marketing & Sales, Sales Director Zurich SME; 2000–2005 Swisscom Mobile Ltd, Head of Business Customer Sales; 2006–2007 Swisscom Solutions Ltd, Head of Marketing and Sales; 2008–2010 Swisscom (Switzerland) Ltd, Head of Marketing and Sales, Swisscom Corporate Business, and CEO, Webcall GmbH; 2011–2013 Swisscom (Switzerland) Ltd, Head of Small and Medium-Sized Enterprises division; 2011–2012 Swisscom, member of the Group Executive Board; since January 2014 Swisscom, Head of Small and Medium-Sized Enterprises division Since January 2014 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: Member of the Board of Directors, Raiffeisenbank am Ricken Genossenschaft, Eschenbach

Mandates by order of Swisscom: Member of the Board of Directors, basecamp-4hightech (bc4ht) cooperative, Berne

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Christian Petit

French citizen

Education: MBA ESSEC, Cergy-Pontoise

Career history: 1993–1999 debitel France; 2000–2003 Swisscom Mobile Ltd, Head of Operations; 2003–2006 Swisscom Mobile, Head of Product Marketing; 2006–June 2007 Hospitality Services Plus SA, CEO; August 2007–December 2012 Swisscom, member of the Group Executive Board; August 2007–August 2013 Swisscom (Switzerland) Ltd, Head of Residential Customers division; September 2013–December 2013 Swisscom (Switzerland) Ltd, Head of Corporate Business division; January–March 2014 Swisscom (Switzerland) Ltd, Head of the Enterprise Solution Center; since April 2014 Swisscom, Head of Enterprise Customers division Since April 2014 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: Member of the Board of Trustees, Stiftung IT Berufsbildung Schweiz, Berne

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –



Heinz Herren

Swiss citizen

Education: Degree in electronic engineering (HTL)

Career history: 1994–2000 3Com Corporation; 2000 Inalp Networks Inc.; 2001–2005 Swisscom Fixnet Ltd, Head of Marketing Wholesale; 2005–2007 Swisscom Fixnet Ltd, Head of Small and Medium-Sized Enterprises; 2007–2010 Swisscom (Switzerland) Ltd, Head of Small and Medium-Sized Enterprises division; 2011–2013 Swisscom (Switzerland) Ltd, Head of Network & IT; August 2007–December 2012 Swisscom, member of the Group Executive Board; since January 2014 Swisscom, Head of IT, Network & Innovation division Since January 2014 member of the Swisscom Group Executive Board

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: Member of the Board of Directors, Belgacom International Carrier Services S.A., Brussels

Mandates in interest groups, charitable associations, institutions and foundations as well as employee benefit foundations: –

Other significant activities: –

4.3 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.

5 Remuneration, shareholdings and loans

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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.

6 Shareholders' participation rights

6.1 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, would then exceed the limit of 5% of all registered shares entered in the commercial register. The acquirer is entered in the register as a shareholder or beneficial holder without voting rights for the remaining shares. This restriction on voting rights also applies to registered shares acquired through the exercise of subscription, option or conversion rights. A Group clause applies to the calculation of the percentage restriction.

The 5% voting right restriction does not apply to the Swiss Confederation which, under the terms of the Telecommunications Enterprise Act (TEA), holds the capital and voting majority of 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 establishing 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 he/she has acquired the shares in his/her own name and for his/her own account or as beneficial holder. Should an acquirer of shares refuse to make such a declaration, he/she will be entered as a shareholder without voting rights.

In addition, 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 statutory restrictions on voting rights may be lifted by resolution by the Annual General Meeting, for which an absolute majority of valid votes cast would be 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.

6.2 Statutory quorum requirements

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

- > Introduction of restrictions on voting rights
- > Conversion of registered shares to bearer shares and vice versa
- > Change in the Articles of Incorporation concerning special quorums for resolutions

6.3 Convocation of the Annual General Meeting

The Board of Directors must convene the Annual General Meeting at least 20 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.

6.4 Agenda items

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.

6.5 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. Partnerships and legal entities may also be represented by authorised signatories, while minors and wards may be represented by their legal representative even if the latter is not a shareholder. The authorisation must be issued in writing. Once a shareholder has opened a shareholder account on the Sherpany Internet platform, the shareholder involved also authorise the independent proxy via this platform and issue instructions to him. 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 a motion or abstain. The independent proxy must cast the votes entrusted to him by shareholders according to their instructions. If it receives no instructions, it shall abstain. Abstentions are not deemed to be cast votes (Article 5.7.4 of the Articles of Incorporation). The Articles of Incorporation do not include any regulations which differ from the OaEC as regards the appointment of the independent proxy, any statutory regulations on the issuing of instructions to the independent proxy or any statutory regulations with regard to electronic participation in the Annual General Meeting.

6.6 Registrations in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. The Board of Directors determines the relevant date, which shall lie a few days before the respective Annual General Meeting. As in previous years, the share register was not closed before the Annual General Meeting for the 2013 financial year that was held on 7 April 2014. Shareholders registered in the share register with voting rights by 4 p.m. on 2 April 2014 were entitled to vote.

7 Change of control and defensive measures

7.1 Duty to make an offer

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.

7.2 Clause on change of control

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

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8 Auditor

8.1 Duration and term of office of the Auditor-in-charge

The statutory auditors are appointed annually by the Annual General Meeting. KPMG AG, Muri bei Bern, has acted as the statutory auditor of Swisscom Ltd and its Group companies (with the exception of Fastweb, which is audited by PriceWaterhouseCoopers S.p.A.) since 1 January 2004. Rolf Hauenstein of KPMG AG is responsible for the mandate as Auditor-in-charge (since 2011).

8.2 Audit fees

Fees for auditing services provided by KPMG AG in 2014 amounted to CHF 3,149 thousand (prior year: CHF 3,315 thousand). Fees for additional audit-related services amounted to CHF 548 thousand (prior year: CHF 675 thousand). PricewaterhouseCoopers S.p.A. as auditors for Fastweb received remuneration of CHF 785 thousand in 2014 (prior year: CHF 881 thousand) and fees for additional audit-related services provided to Fastweb in the amount of CHF 133 thousand (prior year: CHF 228 thousand).

8.3 Supplementary fees

Supplementary fees of KPMG AG for non-audit services (other services) amounted to CHF 635 thousand (prior year: CHF 583 thousand). The supplementary fees primarily comprise advisory services in connection with company takeover projects and tax consulting.

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

The Audit Committee verifies the qualifications, independence and performance of the statutory auditors as a licensed, state-supervised auditing firm on behalf of the Board of Directors and submits proposals to the Board of Directors concerning auditors to be appointed or discharged by the Annual General Meeting. It is also responsible for observing the statutory rotation principle for the auditor-in-charge. 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. The Audit Committee has drawn up guidelines for additional service mandates (including a list of prohibited services). In order to ensure independence, the Audit Committee (where the fee exceeds CHF 300,000) or the CFO of the local Group company must also approve additional assignments. The Audit Committee reports quarterly and the auditors annually on current mandates being performed by the auditors, broken down into audit services, audit-related services and non-audit services. The statutory auditors, represented by the Auditor-in-charge and his deputy, usually attend all Audit Committee meetings. They report

to the Committee in detail on the conduct and results of their work, in particular regarding the annual financial statement audit. They submit a written report 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. The Chairman of the Audit Committee liaises closely with the Auditor-in-charge outside the meetings of the Audit Committee and regularly reports to the Board of Directors.

9 Information policy

Swisscom pursues an open, active information policy vis-à-vis the general public and the financial markets. It publishes comprehensive, consistent and transparent financial information on a quarterly basis.

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 regularly informed about its business through press releases. Those responsible for investor relations can be contacted via the website, e-mail, telephone or by post. Contact details are provided in the legal notice on the site.

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9.1 The results for the 2015 financial year will be published on the following dates:

- > Interim report: 6 May 2015
- > Interim report: 19 August 2015
- > Interim report: 5 November 2015
- > Annual report: February 2016

9.2 The Annual General Meeting will be held on:

- > 8 April 2015 in the Hallenstadion in Zurich-Oerlikon

The interim reports and annual report are available on the Swisscom website under Investor Relations or may be ordered directly from Swisscom. All press releases, presentations and the latest financial calendar are also available on the Swisscom website under Investor Relations.

Push and pull links for the distribution of ad hoc communications can also be found on the Swisscom website.

The minutes of the Annual General Meeting of 7 April 2014 and the webcast are available on the Swisscom website.