

# Articles of Incorporation of Swisscom Ltd.

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Edition of 7 April 2014



**swisscom**

This Articles of Incorporation are a translation of the German original. In the event of any inconsistencies, the German version of the Articles of Incorporation shall prevail over the French and English translations.

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## 1. Name, Registered Office and Duration

Under the name

Swisscom AG  
Swisscom SA  
Swisscom Ltd.

there exists a joint-stock corporation pursuant to Art. 2 ff. of the TUG (Telecommunications Enterprise Act of 30 April 1997) and the Code of Obligations with registered office in 3063 Ittigen.

The duration of the Corporation is unlimited.

## 2. Purpose

The purpose of the Corporation is to provide telecommunications and radiocommunication services in and outside Switzerland, and to offer products and services related thereto.

The Corporation may enter into all transactions which the business purpose entails, including the purchase and sale of real estate, the procurement and investment of funds on the money and capital markets, the establishment and purchase of interests in corporations and other means of co-operation with third parties.

## 3. Share capital and Shares

### 3.1 *Share Capital, Types of Shares, Par Value and Amounts Paid in*

3.1.1 The share capital of the Corporation is CHF 51,801,943 divided into 51,801,943 registered shares with a par value of CHF 1 each. The shares are fully paid in.

3.1.2 The Corporation may at any time convert registered shares into bearer shares and bearer shares into registered shares by changing the Articles of Incorporation.

### **3.2** *Share Class, Transfer and Pledging of Shares*

- 3.2.1 The shareholder is not, however, entitled to request the printing and issuance of certificates for registered shares (securities), but is nonetheless entitled to issuance of confirmation. The Corporation may, on the other hand, replace uncertificated registered shares (dematerialized securities) with securities and securities with dematerialized securities.
- 3.2.2 Uncertificated registered shares that are not book-entry securities including any uncertificated rights arising therefrom may only be transferred by assignment. The assignment must be notified to the Corporation in order to be valid. Registered shares that are book-entry securities may only be transferred according to the provisions of the Book-Entry Securities Act.
- 3.2.3 Uncertificated registered shares that are not book-entry securities and the pecuniary rights associated thereto may only be pledged by a written agreement, and only in favour of the bank at which the shareholder holds such shares in book-entry form. It is not necessary to inform the Corporation of the pledge. The pledging of registered shares that are book-entry securities is governed by the Book-Entry Securities Act.

### **3.3** *Share Register and Register of Dematerialized Securities*

- 3.3.1 The Board of Directors shall maintain a Share Register for registered shares, in which the owners and usufructuaries shall be recorded with their name and address or with their firm name and registered office.
- 3.3.2 Only persons who are registered in the Share Register shall be considered shareholders or usufructuaries of shares vis-à-vis the Corporation. The Board of Directors shall regulate the conditions and competences for acknowledging persons as shareholders or usufructuaries with or without voting rights, as well as their entry in the Share Register.

- 3.3.3 The Board of Directors shall maintain a Register of Dematerialized Securities, in which the number and denomination of the issued dematerialized securities as well as the creditors shall be recorded.
- 3.3.4 The Board of Directors shall regulate the responsibilities for maintaining the Share Register and the Register of Dematerialized Securities.

### **3.4 Shareholding by the Swiss Government**

According to Art. 6 para. 1 TUG, the Swiss Confederation holds the majority of voting rights and capital of the Corporation.

### **3.5 Transfer Restrictions**

- 3.5.1 The Board of Directors may refuse the approval of an acquirer of shares as a shareholder or usufructuary with voting rights if the holding of this shareholder, together with his shares already registered with voting rights in the Share Register, exceeds the limit of 5 % of all registered shares recorded in the Commercial Register. As to the excess shares, the acquirer will be registered in the Share Register as a shareholder or usufructuary without voting rights.

The Board of Directors may approve an acquirer of shares with more than 5 % of all registered shares as a shareholder or usufructuary with voting rights in particular in the following exceptional cases:

- a. in case of the acquisition of shares due to a merger or combination of businesses;
- b. in case of the acquisition of shares due to a contribution in kind or a share exchange;
- c. for the foundation of a long-term co-operation or a strategic alliance by equity interest.

Legal entities and business associations that are linked together by capital, voting power, management or in another manner, as well as all persons, entities and partnerships that are acting in concert by agreement, syndicate or in another manner with a view to circumvent the percentage limit, shall be deemed as one person.

- 3.5.2 The restriction of clause 3.5.1 also applies, subject to Art. 652b para. 3 and 653c para. 3 CO, in the case of acquisition of registered shares by exercise of subscription, option and conversion rights. The restriction shall not apply in an acquisition as a result of inheritance, the apportionment of an estate or matrimonial law.
- 3.5.3 The Board of Directors may refuse the recognition and registration as a shareholder or usufructuary with voting rights if an acquirer of shares does not expressly state on request that he has acquired the shares or the usufruct of the shares in his own name and for his own account.
- 3.5.4 The Board of Directors may delete the entry of a shareholder with voting rights in the Share Register after hearing the concerned party if the acquirer has obtained said entry by giving false information, in which case he shall be recorded as a shareholder without voting rights. The acquirer must be immediately informed of the deletion of the entry.

### **3.6** *Facilitation of Exchange Trading of Shares*

In order to facilitate the trading of the shares on the exchange, the Board of Directors may, by means of regulations or by way of agreements, allow the fiduciary registration of registered shares with voting rights exceeding the limit mentioned in section 3.5 by fiduciaries who declare their status as fiduciary (nominees, ADR-Depository Banks). These parties must be subject to supervision by a banking or financial market supervisory authority or otherwise offer assurance of proper business conduct, must act for the account of one or several parties unrelated to each other, and must be able to disclose to the Corporation the names, addresses and the amount of shareholdings of the beneficial owners of the shares.



#### 4. **The Bodies of the Corporation**

The bodies of the Corporation are:

- a. Shareholders' Meeting
- b. Board of Directors
- c. Executive Board
- d. Auditors

#### 5. **Shareholders' Meeting**

##### 5.1 ***Powers of the Shareholders' Meeting***

The Shareholders' Meeting is the supreme body of the Corporation. It has the following powers:

- a. Establishment and alteration of the Articles of Incorporation;
- b. Election and dismissal of the Chairman and members of the Board of Directors;
- c. Election and dismissal of the members of the Remuneration Committee;
- d. Election and dismissal of the independent proxy;
- e. Election and dismissal of the statutory auditor;
- f. Approval of the remuneration of the Board of the Directors and the Executive Board according to these Articles of Incorporation;
- g. Approval of the Management Report and the consolidated financial statements;
- h. Approval of the annual financial statements as well as resolutions on the allocation of the balance sheet profits, in particular the determination of dividends;
- i. release of the members of the Board of Directors and the Executive Board and
- j. resolutions on those matters which are the prerogative of the Shareholders' Meeting by virtue of the law and the Articles of Incorporation.

## **5.2** *Meetings*

- 5.2.1 The ordinary Shareholders' Meeting shall take place annually within six months after the end of the fiscal year.
- 5.2.2 Extraordinary Shareholders' Meetings shall be called as often as may be necessary, in particular in the cases provided for by law.
- 5.2.3 The Board of Directors must convene extraordinary Shareholders' Meetings upon request by shareholders who represent at least ten percent of the share capital. Such request must be in writing and must state the items to be put on the agenda as well as the corresponding motions.

## **5.3** *Convocation*

- 5.3.1 The Shareholders' Meeting is convened by the Board of Directors, if necessary by the auditors.
- 5.3.2 The Shareholders' Meeting is called at least 20 days before the date of the meeting by communication in the means of publication of the Corporation. The convocation may, in addition, be made by a letter (registered or ordinary mail) to all registered shareholders at the addresses recorded in the Share Register.
- 5.3.3 The notice of the meeting shall set forth the items on the agenda as well as the motions of the Board of Directors and of the shareholders who have requested that a Shareholders' Meeting be called or an item be placed on the agenda.

## **5.4** *Agenda, Right to Put forward Motions*

- 5.4.1 Resolutions on matters which have not been announced in conformity with the procedures outlined in section 5.3 may be not passed, except in a meeting where all shareholders are present. This provision shall not apply to proposals to convene an extraordinary Shareholders' Meeting or to initiate a special audit.

5.4.2 On the other hand, no previous announcement is necessary to put forward motions concerning items already on the agenda and to debate issues without passing a resolution.

5.4.3 Shareholders who represent shares with a par value of at least CHF 40,000 may request that a motion is placed on the agenda. The request must be communicated to the Board of Directors in writing, by stating the item on the agenda and the corresponding motion, at least 45 days prior to the Shareholders' Meeting.

### **5.5** *Presentation of the Annual Report and the Remuneration Report as well as the Auditors' Reports*

The Annual Report, the Remuneration Report and the Auditors' Reports must be presented at the headquarters of the Corporation to the shareholders for inspection at least 20 days before the Shareholders' Meeting. Reference must be made in the invitation for the Shareholders' Meeting to this presentation as well as to the right of the shareholders to request to be delivered these documents.

### **5.6** *Conduct of Shareholders' Meetings*

5.6.1 The Chairman shall chair the Shareholders' Meeting. In the event that he is unable to do so, another member of the Board of Directors or another person elected by the Shareholders' Meeting shall be Chairman for the duration of the Meeting.

5.6.2 The Chairman shall designate the secretary and the vote counters, who need not to be shareholders. He shall be responsible for the minutes, which shall be signed by the Chairman and the secretary.

### **5.7** *Resolutions*

5.7.1 Every share registered with voting rights in the Share Register of the Corporation shall be entitled to one vote.

- 5.7.2 Every shareholder may be represented at the Shareholders' Meeting by another shareholder with voting rights who has to present a written proxy; or he can be represented by the independent proxy.
- 5.7.3 The Shareholders' Meeting elects the independent proxy. His term of office ends with the conclusion of the next Shareholders' Meeting. Re-election is possible. If the company has no independent proxy, the Board of Directors nominates him for the next Shareholders' Meeting.
- 5.7.4 The Shareholders' Meeting passes resolutions and conducts its elections with an absolute majority of the votes validly cast, provided the law or the Articles of Incorporation do not contain other provisions. Abstentions are not treated as votes cast.
- 5.7.5 In the case of elections, if in the first round of voting a majority is not reached, then a second round of voting shall take place in which the relative majority shall be decisive.
- 5.7.6 The Chairman does not have a casting vote.
- 5.7.7 The Shareholders' Meeting approves the requests of the Board of Directors regarding the maximum total amounts:
- a. for the remuneration of the Board of Directors for the following financial year and
  - b. for the remuneration of the Executive Board for the following financial year.

The Board of Directors can in justified exceptional cases submit requests to the Shareholders' Meeting regarding the maximum total amounts and/or individual remuneration elements for other time periods.

- 5.7.8 If the Shareholders' Meeting rejects a request of the Board of Directors regarding the remuneration of the Board of Directors or the Executive Board, the Board of Directors will set the corresponding maximum total amount, taking all relevant factors into account, and will submit these remunerations to the Shareholders' Meeting for approval.

Within the framework of a maximum total amount determined in this manner the Corporation or companies controlled by it can pay remuneration subject to approval by the Shareholders' Meeting.

- 5.7.9 The Chairman shall determine the voting procedure for holding elections and passing resolutions. He may adopt an electronic voting procedure. If elections and resolutions are not held or taken by using an electronic voting procedure, shareholders with a par value of at least CHF 40,000 may request a written ballot.

## **5.8 Special Decision Quorums**

In addition to Art. 704 CO, a resolution of the Shareholders' Meeting must be passed by at least two-thirds of the represented votes and the absolute majority of the represented par values for:

- a. introduction of restrictions on voting rights;
- b. conversion of registered shares into bearer shares and vice versa;
- c. modifications of this provision.

## **6. Board of Directors**

### **6.1 Composition, Election, Term of Office and Constitution**

- 6.1.1 The Board of Directors shall consist of seven to nine members. The number of members may be increased temporarily if required.
- 6.1.2 The Shareholders' Meeting elects the members of the Board of Directors and the Chairman of the Board of Directors individually. Their term of office ends with the conclusion of the next Shareholders' Meeting. Re-election is possible. The members of the Board of Directors normally retire after a total of twelve years in office. The office can be held at most until turning 70. If the office of the Chairman is vacant, the Board of Directors nominates a chairman from among its members until the conclusion of the next Shareholders' Meeting.
- 6.1.3 The Swiss Confederation has the right to delegate two members of the Board of Directors and to remove them if necessary. The

members of the Board of Directors delegated by the Swiss Confederation have the same rights and obligations as the members elected by the Shareholders' Meeting.

- 6.1.4 The Board of Directors of the Corporation shall also include two representatives of the employees (appropriate representation according to Art. 9 para. 3 TUG). The employees of the Corporation have the right to propose candidates for the election.
- 6.1.5 The Board of Directors constitutes itself. Election of the Chairman of the Board of Directors and members of the Remuneration Committee is the prerogative of the Shareholders' Meeting.

## **6.2 Powers and Duties**

- 6.2.1 The Board of Directors is entrusted with the ultimate direction of the Corporation and the supervision of the Executive Board. It represents the Corporation toward third parties and attends to all matters which are not reserved to another body of the Corporation by law, the Articles of Incorporation or the regulations.
- 6.2.2 The Board of Directors delegates, in accordance with Art. 10 para. 1 TUG, the executive management of the business of the Corporation to the Executive Board. The Board of Directors shall enact Management and Board Regulations to this effect and shall arrange for the appropriate contractual relationships.
- 6.2.3 The Board of Directors has the following non-delegable and irrevocable duties:
- a. Ultimate direction of the Corporation and issuance of the necessary directives;
  - b. Determination of the organization;
  - c. Organization of the accounting, the financial control, as well as the financial planning;
  - d. Appointment and dismissal of the persons entrusted with management, and the persons with signatory powers;
  - e. Ultimate supervision of the persons entrusted with the management, in particular with respect to compliance with the law, the Articles of Incorporation, regulations and directives;

- f. Preparation of the business report and the remuneration report, as well as the Shareholders' Meeting and implementation of the latter's resolution;
- g. Notification of the court in the event liabilities exceed assets;
- h. Decision on authorized capital increases;
- i. Passing of implementing resolutions on ordinary, authorized and conditional capital increases, and resolution on the amendments to the Articles of Incorporation and the reports on the capital increases related thereto.

### **6.3** *Passing of Resolutions*

- 6.3.1 The organization of the meetings, the quorum and the passing of resolutions of the Board of Directors shall be set forth in the Management and Board Regulations of the Board of Directors.
- 6.3.2 The Chairman has the casting vote.
- 6.3.3 Minutes shall be kept of the deliberations and resolutions of the Board of Directors. The minutes shall be signed by the Chairman and the secretary of the Board of Directors.

### **6.4** *Remuneration*

The members of the Board of Directors are entitled to remuneration for their services that is adequate in view of their function and responsibility. The amount of the remuneration due shall be fixed by the Board of Directors within the framework approved by the Shareholders' Meeting. The Corporation can also pay remuneration in this framework for work in companies that it controls directly or indirectly and for work ordered by the Corporation. The remuneration can be paid by the Corporation or companies controlled by it.

## **6.5 Remuneration Committee**

- 6.5.1 The Remuneration Committee consists of three to six members of the Board of Directors. The Shareholders' Meeting elects the members individually. Their term of office ends with the conclusion of the next Shareholders' Meeting. Re-election is possible. If the number of members in the Remuneration Committee falls below the minimum number of three members, the Board of Directors will appoint from its midst the missing member(s) until the conclusion of the next Shareholders' Meeting.
- 6.5.2 The Board of Directors designates a chairman. Otherwise the Remuneration Committee constitutes itself.
- 6.5.3 The Remuneration Committee supports the Board of Directors in configuring and implementing the principles and rules for the remuneration of the Board of Directors and Executive Board. It submits corresponding proposals to the Board of Directors, especially regarding proposals of the Board of Directors for the attention of the Shareholders' Meeting regarding the remuneration of the Board of Directors and the Executive Board and the proposals of the Board of Directors on the remuneration of the Board of Directors and the chairman of the Executive Board. The Remuneration Committee decides within the framework of the total remuneration approved by the Shareholders' Meeting on the remuneration of the remaining members of the Executive Board. Moreover, it monitors the execution of the decisions of the Board of Directors and the Shareholders' Meeting regarding the remuneration of the Board of Directors and Executive Board.
- 6.5.4 The Board of Directors can assign additional tasks to the Remuneration Committee.



## **7. Executive Board**

### **7.1 *Transfer of business management, election and composition***

According to Art. 10 para. 1 TUG, the Executive Board, whose members are elected by the Board of Directors, is in charge of the executive management of the business of the Corporation.

The Executive Board shall consist of one or several members who may not simultaneously be members of the Board of Directors. Exceptions are permitted for a limited period of time in extraordinary circumstances.

### **7.2 *Remuneration***

7.2.1 The members of the Executive Board are entitled to remuneration that is adequate in view of their function and responsibility. The Corporation can pay remuneration for work in companies that it controls directly or indirectly and for work on instructions by the Corporation. The remuneration can be paid by the Corporation or companies controlled by it.

7.2.2 The Corporation or companies controlled by it are authorised to pay an additional amount to each member of the Executive Board newly designated during (a) period(s) for which the Shareholders' Meeting has already approved the remuneration of the Executive Board, if the already approved total amount is insufficient for his remuneration. The additional amount serves to settle contractual employment obligations of the newly designated member of the Executive Board on a comparable scale to the remuneration of the departing member of the Executive Board and to compensate valid claims of the newly designated member of the Executive Board vis-à-vis his employer or client (including entitlements). The additional amount in this context may not exceed per remuneration period 30% of the last approved total amount of the maximum remuneration of the Executive Board for the chairman of the Executive Board and 20% for the other functions in the Executive Board. The additional amounts may not exceed per remuneration period overall half of the last approved total amount of the maximum remuneration of the Executive Board.

## **8. Joint Provisions for Members of the Board of Directors and Executive Board**

### **8.1 Success and Participation Plans**

- 8.1.1 The remuneration of the members of the Board of Directors consists namely of a Board of Directors fee related to function and meeting attendance fees. The remuneration of members of the Board of Directors takes the responsibility and function of the members of the Board of Directors into account. The level of the remuneration elements is determined by the Board of Directors within the framework of the total amount of remuneration of the Board of Directors approved by the Shareholders' Meeting. A portion of their fee is paid to members of the Board of Directors in restricted shares of the Corporation in order to guarantee a direct involvement in the long-term value development. To further reinforce the alignment with the share-holders' interests the Board of Directors can decide on guidelines for setting up and holding a minimum portfolio of shares of the Corporation for the members of the Board of Directors.
- 8.1.2 The remuneration of the members of the Executive Board consists of fixed remuneration elements and a variable performance-related component. The variable component is intended to create an incentive to improve the company results and in this way to continually enhance the corporate value. It is measured by the achievement of performance targets determined by the Board of Directors at the beginning of the corresponding performance period. The performance targets can include personal targets, corporate and unit-specific targets of financial and non-financial nature, taking the function of the Executive Board member into account. The variable component provided for in the event of achieving the targets (target variable component) can amount to up to 70% of the annual base salary for the individual Executive Board member. In the event of the targets being exceeded, the variable component can amount to a maximum of 100% of the annual base salary. The level of the variable component is determined by the Board of Directors on the basis of the target achievement within the framework of the total amount of remuneration of the Executive Board approved by the Shareholders' Meeting. The fixed remuneration

neration and/or variable remuneration are paid in part in shares, comparable instruments and/or units determined by the Corporation in order to guarantee direct participation in the long-term value development. To reinforce the alignment with shareholders' interests further the Board of Directors can decide on minimum shareholding guidelines for the members of the Executive Board.

- 8.1.3 The variable component for the members of the Executive Board is normally paid under the Management Incentive Plan to at least 25% in restricted shares of the Corporation. The members of the Executive Board have the option of increasing the share proportion on a voluntary basis. The function-dependent annual fee is normally paid to a third in restricted shares of the Corporation for members of the Board of Directors under the Management Incentive Plan. The allocation of the shares under the Management Incentive Plan occurs on the basis of the tax value. The restriction period is normally three years.

The Restricted Share Plan issued by the Board of Directors serves to support recruitment and retention of key personnel. Under the Restricted Share Plan the Board of Directors can also pay a portion of the remuneration for individual Executive Board members in the form of units ("Restricted Share Units"). After a vesting period of normally three years and on the condition of an unterminated employment these units entitle the holder to obtain shares in the Corporation free of charge. The calculation value of the units corresponds to the market value of the shares at the time of allocation.

- 8.1.4 The Board of Directors in each case specifies the details for shares paid out, comparable instruments and/or units specified by the Corporation such as any expiry conditions, exercise conditions and periods, restriction periods and the time of the allocation and evaluation; it can provide for exercise conditions and periods and restriction periods being shortened or cancelled, remuneration being paid on the assumption of target values being achieved or the expiry of remuneration on account of the occurrence of events determined in advance such as termination of employment or a mandate relationship. In this regard, the Board of Directors takes the long-term interests of the Corporation into account, including

its ability to recruit suitable personnel on the labour market and the ability to bind employees to the Corporation.

## **8.2** *Contracts*

- 8.2.1 The Corporation or companies controlled by it can conclude fixed-term or indefinite contracts with members of the Board of Directors, on which the remuneration is based. The duration and termination depend on the term of office and the laws.
- 8.2.2 The Corporation or companies controlled by it can conclude employment contracts with members of the Board of Directors for an indefinite period with a period of notice of a maximum of twelve months.

## **8.3** *External mandates*

- 8.3.1 No member of the Board of Directors can hold more than three additional mandates in listed companies and ten additional mandates in unlisted companies. No member of the Board of Directors can hold more than a total of ten additional mandates. If mandates are exercised in companies that are linked by a control relationship, the main mandate is fully counted; each additional mandate is counted to one-fifth.
- 8.3.2 No member of the Executive Board can hold more than one additional mandate in listed companies and two additional mandates in unlisted companies. No member of the Executive Board can hold more than a total of two additional mandates. If mandates are exercised in companies that are linked by a control relationship, the main mandate is fully counted; each additional mandate is counted to one-fifth.
- 8.3.3 The following mandates are not covered by these restrictions:
- Mandates in companies controlled by the Corporation or which control the Corporation;
  - mandates that a member of the Board of Directors or of the Executive Board holds on the orders of the Corporation or com-

panies controlled by it. No member of the Board of Directors or the Executive Board can hold more than ten such mandates and

c. mandates in interest groupings, charitable associations, institutions and foundations and employee benefit foundations. No member of the Board of Directors or the Executive Board can hold more than seven such mandates.

- 8.3.4 The obligation to observe the appropriate due care in accordance with the relevant legal provisions remains applicable in each case. The Board of Directors will issue additional guidelines, especially on a consultation obligation of the members of the Board of Directors and the approval procedure for members of the Executive Board.
- 8.3.5 Mandates in the supreme management or administrative body of a legal unit that is obliged to be entered in the commercial register or a corresponding foreign register are regarded as mandates.

## 9. **Auditors**

The Shareholders' Meeting shall elect a state-supervised audit company as the auditor. The term of office of the auditor is one fiscal year, and ends with acceptance of the corresponding annual accounts. Re-election is possible. The tasks of the auditor are determined by the legal requirements.

## 10. **Fiscal Year**

The fiscal year ends as per 31 December of each year, ending for the first time on 31 December 1998.

## 11. **Allocation of Profits**

The Shareholders' Meeting shall decide on the allocation of the balance sheet profits taking into consideration all statutory requirements (Art. 14 TUG and Art. 671 CO).

Dividends which have not been paid within five years after falling due will be retained by the Corporation.

## **12. Communications and Notifications**

Communications to the shareholders and notifications shall be made through publication in the Swiss Official Commercial Gazette. The Board of Directors may determine further means of publication. Communications to the registered shareholders may, subject to Article 5.3, instead be validly made by letter (registered or ordinary mail) to the addresses shown in the Share Register.

## **13. Grammatical gender**

In these Articles of Incorporation, each title and function designation in the generic masculine is equally applicable to both sexes.



## **Contact**

Swisscom Ltd.

Investor Relations

CH-3050 Berne

Phone: +41 (0)58 221 62 78

E-Mail: [investor.relations@swisscom.com](mailto:investor.relations@swisscom.com)

Internet: <http://www.swisscom.ch>

Swisscom Ltd., 7 April 2014