

Corporate Governance and Remuneration Report

Taking advantage
of new
opportunities
to generate
sustainable growth.

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 effort 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.

1 Principles

1.1 General principles

In performing their activities, the Board of Directors and Group Executive Board of Swisscom are guided by the objective of long-term and sustainable business management. They incorporate in their decisions the legitimate interests of Swisscom shareholders, customers, employees and other interest groups. To this end, the Board of Directors practises 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 of 1 September 2014 issued by SIX Swiss Exchange, 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
- > legal requirements pursuant to the Swiss Code of Obligations

The interaction of investors, proxy advisors and other stakeholder groups with 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 as and when necessary.

1.2 Internal governance framework

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".

2 Group structure and shareholders

2.1 Group structure

2.1.1. Operational group 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 Human Resources, Group Strategy & Board Services, Group Communications & Responsibility and Group Security. The Board of Directors delegates the day-to-day business management to the CEO of Swisscom Ltd. The CEO, together with the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO) as well as the heads of the business divisions Sales & Services, Products & Marketing, Enterprise Customers and IT, Network & Infrastructure, form the Group Executive Board. The Group further operates a Digital Business division. Strategic and financial management of the Group companies is assured through the rules governing 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 Board of Directors of Swisscom (Switzerland) Ltd comprises the CEO of Swisscom Ltd as Chairman, the CFO of Swisscom Ltd and the Head of IT, Network & Infrastructure. The operations of Swisscom (Switzerland) Ltd are managed by the CEO of Swisscom Ltd. Seats on the Board of Directors of 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 also includes an external member. The Board of Directors of Fastweb S.p.A. has empowered the delegate of the Board of Directors with the executive management of the company. 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 other persons appointed by the CEO. Other representatives of Swisscom and, in some cases, external parties also serve as members of the Board of Directors. Further information on the Group structure can be found 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 provided in Note 40 to the consolidated financial statements.

For financial reporting purposes, the business divisions of Swisscom are allocated to individual segments, which during the year under review were based on the management structure employed up until the end of 2015. For practical reasons, the segment reporting for 2016 has not been changed versus the previous year. The 2016 financial reporting is thus structured according to the areas Swisscom Switzerland, Fastweb and Other Operating Segments. Swisscom Switzerland covers the segments Residential Customers, Small and Medium-Sized Enterprises, Enterprise Customers, Wholesale and IT, Network & Innovation. Other Operating Segments mainly comprises Participations, Health and Connected Living. Group Headquarters, which primarily includes the Group divisions as well as the employment company Worklink, continues to be reported separately. Further information on segment reporting can be found in the Management Commentary.

See report
page 26

See report
pages 218—219

See report
page 28

2.1.2 Listed company

The Swisscom Group comprises only one listed company, Swisscom Ltd, a company governed by Swiss law with its registered office in Ittigen (canton of Berne, Switzerland) and is listed in the Standard for Equity Securities, Sub-Standard International Reporting, of SIX Swiss Exchange (Securities No.: 874251; ISIN: CH0008742519; Ticker Symbol: SCMN).

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

As at 31 December 2016, the stock market capitalisation of Swisscom Ltd was CHF 23,627 million.

2.2 Major shareholders

Pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA), there is a duty to disclose shareholdings whenever 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 February 2016, BlackRock, Inc., New York, reported a shareholding of 3% in Swisscom Ltd; a few days later it reported a shareholding of 3.01%. The shareholding disclosures can be viewed on the website of SIX Exchange Regulation at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

On 31 December 2016, the Swiss Confederation ("the Confederation"), as majority shareholder, continued to hold 50.95% of the issued share capital of Swisscom Ltd, which is unchanged from the previous year. The Telecommunications Enterprises Act (TEA) provides that the Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

2.3 Cross-participations

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

3 Capital structure

3.1 Capital

At 31 December 2016 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.

3.2 Authorised and conditional capital

There is no authorised or conditional share capital.

3.3 Changes in capital

The share capital was unchanged in the years 2014 to 2016. 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	Legal capital reserves	Voluntary retained earnings	Treasury shares	Total equity
Balance at 1 January 2014	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
Net income	–	–	279	–	279
Dividends paid	–	–	(1,140)	–	(1,140)
Balance at 31 December 2015	52	21	4,641	–	4,714
Net income	–	–	2,682	–	2,682
Dividends paid	–	–	(1,140)	–	(1,140)
Purchase and sale of treasury shares	–	–	–	(1)	(1)
Balance at 31 December 2016	52	21	6,183	(1)	6,255

The Annual General Meetings held on 7 April 2014, 8 April 2015 and 6 April 2016 each approved an ordinary dividend of CHF 22 per share.

3.4 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 rights, 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.

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

The holder of an ADR possesses the rights listed in the Deposit Agreement (e.g. the right to issue instructions for the execution of voting rights and the right to dividends). The Bank of New York Mellon Corporation, which acts as the ADR depository, is listed as the shareholder in the share register. ADR holders are therefore unable to directly enforce and exercise shareholder rights. The Bank of New York Mellon Corporation exercises the voting rights in accordance with the instructions it receives from the ADR holders.

For further details on the shares, see section 7 “Shareholders’ participation rights” and the Management Commentary.

Swisscom Ltd has issued no participation certificates.

See report
page 126

See report
page 88

3.5 Profit-sharing certificates

Swisscom Ltd has issued no profit-sharing certificates.

3.6 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. In accordance with Article 3.5.1 of the Articles of Incorporation, the Board of Directors may refuse to recognise an acquirer of shares as a shareholder or beneficial holder with voting rights if the latter’s total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. The acquirer is entered in the register as a shareholder or beneficial holder without voting rights for the remaining shares. The other statutory provisions on restricted transferability are described in section 7.1 of this report, “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 in excess of the 5% threshold, provided they disclose their trustee capacity. In addition, they must be subject to supervision by a banking or financial market supervisory authority or otherwise provide the necessary assurance that they are acting for the account of one or more unrelated parties. They must also be able to provide evidence of the names, addresses and holdings of the beneficial owners of the shares. This provision of the Articles of Incorporation may be changed by resolution of the Annual General Meeting; an absolute majority of valid votes cast is required. In accordance with this provision, the Board of Directors has issued regulations governing the entry of trustees and nominees in the Swisscom Ltd share register. 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 any given individual beneficial owner for no more than 0.5% of the registered share capital of Swisscom Ltd entered in the commercial register.

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

3.7 Convertible bonds, debenture bonds and options

See report
page 194

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

See report
page 180

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

4 Board of Directors



Frank
Esser

Barbara
Frei

Alain
Carrupt

Theophil
Schlatter



Hansueli
Loosli

Valérie
Berset Bircher

Catherine
Mühlemann

Hans
Werder

Roland
Abt

4.1 Members of the Board of Directors

The Board of Directors consists of nine members. Hugo Gerber, Michel Gobet and Torsten Kreindl stepped down from the Board of Directors at the Annual General Meeting held on 6 April 2016. Roland Abt, Valérie Berset Bircher and Alain Carrupt were elected as new members of the Board of Directors. The representative of the Swiss Confederation, Hans Werder, will step down from the Board of Directors at the Annual General Meeting on 3 April 2017. The Swiss Confederation has delegated Renzo Simoni as his successor. Renzo Simoni (born 1961), a Swiss national, has a doctorate in civil engineering from the Swiss Federal Institute of Technology and has been Chairman of the Management Board at AlpTransit Gotthard AG since 2007.

Members of the Board of Directors at 31 December 2016 are as follows:

Name	Nationality	Year of birth	Function	Taking office at the Annual General Meeting	Appointed until Annual General Meeting
Hansueli Loosli ¹	Switzerland	1955	Chairman	2009	2017
Roland Abt	Switzerland	1957	Member	2016	2017
Valérie Berset Bircher	Switzerland	1976	Member, representative of the employees	2016	2017
Alain Carrupt	Switzerland	1955	Member, representative of the employees	2016	2017
Frank Esser	Germany	1958	Member	2014	2017
Barbara Frei	Switzerland	1970	Member	2012	2017
Catherine Mühlemann	Switzerland	1966	Member	2006	2017
Theophil Schlatter	Switzerland	1951	Deputy Chairman	2011	2017
Hans Werder ²	Switzerland	1946	Member, representative of the Confederation	2011	2017

¹ Since 1 September 2011 Chairman.

² Designated by the Swiss Confederation.

4.2 Education, professional activities and affiliations

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

Pursuant to the Articles of Incorporation, Board members may perform no more than three additional mandates in listed companies and no more than ten additional mandates in non-listed companies. In total, they may not perform more than ten such additional mandates. These restrictions on the number of mandates do not apply to mandates performed by a Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations or employee retirement-benefit foundations. However, the total number of these mandates is also limited to ten and seven respectively. 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 Article 8.3 of the Articles of Incorporation. No member of the Board of Directors exceeds the limits set for mandates.

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



Hansueli Loosli

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, most recently as Managing Director; 1992–1996 Coop Switzerland, Wangen, Director of Non-Food Product Procurement; 1992–1997 Coop Zurich, Zurich, Managing Director; 1997–2000 Coop Switzerland, Basel, Chairman of the Executive Committee and Coop Group Executive Committee; January 2001–August 2011 Coop Genossenschaft, Basel, Chairman of the Executive Committee

Mandates in listed companies: Mandate of the Coop Group: Chairman of the Board of Directors, Bell AG, Basel

Mandates in non-listed companies: Mandates of the Coop Group: Chairman of the Board of Directors, Coop Group Association, Basel; Chairman of the Board of Directors, Transgourmet Holding AG, Basel; Chairman of the Board of Directors, Coop Mineraloel AG, Allschwil. Other mandates: Member of the Advisory Board Deichmann SE, Essen; member of the Board of Directors, Heinrich Benz AG, Weiach, until December 2016

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, and employee benefit foundations: –

Other significant activities: –



Roland Abt

Education: Doctorate in business administration (Dr. oec.)

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

Mandates in listed companies: Member of the Board of Directors of Conzzeta AG in Zurich

Mandates in non-listed companies: Member of the Board of Directors, Raiffeisenbank, Zufikon

Mandates by order of Swisscom: –

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

Other significant activities: Member of the Regulatory Board and Issuers Committee of SIX Swiss Exchange, Zurich



Valérie Berset Bircher

Education: Doctorate in law (Dr. iur.)

Career history: 2005 Office of the International Labour Organization (ILO), specialist in employment law in the Department of International Labour Standards; 2006–2007 International Organization for Standardization (ISO), Human Resources Department; since 2007 Deputy Head of the International Labour Affairs section of the State Secretariat for Economic Affairs (SECO) in which role she has served on committees of the United Nations (UN) and the International Labour Organization (ILO) addressing economics, finance and development issues and as a member of the Federal Advisory Committee for the National Contact Points on OECD Guidelines for Multinational Companies and the tripartite ILO Committee; 2011–2014 Member of the ILO Board of Directors.

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: –

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

Other significant activities: –



Alain Carrupt

Education: Swiss school-leaving certificate in economics

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

Mandates in listed companies: –

Mandates in non-listed companies: Member of the SUVA Board of Directors until June 2016

Mandates by order of Swisscom: –

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

Other significant activities: –



Frank Esser

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

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

Mandates in listed companies: Member of the Board of Directors, AVG Technologies N.V., Amsterdam, until September 2016; member of the Supervisory Board, Dalenys Group S.A (formerly Rentabiliweb Group S.A.S.), Brussels; member of the Board of Directors, InterXion Holding N.V., Amsterdam

Mandates in non-listed companies: –

Mandates by order of Swisscom: –

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

Other significant activities: –



Barbara Frei

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

Career history: 1998–November 2016 ABB Group in various managerial positions, including, in particular, 2008–2010 ABB s.r.o., Prague, Country Manager; 2010–2013 ABB S.p.A., Sesto San Giovanni (Italy), Country Manager and Regional Manager Mediterranean; November 2013–December 2015 Drives and Control Unit, Managing Director; 2016 Head of Strategic Portfolio Reviews for the Power Grids division; since December 2016 Schneider Electric, Paris: Zone President Germany and Chairman of the Executive Committee of Schneider Electric GmbH, Germany

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: –

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

Other significant activities: –



Catherine Mühlemann

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: Member of the Supervisory Board, Tele Columbus AG, Berlin

Mandates in non-listed companies: Vice-Chair of Switzerland Tourism

Mandates by order of Swisscom: –

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

Other significant activities: –



Theophil Schlatter

Education: Degree in business administration (lic. oec. HSG); qualified 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; 1997–2011 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 until April 2016; 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, and employee benefit foundations: –

Other significant activities: –



Hans Werder

Education: Doctorate in social science (Dr. rer. soc.); law degree (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, and employee benefit foundations: –

Other significant activities: –

4.3 Election and term of office

Under the terms of the Articles of Incorporation, the Board of Directors comprises between seven and nine members and, if necessary, the number can be increased temporarily. It currently comprises nine members. 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 Swiss Confederation's sole representative. Under the terms of the Telecommunications Enterprise Act (TEA), employees must also 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 have been Valérie Berset Bircher and Alain Carrupt since the Annual General Meeting of April 2016. Valérie Berset Bircher was nominated by the transfair staff association and Alain Carrupt was nominated by the syndicom trade union. With the exception of the representative of the Swiss Confederation, the Board of Directors of Swisscom Ltd is elected by the shareholders at the Annual General Meeting. 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. Re-election is permitted. If the office of the Chairman is vacant or the number of members of the Compensation Committee falls below the minimum number of three members, the Board of Directors nominates a chairman from among its members or appoints the missing member(s) of the Compensation Committee to serve until the conclusion of the next Annual General Meeting. Otherwise, the Board of Directors constitutes itself.

The maximum term of office for members elected by the Annual General Meeting, as a rule, is a total of twelve years. This flexible arrangement makes it possible for shareholders to extend the maximum term of office in exceptional cases if special circumstances exist. Members who reach the age of 70 retire from the Board as of the date of the next Annual General Meeting. The maximum term of office and age limit for the Federal representative are determined by the Federal Council.

See report
page 215

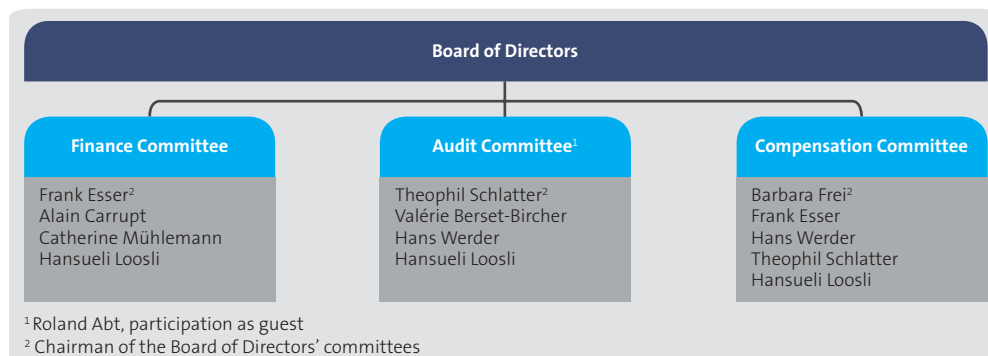
4.4 Independence

In order to determine independence, the Board of Directors applies the criteria set out in the Swiss Code of Best Practice for Corporate Governance. Independent members shall thus mean non-executive members of the Board of Directors who never were or were more than three years ago a member of the executive management and who have no or comparatively minor business relations with the company. The term of office of a member of the Board of Directors is not a criterion that can be used to assess independence. No members of the Board of Directors hold an executive role within the Swisscom Group or have held such a role in any of the three business years prior to the reporting year. The Board members have no significant commercial links with Swisscom Ltd or the Swisscom Group. The Swiss Confederation, represented on the Board by Hans Werder, holds the majority of the capital and voting rights in Swisscom. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 37 to the consolidated financial statements.

See report
page 215

4.5 Internal organisation and modus operandi

The Board of Directors is responsible for the strategic and financial management of Swisscom and for supervising the company's executive management. As the supreme governing body of the Company, it has decision-making authority unless such authority is granted to the Annual General Meeting by law. The Board of Directors has delegated individual tasks to committees. The Board of Directors and the standing committees of the Board of Directors of Swisscom Ltd were organised as follows as at 31 December 2016:



The Board of Directors is convened by the Chairman and meets as often as business requires. In the event that the Chairman is unavailable, the meeting is convened by the Vice-Chairman. The CEO, the CFO and the Head of Group Strategy & Board Services regularly attend 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. To further ensure appropriate reporting to the members of the Board, the Board of Directors invites members of the Group Executive Board, senior employees of Swisscom, auditors and other internal and external experts, as appropriate, to attend its meetings on specific issues. 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 duties, responsibilities and modus operandi of the Board of Directors as well as its conduct with respect to conflicts of interest are defined in the Organisational Rules and those of the standing committees are defined in the relevant committee regulations.

The Board of Directors attaches great importance to the ongoing development and continuing education of the Board and its individual members. The Board of Directors and the committees conduct self-assessments, usually once a year and most recently in January 2016. A one-day mandatory training course was held at the beginning of 2016. Each quarter, the members of the Board of Directors also have the opportunity to explore in-depth the upcoming challenges facing the Group and business divisions as part of "company experience days". The majority of members of the Board of Directors regularly take advantage of these opportunities. In addition, individual members of the Board of Directors attended selected presentations and seminars during the year. New Board members are given a task-specific introduction to their new activity. At this one-day introduction they are provided with an overview of Group management and the current operational challenges; they are also given an in-depth look at topics related to Fastweb and attend task-related training sessions. Whenever 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 in 2016.

	Meetings ¹	Conference calls	Circular resolutions
Total	11	3	—
Average duration (in hours)	5:30	1:15	—
Participation:			—
Hansueli Loosli, Chairman	11	3	—
Roland Abt ²	6	3	—
Valérie Berset Bircher ²	8	3	—
Alain Carrupt ²	8	3	—
Frank Esser	11	3	—
Barbara Frei	11	2	—
Hugo Gerber ³	3	—	—
Michel Gobet ³	3	—	—
Torsten Kreindl ³	3	—	—
Catherine Mühlemann	11	3	—
Theophli Schlatter, Deputy Chairman	11	3	—
Hans Werder	11	3	—

¹ Two meetings were held over two days.

² Elected to the Board of Directors as of 6 April 2016.

³ Resigned from the Board of Directors as of 6 April 2016.

4.6 Chairman of the Board of Directors

Hansueli Loosli has been a member of the Board of Directors since 2009 and its Chairman since September 2011. The powers and responsibilities of the Chairman are defined in the Organisational Rules. In the event that the Chairman of the Board of Directors is unavailable, the Vice-Chairman, Theophil Schlatter, assumes his powers and responsibilities.

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

4.7 Committees of the Board of Directors

The Board of Directors has three standing committees (Audit, Finance and Compensation) and one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. The committees usually consist of three to six members. As a rule, every member of the Board of Directors always also sits on at least one of the standing committees. Roland Abt, in office since April 2016, did not sit on any committees during the year under review due to his operational role as CFO of Georg Fischer AG until the end of 2016. He did, however, sit in as a guest on individual meetings of the Audit Committee. Subject to being appointed to the Compensation Committee (without voting rights), the Chairman of the Board of Directors is a member of all the standing committees. The committees are chaired by other members, however, who must provide the Board of Directors with an oral report on the activities of the previously held committee meetings at the next meeting of the Board of Directors. All members of the Board of Directors also receive copies of all Finance and Audit Committee meeting minutes. The minutes of the Compensation Committee are provided to the other members of the Board of Directors upon request.

Finance Committee

On behalf of the Board of Directors, the Finance Committee prepares information on corporate transactions, for example, in connection with setting up or dissolving important Group companies, acquiring or disposing of significant shareholdings, and entering into or terminating strategic alliances. The Committee also acts in an advisory capacity on matters relating to major investments and divestments. The Finance Committee has the ultimate decision-making authority when it comes to 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.

The Finance Committee is convened by the Chairman or at the request of a Committee member as often as business requires. The CEO, the CFO and the Head of Group Strategy and 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 and project managers are called upon, as appropriate, to also attend the meetings.

The following table gives an overview of the Finance Committee's composition, meetings, conference calls and circular resolutions in 2016.

	Meetings	Conference calls	Circular resolutions
Total	2	—	—
Average duration (in hours)	3:20	—	—
Participation:			
Frank Esser, Chairman	2	—	—
Alain Carrupt ¹	2	—	—
Michel Gobet ²	—	—	—
Torsten Kreindl ³	—	—	—
Catherine Mühlemann	1	—	—
Hansueli Loosli	2	—	—

¹ Elected to the Board of Directors as of 6 April 2016.

² Resigned from the Board of Directors as of 6 April 2016.

³ Chairman, resigned from the Board of Directors as of 6 April 2016.

Audit Committee

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 (dividend policy, for example). The Committee is the Board of Directors' most important controlling instrument and is responsible for monitoring the Group-wide assurance functions. It formulates positions on business matters which lie within the decision-making authority of the Board of Directors and has the final say on those business matters for which it has the corresponding competence. Details of the Committee's activities are set out in the Audit Committee rules of procedure.

See report
page 215

The Chairman of the Audit Committee, Theophil Schlatter, is a financial expert. Since April of 2016, half of the Committee's members have possessed experience in finance and accounting. Roland Abt, financial expert, sat in on two meetings as a guest in the year under review and has been a member of the Committee since 2017.

The members of the Audit Committee neither work for Swisscom in an executive capacity at present nor have they done so in the past, nor do they have any significant commercial links with Swisscom Ltd or the Swisscom Group. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 37 to the consolidated financial statements.

The Audit Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but at least four times a year. The CEO, CFO, Head of Group Strategy & Board Services, Head of Accounting, Head of Internal Audit and the external auditors attend the Audit Committee meetings. Depending on the agenda, other Swisscom management members are called upon to attend. The Audit Committee can also involve independent third parties such as lawyers, public accountants and tax experts as required.

The following table gives an overview of the Audit Committee's composition, meetings, conference calls and circular resolutions in 2016.

	Meetings	Conference calls	Circular resolutions
Total	5	—	—
Average duration (in hours)	5:25	—	—
Participation: ¹			
Theophil Schlatter, Chairman ²	5	—	—
Valérie Berset Bircher ³	4	—	—
Hugo Gerber ⁴	1	—	—
Hans Werder	5	—	—
Hansueli Loosli	5	—	—

¹ Roland Abt, financial expert has attended two meetings as guest.

² Financial expert.

³ Elected to the Board of Directors as of 6 April 2016.

⁴ Resigned from the Board of Directors as of 6 April 2016.

See report
page 131

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 ground-work for electing new members to the Board of Directors and the Group Executive Board when needed. The Committee is presided over by the Chairman and its composition is determined on a case-by-case basis. The Committee carries out its work based on a specific requirements profile defined by the Board of Directors and presents suitable candidates to the Board of Directors. The Board of Directors appoints the members of the Group Executive Board or decides upon the motion to be submitted to the Annual General Meeting for the election and approval of members of the Board of Directors. No Nomination Committee was formed in the 2016 financial year. In 2015 and in January 2016, the Chairman and one or two other members of the Board of Directors examined and interviewed suitable candidates for Board of Director elections which took place in April 2016. They provided periodic reports on these activities to the Board of Directors. The candidates evaluated were also introduced in person to the other members of the Board of Directors at Board meetings.

4.8 Assignment of powers of authority

The Telecommunications Enterprise Act (TEA) makes reference to the Swiss Code of Obligations regarding the non-transferable and irrevocable duties of the Board of Directors of Swisscom Ltd. Pursuant to Article 716a of the Code of Obligations, the Board of Directors is responsible 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 Rules. In addition to those duties which are incumbent on it by virtue of law, 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 and capital expenditures 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 Rules (see function table in Rules of Procedure and Accountability).

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

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

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

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

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

The Board of Directors addresses the verbal 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 estimated 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 are currently being investigated.

4.10 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, internal control system, compliance and internal audit.

4.10.1 Risk management

The Board of Directors has set the objective of protecting the company's enterprise value through the implementation of Group-wide risk management. A corporate culture that is conscious of risks and opportunities facilitates the achievement of this objective. Swisscom has thus implemented a Group-wide, central risk management system. This takes account of external and internal events and is based on the established standards COSO II and ISO 31000. It covers risks in the areas of strategy (including market risks), operations (including finance risks), compliance and financial reporting. Swisscom engages in level-appropriate, comprehensive reporting and maintains appropriate documentation. The objective is to identify, assess and address significant risks and opportunities in good time. To this end, the central Risk Management unit, which reports to both the CFO and the Controlling department, collaborates closely with the Controlling department, the Strategy department, other assurance functions and line functions. Swisscom assesses its risks and their quantitative effects in the event of occurrence. The risks are managed on the basis of a risk strategy. The risks are evaluated in terms of their impact on key performance indicators. Swisscom reviews and updates its risk profile on a quarterly basis. The Audit Committee and the Group Executive Board are informed about significant risks, their potential effects and the status of remedial measures on a quarterly basis, and the Board of Directors on a semi-annual basis. Significant risk factors are described in the Risks section of the Management Commentary.

See report
pages 92–95

4.10.2 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. The Accounting unit, which is attached to Group Business Steering, and Internal Audit periodically monitor the functioning and effectiveness of the ICS. Significant shortcomings in the ICS identified during the monitoring activities are reported together with the corrective measures in a status report to the Audit Committee on a quarterly basis and to the Board of Directors on an annual basis. Corrective measures to remedy the shortcomings are monitored centrally. The Audit Committee assesses the performance and reliability of the ICS on the basis of the periodic reporting.

4.10.3 Compliance management

The Board of Directors has set the objective of protecting the Swisscom Group and its executive bodies and employees against legal sanctions, financial losses and reputational damage by ensuring Group-wide compliance. A corporate culture which promotes willingness to behave in a way that complies with the relevant regulations facilitates the achievement of this objective. Swisscom has therefore implemented a Group-wide, central compliance system. Within the framework of this system, every year Group Compliance, a specialist unit of the Group legal department, applies a risk-based approach to identifying areas of legal compliance that require monitoring by the central system. Within these areas of legal compliance, the business activities of the Group companies are reviewed periodically in a proactive manner in order to identify risks in good time and determine the required measures. The employees affected are informed of these measures and the measures' implementation is monitored. Group Compliance reviews the suitability and effectiveness of the system annually. Within the Swisscom Health AG business division and in the area of billing for added-value services of Swisscom Switzerland Ltd, an annual audit of the implemented measures is also performed by external auditors (financial intermediation) in accordance with the Money Laundering Act. Group Compliance informs the Risk Management unit on a quarterly basis of any significant risks that are identified and reports to the Audit Committee and the Board of Directors once per 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.

4.10.4 Internal audit

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. It is under the direct control of the Chairman of the Board of Directors and reports to the Audit Committee. At its meetings, which are held 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 informs the Audit Committee of any irregularities which come to its attention. At the administrative level, Internal Audit provides reports to the Head of Group Strategy & Board Services.

Internal Audit liaises closely and exchanges information with the external auditors. The external auditors have unrestricted access to the audit reports and audit documents of Internal Audit. Internal Audit closely coordinates audit planning with the external auditors. The integrated strategic audit plan, which includes the coordinated annual plan of both the internal and external auditors, is prepared annually on the basis of a risk analysis and presented to the Audit Committee for approval. 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 on a quarterly basis for the Audit Committee.

5 Group Executive Board



Visiting the innovation centre «La Werkstatt» in Biel

Christian
Petit

Dirk
Wierzbitzki

Marc
Werner

Mario
Rossi



Urs
Schaeppi

Heinz
Herren

Hans C.
Werner

5.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Group Executive Board shall 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.

As at 31 December 2016, the Group Executive Board was composed of the CEO of Swisscom Ltd, the heads of the Group divisions Group Business Steering and Group Human Resources, and the heads of the business divisions Sales & Services, Products & Marketing, Enterprise Customers and IT, Network & Infrastructure.

An overview of the composition of the Group Executive Board as at 31 December 2016 is given in the table below.

Name	Nationality	Year of birth	Function	Appointed to the Group Executive Board as of
Urs Schaeppi ¹	Switzerland	1960	CEO Swisscom Ltd	March 2006
Mario Rossi	Switzerland	1960	CFO Swisscom Ltd	January 2013
Hans C. Werner	Switzerland	1960	CPO Swisscom Ltd	September 2011
Marc Werner	Switzerland and France	1967	Head of Sales & Services	January 2014
Christian Petit	France	1963	Head of Enterprise Customers	April 2014
Heinz Herren	Switzerland	1962	Head of IT, Network & Infrastructure	January 2014
Dirk Wierzbitzki	Germany	1965	Head of Products & Marketing	January 2016

¹ Since November 2013 CEO.

5.2 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 Group Executive Board members may perform no more than one additional mandate in listed companies and no more than two additional mandates in non-listed companies. In total, they may not perform more than two such additional mandates. These restrictions on the number of mandates do not apply to mandates performed by an Executive Board member by order of Swisscom or to mandates in interest groups, charitable associations, institutions and foundations or employee retirement-benefit foundations. However, the total number of these mandates is limited to ten and 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 Article 8.3 of the Articles of Incorporation.

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

See report
pages 26–28

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



Urs Schaeppi

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

Career history: 1994–1998 plant manager at Biberist paper factory; 1998–2006 Head of Commercial Business, Swisscom Mobile Ltd; 2006–2007 CEO, Swisscom Solutions Ltd; 2007–August 2013 Head of Enterprise Customers, Swisscom (Switzerland) Ltd; since January 2013 Head of Swisscom (Switzerland) Ltd; 23 July–6 November 2013 acting CEO, Swisscom Ltd, since 7 November 2013 CEO

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 Foundation Board, IMD International Institute for Management Development, Lausanne; member of the Foundation Council, Swiss Innovation Park Foundation, Berne; member of the Steering Committee, digital-switzerland, Zurich (formerly Digital Zurich 2025); member of the Board of Directors, Admeira Ltd, Berne

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

Other significant activities: Member of the Board of Directors, Swiss-American Chamber of Commerce, Zurich; member of the Executive Board, Glasfasernetz Schweiz, Berne; member of the Advisory Board of the Department of Economics of University of Zurich, since May 2016



Mario Rossi

Education: Commercial apprenticeship; Swiss Certified Public Accountant

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

Since January 2013 member of the Swisscom Group Executive Board again

Mandates in listed companies: –

Mandates in non-listed companies: –

Mandates by order of Swisscom: President of the Board of Trustees, comPlan, Baden

Mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations: Member of the Hasler Foundation, Berne, since December 2016

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



Hans C. Werner

Education: Graduate in business management, 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, and employee benefit foundations: –

Other significant activities: President of the Institute Council and member of the Advisory Board of the International Institute of Management in Technology (iimt)



Marc Werner

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

Career history: 1997–2000 Minolta (Schweiz) AG, Head of Marketing and Sales and member of the Executive Management; 2000–2004 Bluewin AG, Head of Marketing & Sales, member of the Executive Board; 2005–2007 Swisscom Fixnet Ltd, Head of Marketing & Sales Residential Customers; 2008–2011 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; September 2013–December 2015 Swisscom, Head of Residential Customers division; since January 2016 Swisscom, Head of Sales & Services 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 of Net-Metrix AG, Zurich

Mandates by order of Swisscom: Chairman of the Board of Directors of siroop Ltd, Zurich

Mandates in interest groups, charitable associations, institutions and foundations, and employee benefit foundations: Member of the Board of Directors of simsa – Swiss Internet Industry Association, Zurich

Other significant activities: Member of the Communications Council of KS/CS – Communication Switzerland (formerly the Verband SW Schweizer Werbung), Zurich; member of the Executive Board of the SWA-ASA – Association of Swiss Advertisers, Zurich, since March 2016; member of the Executive Board of the SVC Swiss Venture Club since September 2016



Christian Petit

Education: MBA ESSEC, Cergy-Pontoise

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

Since April 2014 member of the Swisscom Group Executive Board again

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, and employee benefit foundations: –

Other significant activities: –



Heinz Herren

Education: Degree in electronic engineering (HTL)

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

Since January 2014 member of the Swisscom Group Executive Board again

Mandates in listed companies: –

Mandates in non-listed companies: –

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

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

Other significant activities: –



Dirk Wierzbitzki

Education: Degree in electrical engineering (Dipl. Ing.)

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

Since January 2016 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, SoftAtHome, Paris

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

Other significant activities: –

5.3 Management agreements

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

6 Remuneration, shareholdings and loans

See report
page 131

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.

7 Shareholders' participation rights

7.1 Voting restrictions and proxies

Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to recognise an acquirer of shares as a shareholder or beneficial holder with voting rights if the latter's total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. 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 cementing a long-term partnership or strategic alliance

In addition to the percentage restriction on voting rights, the Board of Directors may refuse to recognise and enter as a shareholder or beneficial holder with voting rights any person acquiring shares who fails to expressly declare upon request that 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.

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.

This provision of the Articles of Incorporation may be changed 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.

7.2 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

7.3 Convocation of the Annual General Meeting

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

7.4 Agenda items

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

7.5 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. Authorisation may be granted in writing or via the Sherpany Internet platform once a shareholder has opened a shareholder account on this platform. Shareholders who are represented by a proxy may issue instructions for each agenda item and also for all unannounced agenda items and motions, stating whether they wish to vote for or against the motion or abstain. The independent proxy must cast the votes entrusted to him by shareholders according to their instructions. If 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 that differ from the provisions of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (OaEC) regarding the appointment of the independent proxy or any statutory regulations on the issuing of instructions to the independent proxy or on electronic participation in the Annual General Meeting.

7.6 Entries in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. To ensure due procedure, the Board of Directors defines a cut-off date for determining voting entitlements, which is a few business days before the respective Annual General Meeting. Entries into and deletions from the share register are possible at any time regardless of the cut-off date. The cut-off date is announced with the invitation to the Annual General Meeting and also published in the financial calendar on the Swisscom website. Shareholders entered in the share register with voting rights as of 4 p.m. on 1 April 2016 were entitled to vote at the Annual General Meeting of 6 April 2016.

8 Change of control and defensive measures

8.1 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.

8.2 Clause on change of control

See report
page 131

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

9 Auditor

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

The statutory auditor is appointed annually by the Annual General Meeting following a proposal submitted by the Board of Directors. Re-election is permitted.

The principles for appointing the statutory auditor have been set forth in a policy by the Board of Directors. A new tender is issued for the statutory auditor’s mandate at least every 10 to 14 years. The statutory auditor tenure is limited to 20 years. The Audit Committee steers the selection process, defines transparent selection criteria and submits two proposals accompanied by a substantiated recommendation in favour of one audit firm to the Board of Directors. The last tendering process was launched in 2007 with effect from the 2008 financial year. The next tendering process will be launched by 2021 at the latest with effect from the 2022 financial year.

KPMG AG, Muri bei Bern, has acted as the statutory auditor of Swisscom Ltd and its Group companies (with the exception of Fastweb S.p.A, which is audited by PriceWaterhouseCoopers S.p.A.) since 1 January 2004. Hanspeter Stocker of KPMG AG has been responsible for the mandate as Auditor-in-charge since 2015.

9.2 Audit fees

Fees for auditing services provided by KPMG AG in 2016 amounted to CHF 3,239 thousand (prior year: CHF 3,413 thousand). PricewaterhouseCoopers S.p.A. as auditors for Fastweb received remuneration of CHF 768 thousand in 2016 (prior year: CHF 678 thousand).

9.3 Supplementary fees

Fees of KPMG AG for additional audit-related services amounted to CHF 283 thousand (prior year: CHF 201 thousand) and the fees for other services came to CHF 127 thousand (prior year: CHF 1,533 thousand). The supplementary fees primarily comprise tax advisory services. Fees of Pricewaterhouse-Coopers S.p.A. for additional audit-related services for Fastweb amounted to CHF 112 thousand (prior year: CHF 155 thousand).

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

The Audit Committee verifies the qualifications and independence of the statutory auditors as a licensed, state-supervised auditing firm as well as the quality of the audit services performed on behalf of the Board of Directors. It is also responsible for observing the statutory rotation principle for the Auditor-in-charge and for reviewing and issuing the new tender for the audit mandate. The Audit Committee approves the integrated strategic audit plan, which includes the annual audit plan of both the internal and external auditors, and the annual fee for the auditing services provided to the Group and Group companies. The Audit Committee has defined guidelines for additional service mandates (including a list of prohibited services). It has also set a threshold for fees charged for additional services, which is defined as a percentage of the audit fees. In order to ensure the independence of the auditors, additional assignments must be approved by the CFO of the local Group company or by the Audit Committee (where the fee exceeds CHF 300,000). The Audit Committee is reported to quarterly by the CFO and annually by the auditors on current mandates being performed by the auditors, broken down according to 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 performance 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 beyond the meetings of the Committee and regularly reports to the Board of Directors.

10 Information policy

Swisscom pursues an open, active information policy vis-à-vis the general public and the capital 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.

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 6 April 2016 and minutes from past meetings are available on the Swisscom website.

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.

10.1 Publication of results for the 2017 financial year

- > Interim report: 3 May 2017
- > Interim report: 17 August 2017
- > Interim report: 2 November 2017
- > Annual report: February 2018

10.2 Annual General Meeting for the 2016 financial year

- > On 3 April 2017 in the Hallenstadion in Zurich-Oerlikon

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

See
www.swisscom.ch/adhoc

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

See report
page 251

Remuneration Report

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

1 Principles

1.1 General principles

This Remuneration Report outlines the principles underlying, 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, as well as the decision-making powers. It discloses information as to 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. 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.

As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 3 April 2017.

1.2 Internal principles for remuneration

Swisscom's internal principles for determining the level of remuneration are primarily set out in the Articles of Incorporation, the Organisational Rules and the Regulations of the Compensation Committee. The latest 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)

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 Board for the following financial year upon the motion proposed by the Board of Directors. Details of the relevant regulation and the consequences of a negative decision by the Annual General Meeting are set out in Articles 5.7.7 and 5.7.8 of the Articles of Incorporation. Article 7.2.2 of the Articles of Incorporation also defines the requirements for and the maximum level of the additional amount that can be paid to a member of the Group Executive Board who is newly appointed during a period for which the Annual General Meeting has already approved the remuneration.

The Board of Directors approves, inter alia, the personnel and remuneration policy for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Board. It sets the remuneration of the Board of Directors and decides on the remuneration of the CEO as well as the total remuneration for the Group Executive Board. In doing so, it takes into account the maximum amounts approved by the Annual General Meeting for the remuneration to be paid to the Board of Directors and the Group Executive Board for the financial year in question. The Compensation Committee handles all business matters of the Board of Directors concerning remuneration, submits proposals to the Board of Directors in this context, and, within the framework of the approved total remuneration, is empowered to decide upon the remuneration of the individual Group Executive Board members (with the exception of the CEO). Neither the CEO nor the other members of the Group Executive Board are entitled to participate in meetings at which their remuneration is discussed or decided. The conduct of the members of the Board of Directors with respect to conflicts of interest is defined in section 2.6 of the Organisational Rules.

The decision-making powers are governed by the Articles of Incorporation, the Organisational Rules of the Board of Directors and the Regulations of the Compensation Committee. The Articles of Incorporation and the relevant rules and regulations can be accessed 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-share and performance-based participation plans of the Group	V	G ⁴	—
General terms of employment of the Group Executive Board	V	G ⁴	—
Determination of the targets for the variable performance-related salary component	V	G ⁴	—
Remuneration of the Board of Directors	V	G ⁵	—
Remuneration of the CEO Swisscom Ltd	V	G ⁵	—
Total remuneration of the Group Executive Board	V	G ⁵	—
Remuneration of the members of the Group Executive Board (excl. CEO)	G ^{5,6}	—	—

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

² A stands for proposal to the Annual General Meeting.

³ G stands for approval.

⁴ In the framework of the Articles of Incorporation.

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

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

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. The Chairman of the Board of Directors does not participate in meetings in which discussions take place or decisions are made with regard to his own remuneration. The CEO, CPO, Head of Group Strategy & Board Services and Head of Rewards & HR Analytics 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 be called upon to attend the meetings in an advisory capacity. Minutes are kept of the meetings, which are provided to the members of the Committee and to other members of the Board of Directors on request. The meetings of the Compensation Committee are generally held in February, June and December. Further meetings can be convened as and when required. The Chairman reports verbally on the activities of the Compensation Committee at the next meeting of the Board of Directors.

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

The members of the Compensation Committee neither work nor have worked for Swisscom in an executive capacity, nor do they maintain any significant commercial links with Swisscom Ltd or the Swisscom Group. Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 37 to the consolidated financial statements.

The following table gives an overview of the composition of the Committee, the Committee meetings, conference calls and circular resolutions held or taken in 2016.

	Meetings	Conference calls	Circular resolutions
Total	3	–	–
Average duration (in hours)	1:20	–	–
Participation:			
Barbara Frei, Chairwoman	3	–	–
Frank Esser ¹	2	–	–
Torsten Kreindl ²	1	–	–
Theophil Schlatter	3	–	–
Hans Werder ³	3	–	–
Hansueli Loosli ⁴	3	–	–

¹ Elected to the Compensation Committee as of 6 April 2016.

² Resigned from the Board of Directors as of 6 April 2016.

³ Representative of the Confederation.

⁴ Participation without voting rights.

See
www.swisscom.ch/
basicprinciples

See report
page 215

3 Remuneration paid to the Board of Directors

3.1 Principles

See
[www.swisscom.ch/
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The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated individuals for the Board of Directors' function. It also seeks to align the interests of the members of the Board of Directors with those of the shareholders. The remuneration is commensurate with the activities and level of responsibility of each member and is proportionate to 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 Articles 6.4 and 8.1 of the Articles of Incorporation.

The remuneration is made up of a Director's fee which varies in relation to the member's function, meeting attendance fees as well as pension fund and any fringe benefits. No variable performance-related emoluments are paid. The members of the Board of Directors are obligated to draw a portion of their fee in the form of equity shares and to comply with the requirements on minimum shareholdings, thus ensuring they directly participate financially in the performance of Swisscom's shares. The remuneration is reviewed every December for the following year for ongoing appropriateness. In December 2015, the Board of Directors assessed the appropriateness of the remuneration as part of a discretionary decision basing itself on the study published in 2015 by ethos, the Swiss Foundation for Sustainable Development. This study provides information for the 2014 financial year on the remuneration of the management of Switzerland's 100 largest listed companies. No external consultants were called on with regard to the structuring of remuneration. In view of the efficiency improvement measures adopted by the Group in the year under review, the Board of Directors decided to set an example and reduced its remuneration from 1 January 2016.

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. As of 1 January 2016, the basic emolument for all members of the Board of Directors excluding employee social insurance contributions is CHF 110,000 (net) per year (previously CHF 120,000).

The functional allowances amount to CHF 255,000 net per year for the Chairman (previously CHF 265,000), 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. Annual remuneration of CHF 10,000 net is awarded for membership in a standing committee. No functional allowance, however, 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 remuneration (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. This restriction on disposal also applies if members leave the company during the blocking period. The shares, which are allocated in April of each reporting year in respect of the reporting year, are recorded at market value on the date of allocation. The share-based remuneration is augmented by a factor of 1.19 in order to take account of the difference between the tax value and the market value. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements. In April 2016, 1,308 shares were allocated to the members of the Board of Directors (prior year: 1,302 shares) with a tax value of CHF 439 per share (prior year: CHF 473). Their market value was CHF 522.50 (prior year: CHF 563) per share.

Meeting attendance fees

For meetings, attendance fees of CHF 1,100 net (previously CHF 1,250) are paid for each full day and CHF 650 net (previously CHF 750) 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 remuneration paid 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 and is also included in the total remuneration.

With regards to the disclosure of services rendered, non-cash benefits and expenses, a tax-based point of view is taken. 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 out-of-pocket 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 2015 and 2016 is presented in the tables below, broken down into individual components. The lower amount of total remuneration for 2016 is attributable to the reduction in remuneration rates and meeting attendance fees and to the fact that fewer meeting days were held.

2016, in CHF thousand	Base salary and functional allowances		Meeting attendance fees	Employer contributions to social security	Total 2016
	Cash remuneration	Share-based payment			
Hansueli Loosli	315	186	27	29	557
Roland Abt ¹	59	49	11	7	126
Valérie Berset Bircher ¹	64	53	16	8	141
Alain Carrupt ¹	64	53	14	8	139
Frank Esser	105	66	18	–	189
Barbara Frei	112	66	17	11	206
Hugo Gerber ^{2, 3}	34	4	6	3	47
Michel Gobet ³	32	4	5	2	43
Torsten Kreindl ³	38	5	5	–	48
Catherine Mühlemann	96	57	16	10	179
Theophil Schlatter	158	93	21	12	284
Hans Werder	134	80	23	11	248
Total remuneration to members of the Board of Directors	1,211	716	179	101	2,207

¹ Elected to the Board of Directors as of 6 April 2016.

² The cash remuneration (including meeting attendance fees) till 6 April 2016 for the mandate as member of the Board of Directors of Worklink AG of CHF 2,500 is included.

³ Resigned from the Board of Directors as of 6 April 2016.

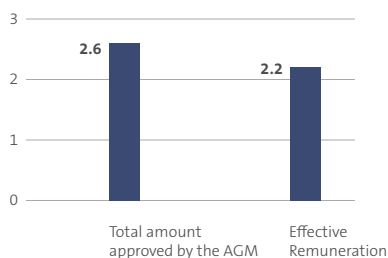
2015, in CHF thousand	Base salary and functional allowances		Meeting attendance fees	Employer contributions to social security	Total 2015
	Cash remuneration	Share-based payment			
Hansueli Loosli	330	196	34	31	591
Frank Esser	104	62	23	11	200
Barbara Frei	120	71	23	12	226
Hugo Gerber ¹	111	62	28	12	213
Michel Gobet	104	62	22	11	199
Torsten Kreindl	127	75	24	13	239
Catherine Mühlemann	104	62	23	11	200
Theophil Schlatter	167	99	28	17	311
Hans Werder	142	84	28	12	266
Total remuneration to members of the Board of Directors	1,309	773	233	130	2,445

¹ The cash remuneration (including meeting attendance fees) of CHF 8,500 for the mandate as member of the Board of Directors of Worklink AG is included.

3.4 Comparison with the total amount approved by the Annual General Meeting

Total remuneration paid to the members of the Board of Directors is within the maximum total amount approved by the 2015 Annual General Meeting (AGM) for 2016 of CHF 2.6 million.

Remuneration to members of the Board of Directors 2016 in CHF million



3.5 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.

3.6 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 2015 and 2016 are listed in the table below:

Number	31.12.2016	31.12.2015
Hansueli Loosli	2,350	2,012
Roland Abt ¹	88	–
Valérie Berset Bircher ¹	96	–
Alain Carrupt ¹	96	–
Frank Esser	332	205
Barbara Frei	648	528
Hugo Gerber ²	–	1,233
Michel Gobet ²	–	1,600
Torsten Kreindl ²	–	1,322
Catherine Mühlemann	1,326	1,223
Theophil Schlatter	1,225	1,054
Hans Werder	1,128	982
Total shares held by the members of the Board of Directors	7,289	10,159

¹ Elected to the Board of Directors as of 6 April 2016.

² Resigned from the Board of Directors as of 6 April 2016.

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:

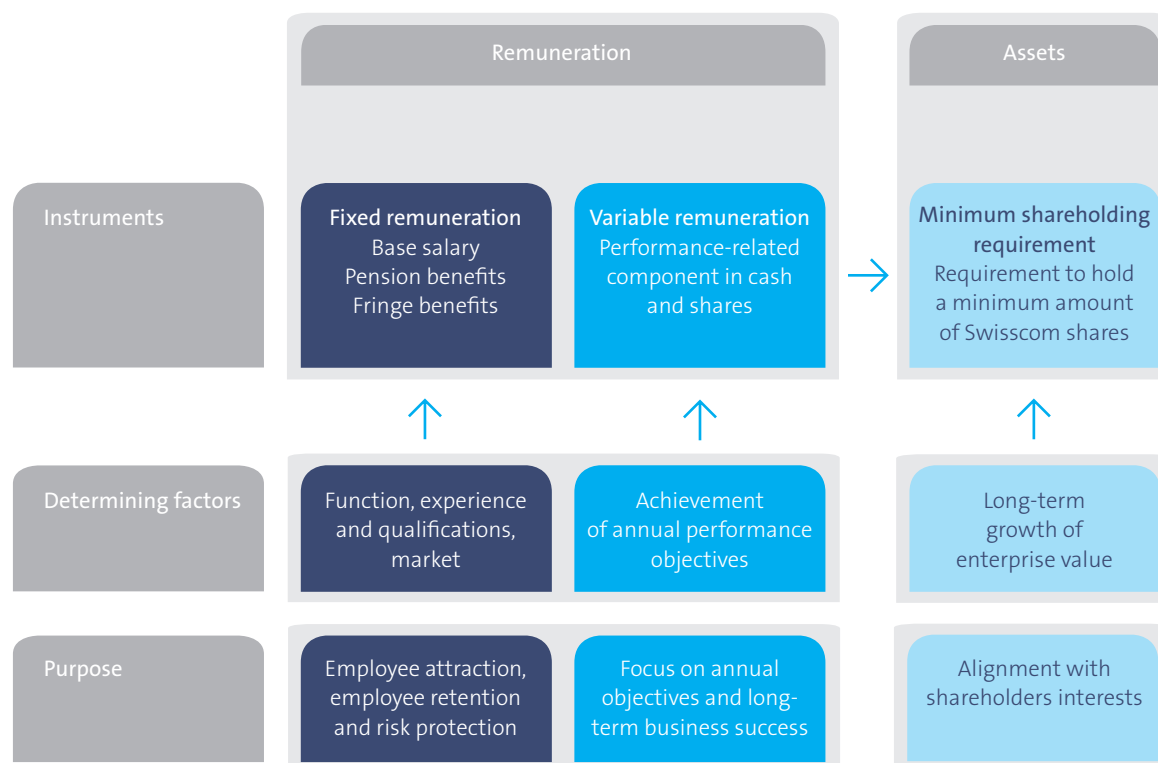
- > Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- > Remuneration is based on performance in line with the results achieved by Swisscom and the contribution made to results by the area for which the member of the Group Executive 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, the 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 hold 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 possibility 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 Article 8.1 of the Articles of Incorporation.

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

For the purpose of assessing market values, Swisscom relies on cross-sector market comparisons with Swiss companies as well as international sector comparisons. These two comparative perspectives allow Swisscom to form an optimal overview of the relevant employment market for managerial positions. In the year under review, Swisscom referred to two comparative studies conducted by Towers Watson, a recognised consultancy firm. The comparison with the Swiss market covers major companies domiciled in Switzerland from various sectors, with the exception of the financial and pharmaceutical sectors. On average, these companies generate revenue of CHF 4.7 billion and employ 13,000 people. The sector comparison covers telecommunications companies from eleven western European countries with an average revenue of CHF 8.9 billion and an average workforce of 18,800 employees. The evaluation of these studies takes into account the extent of responsibility in terms of revenue, number of employees and international scope.

As a rule, the Compensation Committee reviews individual remuneration paid to members of the Group Executive Board every three years of employment. In view of the newly adopted efficiency improvement measures, the Board of Directors decided to defer the periodic remuneration review of the individual members of the Group Executive Board, which was due to take place in the year under review, and leave the remuneration unchanged. In connection with this, the Group Executive Board also opted to forego 10% of the variable performance-related salary component due to it as a result of having achieved its targets.

4.2 Remuneration components

Base salary

The base salary is the remuneration paid according to the function, qualifications and performance of the individual member of the Group Executive Board. It is determined based on a discretionary decision taking into account the external market value 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 represents 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, as 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 91% of the base salary. 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.

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 targets relevant to the reporting year remained largely unchanged in line with the Group's continuing corporate strategy. The targets are based on the Swisscom Group's budget figures for 2016.

All members of the Group Executive Board are measured against targets at the levels "Group", "Customers" and "Segments". Group targets consist of financial targets. 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. Further information on customer satisfaction can be found in the Management Commentary.

Segment targets are tailored to the relevant function of each Group Executive Board member and consist of financial and non-financial targets. As in the previous year, these also include financial targets for the Italian subsidiary Fastweb S.p.A., on which the Group Board members delegated by Swisscom to Fastweb's Board of Directors are measured. The target structure is thus aligned to Swisscom's strategic priorities: strengthening the core business in Switzerland by offering the best infrastructure and customer experiences as well as through the realisation of new growth opportunities and further developing Fastweb in Italy.

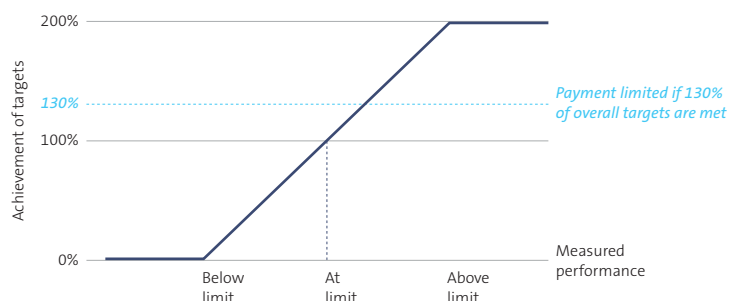
The following table illustrates the target structure valid for the CEO and other Group Executive Board members in the year under review, showing the three target levels, individual targets and the respective weighting.

Target levels	Objectives	Weighting of targets level CEO	Weighting of targets level of other members of the Group Executive Board
Group	Net revenue	18%	15–18%
	EBITDA margin	18%	15–18%
	Operating free cash flow	24%	20–24%
Customers	Net promoter score	20%	20%
Segments	Segment targets	20%	20–30%
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. The achievement of an individual target can vary from 0% (if the lower limit is not achieved) to 200% (if the upper limit is exceeded).

Achievement scale for each target



Payment of the performance-related salary component is based on individual target achievement and is limited if 130% of overall targets are met (weighted target achievement across all individual targets).

The overall achievement of targets governing the payment of the performance-related component is calculated according to the weighting of the individual targets. The payment is limited to a maximum of 130% of the target bonus. In determining the level of target achievement, the Compensation Committee 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 overall achievement of targets, 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.

In the year under review, some of the financial Group targets were exceeded and others not quite met in full. The customer targets were not fully met. Depending on the unit, the other targets of the segments were not fully achieved, were achieved in part or were exceeded in part.

In view of the efficiency improvement measures adopted in the year under review, the Group Executive Board opted for a 10-percentage-point reduction of the payment of the variable performance-related salary component to which it was entitled based on the achievement of its targets. Allowing for this reduction, the payment of the performance-related component is 92% of the target bonus for the CEO and between 85% and 95% of the target bonus for the other members of the Group Executive Board.

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 opt to increase this share by up to a maximum of 50%. The remaining portion of the performance-related component is settled in cash. In the event of a departure during the course of the year, the payment of the performance-related component for the current year is generally made in full 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 the publication of the third-quarter results. In the year under review, two members of the Group Executive Board opted for a higher share component. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares, and are subject to a three-year blocking period. This restriction on disposal also applies if the employment relationship is terminated during the blocking period. The share-based remuneration disclosed in the year under review is augmented by a factor of 1.19 in order to take account of the difference between the market value and the tax value. The market value is determined as of the date of allocation. Shares in respect of the current year are allocated in April 2017. Further information on the Management Incentive Plan can be found in Note 11 to the consolidated financial statements.

See report
page 180

In April 2016, a total of 1,841 shares (2015: 1,268 shares) with a tax value of CHF 439 (prior year: CHF 473) per share and a market value of CHF 522.50 (prior year: CHF 563) per share were allocated for the 2015 financial year to the members of the Group Executive Board.

Restricted share plan

The restricted share plan serves to support the recruitment and retention of employees in key positions. It can also be utilised as a remuneration component for members of the Group Executive Board. Under this plan, the Board of Directors can, where necessary, pay part of the remuneration in the form of restricted share units. These shares must be earned over a three-year vesting period. Swisscom has so far not allocated any restricted share units to 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. They also include the pro rata costs of the AHV bridging pension paid by comPlan in the event of early retirement and the premium for the supplementary life insurance concluded for Swisscom management staff in Switzerland. Also included is the share of the special contribution to comPlan determined by the Board of Directors in the year under review and attributable to the members of the Group Executive Board. Swisscom is paying the special non-recurring contribution designed to mitigate the impact of pension reductions suffered by employees born in or before 1969 as a result of the lowering of the conversion rate on 1 July 2017. Further information about this is provided in Note 10 to the consolidated financial statements.

See report
page 174

With regard 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.

4.3 Total remuneration

The following table shows total remuneration paid to the members of the Group Executive Board for the 2015 and 2016 financial years, broken down into individual components and including the highest amount paid to one member. In the year under review, the variable performance-related salary component (CHF 2,579 thousand in total) was 68.2% of the base salary (CHF 3,782 thousand in total). The total remuneration paid to the highest-earning member of the Group Executive Board (CEO, Urs Schaeppi) increased by 0.1% compared to the prior year. The increase in total remuneration paid to the Group Executive Board is attributable to the one-time special contribution made to the pension plan to offset the impact of the reduction in the conversion rate for employees born in 1969 or earlier. The increase this caused in retirement provision contributions was largely compensated by the lower variable remuneration.

In CHF thousand	Total Group Executive Board 2016	Total Group Executive Board 2015	Thereof Urs Schaeppi 2016	Thereof Urs Schaeppi 2015
Fixed base salary paid in cash	3,782	3,775	882	882
Variable earnings-related remuneration paid in cash	1,604	1,792	284	336
Variable earnings-related remuneration paid in shares ¹	975	1,018	338	327
Service-related and non-cash benefits	84	85	14	17
Employer contributions to social security ²	541	538	126	126
Retirement benefits ³	1,064	816	189	144
Total remuneration to members of the Group Executive Board	8,050	8,024	1,833	1,832

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

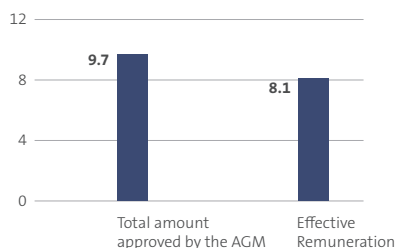
² Employer contributions to social security (AHV, IV, EO and FAK, incl. administration costs, and daily sickness benefits and accident insurance) are included in the total remuneration.

³ Includes the share of the exceptional contribution to the pension fund attributable to the members of the Group Executive Board. Swisscom makes a non-recurring contribution to mitigate the impact of the pension reductions resulting from the lowering of the conversion rate as of 1 July 2017.

4.4 Comparison with the total amount approved by the Annual General Meeting

Total remuneration paid to the members of the Group Executive Board is within the maximum total amount approved by the 2015 Annual General Meeting (AGM) for 2016 of CHF 9.7 million.

Remuneration to members of the Group Executive Board 2016 in CHF million



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' basic salary. The remaining members shall maintain a shareholding equivalent to one year's basic 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 applicable, 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 at his discretion.

4.6 Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by members of the Group Executive Board or related parties as at 31 December 2015 and 2016 are listed in the table below:

Number	31.12.2016	31.12.2015
Urs Schaeppi (CEO)	3,229	2,602
Mario Rossi	1,027	821
Hans C. Werner	897	571
Marc Werner	382	211
Christian Petit	1,337	1,525
Roger Wüthrich-Hasenböhler ¹	—	1,032
Heinz Herren	1,333	1,098
Dirk Wierzbitzki ²	64	—
Total shares held by the members of the Group Executive Board	8,269	7,860

¹ Resigned from the Group Executive Board as of 31 December 2015.

² Joined the Group Executive Board as of 1 January 2016.

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 apply beyond the salary payable for a maximum of twelve months. The employment contracts stipulate that Swisscom may allow wrongfully awarded or paid remuneration to lapse or reclaim such remuneration. They do not contain a non-competition clause or a clause on change of control.

5 Other remuneration

5.1 Remuneration for additional services

Swisscom may pay remuneration to members of the Board of Directors for assignments in Group companies and for those performed by order of Swisscom (Article 6.4 of the Articles of Incorporation). In the year under review, Hugo Gerber, who stepped down from the Board of Directors at the Annual General Meeting of 6 April 2016, was the only member to receive remuneration for an additional mandate as 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. The remuneration is paid fully in cash. Out-of-pocket expenses are reimbursed on the basis of actual costs incurred. The remuneration takes into account the activities and level of responsibility. 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 remuneration paid to Hugo Gerber is customary on the market and is not connected to his mandate as an officer of Swisscom Ltd.

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 former or current member of the Board of Directors or the Group Executive Board which are not at arm's length.

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 2016 financial year, Swisscom has granted 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.



Report of the Statutory Auditor

To the General Meeting of Shareholders of Swisscom Ltd., Ittigen (Berne)

We have audited the accompanying Remuneration Report of Swisscom Ltd. for the year ended 31 December 2016. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 3.3, 4.3 and 5.1 to 5.3 on pages 131 to 144 of the Remuneration Report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of Swisscom Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Hanspeter Stocker
Licensed Audit Expert
Auditor in Charge

Daniel Haas
Licensed Audit Expert

Gümligen-Berne, 7 February 2017