

Remuneration Report

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

1 Principles

This Remuneration Report outlines the principles behind, and the elements of, the remuneration paid to the Board of Directors and Group Executive Board (Executive Board as defined in Article 4 of the Articles of Incorporation) of Swisscom Ltd, and the decision-making powers. It discloses information about the amount of remuneration paid to the Board of Directors and Group Executive Board and the shares they hold in Swisscom Ltd. The Remuneration Report is based on sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by SIX Swiss Exchange and Art. 13 to 16 of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC). Swisscom is implementing the requirements of the OaEC. The Annual General Meeting resolved to make the necessary changes to the Articles of Incorporation on 7 April 2014. Swisscom also 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 are primarily set out in the Articles of Incorporation, the Organisational Regulations and the Regulations of the Compensation Committee. The latest version of these documents as well as revised or superseded versions can be viewed online on the Swisscom website under "Basic principles".

As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 8 April 2015.

The compensation paid in 2014 was accrued in accordance with the International Financial Reporting Standards (IFRS).

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

2 Decision-making powers

2.1 Division of tasks 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 Boards for the following financial year at the request of 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 the Articles of Incorporation (Articles 5.7.7 and 5.8.8). The Articles of Incorporation also define 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 defines the remuneration for each member of the Board of Directors and the CEO as well as the total remuneration for the Group Executive Board. For the remuneration in the 2016 financial year, the Board of Directors will for the first time have to comply with the maximum amounts approved by the 2015 Annual General Meeting for the remuneration to be paid to the Board of Directors and the Group Executive Board.

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 defined in the Articles of Incorporation, the Organisational Regulations of the Board of Directors and the Regulations of the Compensation Committee, which can be found on the Swisscom website under “Basic principles”.

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

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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 participation schemes	V	A	G
Personnel and remuneration policy	V	G ⁴	—
Principles for benefit plans and social security services	V	G	—
Concept of remuneration to members of the Board of Directors	V	G ⁴	—
Equity success and participation plans of the Group	V	G ⁴	—
General terms and conditions 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.

2.2 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. He does not participate in meetings in which discussions take place or decisions are made with regard to his own remuneration. The CEO and CPO attend the meetings in an advisory capacity, unless agenda items exclusively concern the Board of Directors or the CEO and CPO themselves, in which case the CEO and CPO are not present. Other members of the Board of Directors, auditors or experts may also be called upon to attend the meetings in an advisory capacity. Minutes are kept of the meetings. The Chairman reports orally on the activities of the Compensation Committee at the next meeting of the Board of Directors.

The details are defined in the Articles of Incorporation (Article 6.5), the Organisational Regulations of the Board of Directors and the Regulations of the Compensation Committee, which can be found on the Swisscom website under “Basic principles”.

The following table gives an overview of the composition of the Committee, the Committee meetings, conference calls and circular resolutions taken in 2014. 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 given in Note 37 to the consolidated financial statements.

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	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	1:50	–	–
Participation:			
Richard Roy, Chairman ¹	1	–	–
Barbara Frei, Chairwoman ²	3	–	–
Torsten G. Kreindl	3	–	–
Theophil Schlatter	3	–	–
Hans Werder ³	3	–	–
Hansueli Loosli ⁴	3	–	–

¹ Resigned as of 7 April 2014.

² Since 1 January 2014 Member of the Remuneration Committee, since 7 April 2014 Chairwoman.

³ Representative of the Confederation.

⁴ Participation without voting rights.

3 Remuneration paid to the Board of Directors

3.1 Principles

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

The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated people 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 and reflects the normal market remuneration for comparable functions. The basic principles regarding the remuneration of the Board of Directors and the allocation of equity shares are set out in the Articles of Incorporation (Articles 6.4 and 8.1), which can be accessed on the Swisscom website under "Basic principles".

The remuneration is made up of a Director's fee related to the member's function, meeting attendance fees as well as pension fund and any fringe benefits. No variable profit-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 reviewed every December for the following year for ongoing appropriateness. In December 2013, the Board of Directors opted not to adjust its remuneration for the 2014 financial year. The Board of Directors judged the appropriateness of the remuneration as part of a discretionary decision based on the publicly accessible ethos study published in 2012. This study provides information for the 2011 financial year on the remuneration of the management of Switzerland's 100 largest listed companies.

3.2 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 basic emolument for all members of the Board of Directors excluding employee social insurance contributions is CHF 120,000 (net).

The functional allowances total CHF 265,000 net for the Chairman, CHF 20,000 net each for the Vice Chairman and the Chairmen of the Finance and Compensation Committees, CHF 50,000 net for the Chairman of the Audit Committee and CHF 40,000 net for the representative of the Swiss Confederation. Remuneration of CHF 10,000 net is awarded for membership in a standing committee. 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 invested in shares. In this manner, the compensation (excluding meeting attendance fees, pension fund benefits 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, 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. The shares which are allocated in April of each reporting year are recorded at market value on the date of allocation. The share-based compensation is augmented by a factor of 1.19 in order to take account of the difference between the tax value and the market value. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements. In April 2014, a total of 1,374 shares were allocated to the members of the Board of Directors (prior year: 1,667 shares) for a tax value of CHF 449 per share (prior year: CHF 371). Their market value was CHF 534.50 (prior year: CHF 442) per share.

Meeting attendance fees

For meetings, attendance fees of CHF 1,250 net are paid for each full day and CHF 750 net for each half-day.

Pension fund and fringe benefits

Swisscom assumes the full costs of social insurance, in particular old-age and survivors' insurance and unemployment insurance, for the members of the Board of Directors. The disclosed compensation to the Members of the Board of Directors includes the employee's share of social security contributions. The employer's share of contributions is disclosed separately but included in total remuneration.

With regards to the disclosure of services rendered and non-cash benefits and expenses, these are dealt with from a tax point of view. No significant non-cash benefits are paid nor services rendered. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. Accordingly, neither services rendered and non-cash benefits nor expenses are included in the reported remuneration.

3.3 Total remuneration

Total remuneration paid to the individual members of the Board of Directors for the financial years 2014 and 2013 is presented in the tables below, broken down into individual components. Hugo Gerber's remuneration for his mandate as a member of the Board of Directors of Worklink AG, previously reported in a footnote, is included in total remuneration for the first time 2014. The lower amount of total remuneration for 2014 is attributable to the fact that there were fewer meetings in 2014.

2014, in CHF thousand	Base salary and functional allowances		Meeting attendance fees	Employer contributions to social security	Total 2014
	Cash remuneration	Share-based payment			
Hansueli Loosli	330	195	35	31	591
Frank Esser ¹	69	57	15	8	149
Barbara Frei	114	71	22	12	219
Hugo Gerber ²	111	61	26	11	209
Michel Gobet	104	61	22	11	198
Torsten G. Kreindl	127	75	26	13	241
Catherine Mühlemann	104	61	21	11	197
Richard Roy ³	48	7	8	4	67
Theophil Schlatter	162	99	26	16	303
Hans Werder	142	84	25	11	262
Total remuneration to members of the Board of Directors	1,311	771	226	128	2,436

¹ Elected as of 7 April 2014.

² Since 2014 the cash remuneration (including meeting attendance fees) of CHF 8,500 for the mandate as member of the Board of Directors of Worklink AG has been included.

³ Resigned as of 7 April 2014.

2013, in CHF thousand	Base salary and functional allowances		Meeting attendance fees	Employer contributions to social security	Total 2013
	Cash remuneration	Share-based payment			
Hansueli Loosli	330	195	43	30	598
Barbara Frei	104	61	28	11	204
Hugo Gerber ¹	104	61	30	11	206
Michel Gobet	104	61	28	11	204
Torsten G. Kreindl	127	75	33	13	248
Catherine Mühlemann	104	61	27	11	203
Richard Roy	144	85	33	15	277
Theophil Schlatter	152	90	31	16	289
Hans Werder	142	84	34	12	272
Total remuneration to members of the Board of Directors	1,311	773	287	130	2,501

¹ In addition, a cash remuneration (including meeting attendance fees) of CHF 9,000 was paid as member of the Board of Directors of Worklink AG.

3.4 Minimum shareholding requirement

Since 2013, the members of the Board of Directors have been required to maintain a minimum shareholding equivalent to one annual emolument (basic emolument plus functional allowance). The members of the Board of Directors 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. 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.

3.5 Shareholdings of the members of the Board of Directors

Blocked and non-blocked shares held by members of the Board of Directors and/or related parties as at 31 December 2014 and 2013 are listed in the table below:

Number	31.12.2014	31.12.2013
Hansueli Loosli	1,682	1,335
Frank Esser ¹	101	—
Barbara Frei	409	283
Hugo Gerber	1,129	1,020
Michel Gobet	1,496	1,387
Torsten G. Kreindl	1,195	1,061
Catherine Mühlemann	1,119	1,010
Richard Roy ²	—	1,269
Theophil Schlatter	887	711
Hans Werder	839	688
Total shares of the members of the Group Executive Board	8,857	8,764

¹ Elected as of 7 April 2014.

² Resigned as of 7 April 2014.

No share of the voting rights of any person required to make disclosure thereof exceeds 0.1% of the share capital.

4 Remuneration paid to the Group Executive Board

4.1 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:

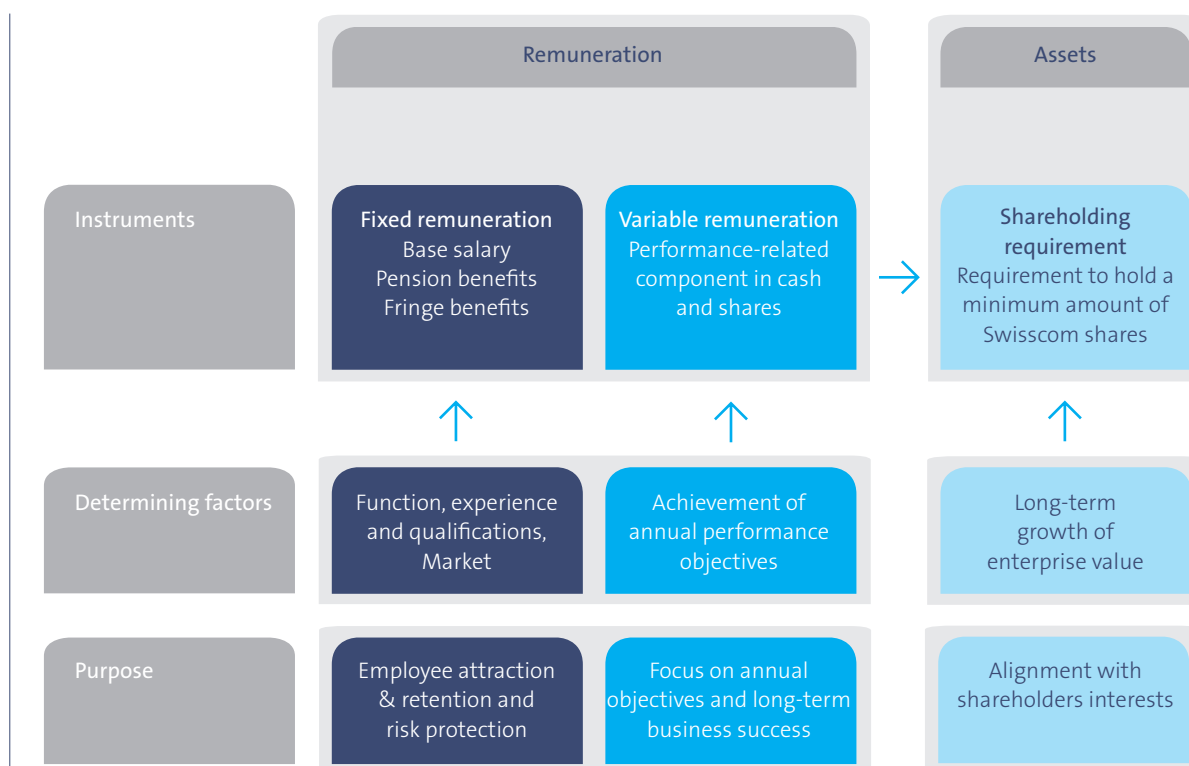
- > Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- > Remuneration is based on performance in line with the results achieved by Swisscom and the contribution made to results by the area for which the member of the Group Executive Board is responsible.
- > Through direct financial participation in the performance of Swisscom's shares, 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 (primarily use of a company car) and pension benefits. The variable remuneration includes a performance-related component settled in cash and shares.

The members of the Group Executive Board are required to maintain a minimum shareholding, which strengthens their direct financial participation in the medium-term performance of Swisscom's share and thus aligns their interests with those of shareholders. To facilitate compliance with the minimum shareholding requirement, Group Executive Board members have the opportunity to draw 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 participation plans of the Group Executive Board are set out in the Articles of Incorporation (Article 8.1), which can be accessed on the Swisscom website under "Basic principles".

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As a rule, the Compensation Committee reviews individual remuneration paid to members of the Group Executive Board every three years of employment. 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 regularly takes part in market comparisons carried out by renowned consultancy firms. In the year under review, Swisscom referred to two comparative studies: The “Swiss Headquarters Executive Total Compensation Measurement Study” by Aon Hewitt covers 78 Swiss companies and international groups in all sectors with global or regional headquarters in Switzerland, average revenues of CHF 2.4 billion and an average workforce of 6,500. The international “European Executive Survey”, also produced by Aon Hewitt, covers 37 European groups, mainly telecommunications companies, with average revenues of around CHF 30 billion and an average workforce of 73,000 (FTEs). Due to their numerous reference companies, both studies provide the basis for a representative comparison. In the evaluation of these studies, Swisscom takes into account the sector as well as the extent of responsibility in terms of revenue, number of employees and international scope. During the reporting year, Swisscom adjusted the remuneration of two Group Executive Board members to reflect these benchmarks, to take account of their additional functions and to ensure a salary that is in line with the market. For one of these members, the increase will be made in two steps in April 2014 and April 2015.

4.2 Changes to the remuneration system from 2014

With effect from 1 January 2014, Swisscom adjusted the remuneration system for the Group Executive Board so that the variable component of total remuneration in the event that targets are exceeded may not exceed one year's base salary. This adjustment did not change the total remuneration of each individual Group Executive Board member. The performance-related bonus for Group Executive Board members now amounts to up to 70% of the adjusted annual base salary, depending on the function. The Board of Directors has also introduced a restricted share plan which will serve to support the recruitment and retention of employees in key positions. Under this plan, the Board of Directors can, where necessary, pay part of the remuneration of individual Group Executive Board members in the form of restricted share units. These shares must be earned over a three year vesting period. During the reporting year, Swisscom did not allocate any restricted share units to members of the Group Executive Board. As part of the implementation of the OaEC, the Board of Directors added a provision to the employment contracts of the members of the Group Executive Board in 2014 according to which Swisscom may allow wrongfully awarded or paid remuneration to expire or reclaim such remuneration.

4.3 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 for 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 depending on individual function represents 50–70% of the base salary if objectives are achieved (target bonus). The amount of the performance-related component paid out depends on the extent to which the targets are achieved. The extent of the target achievement is set by the Compensation Committee, taking into account the performance evaluation by the CEO. If targets are exceeded, up to 130% of the target bonus may be paid. The maximum performance-related salary component is thus limited to 65%–91% of the base salary, depending on the function. This ensures that the maximum performance-related salary component does not exceed the annual base salary, even taking account of the market value of the component paid in shares. The variable performance-related salary component was paid to the member of the Group Executive Board who left in the first quarter of the reporting year on the basis of the rules applicable in 2013 (target bonus of 117% of the base salary).

Targets for the variable performance-related component

The targets underlying the variable performance-related component are adopted annually in December for the following year by the Board of Directors following a proposal submitted by the Compensation Committee. The relevant targets set for the reporting year are based on the Swisscom Group's budget figures for 2014, and are assigned to three target levels: "Group", "Customers" and "Segments". All Group Executive Board members are measured against Group and customer targets. Group targets consist of financial targets. The customer targets for the reporting year are measured using the Net Promoter Score – a recognised indicator of customer loyalty – taking into consideration the customer group for which the Group Executive Board member is responsible. The segment targets are tailored to the relevant function of each Group Executive Board member and consist of financial and non-financial targets.

Swisscom's target structure aims to strike a balance between financial performance and market performance, taking into account the specific area of responsibility of the individual Group Executive Board member.

The following table illustrates the target structure valid for the CEO and other Group Executive Board members in the year under review, showing the three target levels, individual targets and the respective weighting.

Target levels	Objectives	Weighting of targets level CEO	Weighting of targets level other members of the Group
Group	Net revenue	21%	12–18%
	EBITDA margin	21%	12–18%
	Operating free cash flow	28%	16–24%
Customers	Net Promoter Score	30%	25%
Segments	Targets of segments		15–35%
Total		100%	100%

Achievement of targets

The Compensation Committee determines the level of target achievement in the following year once the consolidated financial statements become available. Its decision is based on a quantitative assessment of the extent to which targets have been met using a scale for the overachievement and underachievement of each target. In determining the level of target achievement, the Compensation Committee also has a degree of discretion in assessing the effective management performance, allowing special factors such as fluctuations in exchange rates to be taken into account. Based on the level of target achievement, the Compensation Committee submits a proposal for approval to the Board of Directors for the amount of the performance-related salary component to be paid to the Group Executive Board and the CEO.

Most of the financial Group targets were met and some exceeded in the year under review. Customer targets were not all fully met. The other targets of the segments were largely achieved and partially exceeded.

Payment of the variable performance-related component

The variable performance-related component 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 increase this share up to a maximum of 50%. The remaining portion of the performance-related component is settled in cash. The decision of 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 publication of the third-quarter results. The shares are allocated on the basis of the tax value, rounded up to whole numbers of shares, and are subject to a three-year 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. Shares in respect of the current year are allocated in April 2015. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements.

In April 2014, a total of 1,599 shares (2012: 2,707 shares) with a tax value of CHF 449 (2012: CHF 371) per share and a market value of CHF 534.50 (2012: CHF 442) per share were allocated for the 2013 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 risks of old age, death and disability through the comPlan pension plan (see pension fund regulations at www.pk-complan.ch). The disclosed pension benefits (amounts which give rise to or increase pension entitlements) encompass all savings, guarantee and risk contributions paid by the employer to the pension plan. It also includes the pro rata costs of the AHV bridging pension paid by comPlan in the event of early retirement and the premium for the supplementary life insurance concluded for Swisscom management staff in Switzerland.

With regards to the disclosure of services rendered and non-cash benefits and expenses, these are dealt with from a tax point of view. The members of the Group Executive Board are entitled to the use of a company car. The disclosed services rendered and non-cash benefits 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.

4.4 Total remuneration

The following table shows total remuneration paid to the members of the Group Executive Board for the 2014 and 2013 financial years, broken down into individual components and including the highest amount paid to one member. Any remuneration paid to those stepping down from the Group Executive Board includes the respective maximum remuneration up to the end of the notice period of those members of the Group Executive Board who stepped down in the relevant reporting year. During the reporting period, one member left the Group Executive Board. Members of the Group Executive Board stepping down receive the full variable performance-related component in cash. The increase in the base salary relative to the previous year and the associated reduction in the variable performance-related component is attributable to the change to the remuneration system from 2014. In the year under review, the variable performance-related salary component (CHF 2,681 million in total) was 74% of the base salary (CHF 3,622 million in total). The total remuneration paid to the highest-earning member of the Group Executive Board (CEO, Urs Schaeppi) increased by 3.5% compared to the prior year. The reason for this is that the remuneration of the CEO, which was adjusted upon his assumption of the position in November 2013, affects the entire year in 2014. The reduction in total remuneration paid to the Group Executive Board (excluding remuneration paid to those stepping down from the Group Executive Board) is mainly attributable to the changed composition of the body as of 1 January 2014.

In CHF thousand	Total Group Executive Board 2014	Total Group Executive Board 2013	Thereof Urs Schaeppi 2014	Thereof Urs Schaeppi 2013
Fixed base salary paid in cash	3,622	3,183	882	622
Variable earnings-related remuneration paid in cash	1,969	2,640	463	566
Variable earnings-related remuneration paid in shares ¹	712	853	184	298
Service-related and non-cash benefits	60	45	18	16
Employer contributions to social security ²	481	488	116	105
Retirement benefits	696	738 ³	110	106
Total remuneration to members of the Group Executive Board	7,540	7,947	1,773	1,713
Benefits paid following retirement from Group Executive Board ⁴	252	1,481 ⁵	—	—
Total remuneration to members of the Group Executive Board including benefits paid following retirement from Group Executive Board	7,792	9,428	1,773	1,713

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 As compensation for deferred entitlement to shares/option plans, which expired as a result of the switch to Swisscom, an additional CHF 165,000 was deposited into the retirement provision of a member of the Group Executive Board in 2013. (A total of CHF 500,000 gross was awarded to him over the reporting years 2012-2014).

⁴ This amount includes the employer social security contributions as well as retirement benefits.

⁵ This amount also includes 2014 retirement benefits as compensation for deferred entitlement to shares/option plans.

4.5 Minimum shareholding requirement

Since 2013, the members of the Group Executive Board have been required to hold a minimum amount of Swisscom shares. The minimum shareholding to be held by the CEO shall be equivalent to two years' base salary. The remaining members shall 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. 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.

4.6 Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by current members of the Group Executive Board or related parties as at 31 December 2014 and 2013 are listed in the table below:

Number	31.12.2014	31.12.2013
Urs Schaeppi (CEO) ¹	2,275	1,716
Mario Rossi	634	383
Hans C. Werner	421	257
Marc Werner ²	106	—
Christian Petit ³	1,332	—
Roger Wüthrich-Hasenböhler ²	879	—
Heinz Herren ²	1,122	—
Andreas König ⁴	—	170
Total shares of the members of the Board of Directors	6,769	2,526

¹ From 23 July to 6 November 2013 CEO ad interim and from 7 November 2013 CEO.

² Joined the Group Executive Board as of 1 January 2014.

³ Joined the Group Executive Board as of 1 April 2014.

⁴ Resigned from the Group Executive Board as of 31 March 2014.

No share of the voting rights of any person required to make disclosure thereof exceeds 0.1% of the share capital.

4.7 Employment contracts

The employment contracts of the members of the Group Executive Board are subject to a twelve-month notice period. No termination benefits are payable in addition to the salary payable for a maximum of twelve months. The employment contracts stipulate that Swisscom may allow wrongfully awarded or paid remuneration to expire or reclaim such remuneration. They do not contain a clause on change of control.

5 Other remuneration

5.1 Additional remuneration

Swisscom may pay remuneration to members of the Board of Directors for mandates in group companies and for mandates performed by order of Swisscom (Article 6.4 of the Articles of Incorporation). In 2014, Hugo Gerber was the only member to receive remuneration for an additional mandate for his mandate as a member of the Board of Directors of the Swisscom Group company Worklink AG. The director's fee amounts to CHF 7,500 gross per year. For meetings, attendance fees of CHF 1,000 gross are paid for each full day and CHF 500 gross for each half-day. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. The remuneration reflects the level of responsibility and scope of activities. It is determined by the Board of Directors of Worklink AG based on a discretionary decision and reviewed every two years for ongoing appropriateness. 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.

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

In the year under review, no compensation was paid to former members of the Board of Directors or the Group Executive Board in connection with their earlier activities as a member of a governing body of the company and/or which are not at arm's length. There were also no payments made to individuals who are closely related to any member of the Board of Directors or the Group Executive Board which are not at arm's length.

Related parties are spouses and common-law spouses, close relatives who are financially dependent on the member of the governing body or live in the same household, other persons who are financially dependent on such individuals as well as partnerships or corporate entities that are controlled by the member of the governing body or over which the member of the governing body exercises a significant influence. Close relatives include parents, siblings and children.

5.3 Loans and credits granted

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

In the 2014 financial year, Swisscom provided no guarantees, 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. Nor are there any receivables of any kind outstanding.