

swisscom

Annual Report 2021



ready for tomorrow

# Annual Report publications



The Annual Report, Sustainability Report and '2021 at a glance' together make up Swisscom's reporting on 2021. The three publications are available online at: [swisscom.ch/report2021](https://www.swisscom.ch/report2021)

## 'Ready for tomorrow' concept

As part of its 'ready for tomorrow' concept, Swisscom is committed to preparing itself and its customers for the digital future and harnessing the corresponding opportunities. The images in the Annual Report show Swisscom services that simplify the everyday life of SMEs and improve their competitiveness.

The cover pages of the Annual Report and '2021 at a glance' show Swisscom SME consultant Kathrin Kölbl with Fabian Mauerhofer, manager of the Ziegelhüsi hotel and restaurant in Deisswil. The company procures services from Swisscom.

The remaining images are mostly from the various Swisscom campaigns run throughout the 2021 reporting year.

# Table of contents

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<b>Introduction</b>	1–11
<b>Management Commentary</b>	12–63
<b>Corporate Governance and Remuneration Report</b>	64–105
<b>Consolidated Financial Statements</b>	106–175
<b>Further Information</b>	176–184

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# 2021 in review

Net revenue

billion CHF

11.2

▲ 0.7%

EBITDA

billion CHF

4.5

▲ 2.2%

Capital expenditure

billion CHF

2.3

▲ 2.6%

Net income

billion CHF

1.8

▲ 20.0%

Net debt to EBITDA  
after leases ratio

1.4

▲ 0.1

Equity ratio

%

43.6

▲ 4.5 PP

Employees  
(full-time equivalent)

18,905

▼ 0.8%

Dividend per share

CHF

22



Total shareholder  
return Swisscom share

%

12.9

▲ 15.9 PP

# Ambitious for the climate

Swisscom has set itself the target  
of net zero emissions by

# 2025



## Very good

Swisscom wins  
connect service shop test  
with best ever rating.

## Top rating

'My Swisscom' rated  
best customer app –  
in Switzerland and compared  
with neighbouring  
German-speaking countries.

## World champion

Out of **4,400**

entries, Swisscom wins  
Global IoT Award  
from Microsoft.

## On course

Fastweb 2021  
once again achieved  
more sales, more  
customers and  
more profit in Italy.



## Fastest

Swisscom has  
fastest 10 Gbit/s  
fibre optic connection.

## Best



Swisscom again winner of all  
mobile tests in Switzerland.  
In the connect test, it even  
received an 'outstanding'  
rating and the highest score  
ever awarded in Switzerland.



# KPIs

In CHF million, except where indicated		2021	2020	Change
<b>Net revenue and results</b> <sup>1</sup>				
Net revenue		11,183	11,100	0.7%
Operating income before depreciation and amortisation (EBITDA)		4,478	4,382	2.2%
EBITDA as % of net revenue	%	40.0	39.5	
EBITDA after lease expense (EBITDA AL)		4,177	4,082	2.3%
Operating income (EBIT)		2,066	1,947	6.1%
Net income		1,833	1,528	20.0%
Earnings per share	CHF	35.37	29.54	19.7%
<b>Balance sheet and cash flows</b> <sup>1</sup>				
Equity		10,813	9,491	13.9%
Equity ratio	%	43.6	39.1	
Operating free cash flow proxy		1,891	1,853	2.1%
Capital expenditure		2,286	2,229	2.6%
Net debt		5,689	6,218	-8.5%
<b>Operational data</b>				
Fixed telephony access lines in Switzerland	in thousand	1,424	1,523	-6.5%
Broadband access lines retail in Switzerland	in thousand	2,037	2,043	-0.3%
TV access lines in Switzerland	in thousand	1,592	1,588	0.3%
Mobile access lines in Switzerland	in thousand	6,177	6,224	-0.8%
Revenue generating units (RGU) in Switzerland	in thousand	11,230	11,378	-1.3%
Broadband access lines wholesale in Switzerland	in thousand	596	555	7.4%
Broadband access lines in Italy	in thousand	2,750	2,747	0.1%
Mobile access lines in Italy	in thousand	2,472	1,961	26.1%
<b>Swisscom share</b>				
Number of issued shares	in thousand	51,802	51,802	-
Market capitalisation		26,657	24,715	7.9%
Closing price at end of period	CHF	514.60	477.10	7.9%
Closing price highest	CHF	562.40	577.80	
Closing price lowest	CHF	456.30	446.70	
Dividend per share	CHF	22.00 <sup>2</sup>	22.00	-
<b>Employees</b>				
Full-time equivalent employees	number	18,905	19,062	-0.8%
Average number of full-time equivalent employees	number	19,099	19,095	0.0%

1 Swisscom uses various alternative performance measures. The definition and reconciliation of values in accordance with IFRS are set out in the chapter on financial review.

2 In accordance with the proposal of the Board of Directors to the Annual General Meeting.

# Business overview

## Swisscom Switzerland

### Residential Customers

The Residential Customers division provides mobile and fixed-line services in Switzerland, such as fixed-line telephony, broadband, TV and mobile communications.

### Business Customers

Business Customers offers telecom services and overall communications solutions for large corporations and SME customers in Switzerland. The offering in the area of business ICT infrastructure covers the entire range from individual products to complete solutions.

### Wholesale

The Wholesale segment enables other telecommunications providers to use the Swisscom fixed and mobile network.

### Infrastructure & Support Functions

The Infrastructure & Support Functions area plans, operates and maintains the network and IT infrastructure in Switzerland.

## Fastweb

Fastweb provides broadband and mobile phone services to residential, business and wholesale customers in Italy. The offering includes telephony, broadband and mobile services. Fastweb also offers comprehensive ICT solutions for business customers.

## Other Operating Segments

With subsidiaries in the area of network construction and maintenance (cablex Ltd) and broadcast services (Swisscom Broadcast Ltd), Swisscom is supplementing the core business in related areas. The Digital Business division is focused on growth areas in the field of Internet services and digital business models, and also includes business with online directories and telephone books (localsearch).

Revenues

**CHF 8.2 bn**

EBITDA

**CHF 3.5 bn**

Revenues

**EUR 2.4 bn**

EBITDA

**EUR 0.8 bn**

Revenues

**CHF 1.0 bn**

EBITDA

**CHF 0.2 bn**

# Healthy financial results – ready for tomorrow



From left: Michael Rechsteiner, Chairman of the Board of Directors Swisscom Ltd and Urs Schaeppi, CEO Swisscom Ltd.

## Dear Shareholders

The future needs digitisation. Our ambition is to make the digital future possible for our customers in Switzerland and Italy. Some 19,000 Swisscom and Fastweb employees have been committed to this objective for years. By investing around CHF 2.3 billion annually in network expansion, we are creating the conditions for successful digitisation. We develop advanced products and services for and with our customers – ensuring that our customers are also ready for what tomorrow may bring. We also seize the possibilities of digitisation to make climate-friendly changes: for example, we are seeking to become climate-neutral along the entire value chain in Switzerland by 2025. As a market and technology leader, we are spurred on by curiosity to anticipate future developments at an early stage: for example, we work closely with universities, invest in innovative start-ups and host an annual StartUp Challenge, with the theme for 2021 being cyber security.

### **Solid finances – the foundation for lasting success**

Our markets remain saturated, and promotional and price pressure is high. Swisscom successfully held its own in this environment in 2021: with net revenue of CHF 11,183 million (+0.7%) and operating income before depreciation and amortisation (EBITDA) of CHF 4,478 million (+2.2%), the results were above the previous year. We achieved these good results thanks to networks that once again received top ratings in the year under review, our multi-award-winning customer service, and innovative products and services. In addition to these outward-facing aspects, we are consistently improving our own internal efficiency by expanding process automation, strengthening our online channels and simplifying our IT and networks. These measures enabled us to reduce our cost base by around CHF 120 million in 2021, further boosting our competitiveness.



## **Fastweb records more customers, revenue and EBITDA**

Fastweb made an important contribution to Swisscom's success again in 2021. With a market share of around 16% among residential customers, 34% among businesses and 46% in the public sector, Fastweb is the clear number two in Europe's fourth-largest broadband market. It grew its customer base in all segments, with rises of 0.1% for broadband customers and 26.1% in mobile communications. As a result, Fastweb boosted its revenue by 3.8% to EUR 2,392 million and its operating income before depreciation and amortisation (EBITDA) by 5.4% to EUR 826 million. This was a tremendous result!

## **Much invested, much gained**

At the end of 2021, Swisscom reached the expansion target that it promised six years ago: it is delivering speeds of at least 80 Mbps to 90% of all homes and offices in every Swiss municipality. To achieve this, Swisscom invested around CHF 1.6 billion per year in the expansion and maintenance of its IT and network infrastructure in Switzerland. This forward-thinking approach to infrastructure expansion is continued in its Network Strategy 2025: Swisscom intends to double its fibre-to-the-home (FTTH) coverage and provide 50–60% of homes and offices with bandwidths of 10 Gbps by 2025.

Swisscom again came top in all Switzerland's mobile network tests in 2021, and achieved the best rating ever awarded in Switzerland in the annual test conducted by the trade magazine 'connect'. Today, the entire Swiss population has 4G coverage. A basic version of 5G (5G technology on 4G antennas) already covers 99% of the population. The full benefits of 5G (5G technology on 5G antennas) are so far only available in 888 locations. In order to create new capacity for modern 5G technology, Swisscom decommissioned the obsolete 2G/GSM mobile generation during 2021.

## **Best network – but more difficult expansion**

Switzerland's mobile and fibre-optic network is one of the best in the world. However, we note with concern the increasing regulation, which threatens to slow down the urgently needed network expansion. On top of the already ten times stricter installation limit values in Switzerland, we face an extremely strict assessment of adaptive 5G antennas and high administrative hurdles for minor operational or technological adjustments. If data traffic increases by around 20% annually but capacity is only expanded by 5%, the Swiss mobile communications network is heading for an unnecessary crunch.

In its ruling of 30 September 2021, the Federal Administrative Court confirmed COMCO's precautionary measures, meaning that Swisscom may not continue to expand its network infrastructure in accordance with the standard international point-to-multipoint (P2MP) FTTH standard. Swisscom is in talks with the COMCO to reach a solution in the interest of our customers as quickly as possible. By engaging in close dialogue with the authorities and politicians, Swisscom is striving to ensure that the expansion of our fibre-optic and mobile communications infrastructure is neither made more expensive nor delayed, because it is only with the highest-performing infrastructure that Switzerland will be able to seize the opportunities that the digital future will bring.

## **Target of net zero by 2025 – one small step for the climate, but one ambitious leap for Swisscom**

After being named the world's most sustainable telecommunications company in 2020, Swisscom is embarking on the next step: to reduce its CO<sub>2</sub> emissions in Switzerland along the entire value chain to net zero by 2025. In order to be completely climate-neutral four years from now, Swisscom aims to reduce CO<sub>2</sub> emissions from its operations and supply chains to a total of 235,000 tonnes, which is in line with a reduction path to well below 1.5°C. Measures to achieve this include switching to electric models for its 2,400-strong vehicle fleet: Swisscom brought the first 80 electric vehicles into service in 2021 and intends to electrify the entire fleet by 2030.

We are also promoting innovations that drive climate-friendly changes via the Swisscom IoT Climate Award and direct investments in start-ups. Examples include our investment in ecoRobotix, whose weeding robots cut CO<sub>2</sub> emissions and herbicide use by 90% through solar cells and 5G.

### Ready for our residential customers

The residential customers market in Switzerland is saturated and strongly promotion-driven. Despite that, Swisscom continuously developed its attractive inOne bundled offering during the year under review. Home networking for controlling lighting, music or alarm systems also grew strongly.

Ready for the new TV experience: Swisscom launched 'blue Play', an extensive new media library offering series, feature films and children's programming, in 2021. It also introduced a technical innovation for sports fans: when using the Replay mode, the key moments – such as goalmouth action or yellow and red cards – are visually indicated so that viewers can always move to the most exciting passages of play. Swisscom is also committed to the Swiss music scene, which it will be bringing live to blue TV users from 2022, 365 days a year.

Just as important as good-quality products is quality of service – be that online or in store. The trade magazine 'connect' awarded the My Swisscom app the highest score of any service app from a telecommunications company in Europe. The quality of personal service in our shops also secured the best score ever achieved in Switzerland: in a nutshell, 'we are ready'!

We are supporting Switzerland on its journey into a digital future with appropriate media training for individuals, teachers, school pupils and parents. A total of 72,000 people took part in these training sessions in 2021. Swisscom also campaigned against hate speech and online bullying with the #mutethehate campaign.



**Swisscom was a pioneer when it became the world's first environmentally certified telecommunications company 20 years ago. Now it wants to lead the way again with its target of net zero emissions by 2025.**

### IT: the lifeline for companies

IT infrastructure is increasingly an indispensable lifeline for companies. Unsurprisingly, the market for IT services recovered last year. Especially those SMEs that only really recognised the importance of digitisation during the pandemic have some catching up to do. That is why Swisscom launched a digital POS system in 2021 that allows SME managers to manage all major processes, from ordering and inventory management to invoicing, from their tablets without any specific IT knowledge.

To enable SMEs to provide their services securely, Swisscom offers IT security assessments, cloud solutions that apply the highest security standards and e-learning for employees.

In 2021, Swisscom's partnership with Rhomberg Sersa, an SME in the field of track construction, provided a powerful illustration of what digitisation can achieve: the combination of the Internet of Things, cloud solutions and 5G have not just improved Rhomberg Sersa's competitiveness and the safety of its employees on sites, but have also helped cut its CO<sub>2</sub> emissions. Little surprise, then, that this ground-breaking project was selected from 4,400 applications as the winner of Microsoft's Global IoT Award.



‘**Swisscom once again offered the best mobile network in 2021 and also the best service in its shops throughout Switzerland. These independent test results are a joy to behold!**’

#### **Shareholder return and outlook**

Swisscom's share price rose 7.9% to CHF 514.60 in 2021. Swisscom expects net revenue of CHF 11.1 to 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion (around CHF 1.7 billion of which will be in Switzerland) for 2022. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.

#### **Many thanks**

‘Being ready for tomorrow’ is both an opportunity and a challenge for all of us. Our employees prove every day that they are ready for tomorrow and want to support our customers as they move into this digital future. We are very thankful to them for this.

We would also like to thank you, our valued shareholders, for your trust and confidence. We hope that you, too, are ready and eager to join us on our journey to a successful tomorrow.

Kind regards

A handwritten signature in black ink that reads "M. Rechsteiner". The signature is fluid and cursive.

Michael Rechsteiner  
Chairman of the Board of Directors  
Swisscom Ltd

A handwritten signature in black ink that reads "U. Schaeppi". The signature is cursive and somewhat stylized.

Urs Schaeppi  
CEO Swisscom Ltd



**‘Ready for everyday  
digital business’**

More time for your customers thanks to  
our modern POS system on your touchscreen.



# ‘Ready for optimal data security’

Enhanced IT security for your company and your customers thanks to our security checks, cloud solutions and e-learning.

# Management Commentary

<b>Strategy and environment</b>	Targets and achievement of targets in 2021	14
	General conditions and market environment	14
	Swisscom Group Goals	20
	Strategy for Switzerland	21
	Strategy in Italy	23
	Sustainability	23
<b>Infrastructure</b>	Infrastructure in Switzerland	25
	Infrastructure in Italy	29
<b>Employees</b>	Employees in Switzerland	30
	Employees in Italy	32
<b>Brands, products and services</b>	Swisscom brands	36
	Products and services in Switzerland	37
	Products and services in Italy	39
	Customer satisfaction	39
<b>Innovation and development</b>	Innovation as a key driver of business performance	40
	Innovation focused on specific topics	41
<b>Financial review</b>	Alternative performance measures	44
	Summary	46
	Segment results	47
	Depreciation and amortisation, non-operating results	51
	Income taxes	52
	Cash flows	53
	Capital expenditure	54
	Net asset position	55
	Financial outlook	57
	Value-oriented business management	58
	Statement of added value	59
<b>Capital market</b>	Swisscom share	60
	Dividend policy	61
	Credit ratings and financing	61
<b>Risks</b>	Risk situation	62
	Risk factors	62

# Strategy and environment

Swisscom is Switzerland's largest telecoms provider. Through its subsidiary Fastweb, it also has an alternative telecoms service provider in the Italian market. In order to ensure its long-term success in a dynamic environment, Swisscom has defined five Group goals. In Switzerland, Swisscom aims to consolidate its market leadership even further. Swisscom forms Switzerland's digital backbone and sets itself apart by offering the best customer experience. In Italy, the subsidiary Fastweb is focusing on the further expansion of the ultra-broadband network and on convergence offerings. Other key Group goals are an extremely high level of financial stability, innovative offerings, resilient networks and sustainability.

## Targets and achievement of targets in 2021

Targets 2021		Target achievement 2021
<b>Financial targets</b>		
Net revenue	Net revenue for the year 2021 of around CHF 11.1 billion	CHF 11,183 million
Operating income before depreciation and amortisation (EBITDA)	EBITDA for the year 2021 of around CHF 4.3 billion	CHF 4,478 million
Capital expenditure	Capital expenditure for the year 2021 of around CHF 2.3 billion	CHF 2,286 million
Operational Excellence	Reduction of cost base 2021 in Swiss business by CHF 100 million	CHF 119 million

Swisscom has set itself various targets that take economic, ecological and social factors into consideration. This annual report contains the targets and achievement of targets for 2021 from a financial perspective. Those for sustainability are described in the separate sustainability report.

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## General conditions and market environment

Swisscom operates in a very dynamic environment. Megatrends such as demographic change, a sharper focus on health-related topics and the growing importance of sustainability are indelibly shaping and altering Swiss society and the economy and have a long-term impact on the activities of Swisscom as a result. By the same token, the expansion of ultra-fast broadband, the increasing penetration of cloud computing and the advancements made

in the field of artificial intelligence are short- to medium-term trends that impact Swisscom's business. Digitisation is being accelerated even further by the global Covid-19 pandemic as it penetrates more and more into all spheres of life. Customer behaviour has also undergone a lasting change, as indicated by, among other things, the increased use of online channels for shopping and making contact as well as the rise of contactless payment. The pandemic has caused the importance of high-performance networks to grow and expectations regarding the stability and availability of the network infrastructure will continue to rise as a result.

Digitisation is leading to new, rapidly developing business models. Swisscom's core business is characterised by fierce competition with strong price pressure. The overall market for connectivity services continues to shrink in Switzerland and Italy. Global Internet companies are using their economies of scale and forcing themselves into local ICT markets for both residential and business customers.



## Market environment

The three macroeconomic factors of the economy (in Switzerland and in Italy), interest rates and exchange rates (EUR and USD) can have a significant influence on Swisscom's financial position, results of operations and cash flows, and therefore on financial reporting.

	Unit	2017	2018	2019	2020	2021
Change GDP Switzerland	in %	1.0	2.8	0.9	(2.5)	3.5 <sup>1</sup>
Change GDP Italy	in %	1.5	0.1	0.2	(9.6)	6.3 <sup>2</sup>
Yield on government bonds (10 years)	in %	(0.07)	(0.24)	(0.46)	(0.53)	(0.13)
Closing rate CHF/EUR	in CHF	1.17	1.13	1.09	1.08	1.03
Closing rate CHF/USD	in CHF	0.98	0.99	0.97	0.88	0.91

1 Forecast SECO

2 Forecast Istat

## Economy

Economic developments in 2021 were once again dominated by the measures taken to contain the Covid-19 pandemic. After slumping sharply in the early stages of the pandemic in 2020, the economy recovered in the year under review, with GDP in Switzerland up 3.5% in 2021 compared with the previous year. Swisscom's customer segments are affected differently by the economic trend. A high share of the revenues generated in the Residential Customers segment can be attributed to products with fixed monthly charges, meaning the impact of economic fluctuations on revenue remains low in the short term. However, an economic downturn may reinforce the trend towards switching to cheaper price plans. Project business with business customers is more sensitive to cyclical factors. Pandemic-related travel restrictions led to lower revenues and lower costs in the roaming business. Furthermore, the pandemic resulted in a negative business trend in the cinema business.

## Interest rates

The interest rate level has an impact on funding costs and also affects the valuation of long-term provisions and pension liabilities in the consolidated financial statements. In addition, interest rates constitute a key assumption for the impairment assessment of goodwill and other items in the financial statements. The yields on ten-year government bonds remain at a very low level. Swisscom issued one bond totalling CHF 100 million in 2021. The average interest expense on these financial liabilities (excl. lease liabilities) was 0.9% at the end of 2021. 88% of these financial liabilities were charged a fixed interest rate. The average maturity is 6.2 years. This financing structure offers considerable protection against a potential rise in interest rates.

## Currencies

Exchange rate fluctuations have very little impact on Swisscom's income or financial position. Transaction risks for operational cash flows exist primarily in the purchase of end devices and technical equipment and services from network operators outside of Switzerland (e.g. for roaming). In the core business in Switzerland, the amount of money paid out in foreign currencies is higher than the income in the corresponding currencies. The largest currency exposure is in USD. The net cash flows in foreign currency are partly hedged by foreign currency forward contracts, and hedge accounting is applied in the consolidated financial statements. Swisscom funds itself for the most part in Swiss francs and to a lesser extent in EUR. The net assets of foreign subsidiaries, especially of Fastweb in Italy, are also subject to a currency translation risk in the consolidated financial statements. The carrying amount of Fastweb's net assets totalled EUR 3.4 billion at the end of 2021. The balance sheet items of the foreign subsidiaries were translated into Swiss francs at the exchange rate on the balance sheet date, and differences arising in translation were recognised directly in equity. A portion of the financial liabilities in EUR is classified as a currency hedge of the Fastweb net assets.

## Legal environment

### Swisscom's legal framework

Swisscom is a public limited company with special status under Swiss law. Corporate governance is governed by company law and, in particular, the Telecommunications Enterprise Act (TEA). In its capacity as a listed company, Swisscom also observes capital market law and the requirements of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC). The legal framework for Swisscom's business activities is primarily derived from the Federal Telecommunications Act (TCA) and the Federal Cartel Act (CartA).

### Telecommunications Enterprise Act (TEA) and relationship with the Swiss Confederation

The TEA requires the Swiss Confederation to hold a majority of the capital and voting rights in Swisscom. Were the government to dispose of the majority holding, this would require a change in the corresponding law, which would be subject to a facultative referendum. Every four years, the Federal Council defines the goals which the Confederation as principal shareholder aims to achieve. The current target period covers the years 2018 to 2021. These goals include strategic, financial and personnel policy objectives as well as targets relating to partnerships and investments. The Federal Council also expects Swisscom to pursue a corporate strategy that is, to the extent economically possible, both sustainable and committed to ethical principles. In November 2021, the Federal Council approved the goals for the period from 2022 to 2025.

☉ See [www.swisscom.ch/ziele\\_2018-2021](http://www.swisscom.ch/ziele_2018-2021)

☉ See [www.swisscom.ch/ziele\\_2022-2025](http://www.swisscom.ch/ziele_2022-2025)

### Telecommunications Act (TCA)

The Telecommunications Act and the associated legislation primarily govern network access, basic service provision and the use of radio frequencies. The new provisions on network neutrality and roaming resulting from amendments to the law and ordinances entered into effect in 2021. The regulatory provisions regarding mobile network hardening are still being drafted. These provisions are designed to ensure that the population and the economy can continue to use important telecommunications services (emergency calls, data services, telephony, radio and TV programmes) in the event of a power shortage.

☉ See [www.admin.ch](http://www.admin.ch)

### Network access

The legislator has confirmed that it intends to continue to limit network access regulation to copper-based connections (no technology-neutral network access). This means that Swisscom is required to allow other providers physical network access only to copper lines at cost-based prices. Access to fibre-optic lines continues to be on the basis of commercial agreements.

### Basic service provision

The Federal Communications Commission (ComCom) has awarded the universal service licence for the period 2018 to 2022 to Swisscom. The aim of the basic service is to provide reliable, affordable basic telecommunications to all sections of the population in all regions of the country. The Federal Council periodically determines the scope of services as well as the related quality and pricing requirements. Swisscom fulfils its mandate and generally offers fixed network telephony (IP) as well as broadband Internet

with a transmission rate of at least 10 Mbps (downloads) and 1 Mbps (uploads). In December 2021, the Federal Council opened a consultation on the revision of the Ordinance on Telecommunications Services (OTS), proposing to include an additional Internet service with a download speed of at least 80 Mbps in the universal service licence from 2024 onward. The amendment to the ordinance provides for the subsidiarity principle. If the market already provides an alternative using mobile communications or satellite technology, for example, no basic service is required.

### Non-ionising radiation

The Ordinance on Non-Ionising Radiation (ONIR) regulates immissions and thus the transmission power of mobile antennas. The Swiss limit values (installation limit value) are ten times stricter than the limit values recommended by the WHO or those in force in neighbouring countries. Additional antennas are required to cope with increasing volumes of data transmitted over the network and to guarantee the reliability of mobile connections. These meet with resistance from the population. In April 2020, the Federal Council refused to adjust the limits, which would have increased the capacity of existing antenna systems.

### Federal Cartel Act (CartA)

Competition law (Federal Cartel Act) is highly relevant to various products and services from Swisscom, primarily due to Swisscom's prominent market position. It allows for direct sanctions to be imposed for unlawful conduct by market-dominant companies. Companies upon which other companies are dependent (relative market power) will be subject to the Federal Cartel Act from 2022 onward. The Swiss competition authority (Competition Commission, COMCO) has classified Swisscom as being market-dominant in a wide range of submarkets. There are currently several proceedings open within the context of which COMCO has classified Swisscom as being market-dominant and its conduct as being unlawful, and has thus imposed or may impose direct financial sanctions. The proceedings relate to the rolling out of the fibre-optic network, the broadcast of live sporting events on pay TV, broadband connections of post office locations and the broadband connections of business customers. The statuses of the proceedings and the potential financial effects are set out in the notes to the consolidated financial statements (Note 3.5).

### The Federal Copyright Act (CopA)

Swiss copyright law protects the rights of creators of works while also facilitating the fair use of works subject to copyright, which may generally be used only with the copyright holder's consent and in return for a considera-

tion. An exception to this rule is made for private use and for copying for private use. The compensation payable to the copyright holder for certain types of use protected by copyright law (collective management of rights) is determined by reference to collectively negotiated copyright tariffs. These apply to distribution of television programmes and to the use of time-delayed television viewing (Replay TV).

### **The Federal Radio and Television Act (FRTA)**

Switzerland's Radio and Television Act governs the production, presentation, transmission and reception of radio and television programmes. It is primarily on account of blue TV that Swisscom is affected by the rules on the transmission and broadcasting of media offerings. The various privileges (known as the 'must carry' provisions) applicable to certain broadcasters are relevant to Swisscom.

### **Federal Act on Data Protection (FADP)**

The Swiss Federal Act on Data Protection regulates the treatment of personal data. After several years of preparatory work, Parliament adopted the revised version of the Federal Act on Data Protection in 2020. It is not yet known when the revised act will come into force. Swisscom expects this to happen in the second half of 2022.

### **The European Union's General Data Protection Regulation (GDPR)**

The General Data Protection Regulation has regulated the processing of personal data since May 2018. The GDPR is relevant to Swisscom both as regards its service offering to residential customers in the EU as well as within the European Economic Area (EEA) and its provision of IT services to business customers directly subject to the GDPR. The actions required to comply with the GDPR's requirements, in so far as it impacts Swisscom's operations, were taken by Swisscom within the specified time period.

### **Legal and regulatory environment in Italy**

The legal framework for Fastweb's business activities is determined primarily by Italy's telecommunications legislation and the EU. Following a market analysis, in August 2019 the national regulatory authority, AGCOM, issued a decision on Telecom Italia's wholesale access services (TIM) for the years 2018 to 2021. Among other things, it approved a price reduction for virtual unbundled access (VULA) based on FTTS (Fibre to the Street) for the period from 2019 to 2021. In July 2021, Commission Delegated Regulation (EU) 2021/654 entered into force, setting limits on fixed and mobile termination rates for voice services at EU level.

## **Data protection**

Swisscom attaches great importance to the legally compliant and responsible processing of personal data. Data protection within Swisscom is controlled and monitored by a central data governance unit, which works closely with all the relevant divisions and other staff units.

Swisscom pushed ahead with the implementation of the new Federal Act on Data Protection (FADP) in the year under review. It has analysed the new legal requirements and examined their impact on its own activities. It will now implement the corresponding measures in a cross-departmental programme involving all relevant functions. In addition, Swisscom issued new directives and information sheets in 2021 for specific types of data processing. One important aspect of data protection at Swisscom is the expansion of technical systems that support data governance. Swisscom also has clearly defined processes and responsibilities that apply in the event of data protection breaches.

In the year under review, Swisscom worked hard to promote the development of Privacy Icons. These graphical representations show data subjects quickly and easily which of his or her data is being processed and how. They are made available to the public through the Privacy Icons association and can be used by data processors at no charge. Swisscom is a member of the association and is represented on the board.

At Swisscom, a data ethics framework for the entire company forms the basis for ethically correct data processing. The framework is used by the Data Ethics Board, which is made up of members from various divisions of Swisscom, to assess sensitive cases and ensure that they comply with the principles of corporate ethics. The Data Ethics Board reviewed several use cases in 2021 to check for compliance with data ethics principles. The approach set out in the framework for data ethics has proven successful and will be continued.

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## **Swiss market trends in telecoms and IT services**

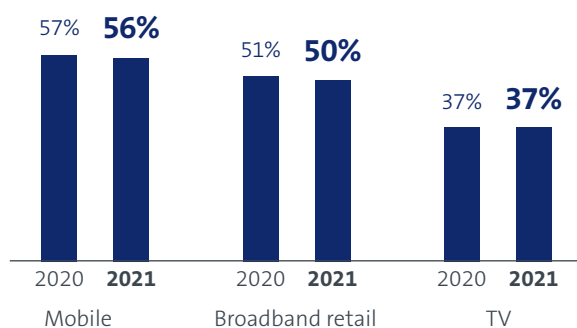
The Swiss telecommunications market is characterised by a wide range of voice and data products and services as well as the continuing advance of digitisation and connectivity. In addition to the established regional and national telecommunications companies, internationally active companies are entering the Swiss telecommunications market, offering both free and paid-for Internet-based services around the world, including telephony, SMS messaging and streaming services. Overall, this is generating constant growth in demand for high bandwidths that enable fast, quality access to data and appli-

cations. The uninterrupted availability of data and services as well as the security involved in ensuring this availability are becoming increasingly important, with modern, highly effective network infrastructures providing the foundations. Swisscom is therefore employing the latest technologies to continuously expand both its fixed and mobile networks. The 2020 acquisition of Sunrise by Liberty Global (parent company of UPC Switzerland) and the subsequent merger of UPC Switzerland and Sunrise have consolidated the market even further in the year under review. Competitive pressure in the market remains high as a result.

The Swiss telecoms market is broken down into the submarkets of relevance to Swisscom – mobile communications and fixed network – and generates total revenue estimated at CHF 11 billion. Price pressure will remain high in all markets, and Swisscom therefore expects revenue to decline slightly in the telecommunications market in the medium term. Saturation in all markets is intensifying the existing cut-throat competition. The individual submarkets are characterised by a high level of promotional activity on the part of the individual market participants and corresponding price pressure. At the heart of the portfolio of offerings are convergence offerings which can contain one or more mobile lines, in addition to a fixed broadband connection with Internet, TV and fixed-line telephony. Swisscom – as well as some competitors – offers products and services from the core business using secondary and third-party brands.

## Market share Swisscom

Swiss telecommunication market



### Mobile communications market

Switzerland has three separate, wide-area mobile networks on which the operators of those networks market their own products and services. Other market players also offer their own mobile services as MVNOs (mobile virtual network operators) on these networks. Swisscom makes its mobile communications network available to selected third-party providers so that they can offer proprietary products and services to their customers via the Swisscom network. The Swiss mobile communications market is saturated due to the high level of market penetration and the number of mobile lines (SIM cards) has stagnated at around 11 million. Mobile access line penetration in Switzerland remains at around 125%. As in the previous year, the number of postpaid subscriptions taken out increased, while the number of prepaid customers fell. The proportion of mobile users with postpaid subscriptions stands at approximately 81% (prior year: 77%). Swisscom decommissioned the obsolete second-generation mobile network (2G/GSM) in the first half of 2021. Swisscom is using the freed-up capacity for the newer 4G and 5G generations. Swisscom's postpaid market share is 56%. This represents a decrease of one percentage point compared to the previous year, which is due to the continuing competitive pressure.

### Fixed-line market

Close to 100% of Switzerland is covered by fixed broadband networks. Alongside the fixed-line networks of telecoms companies, there are also networks provided by cable network operators. Moreover, market players such as utilities operating in particular cities and municipalities are building and operating fibre-optic networks on their own initiative at a regional level. For the most part, their network infrastructures are available to other market participants for product offerings and the provision of services. Swisscom is building state-of-the-art fibre-optic networks, partly in cooperation with other companies, based on the principle of open networks. In 2021, Swisscom entered into a partnership for fibre-optic expansion with its competitor Salt. Within the framework of the partnership, Salt is investing in long-term usage rights for Swisscom's fibre-optic connections. This will enable Salt to offer its own products and services on a large scale in the future, thereby increasing the diversity of its offerings on the market even further. Fixed broadband connections lay the basis for a wide-ranging product offering from both national and global competitors. There is currently a great deal of uncertainty shrouding the continued rolling out of the fibre-optic network to homes and businesses (FTTH), which Swisscom is implementing for the whole of Switzerland. In 2021, the Federal Administrative Court confirmed the precautionary measures taken by the Competition Commission in December 2020, which partly call into ques-

tion Swisscom's network architecture and may therefore also have an impact on its partnership with Salt. Until the situation is clarified, Swisscom is only building network elements relating to the P2P (point-to-point) network element (e.g. feeder to the home) or that are being built under cooperations.

#### Broadband market

The most widespread access technologies for fixed broadband connections in Switzerland are infrastructures based on the networks of telecommunications providers and cable network operators. The broadband market grew by around 2% in the 2021 reporting year. There were 4 million retail broadband access lines in Switzerland at the end of 2021. Swisscom's market share declined by one percentage point year-on-year to 50% as a result of persistently high competitive pressure.

#### TV market

In Switzerland, TV signals are transmitted via cable, broadband, satellite and mobile. The large majority of TV connections is provided via cable or broadband networks. The Swiss TV market features a diverse range of offerings from established national market participants. Offerings from other national and international companies are also available on the market, including TV and streaming services that can be used over an existing broadband connection, regardless of the Internet provider. The competitive dynamics in the saturated TV market remain high, driven by the large number of different offerings. At the end of 2020, Swisscom acquired the broadcasting rights for all matches in the top Swiss football leagues from 2021 to 2025 in order to further strengthen its strong position in the TV market. It defended its market share against the competition in 2021 and remains the market leader with a market share of 37%.

#### Fixed-line telephony market

Fixed-line telephony is mainly based on lines running over the fixed networks of the telecoms service providers and the cable networks. As the use of fixed-line telephony is steadily declining it continues to be replaced by mobile communications. This trend continued in 2021, with the number of Swisscom fixed-line connections falling by around 7% to 1.4 million.

#### IT services market in Switzerland

In 2021, the IT services market (IT services and software) generated revenue of around CHF 19 billion. The market recovered in the 2021 reporting year following a slight decline in the previous year due to the Covid-19 pandemic. For the coming years, Swisscom assumes that the

market will grow by 4 to 5% per year due to increasing digitisation. The areas in which it expects the most growth are the cloud, workspace & collaboration, security, the Internet of Things (IoT) and business applications. This growth is a result of the increasing number of business-driven ICT projects as well as the rising demand for digital business models and new working models. Swisscom has noticed companies' growing willingness to procure more external services in order to cope with elevated complexity and the accelerating transformation into a hybrid cloud. Further growth drivers are also the increasing threats in the area of IT security as well as system solutions in the area of IoT. Customers generally expect services customised to their individual sector and business processes with appropriate advice.

In a difficult market environment, Swisscom increased its revenue slightly year-on-year and held on to its market position. This was mainly due to positive trends in the growth areas of security, cloud and business applications. Market revenues increased in each of those areas, although certain revenues shifted to the big global cloud providers (hyperscalers) and were lost in Switzerland as a result. In addition, Swisscom strengthened its position in the IT services market in the year under review through the acquisitions of the MTF Group (IT services for SMEs), Webtiser AG (SAP e-commerce) and JLS Digital AG (digital communications, customer-specific applications and digital signage), all of which operate in German-speaking Switzerland and the Principality of Liechtenstein.

### Italian market trends in telecoms services

#### Italian broadband market

Thanks to revenue of around EUR 15 billion including wholesale, Italy is the fourth largest fixed-line market in Europe. The volume of the broadband market for homes and businesses has increased steadily in past years. The broadband market comprises around 17 million access lines for four major competitors and other smaller providers. Fastweb is one of the largest fixed-network broadband providers with a market share of 16% in the residential customer segment and 34.5% in the business customer segment.

#### Italian mobile communications market

The Italian mobile communications market has a volume of around 78 million active SIM cards and a total revenue of around EUR 13 billion. Competition and price pressure are substantial. Despite the difficult environment, Fastweb's customer base in mobile communications grew by 26% year over year to around 2.5 million customers. Fastweb's market share in terms of SIM cards is 3%.

## Swisscom Group Goals

In order to ensure its long-term success in a dynamic environment, Swisscom has defined five Group targets ('Swisscom Group Goals 2025'). It has enshrined one

common denominator in these Group targets, which apply to all Group companies: the new purpose of 'Empowering the Digital Future'.

## Swisscom Group Goals 2025



Swisscom has set itself the goal of consolidating its position even further, both as a market leader in Switzerland and as a key provider in the market for IT services ('No. 1 in Switzerland'). It forms Switzerland's digital backbone and sets itself apart by offering the best customer experience.

Swisscom's Fastweb subsidiary is a leading alternative provider for residential and business customers in Italy ('Leading challenger in Italy'). Fastweb continues to expand its own convergent ultra-broadband network through ongoing investments. The best customer experience is based on impressive quality of service and on offers that are characterised by transparency, fairness and simplicity. Fastweb contributes significantly to Swisscom's growth and aims to make further gains in market share.

Swisscom is characterised by enormous stability ('Rock-solid financials'). Safeguarding profitability and cash flow is pivotal to its ability to continue distributing attractive dividend.

Swisscom is committed to fulfilling its corporate responsibility towards society. This responsibility is becoming increasingly important in the eyes of shareholders, the capital market and customers ('Committed to corporate responsibility'). As a trustworthy company, Swisscom focuses on sustainability, which it expresses through net zero emissions and a positive carbon footprint in the Swiss business by 2025, among other things. Swisscom also promotes diversity and inclusion within its own company. Diversity stands for a balanced mix of generations, gender equality and variety in terms of language and origin. Inclusion refers to the targeted integration of employees with physical or psychological impairments as well as the integration of refugees.

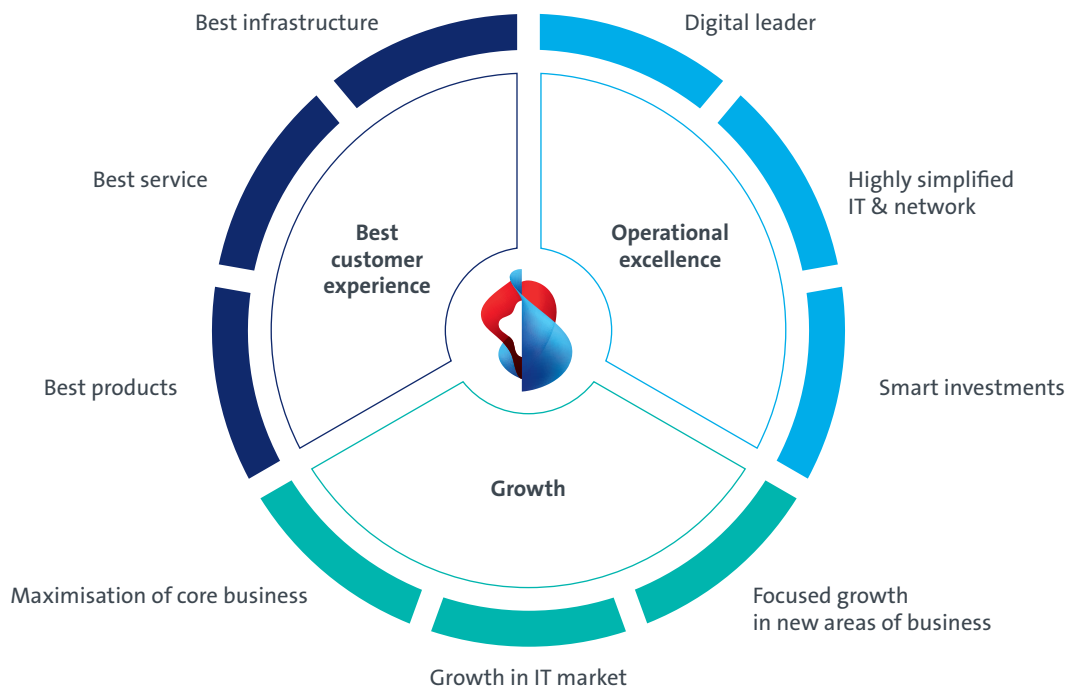
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As a leading digital company, Swisscom launches innovative products and services based on resilient and secure networks ('Outstanding in innovation & reliability'). It develops growth areas in its Digital Business division, such as FinTech or Trust Services, in a targeted manner.

## Strategy for Switzerland

Swisscom is a market, technology and innovation leader in Switzerland with high quality standards, connecting both residential and corporate customers. It is at the heart of digitisation and enables its customers to seize the opportunities presented by the networked world without difficulty. In everything it does, Swisscom focuses on people's needs. Its employees work in concert to provide inspirational experiences. Swisscom is committed and trustworthy in its actions, consistently

seeks to learn new things and develop and systematically pursues its goals. What matters most to Swisscom is its customers' trust in it. That trust is strengthened by Swisscom's reliability and sustainability in everything it undertakes. To realise its vision of being a market leader in shaping the future and inspiring people in a networked world, Swisscom has set out three strategic aspirations.



Strategic aspirations of Swisscom

### Best customer experience

Swisscom wants to inspire its customers by providing them with the best service at all times, regardless of their location. Since the customer experience is based on a high-performance infrastructure, Swisscom offers its customers the latest IT and communications infrastructure and develops these on an ongoing basis. Customer requirements for networks are constantly growing. As a result, Swisscom sets up and operates high-performance networks that are top-notch in terms of security, availability and coverage. In the year under review, the Swisscom network once again earned top rankings in numerous tests conducted by leading technical journals. Swisscom sets itself ambitious goals for the expansion of its fibre-optic network. By the end of 2025, fibre-optic coverage in homes and businesses (FTTH – Fibre to the Home) is expected to increase to between 50 and 60%.

After launching the first 5G network in Europe with commercial offerings and end devices in spring 2019, Swisscom is continuing to push ahead with the expansion of 5G. Some portions of the population still have concerns about and are resistant to the expansion of 5G. Additionally, Switzerland's strict legal limits mean that networks' full capacity cannot be exploited and that, in turn, hinders efforts to create urgently needed capacity on the mobile network.

Cloud services produced in Switzerland form the central cornerstone of the cloud offering and are supplemented by global public cloud solutions (including Amazon Web Services or Microsoft Azure, for example). Swisscom acts as an independent service provider that offers hybrid and multicloud solutions to provide customers the support they need for their digital transformation.

The relationship with customers is at the heart of Swisscom's success. Swisscom's top priorities are providing the best service and inspirational experiences across the board. Swisscom provides customers with expert guidance and they get flexible, personalised on-site service and enjoy a simple user experience across all online offerings. Swisscom is also streamlining its offering and provides relevant, advanced products. At the forefront of its convergence offering is the flexible, modular inOne subscription, which is being improved on an ongoing basis and remains very popular among residential customers. In addition to its main brand, Swisscom offers second- and third-party brands to address more digitally savvy or price-sensitive target groups. Swisscom continues to develop its blue TV, blue News, blue+ and blue Cinema entertainment services within the 'Swisscom blue' product family.

Swisscom provides small and medium-sized enterprises (SMEs) with in-depth, personal, local support thanks to a nationwide network of SME specialists and certified partners. Swisscom provides SMEs with complete Smart ICT solutions for outsourcing IT. Most recently, it added new security solutions and more to its offering for Swiss SMEs. As a trusted partner, Swisscom helps SME customers to defend themselves against the growing threat of cyber attacks. Both standardised products and customised customer solutions are in demand in the business customer segment. Swisscom offers business customers an integrated customer experience from a single source.

### Operational excellence

Due to fierce competition, revenues in the core business are still under strong pressure. Swisscom wants to offset these revenue losses as much as possible through growth in new areas and strict cost management. In its core business, Swisscom wants to optimise its cost base further over the coming years in order to secure long-term profitability. This should allow Swisscom to free up funds for the exploration of new business opportunities and make the investments necessary to ensure future success. As a leading digital company, Swisscom's internal digital transformation and accompanying increase in its own level of digitisation are also crucial. To drive this transformation, Swisscom is expanding process automation, strengthening its online channel for sales and consulting and using artificial intelligence and analytics capabilities, among other things. Simplifying the company's own IT and network is also essential. To this end, Swisscom is modernising and consolidating its IT platforms, phasing out old technologies, reducing interfaces, using agile development methods and standardising and streamlining its product portfolio. What's more, Swisscom is making its investment activities even more efficient, for example through an intelligent mix of technologies and value-oriented network expansion.

### New growth

The market for telecommunications in Switzerland is saturated. Swisscom anticipates moderate volume growth, both as a continuation of the previous trend in the postpaid segment of mobile communications as well as in the broadband segment, where it expects the rising number of homes and businesses in Switzerland, among other factors, to result in an increase in the number of subscribers. Price pressure will remain high in all markets, and Swisscom therefore expects revenue to decline slightly in the telecommunications market as a whole. Following the slight dip in the market in 2020 due to the Covid-19 pandemic, the IT services market recovered in the year under review. Market experts believe that it will continue to enjoy moderate growth over the next few years, driven by increasing digitisation and the related increase in the use of ICT in numerous industries.

Swisscom is targeting growth in the following three areas in particular: in its core business, in the IT market and in new business areas. By developing its core business further, it intends to exploit growth opportunities, e.g. in the Internet of Things (for both residential and business customers), with advanced value-added services and in respect of secondary and third-party brands. In the IT sector, the focus is on security and cloud services, vertical IT offerings (e.g. banking) and applications. It aims to generate growth in new business areas through its activities in the fintech sector, digital services for SMEs provided by localsearch (Swisscom Directories Ltd) and trust services. It manages growth areas using clearly defined success criteria. When selecting growth areas, it is guided by future customer requirements, focuses on future-oriented business models offering strong growth and makes increased use of partnerships.

### 'Level up' transformation

In order to achieve the Group goals ('Swisscom Group Goals 2025') in a rapidly changing environment and to help shape the future, Swisscom must break new ground. To do so, it focuses on the following three basic principles of management and employee behaviour: 'Performing together', 'Thinking digital first', and 'Acting lean-agile'. These three basic principles are crucial to achieving the Group's goals. With clear targets regarding 'Performing together', 'Thinking digital first' and 'Acting lean-agile', Swisscom intends to develop its corporate culture and employees' skills and take them up to the next level ('Level up'). To that end, Swisscom is committed to Group-wide goals and also relies on the continuous development of all employees and teams who take on responsibility and deliver a correspondingly impressive performance. Decisions at Swisscom are always made based on data. In this context, digitisation plays a



central role, which is why Swisscom is systematically digitising its internal business processes. Likewise, all employees need digital skills to provide Swisscom customers with the best experience and to offer significant added value through lean, iteratively developed solutions. To that end, Swisscom promotes the continuous development of its employees.

## Strategy in Italy

Fastweb is an infrastructure-based, alternative telecommunications provider for residential and business customers in Italy. It has its own ultra-broadband infrastructure and offers mobile communications services in addition to fixed-network services for residential customers and smaller business customers. It positions itself as a high-quality provider and pursues a strategy of becoming an infrastructure-based OTT provider. Its own network infrastructure (mobile communications and fixed network) offers customers gigabit connectivity. At the same time, Fastweb is developing new services that – much like conventional OTT providers – are characterised by simplicity, strong customer orientation and effectiveness. Fastweb continues to expand its own convergent ultra-broadband network through ongoing investments. In the broadband market, Fastweb's good market position is based on its own optical fibre-based infrastructure (FTTH and FTTS). Fastweb has held a 4.5% stake in FibreCop S.p.A, a network company founded in 2020 and majority owned by TIM (58%), since 2021. By acquiring a stake in FibreCop, Fastweb will benefit from the planned further FTTH roll-out in Italy. Fastweb additionally relies on the use of fixed wireless access (FWA). FWA allows surfing speeds similar to those offered by fibre to achieve a better customer experience at lower costs and with less time required for network expansion. The planned roll-out of the nationwide 5G mobile network will be enabled by the acquisition of Spektrum and the partnership with WindTre.

In the residential customer segment, Fastweb relies on a convergent product portfolio that is transparent, fair and simple. It intends to offer the best customer experience by providing an impressively high level of service quality. For business customers, it is making strategic expansions to its portfolio, primarily by employing horizontal solutions focused on cloud and digital security. Another focus of Fastweb's activities is the expansion of its wholesale offerings – whether in the area of ultra-fast broadband or with the connection of mobile communications sites to the fibre-optic network.

In order to improve its brand positioning, Fastweb has additionally enshrined its purpose of 'Tu sei futuro' in its articles of association. In doing so, it intends to expand its positioning, which had been heavily based on speed and performance in the past, to include future topics such as digitisation and sustainability. Swisscom expects Fastweb to further expand its market position in the future and to make a rising value contribution.

## Sustainability

### Sustainability strategy

Swisscom assumes responsibility towards society and the environment. As Switzerland's leading ICT company, it wants to seize the opportunities of the digital transformation for the prosperity of Switzerland, get involved and help shape the future. Swisscom does this by promoting the digital skills of people, protecting the climate, supporting fair and climate-friendly supply chains, and building and maintaining a reliable, high-performance ICT infrastructure. These measures are part of its Sustainability Strategy and are aligned with the UN's 17 Global Sustainable Development Goals. Swisscom has formulated three strategic priorities with corresponding objectives to address these fields of activity: 'ready for people', 'ready for the environment' and 'ready for Switzerland'. Further information can be found in the separate Sustainability Report.

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### Ready for people

Swisscom wants to enable people in Switzerland to make use of the opportunities presented by a networked world. By no later than 2025, Swisscom will help 2 million people annually to improve their skills in the digital world. New educational opportunities for schools, the people, SMEs and their employees are bringing it closer to this goal. Its teams in the call centres and shops are available to answer its customers' questions. Swisscom ensures safe and fair working conditions in the supply chain. It is also committed to barrier-free access to all its services.

### Ready for the environment

As a pioneer in climate protection, Swisscom makes a contribution to help limit the global temperature increase to 1.5 degrees. In its Swiss business, Swisscom will be climate-neutral across the entire value chain by 2025. It is also working with its customers to reduce net CO<sub>2</sub> emissions by 1 million tonnes per year by 2025. This corresponds to around 2% of Switzerland's greenhouse gas emissions. Furthermore, Swisscom wants to reduce its energy consumption by 20% by 2030 compared to today.

## Ready for Switzerland

Swisscom provides individuals and businesses nationwide with reliable ultra-fast broadband. Swisscom uses the best networks and progressive solutions to create added value for its customers, employees, shareholders and suppliers, and for all of Switzerland. By doing this, Swisscom makes the country more competitive and a better place to live.

## Climate protection and energy efficiency

In a rapidly changing environment, Swisscom is continuing along its path towards greater energy efficiency and climate protection, strengthening its sustainability targets and reducing its greenhouse gas emissions. The transition to a zero-emission company has implications for Swisscom's organisation and processes. In return, it offers new sources of revenue through Swisscom's portfolio of sustainable products and services.

The regulatory environment has become more challenging. In Switzerland, as in Europe, there is a noticeable trend towards more stringent requirements. Regulatory efforts are aimed at accelerating the transition to a zero-emissions economy by 2050 (net zero emissions) or, in other words, an economy that produces no more CO<sub>2</sub> emissions than it is able to offset. This target is in line with the latest recommendations of the International Plant Protection Convention (IPPC) to keep the average temperature increase below 1.5 degrees. Swisscom revised its CO<sub>2</sub> reduction targets in the 2021 reporting year and plans to meet the goal of net zero emissions in its Swiss business by 2025.

In order to achieve its goals, Swisscom is working mainly on efforts to boost its own energy efficiency. Maximum energy efficiency is essential for an energy-intensive company like Swisscom. As part of that, Swisscom aims to increase the efficiency of its network, real estate and mobility infrastructure while refraining from using environmentally harmful energy carriers. Accordingly, it acts and invests in a targeted manner. The company's individual activities and impact of those activities are described in detail in the sustainability and climate reports.

The goal of net zero emissions not only requires that emissions be reduced to an enormous degree, but CO<sub>2</sub> also needs to be sequestered in carbon sinks in the long term to remove it from the atmosphere. Swisscom is examining various options for this, including reforestation or capturing CO<sub>2</sub> directly from the air and storing it underground.

Swisscom offers a range of services that help customers reduce their CO<sub>2</sub> footprint. These include teleservices such as Microsoft Teams or Zoom, which significantly reduce travel and therefore greenhouse gas emissions, as well. These services have proven very useful during the Covid-19 pandemic since they were able to preserve and even increase the economy's productivity and competitiveness. One prerequisite for using teleservices like these is comprehensive coverage with high-speed connectivity. By 2025, Swisscom aims to provide 50 to 60% of Swiss homes and businesses with network speeds of up to 10 Gbps. An estimate of the emissions prevented by Swisscom customers through the use of sustainable services can be found in Swisscom's annual climate report.

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A transformation of this magnitude and speed comes with various risks and opportunities. Swiss and European regulations will strongly shape the field of sustainable finance going forward. They will demand a much higher degree of transparency about investments and their long-term impacts, as well as a more detailed materiality analysis. This kind of analysis must look at the matter from two perspectives: in terms of both the company's impact on its environment and the environment's impact on the company. From 1 January 2022, companies with subsidiaries in the EU or whose securities are traded on financial markets in the EU will have to report their activities according to the categories of the European taxonomy to make these more easily comparable. Swisscom has arranged its business activities in accordance with this classification.

In addition to the transition risks associated with regulatory and legal uncertainties, Swisscom must assess the physical risks arising from climate change. To that end, it has begun to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Swisscom has surveyed the potential impact that arises through climate change and the transition to a net-zero emissions company on its reputation, financing and portfolio. Swisscom was the first listed company in Switzerland to issue a green bond in euros in 2020, the proceeds of which will be used within the scope of the Green Bond Framework. A green bond in CHF followed in 2021 and Swisscom has also had credit facilities with costs that are linked to environmental social governance (ESG) objectives since 2021. The portfolio of sustainable services makes a relevant contribution to sales and is expected to grow further. Information on this can be found in the sustainability report.

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# Infrastructure

Telecommunications networks form the foundations for digital Switzerland. This was evident during the pandemic, when the networks seamlessly maintained economic life and social life. Swisscom continues to invest heavily in infrastructure to meet the growing broadband needs of the Swiss fixed and mobile network. It aims to directly connect up to 60% of homes and businesses with optical fibre by the end of 2025 and Swisscom had already provided 99% of the Swiss population with basic 5G coverage by the end of 2021. This is commensurate with its strategy of building the best networks and laying a solid foundation for the digital transformation for Switzerland.

## Infrastructure in Switzerland

### Network infrastructure

The telecommunications networks form the backbone of the Swiss information society. This makes Swisscom the largest network operator in Switzerland by far, in both fixed and mobile networks. It aims to provide Swiss customers with the best network for both the fixed and mobile networks. It relies on a smart combination of different network technologies so that the whole of Switzerland can benefit from the opportunities offered by the digital world. A network fault occurred in July 2021 that impacted emergency numbers, among others. The measures taken in 2020 to implement a dynamic routing system for emergency service organisations proved fundamentally successful during the incident. Swisscom continues to work on reducing disruptions. The number of residential customers affected by interruptions and downtime has decreased in recent years. Accordingly, customer satisfaction is showing a positive trend.

### A new age of communication has begun

Swisscom has replaced conventional fixed-line telephony with the Internet protocol (IP), and thus geared its network towards the future. All Swiss municipalities have already switched to IP telephony. Private customers benefit from significantly improved voice quality, automatic name display and the ability to block annoying advertising calls.

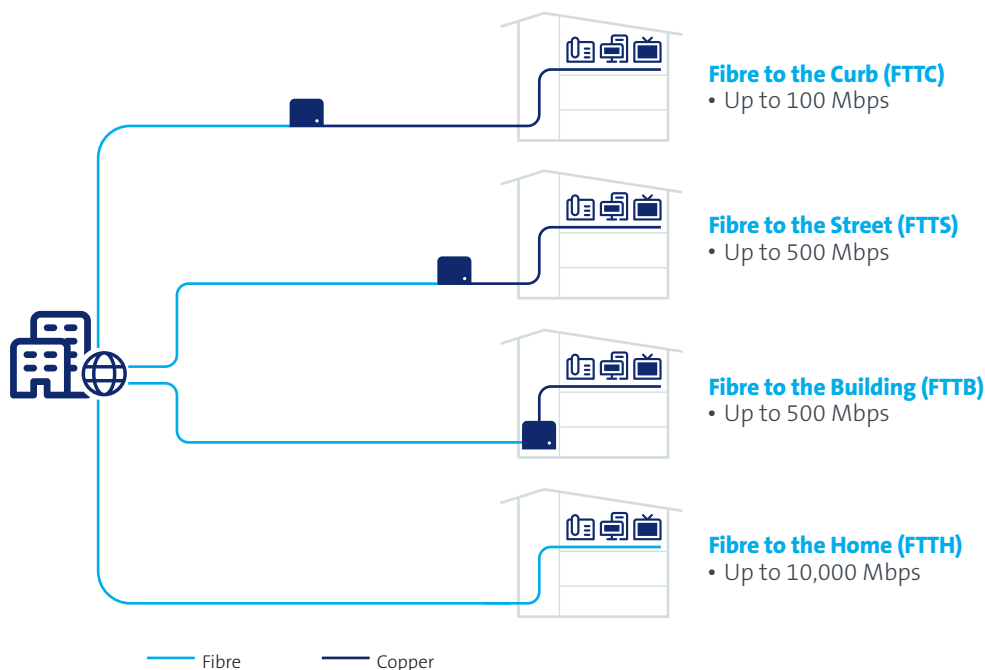
### Leading international position thanks to constant expansion

Switzerland boasts one of the best IT and telecoms infrastructures worldwide, International studies carried out by the OECD or the data and information service provider IHS Markit regularly confirm this. Rural regions benefit in particular from the high level of capital expenditure, almost two thirds of which is financed by Swisscom. According to the Broadband Coverage in Europe 2020 study carried out by Omdia/IHS Markit, commissioned by the EU Commission and published in the year under review with the support of Glasfasernetz Schweiz, the availability of broadband in rural regions of Switzerland is significantly higher than the EU average. At the end of 2021, around 4.8 million or 90% of homes and businesses were connected with speeds in excess of 80 Mbps. This has enabled Swisscom to make ultra-fast broadband available even in remote locations. Meanwhile, more than 3.9 million (or 72%) of homes and businesses enjoy connections with speeds of more than 200 Mbps. Coverage is at around 33% for speeds of 10 Gbps. In the Broadband Network Test Switzerland 2021 conducted by the trade magazine connect, Swisscom's fixed network takes first place in the 10 Gbit/s speed class. At the same time, Swisscom received a 'very good' rating for its fixed network. Swisscom's mobile network is also one of the best networks in the world, as confirmed by independent net-

work tests such as those conducted by the trade magazine connect, CHIP or network analyst Ookla. Swisscom now provides over 99% of the population with 3G and 4G coverage, 99% of the population with basic 5G coverage and 888 locations with 5G+ coverage.

### Network expansion

Bandwidth requirements in the Swiss fixed and mobile telephone network continue to grow. In order to maintain such a high level of service provision, further investments in the networks are necessary. Swisscom therefore invests around CHF 1.6 billion in IT and infrastructure in Switzerland every year. Compared to 2019, FTTH coverage will nearly double by the end of 2025. This means that 50 to 60% of all homes and offices will have a bandwidth of up to 10 Gbps.



At the same time, Swisscom will continue to modernise its existing network in the coming years, giving 30 to 40% of homes and offices access to a bandwidth of 300 to 500 Mbps. Bonding technology is also helping to noticeably improve broadband provision in certain regions. Bonding combines the performance of the fixed-line network with that of the mobile network, thus ensuring a significantly better customer experience.

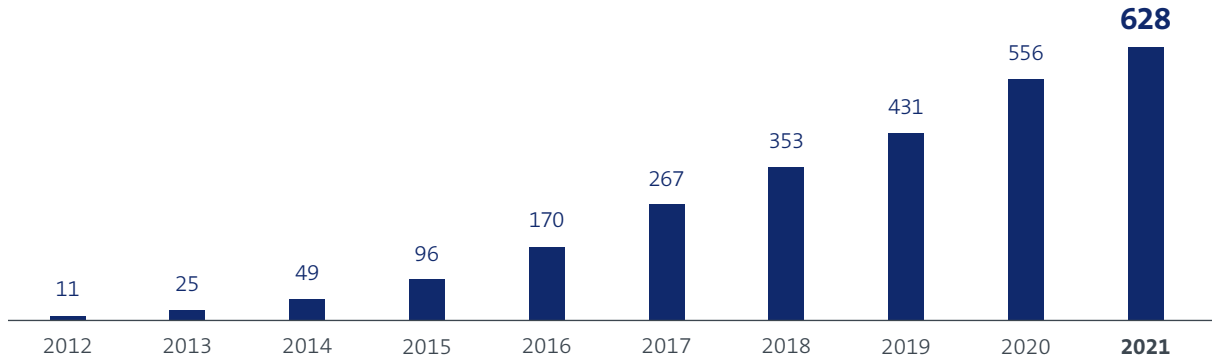
Customer demand for data in the mobile network continues to rise. According to an independent study conducted by the Sotomo research institute based on Swisscom network data, mobile data traffic has grown 200-fold since 2010 and there are now three times more devices on the network than in 2010. In this context, the 5G mobile com-

munication standard not only enables new functions for current applications, but also brings a much-needed reduction in the load on the network, increases capacity and maintains the accustomed quality of the 4G network. Because of this, and owing to the stringent legal framework conditions that apply, the mobile network has to be expanded by the addition of new mobile telephony sites. Progress continues to be made on expanding 4G+ and 5G+. In the year under review and after 28 years of operation, Swisscom decommissioned the now obsolete second mobile generation (2G) in the space of just a few weeks. Swisscom is using the freed-up capacity for the more efficient successor generations.

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## 57 times higher data volume in nine years

in million terabytes



Development of data volume in Swisscom networks in million terabytes

Swisscom has been working together with Ericsson since 2015 on the introduction of 5G in Switzerland. In 2019, it was the first provider in Europe to put a 5G network into operation and is constantly expanding it. Swisscom currently provides 99% of the Swiss population with a basic version of 5G and has already made the 5G+ version, which includes all the benefits of 5G, available in 888 locations. According to the industry association asut, more than 1 million 5G-enabled devices were already in operation in Switzerland by mid-2021. The 5G expansion will gradually provide the additional capacity that residential and business customers need. Things are proceeding slowly, however, as health concerns from the populace often dominate the discussion about network expansion.

On 23 February 2021, an important addendum to the NISV enforcement recommendations was published that controls the operation of the new type of adaptive antennas. On 19 August 2021, OFCOM confirmed that mobile operators meet all technical and operational requirements to apply correction factors to adaptive antennas. This enables operators to use adaptive antennas in accordance with their technical design – and, in doing so, to benefit from all the advantages offered by the latest generation of antennas. These are increased capacity and range with less exposure to people who are near the antenna but not using mobile communications.

The Conference of Building, Planning and Environment Directors (BPUK) has expressed legal concerns about the aforementioned federal enforcement recommendations and called for a partial waiver of the application of the correction factor – based on legal expertise. At the time, however, a legal opinion from the industry supported the FOEN's enforcement recommendation in all key respects. BPUK, FOEN, OFCOM and delegations from the cantonal NIS specialists as well as the operators subsequently met

under the chairmanship of DETEC to find a joint solution. They achieved that goal prior to the end of the year and found binding solutions at ordinance level to the issues raised. One question remains unanswered, namely how adjustments made to antennas that do not have any impact on immissions can be regulated in a legally binding manner. To answer that question, the task force mentioned above intends to present solutions that take different interests into account by the end of the first quarter of 2022. Since operational adjustments have to be made to mobile communications systems approximately every 18 months, an appropriate regulation is essential.

Some portions of the population still have reservations regarding the expansion of the mobile communications infrastructure and are resistant to the idea. The arguments for opposing expansion vary widely, with the underlying speculation and assumptions about 5G often lacking a factual basis. Even today, the controversy surrounding mobile communications has considerably delayed numerous network expansion projects, which is also affecting the expansion of the 4G network.

Moreover, since strict regulation is currently preventing the new 5G technology from exploiting its full potential, the legal environmental framework will need to be adjusted if Switzerland is to make full use of the possibilities offered by 5G. In order to improve the level of information, Swisscom provides information on its channels and supports the industry association asut in its information campaigns, one of which is the joint information platform CHANCE5G.

© See [www.chance5g.ch](http://www.chance5g.ch)

The Internet of Things (IoT) has long connected a multitude of objects and devices to one another and to users. The entry of international cloud providers into the IoT market has given new impetus to the integration and scaling of IoT. Thanks to strong partnerships with Amazon and Microsoft, Swisscom is well positioned in this respect. It is already the leading provider of IoT system solutions required for cloud and analytics implementations and their operation. 'Data as a Service' rounds off Swisscom's portfolio and, thanks to plug-and-play, makes it even easier for many customers to enter the IoT. In the year under review, for example, Swisscom implemented overarching applications that combine 5G, IoT, cloud, data-driven business and artificial intelligence in a project with its business partner Rhomberg Sersa Rail Group. The joint project has global appeal: Together, Rhomberg Sersa Rail Group and Swisscom have been awarded the Microsoft Partner of the Year Award 2021 by Microsoft in the Azure/IoT category.

Swisscom is continually increasing its number of antenna sites. It coordinates site expansions with other mobile providers wherever feasible, and now shares nearly a quarter of its approximately 9,400 antenna sites with them. At the end of 2021, Swisscom had around 6,400 exterior units and 3,500 mobile communication antennas in buildings. With around 7,000 hotspots in Switzerland, it is also the country's leading provider of public wireless local area networks (WLAN).

### Mobile frequencies

Transmission of mobile signals requires the availability of suitable frequencies. In Switzerland, such frequencies are allocated on a technology-neutral basis, i.e. any mobile communications technology can be transmitted on the available frequencies. In 2012, the Federal Communications Commission (ComCom) allocated the frequencies 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz and 2,600 MHz. Swisscom currently uses these frequencies to offer its customers services via the 4G and 3G mobile communications technologies. In February 2019, further mobile radio frequencies – 700 MHz, 1,400 MHz, 2,600 MHz and 3,500 MHz – were allocated in Switzerland, primarily for transmission via 5G. Swisscom currently uses these frequencies to offer its customers services via the 5G, 4G and 3G mobile communication technologies. It always does this within the legal limits, which in Switzerland are ten times stricter than those recommended by the World Health Organization in sensitive areas such as homes, schools, hospitals and permanent workplaces.

### IT infrastructure and platforms

Swisscom operates six major data centres in Switzerland. The IT infrastructure comprises over 75,000 virtual machines and around 4,300 servers. The central telecommunications functions for the operation of the fixed and mobile networks converge in four of the six data centres. In addition, four data centres (two data centres have a dual function) are used for the operation of IT applications. These include all business applications in connection with Swisscom services. The infrastructure is designed for redundant operation and high availability. Swisscom attaches the very highest priority to both stability and resilience, and reviews and improves them on an ongoing basis. Since the quality and security culture is a central aspect of Swisscom, the company takes every possible precaution to continuously minimise the likelihood that major disruptions will occur.

Swisscom positions itself as a reliable IT partner with a broad range of services. On the basis of an extended cloud strategy, it is expanding its cloud offering with hybrid ICT services. These services support Swisscom customers in setting up hybrid and multi-cloud environments and operating them efficiently. Swisscom responds quickly and individually to the numerous needs of its customers using a flexible service modular system. As part of its strategy, it is strengthening its partnerships with the major public cloud providers (such as Amazon Web Services and Microsoft Azure). In addition to its extensive public cloud service offering for business customers, Swisscom will be relying on Amazon Web Services to operate selected internal IT applications over the next few years.

In order to accommodate the continuing advance of digitisation as well as the growing requirements imposed on connectivity services, Swisscom has distributed the virtualisation and containerisation of network functions across four locations. This enables the transfer of high data volumes with short response times while also ensuring the most resilient and stable operation possible.

Swisscom consistently uses its cloud platforms to provide internal and external communication services. It operates these cloud platforms in its own geographically redundant data centres, which thus enables efficient, automated use and improves the customer experience in a targeted manner. Swisscom is expanding its connectivity offering to include advanced software-defined networking (SDN), managed security and managed LAN, paying special attention to the combination of modern and established services. During the Covid-19 pandemic and in light of changing needs, the use of remote access services and cloud connectivity services has risen dramatically. The constant state of change on the market backs up Swisscom's efforts to use the latest

technologies both internally and externally for the benefit of its customers. Instead of developing its own infrastructure, Swisscom is increasingly making use of the standardised systems created by its partners. The focus on the development of market-specific, value-adding services based on such infrastructure has proven sound.

The industrialisation of IT continues to make headway, as does the development of modern applications that benefit from the opportunities offered by the platforms, cut costs and ensure maximum stability. At the same time, the consistent dismantling of obsolete fixed-network technology such as TDM (Time Division Multiplexing) and traditional data centre infrastructure is reducing complexity and creating space for new infrastructure. Nevertheless, the old and new technologies will continue to exist and function side-by-side over the coming years. Here Swisscom is establishing its role in the digital transformation through specific services such as the 'Journey to the Cloud' portfolio. By combining different generations of technology to meet its needs, Swisscom is building upon its experience and expertise to provide the best possible support to its customers as they make their way into the digital world.

## Infrastructure in Italy

### Network infrastructure

The market for ultra-fast broadband (UBB) in Italy is growing steadily. This development is further accelerated by an increasingly extensive use of digital services and related performance requirements. Fastweb plays a fundamental role in the sustainable development of UBB. To that end, it is investing in its own infrastructure and that of FibreCop, in which it holds a 4.5% stake. Fastweb's goal is to provide UBB coverage to 90% of homes and offices by 2025. The expansion of UBB's own fixed network through the use of FTTH/FFTS (Fiber to the Home/Street) and 5G FWA (Fixed Wireless Access) will help reach this goal.

Fastweb's UBB coverage had reached 9 million homes and offices, or about 30% of the population in Italy, by the end of 2021. The deployment of 5G FWA, in a strategic partnership with Linkem, will add another 10.5 million homes and offices by 2025. Finally, Fastweb reaches another 7 million homes and offices via FibreCop.

### IT infrastructure

Fastweb currently uses four large data centres, three in the Milan area and one in Rome. One of the data centres is owned by a technology partner that manages and develops the data centre and handles all operational tasks relating to Fastweb's IT infrastructure. Two other data centres are mainly used for the corporate business segment, including housing, the cloud, and other ICT-managed services. In view of the growth of the cloud ICT market and the business opportunities in cloud edge, Fastweb plans to expand its central and local data centre capabilities. It intends to mainly use additional white-space solutions for this purpose. The IT infrastructure comprises around 6,000 virtual servers and physical servers for its own needs.

# Employees

In an environment that is changing at a rapid pace, Swisscom is getting to grips with the working models of the future, making targeted investments in professional training for its employees in order to maintain and improve their employability and the company's competitiveness in the long term. At the end of 2021, Swisscom had 18,905 full-time equivalent employees, of whom 15,882 or 84% were employed in Switzerland. Swisscom is also training around 900 apprentices in Switzerland.

## Employees in Switzerland

Digitisation presents many opportunities as well as great challenges for employees and companies. To take advantage of these opportunities and to overcome the challenges requires motivated employees who use their individual skills and experience to inspire people in the networked world. Swisscom helps its employees develop their skills and provides them with five training and development days a year for this purpose to ensure that its employees continue to have the required skills and resources going forward. The One Swisscom Academy offers a wide range of training and development opportunities. For the most part, the One Swisscom Academy relies on digitalised learning methods, thanks to which employees can build their knowledge irrespective of location and time. The offerings are designed to develop skills that are needed now and in the future, as well as to strengthen employees' employability.

Swisscom positions itself on the ICT job market as an attractive employer, offering its employees the opportunity to assume responsibility, utilise their potential and further develop their professional skills. Swisscom staff are employed under private law on the basis of the Code of Obligations. Swisscom management employees in Switzerland are subject to general terms and conditions of employment, while all other employees are subject to Swisscom's Collective Employment Agreement (CEA). The terms and conditions of employment exceed the minimum standard defined by the Code of Obligations. In the year under review, 98.6% of the employees in Switzerland were on open-ended contracts (prior year: 98.1%). Part-time employees made up 21.6% (prior year: 21.4%). The fluctuation rate, representing departing employees in Switzerland, was 6.2% of the workforce (prior year: 7.8%). Further information on HR matters can be found in the Sustainability Report.

© See [www.swisscom.ch/cr-report2021](http://www.swisscom.ch/cr-report2021)

The Covid-19 pandemic presented Swisscom with a multitude of challenges yet again in the year under review. However, experience gained in 2020 helped the company react swiftly and in a targeted manner. Swisscom's Covid-19 task force continuously analysed the situation and – both quickly and transparently – informed the company internally about any decisions taken. Swisscom adapted its measures to the current circumstances as well as the regulations of the Federal Office of Public Health (FOPH) or the Federal Council on an ongoing basis.

In the days when working from home was mandatory, over 80% of employees – even those in the call centres – worked from home.

Swisscom plays a pioneering role in flexible working throughout Switzerland. Even before the Covid-19 pandemic, working from home, on the road or at different locations was very popular and widespread among Swisscom staff. Employees appreciate the flexibility, the elimination of commuting and a better work-life balance. Swisscom will continue to promote and expand flexible working models in the future. However, meeting regularly in the office and thus maintaining an informal exchange remains important for Swisscom employees.

## Collective Employment Agreement (CEA)

Swisscom is committed to fostering constructive dialogue with its social partners (the syndicom union and the transfair staff association) as well as the employee associations (employee representatives in the various divisions). The Collective Employment Agreement (CEA) and the social plan, with their fair and jointly drafted provisions, are negotiated by Swisscom Ltd and its social partners and applicable to Swisscom Ltd's employees. Subsidiaries adopt the CEA, either in its original form or as adapted to specific sectors or lines of business, by means of an affiliation agreement. The subsidiaries cablex Ltd and Swisscom Directories Ltd (localsearch)



negotiate their own CEA with the social partners. Under the Telecommunications Enterprise Act (TEA), Swisscom is obliged to draw up a collective employment agreement in consultation with the employee associations. In the event of any controversial issues, an arbitration commission must be convened which will support the social partners by providing suggestions for solutions. At the end of December 2021, 80% of the workforce in Switzerland were covered by the Swisscom CEA (prior year: 81%). The CEA includes progressive employment conditions and benefits such as five days of further training per year, 18 weeks of maternity leave, three weeks of paternity leave and an option to purchase ten days of additional holiday time. The CEA also accords the social partners and employee representations rights of co-determination of varying degrees.

### Social plan

The objective of the social plan is to formulate socially acceptable restructuring measures and avoid job cuts. It sets out the benefits provided to employees covered by the CEA who are affected by redundancy. The social plan also makes use of instruments to increase the employability of employees and provides for retraining measures in the event of long-term job cuts. Responsibility for implementing the social plan lies with subsidiary firm Worklink AG. It provides employees with advice and support in their search for new employment and arranges temporary external or internal work placements. The services it offers include skill assessments, career advice and coaching. Swisscom also supports progressive working models such as phased partial retirement. In 2021, 93% of those affected by personnel reduction measures had found a new job before the social plan programme ended (prior year: 80%). For employees with management contracts, there is also an arrangement in place to support them in their professional reorientation in the event of restructuring.

### Employee remuneration

Competitive remuneration packages help to attract and retain highly skilled and motivated specialists and managerial staff. Swisscom's salary system comprises a basic salary, a variable performance-related component and bonuses. The basic salary is determined based on function, individual performance and the job market. The variable performance-related salary component depends on the success of the company. This is measured by the achievement of overriding objectives such as financial parameters as well as business transformation metrics that fall into the areas of operating performance, customers, growth and sustainability. Details on remuneration paid to members of the Group Executive Board are provided in the Remuneration Report.

In 2021, Swisscom and its social partners signed an agreement on the pay round for the year under review. With effect from April 2021, salaries for employees subject to the CEA were increased by 0.8% of the total payroll: this took the form of a general salary increase, the level of which varied depending on the employee's position in the salary band. The performance of employees whose salaries are in the upper range of the respective salary band was rewarded by a one-off payment. The payroll for managers increased by 0.6% to allow for individual salary adjustments.

### Equal pay

Swisscom remunerates its employees fairly and in line with market conditions and also ensures equal pay between the sexes. The salary system is structured in such a way that equal salaries are paid for equivalent tasks and services. Employees' salaries are adjusted within the scope of the annual salary review. Employees who have put in an above-average performance and whose wages are at the lower end of their respective salary bands generally receive an above-average wage increase. Swisscom also periodically reviews the salary structure for differences between men's and women's wages using the federal government's equal pay tool (Logib). Past reviews have only revealed minor pay discrepancies that are below the tolerance threshold set by the Federal Office for Gender Equality.

In accordance with the new requirements under the Gender Equality Act, Swisscom carried out equal pay analyses for all Swiss Group companies with more than 100 employees. The formal review of the pay equal analyses required by law was carried out by PwC. According to its report, there are no indications that the analyses do not comply with the legal requirements in all respects.

### Internal staff development and external job market

Swisscom's market environment is constantly changing. The company invests in targeted professional training for its employees and managers in order to maintain and improve their employability and the company's competitiveness in the long term. Employees have the opportunity to attend internal and external training programmes. As a pioneer in the field of digitisation in Switzerland, Swisscom is dedicated to getting to grips with the working models of the future. By doing this, it provides employees and management with a learning environment in which they can develop new skills and shape their own professional development. In 2021, Swisscom employees spent an average of 3.5 days per person on learning, training and development. It is also Swisscom's declared goal to fill as many positions as pos-

sible internally. Where this is not possible, external recruitment is used. Here Swisscom has to compete with national and international companies for the best talent – especially in the IT professions. The shortage of skilled workers on the Swiss labour market is currently noticeably affecting DevOps engineers primarily. These engineers have a skills profile that is critical to companies' competitiveness in the ICT market. Their skills help Swisscom become even more agile and respond quickly to changing markets. Although the Swiss labour market remains a priority, Swisscom operates DevOps centres in Rotterdam and in Riga. It does this primarily to provide access to international talent outside the Swiss labour market, if needed.

### Employee satisfaction

The Pulse survey gives Swisscom employees an opportunity to submit their feedback on a wide variety of issues relating to their personal work situation. The results and the comments in which employees give their assessments are available to all employees in real time. They enable every individual employee and team and the organisation as a whole to respond quickly to the feedback and start making improvements. A survey of this type fosters a culture of feedback and trust, which provides the basis for Swisscom and its employees to grow and develop together. The response rate to the Pulse survey was 68% in 2021 (previous year: 74%). More than 90% of the employees participating in the survey said they recommend Swisscom as an employer.

### Diversity

Swisscom grows through diversity – as individuals, as a team, as a company. The different points of view, experiences, ideas and skills that every single employee brings to bear on their everyday work are what make Swisscom a successful, innovative company. To promote diversity, Swisscom focuses in its activities on the factors of gender, inclusion, generations and language regions. In the gender dimension, for example, Swisscom also endeavours to make work compatible with family life. Flexible working models and the option of reducing working hours on an experimental basis are making part-time working more acceptable. At the end of 2021, around 24% of Swisscom's employees were women (prior year: 25%), and the proportion of women in management was around 14%. Swisscom is also committed to making jobs available to people with physical or psychological impairments in order to (re)integrate them into the workforce (inclusion). The proportion of such posts increased from 1.06% to 1.11% versus the previous year. Swisscom tries to earmark at least 1% of jobs for inclusion-related employment solutions. Swisscom also works towards integration where generation management is concerned, with flexible working models and many development measures in

place to help older employees keep working for as long as possible. Swisscom trains around 900 apprentices in Switzerland. Graduates of technical colleges and universities gain their first practical experience in our company as part of a step-in internship or as a trainee. Swisscom is represented in all of Switzerland's language regions. It attaches importance to ensuring that the different languages are adequately represented in all areas and accordingly offers apprenticeships, internships and talent programmes for all language regions.

## Employees in Italy

Statutory terms and conditions of employment in Italy are based on the Contratto Collettivo Nazionale di Lavoro (CCNL), a state collective employment agreement. The CCNL defines the terms and conditions of employment between Fastweb and its employees. It also contains provisions governing relations between Fastweb and the unions. Fastweb engages in dialogue with the unions and the employee representatives and, in the event of major operational changes, involves them at an early stage.

The working week for employees covered by the CCNL is 40 hours. Benefits include five weeks' annual leave, 20 weeks' maternity leave and one day of paternity leave. In the event of incapacity for work due to illness or accident, Fastweb guarantees full payment of salary for 180 days and payment of half the salary for a further 185 days. The company's terms and conditions of employment enable employees to achieve a healthy balance between their work demands and personal life. This is largely due to the following measures, which were set out in an agreement concluded with the trade unions: flexible office working hours, smart working and working from home, and for mothers the choice of shifts or temporary part-time jobs.

Fastweb offers competitive salary packages aimed at attracting and retaining highly qualified specialists and managers. The company's salary system comprises a basic salary, a collective variable profit-sharing bonus for non-managerial staff and a variable performance-related component for managerial staff which is contingent on meeting individual goals and company targets. The basic salary is determined according to function, individual performance and the situation in the labour market. The variable profit-sharing bonus is based on the model agreed with the unions. Fastweb complies with the legal minimum salary defined by the CCNL.

The Covid-19 pandemic also left its mark on Fastweb: Fastweb and the national trade unions of the telecommunications sector, together with the local representations

and the Rappresentanza Sindacale Unitaria (RSU), have extended the preliminary agreement on Smart Working that was signed on 29 September 2020 until 30 June 2022. The goal is to renew the organisational and working model in a flexible and sustainable way – in order to guarantee a high level of quality and the achievement of corporate goals as well as to facilitate the balance between work and family life.

The agreement on Smart Working had been introduced on a trial basis on 16 October 2020. It provides full flexibility and autonomy in the choice of working model for all employees of the company, including customer advisors. It gives Fastweb employees the option of using the smart working model on all business days or deciding each day, in consultation with their supervisor, whether to do their work in the office or remotely. This guarantees performance-based management that does not view success as being contingent upon employees' on-site work.



# ‘Ready for tomorrow’s competition’

More competitive thanks to our innovative solutions that leverage artificial intelligence, the Internet of Things, the cloud and 5G.



**‘Ready for the digital  
working environment’**

More efficient collaboration thanks to the web training  
we provide for your company’s employees.

# Brands, products and services

The Swisscom brand builds a bridge between the familiar and the new. It brings together all products and services from the core business under a single roof. Swisscom constantly adapts the range of services and products it offers to its customers' needs. The 'Swisscom blue' product family, which combines all of Swisscom's entertainment offerings in a single world of experience, became extremely well established on the market in the year under review.

## Swisscom brands

The Swisscom brand is managed strategically as an intangible asset and an important element of the Group's reputation management. It supports Swisscom's business activities, gives guidance to customers and partners, and also acts to attract and motivate current and future staff.

The Swisscom brand is implemented across all units in a consistent and high-quality manner. At the same time, it has to be extremely flexible, bridging the gap between the familiar and the new and standing equally for network infrastructure, best experiences, entertainment, ICT and digitisation.

In Switzerland, Swisscom offers core business products and services under the main Swisscom brand, as well as under the secondary brand Wingo and the third-party brands Coop Mobile and M-Budget. Its portfolio also includes other brands which are associated with other themes and business areas. Outside Switzerland, Swisscom's main market is Italy, where it operates under the Fastweb brand. The strategic management and development of the entire brand portfolio is an integral part of corporate communications.

Main brand



Product family



Secondary brand



Tertiary brands



Other brands  
(excerpt)



Swisscom brand portfolio

Society, technology and the environment are changing ever more rapidly. A brand must absorb these changes while offering direction and stability. To that end, Swisscom has given the imagery and individual design elements of its brand a gentle makeover. Vision, values and the Swisscom promise determine the positioning of the Swisscom brand. To revitalise its brand both internally and externally, Swisscom works with the brand platform it created in 2020: 'ready'. It expects its employees to demonstrate trustworthiness, commitment and curiosity in everything they do. Based on these foundations,

Swisscom presents itself as a reliable provider, builds on its position as market leader and opens up new business areas. Swisscom offers its customers the opportunity to make even easier use of the networked future and prepares them for this. The 'ready' brand platform expresses this positioning to the outside world, which has a positive effect on the brand perception measured.

The 'Swisscom blue' product family, which combines all of Swisscom's entertainment offerings, became well established on the market in the year under review. It ensures a high level of visibility and recognition, particularly via Swisscom blue TV and blue News. Swisscom blue aims to continue making the connection between the individual offerings clear, enables new offerings and makes the Swisscom brand even more appealing and dynamic. All this is in line with Swisscom's one-brand strategy. Swisscom has also made its mark in terms of employer branding. The 'My Internet App – MIA' brings topics from the intranet to the mobile phones of all employees, thus strengthening identification with the company and helping employees to act as ambassadors for the brand.

Trustworthiness and service remain important factors in confirming to existing customers that they made the right decision in opting for Swisscom and in winning new customers, while also helping to underscore the importance of Swisscom for Switzerland: Swisscom is part of a modern Switzerland, is always recognisable as a Swiss company and positions itself clearly and credibly through its stance on responsibility. All this rounds off the positive image of the Swisscom brand and enriches the Group's diverse customer relationships. This is one reason why the reputation values achieved by Swisscom are exceptionally high for a company in the telecommunications sector by global standards.

External assessments also confirm this image. In the 'Switzerland 50' study conducted by the consulting firm Brand Finance, Swisscom moved up one place in the list of the most valuable Swiss brands and is now ranked eighth. According to Brand Finance, the Swisscom brand is worth nearly CHF 5 billion.

## Products and services in Switzerland

### Residential Customers

In order to offer the best communications experiences, Swisscom is constantly adjusting its portfolio of offerings to meet customer needs. It has further developed the successful inOne subscriptions and made them even more attractive. inOne includes a choice of TV, mobile and fixed-line telephony on top of the broadband connection. Customers can choose from three separately

priced profiles with varying levels of service for each of the components. As the profiles differ mainly in terms of Internet speed, the number of TV channels available and the recording and replay functions, inOne can be easily adapted to individuals' needs; new mobile devices such as smart watches, trackers and tablets are also easy to integrate.

At the same time, Swisscom is continuously expanding the inOne mobile subscription. Thanks to inOne mobile go, customers benefit from unlimited use of their smartphones in Switzerland. Swisscom is also the first provider in Switzerland to include use within the EU/Western Europe in the subscription. Swisscom customers thus enjoy carefree calling, SMS messaging and surfing in the Internet in Switzerland and on most trips abroad. Plus, customers can add on devices such as tablets, laptops, smart watches, GPS trackers or a second smartphone easily and inexpensively, all under their existing contract. Customers are increasingly keen to have devices of this kind with a mobile connection. Swisscom revised its offer for its younger customers in early 2021: Following the launch of inOne mobile go young, Swisscom customers not only surf and make phone calls across Europe without limits until their 30th birthday, but also at speeds of up to 2 Gbps.

Home networking (smart home) for controlling lighting, music or alarm systems grew strongly in 2021. At the end of 2021, around 400,000 devices (+17%) were connected via the Swisscom Home app. The number of households that activated one or more devices in the app increased by 80%. In entertainment, Swisscom blue offers a comprehensive entertainment experience with TV, streaming and cinema along with the freedom of being able to access this content from anywhere. This new offering is based on blue TV. It is available both via the Swisscom Box as well as an app for smartphones and tablets, a web player for laptops at blue.ch and a smart TV app on Samsung and LG devices. The app is also available with the complete blue+ offering on the TV boxes of UPC TV, Quickline, Wingo, Net+ and Apple TV. blue TV is thus not only accessible to Swisscom customers, but also to customers of other operators.

The broadest blue TV package is still only available in combination with the Swisscom Box, because only the Swisscom Box integrates streaming offers from Netflix, Prime Video, Sky, OCS, DAZN, YouTube and Play Suisse in addition to traditional television and blue+ content (live sport, films and series). In addition, the Swisscom Box offers access to the MySports channels, which broadcast matches from the top Swiss ice hockey leagues, among other things.

Swisscom targets its other brands – Wingo, Coop Mobile and M-Budget – at customers who do not want the high-quality service and extensive range offered by Swisscom products. M-Budget and Wingo offer customers straightforward attractive mobile, Internet and fixed-line services. Coop Mobile is exclusively a mobile subscription.

Swisscom is constantly expanding its service offerings to meet the ever-changing needs of its customers. In addition to the standard channels such as hotlines, chats and contact forms, customers can get in touch with Swisscom via WhatsApp, Facebook, Twitter and Google Business Messenger. In summer 2021, Swisscom also introduced automatic speech recognition on its hotline, thereby eliminating the need to respond by pressing keys (after announcements such as ‘Select 1’). This approach connects customers even more quickly with the employees responsible for their concerns. Customers can go to the 115 Swisscom Shops to have damaged mobile devices repaired on site in eleven Swisscom Repair Centers. As a rule, repairs are carried out within 24 hours, or even in just three hours in the case of express repairs. myCloud offers Swisscom customers a Swiss solution for securely managing and sharing their personal data such as photos, videos and documents. Thanks to the My Swisscom app, customers always have an overview of their data and services and have the opportunity to view their bill, report a move, contact Swisscom or change other settings at any time.

### Business customers

The digital transformation continues to be a key issue for companies and is changing their business processes, business models, customer experiences and working environments. The digital transformation depends on solid communication networks. Swisscom makes use of its many years of experience as an integrated telecommunications and IT company in supporting its customers through the digitisation process. It works together with customers to develop future-oriented solutions, supported by one of the most comprehensive ICT portfolios in Switzerland, which comprises cloud, outsourcing, workplace and IoT solutions, as well as mobile phone solutions for mobile working and communication, networking solutions, location networking, business process optimisation, SAP solutions, security and authentication solutions and a full range of services tailored to the banking industry. The company makes hospitals more efficient by providing them with support in the digitisation of their processes. It also helps health insurance companies by assuming the operation of their core IT systems. Swisscom is driving digitisation in the health-care sector by providing its networking solutions for service providers and implementing the electronic patient dossier system.

inOne SME offers SME customers a standardised, yet customisable bundled package for Internet and telephony. SMEs with more complex needs can use Smart Business Connect, a scalable communication solution with collaboration and networking features. Both bundled offerings include integrated services such as an Internet failover and can be supplemented with blue TV, blue TV Public or blue TV Host for hotels and homes. blue TV Host comprises an info channel and an in-house channel and offers the best infotainment. IT infrastructure is increasingly becoming the lifeline of companies. SMEs are dependent on their IT functioning flawlessly throughout and being able to adapt easily and flexibly to market and company changes at any time. Swisscom thus provides SMART ICT, a complete IT outsourcing package, as a modular integrated solution. For this, Swisscom works together with regional IT partners to operate the ICT infrastructure and ensure customers’ data security in a professional manner. In the year under review, Swisscom also launched the Security Assessment and introduced the digital POS solution Swisscom Business POS. Mobile subscriptions geared to the needs of business customers, IoT solutions or cloud-based software for mobile working and web services round off Swisscom’s SME portfolio.

Swisscom gives SMEs access to information and directory services in the form of localsearch, which makes it easy to publish addresses, telephone numbers and detailed information on companies – on the Internet, via the mobile app and in the printed telephone directory (Local Guide). In addition, localsearch operates the local.ch and search.ch directories. The subsidiary Swisscom Broadcast AG provides radio networks for broadcasting, security and professional mobile radio and makes around 450 transmitter sites available for co-use. Its offering also includes numerous video-related services, ranging from the provision of IPTV and Web TV platforms to sophisticated video surveillance solutions. It is supplemented by temporary ICT, media and entertainment services. Swisscom also offers infrastructure solutions and services for telecoms/ICT, transport, energy and companies or authorities in Switzerland via cablex Ltd.

### Wholesale

Swisscom provides a variety of copper- and fibre-optic-based connectors as per customer requirements. With its Carrier Ethernet and Carrier Line services and lines leased under the TCA, Swisscom Wholesale offers telecoms service providers high-quality, transparent connections tailored to their needs with a range of bandwidths and interfaces and/or a flexible Ethernet service allowing tailored bandwidths and service level agreements. Swisscom Wholesale also provides basic offerings for the connection (interconnection) of telecoms systems and services, and supplies its customers with



infrastructure products such as the shared use of cable ducts and the mobile network. In addition, Swisscom Wholesale is opening up advanced business areas in the over-the-top (OTT) content field.

## Products and services in Italy

In the residential customer segment, Fastweb has focused on transparency and simplicity in both the fixed and mobile markets. It introduced additional services in 2021 to further strengthen its Fixed-Mobile convergent business as well as its Go-To-Market approach. In the fixed network segment, Fastweb newly implemented 5G FWA (Fixed Wireless Access) in order to offer its customers bandwidths comparable to fibre-optic cables in locations where FTTH coverage is not yet available. Fastweb also launched the 'NeXXt' Internet box, which is the first Wi-Fi 6 router with the Alexa voice assistant built-in. This innovative Internet box transforms the Wi-Fi network into a home's 'digital heart'. In the mobile segment, Fastweb first launched 5G services in Milan, Bologna, Rome and Naples. It subsequently extended 5G coverage to Italy's main city centres to provide the best possible data speeds to its mobile customers. This earned Fastweb top rankings in terms of customer satisfaction in the area of mobile communications – and the company held on to its leading position in terms of satisfaction among its fixed-network customers.

Fastweb has maintained its leading position in the business customers segment, mainly in the corporate business segment, where Fastweb has a broadband market share of 34.5%. Fastweb's market share grew to 46% within the public administration segment, partly as a result of the successful conclusion of national public framework contracts for wireline and ICT services. In order to expand its service offering in the ICT and security market, Fastweb acquired a 100% stake in Cutaway and a 70% stake in 7Layers in 2020. Fastweb has increased its autonomy through these two acquisitions. Not only is it now able to offer end-to-end cloud solutions, but is expanding its cybersecurity-related expertise.

To take advantage of business opportunities in the public cloud, where telecommunications service providers have limited reach, partnering with a hyperscaler is essential. Fastweb 2021 has therefore partnered with global leader Amazon Web Services (AWS) to provide its customers with a multicloud offering through AWS's Restack programme and further expand both its customer base and portfolio in the process.

Fastweb also launched its own 5G mobile service for business customers, marking another step towards a fully convergent digital offering.

In the wholesale market, Fastweb successfully provides ultra-fast broadband services to residential and business customers of Sky, WindTre, BT, Linkem, Tiscali and other companies.

## Customer satisfaction

Swisscom Switzerland conducts segment-specific surveys and studies in order to measure customer satisfaction. It measures customer satisfaction twice a year, in the second and fourth quarters of the year. The Wholesale segment measures customer satisfaction once a year. For all segments, the most important metrics are the extent to which customers are willing to recommend Swisscom to others and the related Net Promoter Score (NPS), which represents the emotional aspects of customer loyalty and reflects customers' attitudes towards Swisscom. It is calculated from the difference between 'promoters' (customers who would strongly recommend Swisscom) and 'critics' (customers who would only recommend Swisscom with reservations or would not recommend the company). Swisscom also conducts the following segment-specific surveys and studies:

- The **Residential Customers segment** conducts representative surveys to determine customer satisfaction and customers' willingness to recommend Swisscom to others. Callers to the Swisscom hotline and visitors to the Swisscom Shops are questioned regularly about waiting times and staff friendliness. Product studies also continuously survey buyers and users to determine product satisfaction, service and quality.
- The **Business Customers segment** conducts surveys among customers to measure satisfaction along the customer experience chain. Feedback instruments are also used at key customer contact points in order to determine customer satisfaction. After each interaction with the service desk or after placing orders, IT users can submit feedback or enter their comments in the order system. Customers can also assess the quality and success of their projects on completion.
- The **Wholesale segment** measures customer satisfaction along the entire customer experience chain.

The results of these studies and surveys help Swisscom formulate measures to further improve its services and products. They also influence the variable performance-related component of remuneration for employees and management.

# Innovation and development

Global competition, new technologies and changing customer needs are leading to an ever more rapid pace of change. Swisscom invests constantly in the development of new products and services for its customers and additionally optimises its processes to secure its long-term market position.

## Innovation as a key driver of business performance

Innovation is central to the success of the company and to Swisscom's strategic ambitions. Swisscom offers its customers the best customer experience by further developing products and improving customer journeys. With the help of analytical tools, artificial intelligence and automation, Swisscom designs processes to be even more efficient – and creates new growth by developing new products and business segments. Innovation also helps to differentiate the Swisscom brand, attract and retain top talent and counteract potential market disruptions at an early stage. To this end, Swisscom works closely with partners, universities, start-ups and established technology companies.

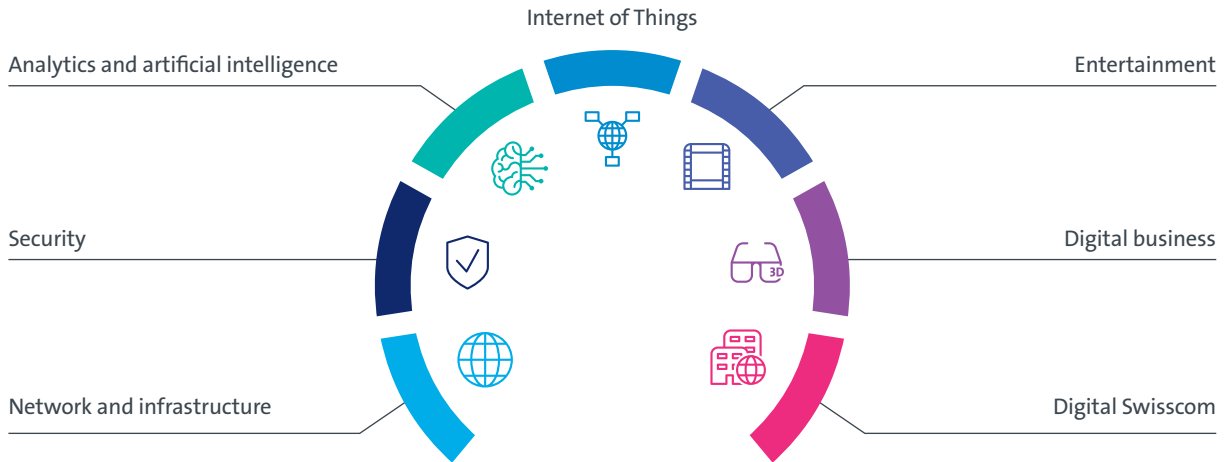
In its Silicon Valley office, Swisscom has been engaged in technology scouting and transfer for over 20 years. The Swisscom Ventures division networks Swisscom's business units with start-ups in order to stimulate innovation. Since 2007, Swisscom has invested in more than 70 young companies – six to ten new start-ups every year with the volume of capital expenditure amounting to CHF 10 to 12 million per year. Swisscom also advises funds that invest an additional CHF 30 to 40 million. In

the year under review, Swisscom made investments in nine new companies and twelve follow-up investments in existing holdings. SOPHiA GENETICS, another start-up funded by Swisscom, went public in 2021. This is the fourth IPO of a Swisscom Ventures start-up. Swisscom uses the Swisscom StartUp platform to support start-ups and entrepreneurs in Switzerland through consulting, discounts on IT and cloud services, expert know-how, coaching programmes, financing and community events. The Swisscom StartUp Challenge 2021 focused on the topic of cyber security. More than 80 start-ups and research teams worldwide applied for the promotional programme available for the winners of the StartUp Challenge. By the end of the Challenge, five winners had secured their spots in the week-long exploration programme, which included an exchange of experiences with Swisscom's cyber security community as well as valuable contacts with mentors, potential partners and customers. Swisscom strengthens the internal innovation process through the internal intrapreneurship programme Kickbox, which provides employees with tools, a clear process and resources for innovation projects. The programme is available to other companies via the spin-off rready AG.

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## Innovation focused on specific topics

Swisscom is focusing its innovation activities on seven areas of innovation, which in turn directly help the Group achieve its goals:



### Network and infrastructure

Swisscom is focusing on a technology mix so that the whole of Switzerland can benefit from the best infrastructure. Its innovative architecture also enables it to renew all components from the core network to the connection. Swisscom is thus laying the foundations to enable the rapid introduction of new services in the future and make new developments available to customers.

#### Mobile communications

New self-organising network (SON) algorithms automate and improve the mobile network, for example, by automatically adjusting parameters, antenna inclination, and power levels according to specifications. Before SON was introduced, network data was processed manually and resulted in 40 to 50 network adjustments per week. SON automated both the processing of network data and the creation of the improvement proposals, with some of those proposals being automatically uploaded to the Internet so that around 10,000 network adjustments are currently being made each week.

#### Fixed network

Broadband demand will continue to grow going forward. It has increased more than tenfold in ten years – with another growth surge prompted in particular by a heightened use of streaming services as well as an increase in video calls during the Covid-19 pandemic. For example, data usage per household in Europe increased by 40% within the space of one year. This is why Swisscom continually invests in network expansion and relies on both the latest technologies as well as digitisa-

tion (such as that offered by software-defined networking). Similarly, network security and protection against cybercrime are issues that are gaining importance. In collaboration with the Swiss National Bank and the SIX Group, Swisscom and other telecommunications service providers collaborated in 2021 to launch the Secure Swiss Finance Network (SSFN). This network is based on the innovative SCION Internet architecture developed at the ETH; Swisscom has been providing financial support for its development for ten years now. SCION technology offers a very high level of protection against cybercrime by operating the communications network separately from the conventional Internet and by clearly defining network users and data paths. Following a pilot project conducted within the SSFN framework, Swisscom is now offering products based on SCION technology to its business customers.

#### Convergent products

Swisscom developed a new device for Fixed Wireless Access (FWA) in 2021 that allows residential customers to use the mobile network as Internet access at home.

### Internet of Things (IoT)

The Internet of Things (IoT) enables lucrative business models, automated processes, and novel customer interactions through smart products. Swisscom supports companies through various formats to successfully enter the IoT and to develop their systems further. Swisscom partnered with Microsoft to develop an advanced IoT solution for the Rhomberg Sersa Rail Group, a leading international full-service provider of

railway technology. The solution collects position and operating data from the equipment, analyses the data with the help of artificial intelligence and evaluates it. This approach to digitised railway construction is already enabling faster and correspondingly more economical work processes in several countries.

At the same time, the IoT is becoming increasingly important to residential customers in their smart homes or on the move. The Swisscom Home app bundles smart helpers from ten manufacturers – like the Swisscom Smart Switch adapter, products from the Philips Hue family or devices from Sonos – and controls them centrally. Launched in 2021, the Home app offers even smarter rules for automating homes and using TVs as smart home devices. In turn, users can conveniently use their TV remote control to operate the Swisscom Home app and play stations offered by blue radio on Sonos speakers.

### **Analytics and artificial intelligence (AI)**

Swisscom makes targeted use of artificial intelligence (AI) to offer its customers even better service and optimise processes. It uses AI in its customer service and to detect network faults, for example. Since last year, customers have been navigating the automated voice dialogue on the Swisscom hotline via AI-based speech recognition instead of conventional numerical inputs through the keypad. This makes it possible for customer concerns to be identified via an automated process, classified more quickly and for customers to be forwarded directly to the agent best qualified to assist them. Swisscom plans to expand the use of AI to customer service in other languages (French, Italian and English). Ongoing training of the AI application is improving the service continuously, so that certain customer enquiries can be resolved entirely via automated voice dialogue in the future. The same AI foundation is used in the Swisscom chatbot via webchat, Apple Business Chat (ABC), SMS and WhatsApp. The chatbot recognises customer enquiries and resolves them in an automated process whenever possible. If the chatbot is unable to resolve a case, it hands the case off to an agent. Currently, the Swisscom chatbot already provides answers and solutions to around 180 different questions. In addition, it is capable of resolving the ten most frequent customer enquiries completely independently.

### **Security**

Security is part of Swisscom's values and culture. Threats from the Internet are constantly growing in number and becoming increasingly intelligent. Many processes and business models in today's companies are completely IT-based and thus become attractive targets for attackers. In addition, the use of multi-cloud and hybrid cloud solutions are making IT landscapes increasingly complex and

vulnerable. By combining professional security services, skills, processes and tools, Swisscom offers highly effective security and thus the best possible protection for its customers, stakeholders and its own company. For business customers, Swisscom offers dedicated facilities through Managed Security Services to monitor and safeguard the infrastructure. In doing so, it adds new detection patterns to its Threat Detection & Response solutions and expands them to cover multi- and hybrid-cloud environments.

In addition to the high level of protection that the Swisscom network offers every user as well as its premium virus protection programme, Swisscom now also offers online identity protection to its Residential Customers, which protects their data from being stolen by viruses, hackers or spyware. Swisscom has also launched an Internet legal protection insurance policy (Cyber Insurance): This policy helps customers in cases of online crime such as cyberbullying or cyberattacks and offers protection for online shopping.

### **Entertainment**

Swisscom combined all its entertainment offerings under the new 'Swisscom blue' product family in 2020 and expanded the Swisscom blue offering even further during the year under review. blue TV is now available on LG devices, Apple TV and on Wingo's TV box. A new sport hub on the TV makes sporting content even more enjoyable as it gives users direct access to highlights from current sporting events. Swisscom also provides its customers with a free media library entitled blue Play and launched the new Swisscom Box 21 in 2021, which features even lower energy consumption.

### **Digital Swisscom**

In 2021, Swisscom again took further steps to digitise its network, jobs and processes, thereby consolidating its role as the leading service provider among Swiss telecommunications providers. The new My Swisscom app passed the test carried out by trade magazine connect and came in first place with the highest score among all service apps operated by European telecommunications companies. This app delights some 500,000 customers a month with its revamped areas for billing and cost-related information (including a link to the TWINT payment system), a shopping area with personalised content, the weekly 'Spin & Win' competition and user-relevant notifications.

Swisscom uses innovations from the field of digitisation on the customer channels it serves (such as in shops and call centres). During a pilot trial in 2021, for example, it successfully tested self-checkouts via the My Swisscom app in its own shop. In future, the self-checkout function will become an integral part of the My Swisscom app as one of the elements of the digital customer journey.

## Digital business

In the field of digital business innovation, Swisscom supported developments within and outside its own company in 2021, by setting up and further developing joint ventures with strategic partners and promoting intrapreneurship. The Swisscom Digital Business Unit (DBU) focuses on digital services for SMEs via localsearch (Swisscom Directories Ltd), fintech activities and trust services. It is also continuously examining other action areas that could become relevant to its activities.

### Swisscom Directories Ltd (localsearch)

Today, even small SMEs have to be competitive in the online world. The Swisscom subsidiary Swisscom Directories Ltd (localsearch) offers efficient marketing products that are geared to the needs of the SME segment: simple, inexpensive and time-saving solutions for the success of Swiss industry in the digital world. Thanks to localsearch products, SMEs can be found online, acquire new customers and retain existing ones. This is why localsearch brings the five principles of digital marketing to Swiss SMEs: seen, found, booked, bought and liked. In addition, localsearch operates the popular and well-used local.ch and search.ch directories.

### Fintech

The fintech area of the Digital Business Unit focuses on the digital assets and trust services segments. In the digital assets segment, Swisscom is working on the future of the Swiss financial infrastructure. It does this jointly with daura Ltd and Custodigit Ltd (in which it holds a minority interest). Using the digital share platform of daura Ltd, the existing share register can be easily digitised, capital increases can be processed quickly and inexpensively, practically at the push of a button, and digital general meetings can be held. Custodigit Ltd offers regulated financial service providers an easy-to-integrate, secure platform to store and manage digital assets.

### Trust services

Through its trust services, Swisscom, as a leading provider of trust services, aims to digitally issue, verify, transmit and store high-quality documents such as contracts, certificates and register extracts. Swisscom sub-

sidary Ajila AG is already providing major support to numerous Swiss companies and administrations to help them completely digitise their document-based business processes. Customer identification and onboarding as well as contract signings often pose bottlenecks in the customer journey. However, fully digital processes call for tools that avoid media discontinuity and integrate seamlessly into companies' offerings. This is ensured by Swisscom Trust Services, which is a leading provider in Switzerland and Europe of legally valid electronic signature and identity solutions in accordance with the EU's eIDAS Regulation and the Swiss Signatures Act ZertES. Swisscom transferred its existing trust services business division to the subsidiary Swisscom Trust Services Ltd in spring 2021.

### Intelligent automobile networking

autoSense Ltd, a joint venture between Swisscom, AMAG and Zurich Insurance, focuses on the development of advanced automotive services. autoSense offers services related to the intelligent networking of cars for private individuals and companies as well as partner services. The portfolio of services includes a driver's logbook, remote diagnosis with warnings in the event of engine problems, an app for cashless refuelling, pay-per-kilometre insurance and digital assistance for driving instructors and learners. The offering is constantly being expanded.

### Intrapreneurship

Swisscom's efforts to promote intrapreneurship gave rise to an innovation programme entitled Getkickbox. This software structures the company's own innovation process and makes it easy to understand, thereby enabling easy access to this process for all employees. Whether it's a flash of inspiration or a sophisticated, carefully conceived innovation, everything can be fed directly into the Kickbox. The Getkickbox software solution gave rise to the new rready AG start-up during the year under review. rready's goal is to promote employees' innovativeness, structure innovation processes and make innovation management globally scalable for companies in the process.

# Financial review

## Alternative performance measures

Swisscom uses key indicators defined in the International Financial Reporting Standards (IFRS) throughout its entire financial reporting, as well as selected alternative performance measures (APMs). These alternative measures provide useful information on the Group's financial situation and are used for financial management and control purposes. As these measures are not

defined under IFRS, the calculation may differ from the published APMs of other companies. For this reason, comparability across companies may be limited.

The key alternative performance measures used at Swisscom for 2021 financial reporting are defined as follows:

Key performance measure	Swisscom definition
<b>Adjustments</b>	Significant items that, due to their exceptional nature, cannot be considered part of the Swisscom Group's ongoing performance, such as termination benefits and significant positions in connection with legal cases or other non-recurring items. In addition, the application of changes in the IFRS accounting principles and standards can have an impact on comparability with the previous year if these principles are not applied retrospectively.
<b>At constant exchange rates</b>	Key performance measures considering currency effects (figures for 2021 are translated at the 2020 exchange rate to calculate the currency effect).
<b>Operating income before depreciation and amortisation (EBITDA)</b>	Operating income before depreciation, amortisation and impairment losses of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
<b>Operating income (EBIT)</b>	Operating income before depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
<b>Capital expenditure</b>	Purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) which are classified as leases under IFRS 16. In general, IRUs are paid in full at the beginning of use.
<b>Operating free cash flow proxy</b>	Operating income before depreciation and amortisation (EBITDA) minus capital expenditure in property, plant and equipment, intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense includes interest expenses on lease liabilities and depreciation of rights of use excluding depreciation of indefeasible rights of use (IRU) and impairment losses on right-of-use assets.
<b>Free cash flow</b>	Cash flows from operating and investing activities excl. cash flows from the acquisition and sale of subsidiaries as well as income and expenses for equity-accounted investments and other financial assets.
<b>Net debt</b>	Financial liabilities less cash and cash equivalents, listed debt instruments, certificates of deposit, derivative financial instruments held for hedging financial liabilities and other current financial assets.
<b>Net debt incl. lease liabilities</b>	Net debt and lease liabilities.

## Reconciliation of alternative performance measures

in million CHF	2021	2020	Change reported	Change at constant currencies
<b>Net revenue</b>				
<b>Net revenue</b>	<b>11,183</b>	<b>11,100</b>	<b>0.7%</b>	<b>0.6%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>				
EBITDA	4,478	4,382	2.2%	2.0%
Termination benefits	14	–		
Gain from change in pension plan	(60)	–		
Additions to provisions for legal proceedings in Switzerland	52	–		
<b>EBITDA adjusted</b>	<b>4,484</b>	<b>4,382</b>	<b>2.3%</b>	<b>2.2%</b>
<b>Capital expenditure</b>				
Capital expenditure in property, plant and equipment and intangible assets	2,270	2,188	3.7%	3.5%
Payments for indefeasible rights of use (IRU)	16	41	–61.0%	–
<b>Capital expenditure</b>	<b>2,286</b>	<b>2,229</b>	<b>2.6%</b>	<b>2.3%</b>

In CHF million	2021	2020	Change
<b>Operating free cash flow proxy</b>			
Cash inflow from operating activities	4,044	4,169	(125)
Capital expenditure	(2,286)	(2,229)	(57)
Depreciation of right-of-use assets	(281)	(286)	5
Depreciation of indefeasible rights of use (IRU)	23	24	(1)
Impairment losses on right-of-use assets	1	7	(6)
Proceeds from finance leases	(112)	(100)	(12)
Change in deferred gain from the sale and leaseback of real estate	11	16	(5)
Change in operating assets and liabilities	(65)	(178)	113
Change in provisions	73	22	51
Change in defined benefit obligations	9	(65)	74
Gain on sale of property, plant and equipment	10	10	–
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	120	101	19
Interest received	(14)	(24)	10
Interest paid on financial liabilities	81	93	(12)
Dividends received	(1)	(15)	14
Income taxes paid	279	309	(30)
<b>Operating free cash flow proxy</b>	<b>1,891</b>	<b>1,853</b>	<b>38</b>
<b>Free cash flow</b>			
Cash inflow from operating activities	4,044	4,169	(125)
Cash flow used in investing activities	(2,120)	(2,331)	211
Repayment of lease liabilities	(259)	(287)	28
Acquisition of subsidiaries, net of cash and cash equivalents acquired	42	39	3
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	(1)	–	(1)
Purchase of equity-accounted investees	3	15	(12)
Proceeds from sale of equity-accounted investees	(149)	–	(149)
Purchase of other financial assets	73	121	(48)
Proceeds from other financial assets	(120)	(20)	(100)
<b>Free cash flow</b>	<b>1,513</b>	<b>1,706</b>	<b>(193)</b>

## Summary

In CHF million, except where indicated

	2021	2020	Change
Net revenue	11,183	11,100	0.7%
Operating income before depreciation and amortisation (EBITDA)	4,478	4,382	2.2%
EBITDA as % of net revenue	40.0	39.5	
Operating income (EBIT)	2,066	1,947	6.1%
Net income	1,833	1,528	20.0%
Earnings per share (in CHF)	35.37	29.54	19.7%
Operating free cash flow proxy	1,891	1,853	2.1%
Capital expenditure	2,286	2,229	2.6%
Net debt	5,689	6,218	-8.5%
Equity ratio	43.6	39.1	
Full-time equivalent employees	18,905	19,062	-0.8%

Swisscom's net revenue was up by 0.7% or CHF 83 million at CHF 11,183 million, while operating income before depreciation and amortisation (EBITDA) increased by 2.2% or CHF 96 million to CHF 4,478 million. Adjustments to post-employment benefits and provisions impacted EBITDA mainly in the Swiss core business, but these were balanced out across the Group as a whole. The consolidated net income of CHF 1,833 million is significantly higher than in the previous year (+20.0% or CHF 305 million), primarily due to non-recurring items in the financial result and the higher EBITDA. Payment of an unchanged dividend of CHF 22 per share for the 2021 financial year will be proposed to the Annual General Meeting.

In the Swiss core business, net revenue decreased by 0.2% or CHF 17 million to CHF 8,233 million. The continuing competitive and price pressure led to a 3.3% drop in revenue from telecoms services to CHF 5,478 million. By contrast, revenue in the solutions business with business customers increased by 5.0% or CHF 53 million. EBITDA in the Swiss core business decreased by 0.4% or CHF 13 million to CHF 3,453 million. On a like-for-like basis, there was an increase of 1.4%. The decline in revenue from telecoms services and the higher costs involved in services and subscriber acquisition and retention were offset by ongoing efficiency improvements. Revenue at the Italian subsidiary Fastweb increased by 3.8% or EUR 88 million to EUR 2,392 million. In the broadband business, Fastweb's customer base remained close to stable over the year at 2.75 million despite fiercer competition, while in mobile communications it grew by 26.1% to 2.47 million. EBITDA at Fastweb rose by 5.4% or EUR 42 million in local currency to EUR 826 million, as a result of the growth in revenue.

Swisscom's capital expenditure increased by 2.6% or CHF 57 million to CHF 2,286 million. Capital expenditure in the Swiss core business rose by 2.7% or CHF 43 million to CHF 1,642 million. Capital expenditure in broadband and mobile communications networks increased, while capital expenditure in other infrastructure decreased. Fastweb recorded an increase in capital expenditure of 2.4% or EUR 14 million to EUR 601 million as a result of higher customer-driven investments and higher investment in the mobile network infrastructure.

The operating free cash flow proxy increased by 2.1% or CHF 38 million to CHF 1,891 million. The improved operating income before depreciation and amortisation (EBITDA) was partially offset by the higher capital expenditure. Net debt decreased by 8.5% to CHF 5,689 million, while the net debt/EBITDA after lease expense ratio fell from 1.5 to 1.4.

The number of Swisscom employees decreased by 0.8% or 157 FTEs to 18,905 FTEs. In Switzerland, headcount decreased by 1.0% or 166 FTEs to 15,882 FTEs.

Swisscom expects net revenue of CHF 11.1 to 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion for 2022. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.



## Segment results

In CHF million, except where indicated

	2021	2020	Change
<b>Net revenue</b>			
Residential Customers	4,592	4,560	0.7%
Business Customers	3,058	3,100	-1.4%
Wholesale <sup>1</sup>	971	976	-0.5%
Infrastructure & Support Functions	76	83	-8.4%
Intersegment elimination	(464)	(469)	-1.1%
<b>Swisscom Switzerland</b>	<b>8,233</b>	<b>8,250</b>	<b>-0.2%</b>
Fastweb	2,583	2,470	4.6%
Other Operating Segments	1,033	1,014	1.9%
Intersegment elimination	(666)	(634)	5.0%
<b>Revenue from external customers</b>	<b>11,183</b>	<b>11,100</b>	<b>0.7%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>			
Residential Customers	2,771	2,698	2.7%
Business Customers	1,287	1,348	-4.5%
Wholesale	525	524	0.2%
Infrastructure & Support Functions	(1,131)	(1,104)	2.4%
Intersegment elimination	1	-	
<b>Swisscom Switzerland</b>	<b>3,453</b>	<b>3,466</b>	<b>-0.4%</b>
Fastweb	892	840	6.2%
Other Operating Segments	166	184	-9.8%
Reconciliation pension cost <sup>2</sup>	14	(65)	
Intersegment elimination	(47)	(43)	9.3%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>4,478</b>	<b>4,382</b>	<b>2.2%</b>

1 Incl. intersegment recharges of services performed by other network providers.

2 Operating income of segments includes ordinary employer contributions as pension fund expense. The difference to the pension cost according to IAS 19 is recognised as a reconciliation item.

Swisscom's reporting focuses on the operating divisions Swisscom Switzerland and Fastweb. The other business divisions are grouped together under Other Operating Segments. Swisscom Switzerland comprises the customer segments Residential Customers, Business Customers and Wholesale, along with the Infrastructure & Support Functions business division. Fastweb is a telecommunications provider for residential and business customers in Italy. Other Operating Segments primarily comprises the Digital Business division, Swisscom Broadcast Ltd (radio transmitters) and cablex Ltd (network construction and maintenance).

For its services, the Infrastructure & Support Functions business division does not charge any network costs or management fees to other segments. All other services between the segments are charged at market prices. Network costs in Switzerland are budgeted, monitored and controlled by the Infrastructure & Support Functions segment, which is managed as a cost centre. For this reason, no revenue is credited to the Infrastructure & Support Functions segment within the segment reporting, with the exception of the rental and administration of buildings and vehicles. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

## Swisscom Switzerland

In CHF million, except where indicated

	2021	2020	Change
<b>Net revenue and results</b>			
Telecom services	5,478	5,667	-3.3%
Solution business	1,111	1,058	5.0%
Merchandise	776	759	2.2%
Wholesale	658	661	-0.5%
Revenue other	154	48	220.8%
<b>Revenue from external customers</b>	<b>8,177</b>	<b>8,193</b>	<b>-0.2%</b>
Intersegment revenue	56	57	-1.8%
<b>Net revenue</b>	<b>8,233</b>	<b>8,250</b>	<b>-0.2%</b>
Direct costs	(1,826)	(1,772)	3.0%
Indirect costs	(2,954)	(3,012)	-1.9%
<b>Segment expenses</b>	<b>(4,780)</b>	<b>(4,784)</b>	<b>-0.1%</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>3,453</b>	<b>3,466</b>	<b>-0.4%</b>
Margin as % of net revenue	41.9	42.0	
Lease expense	(232)	(232)	0.0%
Depreciation and amortisation	(1,475)	(1,509)	-2.3%
<b>Segment result</b>	<b>1,746</b>	<b>1,725</b>	<b>1.2%</b>
<b>Operating free cash flow proxy</b>			
Segment result before depreciation and amortisation (EBITDA)	3,453	3,466	-0.4%
Lease expense	(232)	(232)	0.0%
<b>EBITDA after lease expense (EBITDA AL)</b>	<b>3,221</b>	<b>3,234</b>	<b>-0.4%</b>
Capital expenditure	(1,642)	(1,599)	2.7%
<b>Operating free cash flow proxy</b>	<b>1,579</b>	<b>1,635</b>	<b>-3.4%</b>
<b>Operational data in thousand and full-time equivalent employees</b>			
Fixed telephony access lines	1,424	1,523	-6.5%
Broadband access lines retail	2,037	2,043	-0.3%
TV access lines	1,592	1,588	0.3%
Mobile access lines	6,177	6,224	-0.8%
Revenue generating units (RGU)	11,230	11,378	-1.3%
Broadband access lines wholesale	596	555	7.4%
Headcount	12,889	12,845	0.3%

Swisscom Switzerland's net revenue decreased by 0.2% or CHF 17 million to CHF 8,233 million. The continuing competitive and price pressure led to a drop of 3.3% or CHF 189 million in revenue from telecoms services to CHF 5,478 million. Of this decline, CHF 105 million (-2.7%) was attributable to the Residential Customers segment and CHF 84 million (-4.9%) to the Business Customers segment. By contrast, revenue from the solutions business increased by 5.0% or CHF 53 million to CHF 1,111 million.

The market is showing signs of saturation and competitive pressure in the area of mobile communications and fixed-network services. The subscriber base in mobile communications shrank by 0.8% or 47,000 year-on-year to 6.18 million. The number of postpaid lines increased

by 128,000 year-on-year, while the number of prepaid lines decreased by 175,000. In the Residential Customers segment, the share of the secondary brand Wingo and third-party brands such as M-Budget Mobile and Coop Mobile in the postpaid portfolio increased from 19% to 23%. The number of broadband and TV connections remained virtually stable year-on-year, at 2.04 million broadband connections and 1.59 million for TV. As at the end of 2021, the Residential Customers segment had 2.52 million inOne customers. In this segment, inOne accounted for 66% of postpaid mobile lines and 81% of broadband connections. The number of fixed telephony access lines fell by 6.5% or 99,000 year-on-year to 1.42 million.

Segment expense fell by 0.1% or CHF 4 million to CHF 4,780 million. Direct costs increased by 3.0% or CHF 54 million to CHF 1,826 million. Costs for merchandise and services and costs for acquiring and retaining customers both went up. Indirect costs decreased by 1.9% or CHF 58 million to CHF 2,954 million. During 2021, indirect costs were also impacted by a CHF 52 million increase in provisions for litigation and an increase in provisions for headcount reduction. On a like-for-like basis, indirect costs fell by 4.0% or CHF 119 million, chiefly due to ongoing efficiency improvements. As a consequence of the acquisitions of Webtiser and JLS Digital, the number of employees increased by 0.3% or 44 FTEs to 12,889 FTEs. The segment result before depreciation and amortisation decreased by 0.4% or CHF 13 million to CHF 3,453 million, but increased by 1.4% on a like-for-like basis. The decline in revenue from telecoms services and the higher costs associated with services and subscriber acquisition and retention were offset by ongoing efficiency improvements. Capital expenditure rose by 2.7% or CHF 43 million to CHF 1,642 million. Capital expenditure on the expansion of broadband net-

works and mobile networks increased, while capital expenditure on other infrastructure decreased. As at the end of 2021, around 4.8 million Swiss homes and businesses, or 90% of the total, were connected with ultra-fast broadband exceeding 80 Mbps. More than 3.9 million homes and businesses, or 72% of the total, enjoy even faster connections with speeds of more than 200 Mbps.

There is currently a great deal of uncertainty shrouding the continued rolling out of the fibre-optic network to homes and businesses (FTTH), which Swisscom is implementing for the whole of Switzerland. In 2021, the Federal Administrative Court confirmed the precautionary measures taken by the Competition Commission in December 2020, which partly call into question Swisscom's network architecture. Until the situation is clarified, Swisscom is only building network elements relating to the P2P (point-to-point) network element (e.g. feeder to the home) or that are being built under cooperations.

## Fastweb

In EUR million, except where indicated

	2021	2020	Change
<b>Net revenue and results</b>			
Residential Customers	1,142	1,133	0.8%
Corporate Business	979	907	7.9%
Wholesale	263	257	2.3%
<b>Revenue from external customers</b>	<b>2,384</b>	<b>2,297</b>	<b>3.8%</b>
Intersegment revenue	8	7	14.3%
<b>Net revenue</b>	<b>2,392</b>	<b>2,304</b>	<b>3.8%</b>
Segment expenses	(1,566)	(1,520)	3.0%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>826</b>	<b>784</b>	<b>5.4%</b>
Margin as % of net revenue	34.5	34.0	
Lease expense	(54)	(52)	3.8%
Depreciation and amortisation	(590)	(577)	2.3%
<b>Segment result</b>	<b>182</b>	<b>155</b>	<b>17.4%</b>
<b>Operating free cash flow proxy</b>			
Segment result before depreciation and amortisation (EBITDA)	826	784	5.4%
Lease expense	(54)	(52)	3.8%
<b>EBITDA after lease expense (EBITDA AL)</b>	<b>772</b>	<b>732</b>	<b>5.5%</b>
Capital expenditure	(601)	(587)	2.4%
<b>Operating free cash flow proxy</b>	<b>171</b>	<b>145</b>	<b>17.9%</b>
<b>Operational data in thousand and full-time equivalent employees</b>			
Broadband access lines	2,750	2,747	0.1%
Mobile access lines	2,472	1,961	26.1%
Headcount	2,753	2,703	1.8%

Fastweb's net revenue rose by 3.8% or EUR 88 million year-on-year to EUR 2,392 million. Competition intensified in the broadband business. Fastweb's customer growth weakened in the course of the year. The customer base remained almost unchanged year-on-year, at 2.75 million (+0.1%). The number of mobile access lines increased by 26.1% or 511,000 year-on-year to 2.47 million, despite stiff competition. Bundled offers continue to play an important role. 38% of broadband customers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by 0.8% or EUR 9 million to EUR 1,142 million as a result of customer growth. Fastweb is also growing in the business customer market. Revenue from business customers

was up by 7.9% or EUR 72 million to EUR 979 million, driven by higher revenue from public authorities. Revenue from wholesale business increased by 2.3% or EUR 6 million to EUR 263 million.

The segment result before depreciation and amortisation was 5.4% or EUR 42 million higher at EUR 826 million on the back of the growth in revenue. Capital expenditure increased by 2.4% or EUR 14 million to EUR 601 million as a result of higher customer-driven investments and higher investments in the mobile network infrastructure. Fastweb's headcount increased by 1.8% or 50 FTEs to 2,753 FTEs as the company's growth created a need for more personnel.

## Other Operating Segments

In CHF million, except where indicated

	2021	2020	Change
<b>Net revenue and results</b>			
Revenue from external customers	431	445	-3.1%
Intersegment revenue	602	569	5.8%
<b>Net revenue</b>	<b>1,033</b>	<b>1,014</b>	<b>1.9%</b>
Segment expenses	(867)	(830)	4.5%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>166</b>	<b>184</b>	<b>-9.8%</b>
Margin as % of net revenue	16.1	18.1	
Lease expense	(11)	(12)	-8.3%
Depreciation and amortisation	(56)	(62)	-9.7%
<b>Segment result</b>	<b>99</b>	<b>110</b>	<b>-10.0%</b>
<b>Operating free cash flow proxy</b>			
Segment result before depreciation and amortisation (EBITDA)	166	184	-9.8%
Lease expense	(11)	(12)	-8.3%
<b>EBITDA after lease expense (EBITDA AL)</b>	<b>155</b>	<b>172</b>	<b>-9.9%</b>
Capital expenditure	(41)	(44)	-6.8%
<b>Operating free cash flow proxy</b>	<b>114</b>	<b>128</b>	<b>-10.9%</b>
<b>Full-time equivalent employees</b>			
Headcount	3,263	3,514	-7.1%

The net revenue of the Other Operating Segments rose by 1.9% or CHF 19 million to CHF 1,033 million. This was due to higher revenue from construction services provided by cablex. The segment result before depreciation and amortisation decreased by 9.8% or CHF 18 million to CHF 166 million, and the profit margin shrank accordingly to 16.1% (prior year: 18.1%). The headcount decreased by 7.1% or 251 FTEs to 3,263 FTEs, mainly as a result of the sale of the French subsidiary local.fr.

## Pension cost reconciliation and intersegment eliminations

Net costs not allocated to the operating segments, which comprise pension cost reconciliation and intersegment elimination, fell by CHF 75 million year-on-year to CHF 33 million. The reconciliation item for pension cost is the difference between total employer contributions and the cost under IFRS. The first half of 2021 included a non-recurring expense reduction of CHF 60 million due to a change in plan. In addition, changes in assumptions (particularly with regard to the discount rate) led to lower costs. Intersegment elimination relates to intragroup profits on capitalised services of other Group companies.

## Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2021	2020	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>4,478</b>	<b>4,382</b>	<b>2.2%</b>
Depreciation and amortisation of property, plant and equipment and intangible assets	(2,131)	(2,149)	-0.8%
Depreciation of right-of-use assets	(281)	(286)	-1.7%
<b>Operating income (EBIT)</b>	<b>2,066</b>	<b>1,947</b>	<b>6.1%</b>
Net interest expense on financial assets and liabilities	(60)	(69)	-13.0%
Interest expense on lease liabilities	(44)	(45)	-2.2%
Other financial result	200	(38)	
Result of equity-accounted investees	(10)	4	
<b>Income before income taxes</b>	<b>2,152</b>	<b>1,799</b>	<b>19.6%</b>
Income tax expense	(319)	(271)	17.7%
<b>Net income</b>	<b>1,833</b>	<b>1,528</b>	<b>20.0%</b>
Attributable to equity holders of Swisscom Ltd	1,832	1,530	19.7%
Attributable to non-controlling interests	1	(2)	
Earnings per share (in CHF)	35.37	29.54	19.7%

Swisscom's net income rose by CHF 305 million or 20.0% to CHF 1,833 million, largely due to non-recurring items in the financial result and the higher EBITDA. Earnings per share rose accordingly from CHF 29.54 to CHF 35.37. Income before income taxes rose by 19.6%. The depreciation and amortisation of property, plant and equipment and intangible assets decreased by CHF 18 million or 0.8% year-on-year to CHF 2,131 million; these went down at Swisscom Switzerland and up at Fastweb. The non-recurring items in the financial result originate from the first quarter of 2021. As part of its strategic partner-

ship with TIM, Fastweb transferred its stake in Flash-Fiber as a capital contribution to the newly established fibre-optic company FiberCop. This resulted in an upward revaluation of the participation recognised in the income statement of CHF 169 million. In addition, Swisscom realised a gain of CHF 38 million on the sale of its investment in Belgacom International Carrier Services. Income tax expense stood at CHF 319 million (prior year: CHF 271 million), which corresponds to an effective income tax rate of 14.8% (prior year: 15.1%).

## Income taxes

Income tax expense increased by CHF 48 million year-on-year, from CHF 271 million to CHF 319 million, corresponding to an effective income tax rate of 14.8% (prior year: 15.1%) The tax expense in 2021 was positively impacted by the low taxation of income from participations and the capitalisation of deferred tax assets in con-

nection with a change in Italian tax laws. Swisscom anticipates a future effective consolidated tax rate of 19.5%. The CHF 30 million decrease in income taxes paid to CHF 279 million was mainly due to the difference between the expense recorded and the payment of income taxes due.

In CHF million, except where indicated	Switzerland	Italy	Other countries	Total
<b>2021 financial year</b>				
Income before income taxes	1,827	306	19	2,152
Income tax expense	339	(22)	2	319
Effective income tax rate	18.6%	-7.2%	10.5%	14.8%
Income taxes paid	264	15	-	279
<b>2020 financial year</b>				
Income before income taxes	1,669	108	22	1,799
Income tax expense	242	25	4	271
Effective income tax rate	14.5%	23.1%	18.2%	15.1%
Income taxes paid	299	10	-	309

Swisscom operates principally in Switzerland and Italy, so the information on income taxes is divided into Switzerland, Italy and other countries.

## Cash flows

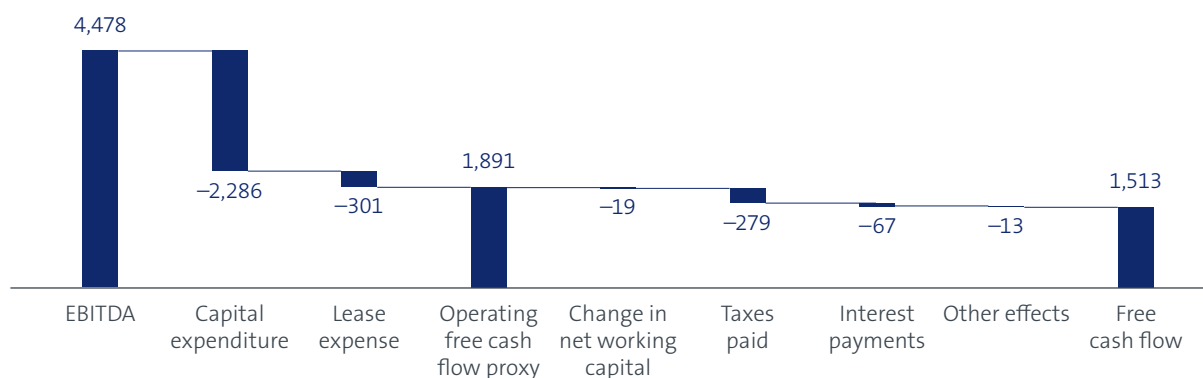
In CHF million	2021	2020	Change
Operating income before depreciation and amortisation (EBITDA)	4,478	4,382	96
Lease expense	(301)	(300)	(1)
<b>EBITDA after lease expense (EBITDA AL)</b>	<b>4,177</b>	<b>4,082</b>	<b>95</b>
Capital expenditure	(2,286)	(2,229)	(57)
<b>Operating free cash flow proxy</b>	<b>1,891</b>	<b>1,853</b>	<b>38</b>
Change in net working capital	(19)	140	(159)
Change in defined benefit obligations	(9)	65	(74)
Net interest payments on financial assets and liabilities	(67)	(69)	2
Income taxes paid	(279)	(309)	30
Other operating cash flow	(4)	26	(30)
<b>Free cash flow</b>	<b>1,513</b>	<b>1,706</b>	<b>(193)</b>
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Net expenditures for company acquisitions and disposals	105	(54)	159
Other changes	51	28	23
<b>Decrease in net debt</b>	<b>529</b>	<b>540</b>	<b>(11)</b>

The operating free cash flow proxy increased by 2.1% or CHF 38 million year-on-year to CHF 1,891 million. The higher operating income before depreciation and amortisation (EBITDA) was partially offset by the increased capital expenditure. Free cash flow decreased by 11.3% or CHF 193 million to CHF 1,513 million. Overall, net debt decreased by 8.5% or CHF 529 million to CHF 5,689 million.

The decrease in free cash flow was mainly attributable to the change in net working capital. Net working capital went up by CHF 19 million in 2021 (prior year: decrease of CHF 140 million). The change in defined benefit obligations includes a one-off adjustment of CHF 60 million arising from a plan amendment in the first half of 2021, which is recognised in EBITDA. In 2021, net cash inflows from acquisitions and disposals included the proceeds of CHF 126 million from the sale of the participation in Belgacom International Carrier Services. Swisscom paid an unchanged dividend of CHF 22 per share in 2021. This is equivalent to a total dividend payout of CHF 1,140 million.

## Development of free cash flow

in CHF million



## Capital expenditure

In CHF million, except where indicated	2021	2020	Change
Fixed access and infrastructure	428	438	-2.3%
Expansion of the fibre-optic network	555	519	6.9%
Mobile network	323	306	5.6%
Customer driven	64	76	-15.8%
Projects and others	272	260	4.6%
<b>Swisscom Switzerland</b>	<b>1,642</b>	<b>1,599</b>	<b>2.7%</b>
Fastweb	649	629	3.2%
Other Operating Segments	41	44	-6.8%
Elimination	(46)	(43)	7.0%
<b>Total capital expenditure</b>	<b>2,286</b>	<b>2,229</b>	<b>2.6%</b>
Thereof Switzerland	1,634	1,596	2.4%
Thereof other countries	652	633	3.0%
Capital expenditure as % of net revenue	20.4	20.1	

Capital expenditure climbed by CHF 57 million or 2.6% year-on-year to CHF 2,286 million, corresponding to 20.4% of net revenue (prior year: 20.1%). Swisscom Switzerland accounted for 72% of capital expenditure in 2021, and Fastweb for the remaining 28%.

Capital expenditure incurred by Swisscom Switzerland increased by CHF 43 million or 2.7% year-on-year to CHF 1,642 million, corresponding to 19.9% of net revenue (prior year: 19.4%). Swisscom invested CHF 53 million more than in the previous year in the expansion of fibre-optic broadband in the fixed network and in the expansion of the mobile network.

Fastweb increased its capital expenditure by CHF 20 million or 3.2% to CHF 649 million. Measured in local currency, capital expenditure increased by EUR 14 million or 2.4% to EUR 601 million as a result of higher customer-driven investments and higher investments in the mobile network infrastructure. The ratio of capital expenditure to net revenue consequently fell to 25.1% (prior year: 25.5%).



## Net asset position

In CHF million	31.12.2021	31.12.2020	Change
Property, plant and equipment	10,771	10,725	46
Intangible assets	1,714	1,745	(31)
Goodwill	5,157	5,162	(5)
Right-of-use assets	2,134	2,138	(4)
Trade receivables	2,315	2,132	183
Receivables from finance leases	99	87	12
Trade payables	(1,600)	(1,525)	(75)
Provisions	(1,149)	(1,216)	67
Deferred gain on sale and leaseback of real estate	(95)	(106)	11
Other operating assets and liabilities, net	(438)	(240)	(198)
<b>Net operating assets</b>	<b>18,908</b>	<b>18,902</b>	<b>6</b>
Net debt	(5,689)	(6,218)	529
Lease liabilities	(2,017)	(1,988)	(29)
Defined benefit assets and obligations, net	(13)	(795)	782
Income tax assets and liabilities, net	(835)	(643)	(192)
Equity-accounted investees and other non-current financial assets	459	233	226
<b>Equity</b>	<b>10,813</b>	<b>9,491</b>	<b>1,322</b>
Equity ratio	43.6	39.1	

### Operating assets

Net operating assets were unchanged at CHF 18.9 billion, of which CHF 12.5 billion or 66% was attributable to property, plant and equipment and intangible assets. The net carrying amount of goodwill was CHF 5.2 billion, the bulk of which relates to Swisscom Switzerland (CHF 4.3 billion). This goodwill arose primarily in 2007 in connection with the repurchase of the 25% stake in Swisscom Mobile Ltd sold to Vodafone in 2001. Following the repurchase, the mobile, fixed-network and solutions businesses were organisationally combined and merged to create the new company Swisscom (Switzerland) Ltd. The valuation risk of this goodwill item is extremely low. The net carrying amount of Fastweb's goodwill is EUR 0.5 billion (CHF 0.5 billion). The total carrying amount of Fastweb's net assets is EUR 3.4 billion (CHF 3.5 billion).

### Post-employment benefits

Defined benefit obligations recognised in the consolidated financial statements are measured in accordance with IFRS provisions. Net defined benefit obligations were CHF 13 million. These were down steeply year-on-year, by CHF 782 million. The main reasons behind this were an increase in the interest rate used for the valua-

tion, a change in the actuarial bases (in particular the life expectancy assumption) and a positive return on plan assets. Under the Swiss accounting standards applicable to the pension fund (Swiss GAAP FER), there is a funding surplus of CHF 2.0 billion, corresponding to a coverage ratio of 120% on the plan's assets of CHF 13.1 billion. The main reasons for the difference of CHF 2.0 billion compared with the measurement according to IFRS are twofold. Firstly, the use of different assumptions, in particular the interest rate for discounting future pension benefits, has a net effect of CHF 1.4 billion. Secondly, the valuation method treats future salary increases, contribution rates scaled by age group and early retirement differently, resulting in a net effect of CHF 0.6 billion. The ordinary pension cost recognised in personnel expenses in accordance with IFRS is significantly higher than the actual contributions made. The difference between the contribution payments and the IFRS expense is not included in the segment results; instead it is recognised in the reconciliation to EBITDA according to the consolidated financial statements. In 2021, a change in the pension plan resulted in a positive non-recurring effect in EBITDA of CHF 60 million and contributed to a positive overall reconciliation position of CHF 14 million (prior year: negative position of CHF 65 million).

## Net debt

Net debt and the net debt to EBITDA ratio are presented both with and without classification of leases as financial liabilities. For credit rating purposes, rating agencies include lease liabilities in the calculation of net debt. How-

ever, for the financial target of the Federal Council's financing structure, leases are not classified as financial liabilities or part of net debt.

In CHF million	31.12.2021	31.12.2020
<b>Ratio of net debt/EBITDA after lease expense</b>		
Debenture bonds	5,564	6,110
Bank loans	488	484
Private placements	151	151
Other financial liabilities	242	297
<b>Total financial liabilities</b>	<b>6,445</b>	<b>7,042</b>
Cash and cash equivalents	(401)	(340)
Listed debt instruments	(278)	(271)
Derivative financial instruments for financing	(19)	(79)
Other current financial assets	(58)	(134)
<b>Net debt</b>	<b>5,689</b>	<b>6,218</b>
EBITDA after lease expense (EBITDA AL)	4,177	4,082
<b>Ratio of net debt/EBITDA after lease expense</b>	<b>1.4</b>	<b>1.5</b>
<b>Ratio of net debt incl. lease liabilities/EBITDA</b>		
Net debt	5,689	6,218
Lease liabilities	2,017	1,988
<b>Net debt incl. lease liabilities</b>	<b>7,706</b>	<b>8,206</b>
EBITDA	4,478	4,382
<b>Ratio of net debt incl. lease liabilities/EBITDA</b>	<b>1.7</b>	<b>1.9</b>

The ratio of net debt including lease liabilities to EBITDA was 1.7 at the end of 2021 (prior year: 1.9). Without classification of the leases as financial liabilities, the ratio of net debt to EBITDA after lease expense was 1.4 (prior year: 1.5). Both ratios reflect an improved debt situation compared with the previous year. Swisscom's goal of maintaining its single-A credit rating was achieved. The limit on net debt set by the Federal Council in the financial targets of 2.1x EBITDA after lease expense was also complied with.

In recent years, Swisscom has taken advantage of favourable capital market conditions with a view to optimising the interest and maturity structure of the Group's financial liabilities. The share of fixed-interest-bearing financial liabilities is 88%. At the end of 2021, the average interest expense on all financial liabilities was 0.9%, and the average residual term to maturity was 6.2 years. Swisscom also has two lines of credit totalling CHF 2.2 billion, which have not been used. Financial liabilities with a term of one year or less stood at CHF 0.6 billion at 31 December 2021.

## Equity

Swisscom has equity of CHF 10.8 billion (prior year: CHF 9.5 billion) and an equity ratio of 43.6% (prior year: 39.1%). As the combined total of net income of CHF 1.8 billion and other comprehensive income of CHF 0.6 billion was higher than the dividend payment of CHF 1.1 billion, equity increased by CHF 1.3 billion. The foreign currency differences arising from the translation of foreign subsidiaries are recognised in equity. As a result of the weaker euro, cumulative currency translation losses increased by CHF 0.1 billion to CHF 1.9 billion (after tax) in 2021. Distributable reserves are not determined on the basis of the equity as reported in the consolidated

financial statements, but rather on the basis of equity as reported in the separate financial statements of Swisscom Ltd. The equity in the 2021 separate financial statements of Swisscom Ltd was CHF 4.8 billion. The difference of CHF 6.0 billion versus the equity reported in the consolidated balance sheet is largely due to earnings retained by subsidiaries and different accounting methods. Under accounting and measurement rules in Swiss company law, share capital and that part of the general reserves representing 20% of the share capital may not be distributed. On 31 December 2021, Swisscom Ltd held distributable reserves of CHF 4.7 billion.

## Financial outlook

Key figures or as noted	2021 reported	2022 outlook <sup>3</sup>
<b>Net revenue</b>		
<b>Swisscom Group</b>	<b>CHF 11,183 mn</b>	<b>CHF 11.1–11.2 bn</b>
Switzerland <sup>2</sup>	CHF 8,600 mn	CHF 8.5–8.6 bn
Fastweb	EUR 2,392 mn	~ EUR 2.5 bn
<b>Operating income before depreciation and amortisation (EBITDA)</b>		
<b>Swisscom Group</b>	<b>CHF 4,478 mn</b>	<b>~ CHF 4.4 bn <sup>1</sup></b>
Switzerland <sup>2</sup>	CHF 3,586 mn	~ CHF 3.5 bn
Fastweb	EUR 826 mn	EUR 0.8–0.9 bn
<b>Capital expenditure</b>		
<b>Swisscom Group</b>	<b>CHF 2,286 mn</b>	<b>~ CHF 2.3 bn</b>
Switzerland <sup>2</sup>	CHF 1,637 mn	~ CHF 1.7 bn
Fastweb	EUR 601 mn	~ EUR 0.6 bn

<sup>1</sup> EBITDA after lease expense (EBITDA AL) 2021: CHF 4,177 mn; EBITDA AL guidance 2022: ~ CHF 4.1 bn

<sup>2</sup> Swisscom w/o Fastweb

<sup>3</sup> Exchange rate CHF/EUR 1.04 (2021: CHF/EUR 1.08)

Swisscom expects net revenue of CHF 11.1 to 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion for 2022. Subject to achieving its targets, Swisscom will propose payment

of an unchanged, attractive dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.

## Value-oriented business management

Key performance indicators for planning and managing business operations are revenue, operating income before depreciation and amortisation (EBITDA) and capital expenditure. The enterprise value/EBITDA ratio also permits comparisons of Swisscom's enterprise value derived from the share price on the balance sheet date with that of its peers (European telecommunications companies) and with its own figure for the prior year. The members of the Board of Directors and Group Exec-

utive Board are paid a portion of their remuneration in the form of Swisscom shares, which are blocked for a period of three years. They are also subject to a minimum shareholding requirement. Variable remuneration based on financial and non-financial targets, the partial settlement of remuneration in shares and the minimum shareholding requirement ensure that the financial interests of management are aligned with the interests of shareholders.

In CHF million, except where indicated

	31.12.2021	31.12.2020
<b>Enterprise value</b>		
Market capitalisation	26,657	24,715
Net debt incl. lease liabilities	7,706	8,206
Defined benefit assets and obligations, net	13	795
Income tax assets and liabilities, net	835	643
Equity-accounted investees and other non-current financial assets	(459)	(233)
Non-controlling interests	2	1
<b>Enterprise value (EV)</b>	<b>34,754</b>	<b>34,127</b>
Operating income before depreciation and amortisation (EBITDA)	4,478	4,382
<b>Ratio enterprise value/EBITDA</b>	<b>7.8</b>	<b>7.8</b>

Swisscom's enterprise value increased by 1.8% or CHF 0.6 billion to CHF 34.8 billion in 2021. The main reason for this was the increase of CHF 1.9 billion in the company's market capitalisation to CHF 26.7 billion. The ratio of enterprise value to EBITDA remained at 7.8 on higher EBITDA. Swisscom's relative market valuation is therefore well above the average for comparable

companies in Europe's telecoms sector. The higher relative valuation is supported by Swisscom's solid market position and attractive dividend. In addition, the lower interest rates and lower income tax rates in Switzerland compared with other European countries have a positive effect.

## Statement of added value

Thanks to a modern, high-performance network infrastructure and a comprehensive, needs-driven service offering, Swisscom makes an important contribution to Switzerland's competitiveness and economic success and generates direct added value.

In CHF million	2021			2020		
	Switzerland	Other countries	Total	Switzerland	Other countries	Total
<b>Added value</b>						
<b>Net revenue</b>	<b>8,579</b>	<b>2,604</b>	<b>11,183</b>	<b>8,614</b>	<b>2,486</b>	<b>11,100</b>
Capitalised self-constructed assets and other income	459	139	598	362	104	466
Direct costs	(1,840)	(939)	(2,779)	(1,784)	(885)	(2,669)
Other operating expense <sup>1</sup>	(1,184)	(661)	(1,845)	(1,147)	(641)	(1,788)
Lease expense	(243)	(58)	(301)	(244)	(56)	(300)
Depreciation and amortisation <sup>2</sup>	(1,500)	(635)	(2,135)	(1,531)	(618)	(2,149)
<b>Intermediate inputs</b>	<b>(4,308)</b>	<b>(2,154)</b>	<b>(6,462)</b>	<b>(4,344)</b>	<b>(2,096)</b>	<b>(6,440)</b>
<b>Operating added value</b>	<b>4,271</b>	<b>450</b>	<b>4,721</b>	<b>4,270</b>	<b>390</b>	<b>4,660</b>
Other non-operating result <sup>3</sup>			126			(110)
<b>Total added value</b>			<b>4,847</b>			<b>4,550</b>
<b>Allocation of added value</b>						
Employees <sup>4</sup>	2,412	269	2,681	2,428	224	2,652
Public sector <sup>5</sup>	320	17	337	317	14	331
Shareholders (dividends)			1,141			1,141
Third-party lenders (net interest expense)			60			69
Company (retained earnings) <sup>6</sup>			628			357
<b>Total added value</b>			<b>4,847</b>			<b>4,550</b>

1 Other operating expense: excl. taxes on capital and other taxes not based on income.

2 Depreciation and amortisation: excl. amortisation of acquisition-related intangible assets such as brands or customer relations.

3 Other non-operating result: financial result excl. net interest expense, result of equity-accounted investees, and amortisation of acquisition-related intangible assets.

4 Employees: employer contributions are reported as pension cost, rather than as expenses according to IFRS.

5 Public sector: current income tax expense, capital taxes and other taxes not based on income. Excl. payments for VAT and mobile communication frequencies.

6 Company: incl. changes in deferred income taxes and defined benefit obligations.

Of the consolidated operating added value of CHF 4.7 billion, 90% or CHF 4.3 billion was generated in Switzerland. Operating added value in Switzerland was unchanged year-on-year. The value added per FTE was CHF 267,000 (prior year: CHF 263,000). In addition to direct added value, purchases from suppliers provide

significant indirect added value for Switzerland's economy. Taking into account capital expenditure instead of depreciation and amortisation, the purchasing volume in the Swiss business was around CHF 4.4 billion in 2021, with added value of approximately 60% or CHF 2.7 billion contributed by suppliers in Switzerland.

# Capital market

Swisscom achieved its financial targets in 2021 by consistently implementing its strategy, meaning it has succeeded in creating added value for shareholders once again this year. Thanks to its ratings of A (stable) from Standard & Poor’s and A2 (stable) from Moody’s, Swisscom is one of the best-rated telecommunications companies in Europe.

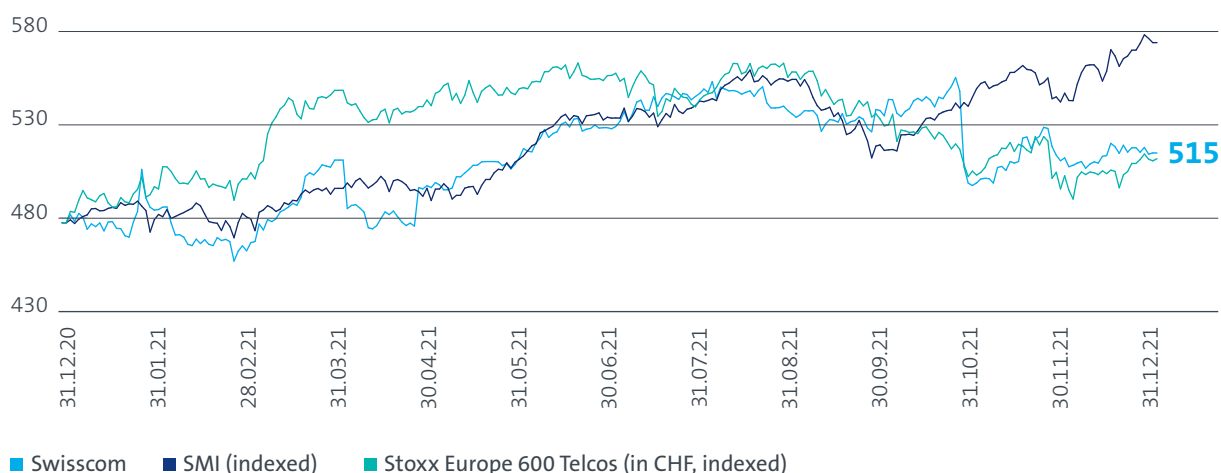
## Swisscom share

Swisscom’s market capitalisation as at 31 December 2021 amounted to CHF 26.7 billion (previous year: CHF 24.7 billion). The number of shares issued remained the same at 51.8 million. Par value per registered share is CHF 1. Each 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 enter a shareholder with voting rights if such voting rights exceed 5% of the company’s share capital.

## Share performance 2021

in CHF



The Swiss Market Index (SMI) rose by 20.3% compared with the previous year. The Swisscom share price increased by 7.9% to CHF 514.60, lagging somewhat behind the performance of the Stoxx Europe 600 Telecommunications Index (+11.5% in EUR). The average

daily trading volume decreased by 34% year on year to 118,509 shares. The total trading volume of Swisscom shares in 2021 was CHF 30.1 billion.

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

## Shareholder return

On 05 April 2021, Swisscom paid out an ordinary dividend of CHF 22 per share. Based on the closing price at the end of 2020, this equates to a return of +4.6%. Taking into account the increase in the share price, the Swisscom share achieved a total shareholder return (TSR) of +12.9% in 2021. The TSR for the SMI was +23.7% and for the Stoxx Europe 600 Telecommunications Index +16.1% in EUR.

## Shareholder structure

	31.12.2021			31.12.2020		
	Number of shareholders	Number of shares	Share in %	Number of shareholders	Number of shares	Share in %
Confederation	1	26,394,000	51.0%	1	26,394,000	51.0%
Natural persons	69,275	4,853,898	9.4%	69,308	4,817,812	9.3%
Institutions	2,772	10,484,218	20.2%	2,833	10,891,021	21.0%
Unregistered shareholdings	–	10,069,827	19.4%	–	9,699,110	18.7%
<b>Total</b>	<b>72,048</b>	<b>51,801,943</b>	<b>100.0%</b>	<b>72,142</b>	<b>51,801,943</b>	<b>100.0%</b>

The majority shareholder as at 31 December 2021 was the Swiss Confederation, which is obligated by current law to hold the majority of the capital and voting rights. As at 31 December 2021, some 19% of the shares were held in unregistered shareholdings, as in the previous year.

## Analysts' recommendations

Investment specialists analyse Swisscom's business performance, results and market situation on an ongoing basis. Their findings and recommendations offer valuable indicators for investors. Twenty-four analysts regularly publish studies on Swisscom. At the end of 2021, 17% of the analysts issued a buy rating for the Swisscom share, 50% a hold rating and 33% a sell rating. The average price target at 31 December 2021, according to the analysts' estimates, was CHF 502 per share.

## Dividend policy

Swisscom pursues a return policy with a stable dividend. At the forthcoming Annual General Meeting on 30 March 2022, the Board of Directors will propose an unchanged ordinary dividend of CHF 22 per share for the 2021 financial year. This is equivalent to a total dividend payout of CHF 1,140 million.

## Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange under the symbol SCMN (Securities No. 874251). In the United States (Over The Counter, Level 1), they are traded in the form of American Depositary Receipts (ADR) at a ratio of 1:10 under the symbol SCMWY (Pink Sheet No. 69769).

Since going public in 1998, Swisscom has distributed a total of CHF 35 billion to its shareholders: CHF 23 billion in dividend payments and CHF 12 billion in capital reductions and share buybacks. Swisscom has paid out a total of CHF 455 per share since the initial public offering. Together with the overall increase in share price of CHF 176 per share, this amounts to an average annual total return of 5.1%.

## Credit ratings and financing

Swisscom enjoys good ratings from the Standard & Poor's and Moody's rating agencies, at A (stable) and A2 (stable) respectively. Swisscom aims to maintain the single-A credit rating. To avoid structural downgrading, Swisscom endeavours to raise financing at the level of Swisscom Ltd. Swisscom aims to have a broadly diversified debt portfolio. This involves paying particular attention to balancing maturities and diversification of financing instruments, markets and currencies. Swisscom's solid financial standing gave it unrestricted access to money and capital markets again in 2021.

# Risks

Changes in competition, customer behaviour, technologies and the regulatory framework are drivers of risk. Swisscom uses opportunities and minimises risks by adapting its business model, innovating and undergoing transformation. Its risk management system is responsible for protecting the value of the company based on measures introduced at an early stage.

## Risk situation

Sales in the core business of Swisscom are under pressure from intense competition. New offerings in the areas of digitisation and IT services, such as cloud services, IT security and IoT solutions, are intended to compensate at least in part for sagging revenue from the core business. Market developments result in changes to the business model and demand a profound transformation of Swisscom's own company and efficiency improvement. The key risk factors are addressed below. The risk factors arising in the supply chain are described in the Sustainability Report.

© See [www.swisscom.ch/cr-report2021](http://www.swisscom.ch/cr-report2021)

## Risk factors

### Competitive dynamics in the telecommunications market

Competitive dynamics are currently being driven by infrastructure providers and service providers without their own network infrastructure. Swisscom is countering this pressure and the decline in revenue from the traditional telecommunications business by transforming the company and through constant innovation. Megatrends such as increasing connectivity, customisation and demographic change are indelibly shaping and altering our society and the economy and have a long-term impact on the activities of Swisscom. Swisscom conducts a comprehensive external environment analysis at least once a year in order to identify potential disruptions at an early stage, harness the opportunities these create and counter the risks in good time. It evaluates the future trends and developments identified by the analysis: for example, to categorise new, potentially disruptive developments and to model possible scenarios in a timely manner. Swisscom also produces regular analyses of the economic and regulatory environment. It also examines the activities of global Internet corporations in greater depth to identify relevant changes and respond with appropriate measures. To respond to changes

in the market, Swisscom consistently focuses on customer needs when transforming its own company and optimises or adapts its processes and organisation.

### Policy, regulation and compliance

The manner in which regulations are implemented entails risks for Swisscom, which could have an adverse impact on the company's financial position and results of operations. Sanctions by the Competition Commission could also reduce Swisscom's operating results and cause reputational damage to the company. Finally, excessively high political demands threaten to fundamentally undermine the current competitive system. Swisscom's wide range of business activities, coupled with the complexity of the applicable regulations, calls for an effective compliance management system (CMS). Swisscom's central CMS covers the entire Group. It monitors group-wide adherence to laws relating to anti-corruption, money laundering, banking, data protection and confidentiality, antitrust and competition, telecommunications, stock exchange and product safety.

### Increasing bandwidth in the access network

Customer demand for broadband access is growing rapidly, as is the growing popularity of mobile devices and IP-based (Internet Protocol-based) services (smartphones, IPTV, OTTs, etc.). Swisscom faces tough competition from cable companies and other network operators as it strives to meet current and future customer needs and defend its own market share. The network expansion this necessitates calls for major investments. To mitigate financial risks and ensure optimum network coverage, network expansion is geared towards population density and customer demand. Swisscom also enters into partnerships for network expansion. Substantial risks would arise if Swisscom were forced to spend more on network expansion than planned or if projected long-term earnings were to fall. Swisscom minimises the risks by adapting the broadband expansion of the access network to changing conditions and technical opportunities on an ongoing basis.



## Competitive dynamics and regulation in Italy

The competitive dynamics in Italy carry risks that have a detrimental impact on Fastweb's strategy and could jeopardise projected revenue growth as a result. In particular, risks may arise in connection with the entry of new competitors in the market. Fastweb is countering this pressure by constantly adapting its services, organisation, processes and partnerships. Changes in the legal and regulatory environment can have a negative impact on business activities and thus also on the value of the company.

## Business interruption

Usage of Swisscom Switzerland's and Fastweb's services is heavily dependent on technical infrastructure such as communications networks and IT platforms. Any major disruption to business operations poses a financial risk as well as a substantial reputational risk. Force majeure, natural disasters, human error, hardware or software failure, criminal acts by third parties (e.g. computer viruses, hacking activities) and the ever-growing complexity and interdependence of modern technologies can cause damage or interruption to operations. Built-in redundancy, contingency plans, deputising arrangements, alternative locations, careful selection of suppliers and other measures are designed to ensure that Swisscom can deliver the level of service that customers expect at all times.

## Information and security technologies

Swisscom's complex IT architecture entails risks during both the implementation and operating phases. These risks have the potential to delay the rollout of new services, increase costs and impact competitiveness. The transformation is being closely monitored by the Group Executive Board. The area of Internet security has developed and changed with immense speed with respect to technology, economics and society and their interdependencies. Constant innovations and the capacity they create go hand in hand with new opportunities as well as new risks. Even if the rise in security threats posed by cyber attacks is making prevention increasingly difficult, the objective is to identify potential risks at an early stage, systematically document them and take appropriate steps to sustainably reduce them.

## Health and the environment

In the year under review, claims were again made that electromagnetic radiation (e.g. from mobile antennas or mobile handsets) is potentially harmful to health. Under the terms of the Ordinance on Non-Ionising Radiation (ONIR), Switzerland has adopted the precautionary principle. It has introduced limits for base stations that are ten times stricter than both those prescribed by the WHO and the legal provisions in neighbouring countries and they apply to all mobile frequencies (including 5G). The public's wary attitude towards 5G, in particular when it comes to mobile communication antennas, is impeding Swisscom Switzerland's network expansion. Even without stricter legislation, public concerns about the effects of electromagnetic radiation on the environment and health could further hamper the construction of wireless networks in the future and drive up costs.

Climate change poses risks for Swisscom. These risks are driven by changes in climatic parameters (e.g. increased average or extreme temperatures, more intense precipitation, melting permafrost), changes in the legal framework and other economic or reputational factors. The resulting developments could impact the operability of Swisscom's telecoms infrastructure, particularly in view of the potential risk to base stations, transmitter stations and local exchanges. The analysis of the risks posed by climate change reflects the various emissions scenarios and is largely based on the official reports of the Federal Office for the Environment (FOEN) on climate change (CH2014 Impacts and CH2018 Climate Scenarios). Swisscom also publishes its annual climate report and takes into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in the areas of governance and strategy. Swisscom made progress in 2021 in its efforts to implement the recommendations of the TCFD.

© See [www.swisscom.ch/climatereport2021](http://www.swisscom.ch/climatereport2021)

# Corporate Governance and Remuneration Report

<b>Corporate Governance</b>	1	Principles.....	<b>66</b>
	2	Group structure and shareholders.....	<b>66</b>
	3	Capital structure.....	<b>68</b>
	4	Board of Directors.....	<b>70</b>
	5	Group Executive Board.....	<b>84</b>
	6	Remuneration, shareholdings and loans.....	<b>88</b>
	7	Shareholders' participation rights.....	<b>88</b>
	8	Change of control and defensive measures.....	<b>90</b>
	9	Auditor.....	<b>90</b>
	10	Information policy.....	<b>91</b>
	11	Financial calendar.....	<b>91</b>
<b>Remuneration Report</b>	1	Governance.....	<b>93</b>
	2	Remuneration of the Board of Directors.....	<b>95</b>
	3	Remuneration of the Group Executive Board.....	<b>98</b>
	4	Other remuneration.....	<b>104</b>
		Report of the statutory auditor.....	<b>105</b>

# Corporate Governance

Corporate governance is a fundamental component of Swisscom's corporate policy. Swisscom is committed to effective and transparent corporate governance as part of its effort to deliver long-term value.

## 1 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 the interests of Swisscom shareholders, customers, employees and other interest groups into their decisions. To this end, the Board of Directors practises effective, transparent corporate governance, which is characterised by clearly assigned responsibilities and based on recognised standards. In this regard, 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, and the requirements of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC).

The interaction of investors, proxy advisors and other stakeholder groups with the respective specialist divisions allows the Board of Directors to identify trends at an early stage and to adjust its corporate governance to new requirements as and when necessary.

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 an explicit 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 versions of these documents as well as their earlier, unamended and superseded versions can be viewed online on the Swisscom website under 'Basic principles'.

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

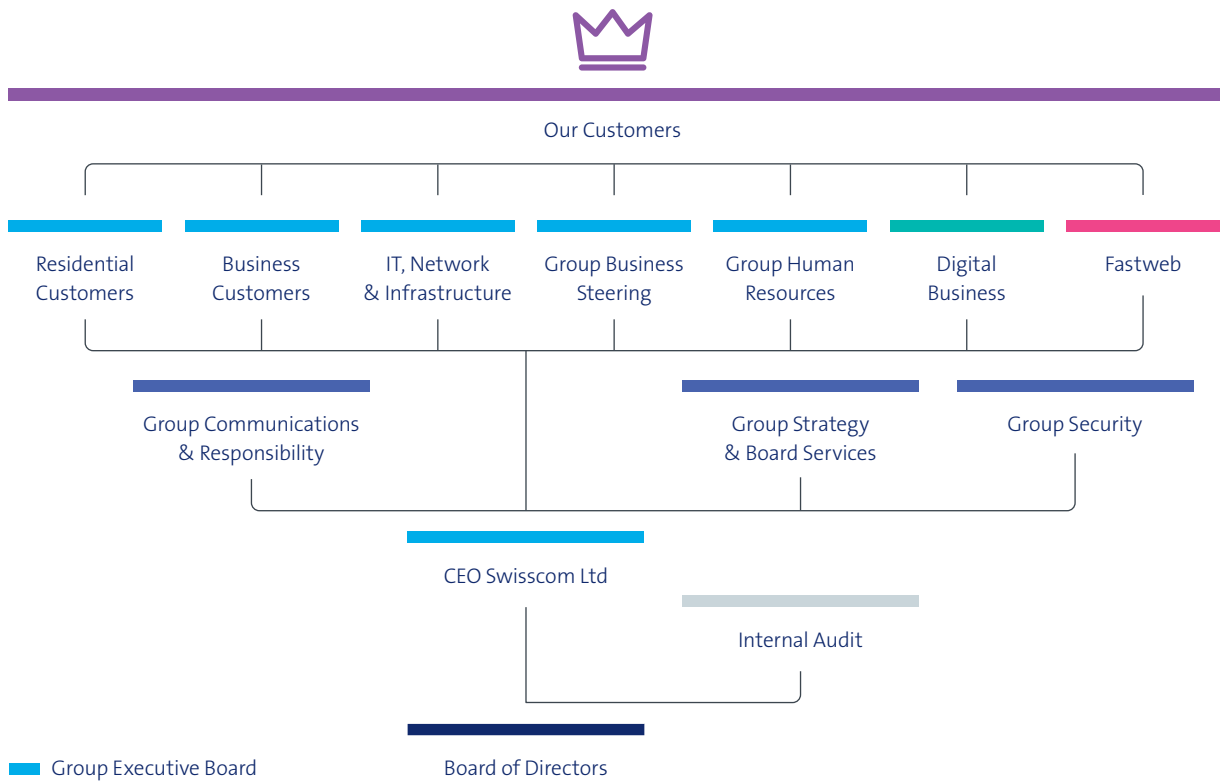
## 2 Group structure and shareholders

### 2.1 Group structure

#### Operational Group structure

Swisscom Ltd is a holding company and responsible for the overall management of the Swisscom Group. It comprises five Group divisions: Group Business Steering, Group Human Resources, Group Strategy & Board Services, Group Communications & Responsibility and Group Security, which have staff functions. The Board of Directors delegates day-to-day business management to the CEO of Swisscom Ltd. The Group Executive Board is comprised of the CEO of Swisscom Ltd and the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO), plus the heads of the business divisions Residential Customers, Business Customers, and IT Network & Infrastructure. The Group also includes the Digital Business division and Group companies such as the Italian subsidiary Fastweb S.p.A. Società.

The operational Group structure is shown in the organisational chart below.



#### Organigram Swisscom Ltd

The business activities are carried out by Swisscom Group companies. Strategic and financial management is assured through the rules governing the assignment of powers and responsibilities set by the Board of Directors of Swisscom Ltd. The Group companies are divided into three categories: strategic, important and other. Swisscom Ltd, Swisscom (Switzerland) Ltd and Fastweb S.p.A. are classified as strategic companies. The members of the Board of Directors and the managing directors of the strategic companies are appointed by the Board of Directors of Swisscom Ltd and elected via the competent statutory bodies. 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 Business Customers. The CEO of Swisscom Ltd is responsible for the executive management of Swisscom (Switzerland) Ltd. Seats on the Board of Directors of Fastweb S.p.A. are held by the CEO of Swisscom Ltd, who acts as Chair, together with the CFO of Swisscom Ltd, the Head of IT, Network & Infrastructure as well as one representative of Swisscom's management. The Board of Directors is supplemented by an independent external member and the delegate of the Board of Directors, who has been empowered with the

executive management of the company. Fastweb controls two subsidiaries. All other Swisscom Group companies are assigned to a Group division or business division for management purposes. The members of the Board of Directors of the other Group companies and their managing directors are appointed by the CEO of Swisscom Ltd. In some cases, external parties also serve as members of the Board of Directors. A list of Group companies, including company name, registered office, percentage of shares held and share capital, is provided in Note 5.4 to the consolidated financial statements.

▢ See report pages 161–162

For financial reporting purposes, Swisscom's business divisions and Group companies are allocated to individual segments. Further information on segment reporting can be found in the Management Commentary.

▢ See report page 44

#### Listed company

Swisscom Ltd is a company governed by Swiss law and has its registered office in Ittigen (Canton of Berne, Switzerland). It is listed in the Standard for Equity Securities,

Sub-Standard International Reporting, of the 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 (ticker 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 that represent Swisscom shares. Ten ADS correspond to one share. The ADS are evidenced by American Depositary Receipts (ADR).

As at 31 December 2021, the stock market capitalisation of Swisscom Ltd was CHF 26,657 million. There are no other listed companies in the Swisscom Group.

## 2.2 Major shareholders

Pursuant to Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructures Act; FMIA), there is a duty to disclose a shareholding to Swisscom Ltd and SIX Swiss Exchange whenever a person or group subject to the disclosure obligation reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, 33<sup>1</sup>/<sub>3</sub>, 50 or 66<sup>2</sup>/<sub>3</sub> per cent of the voting rights of Swisscom Ltd, irrespective of whether or not the voting rights can be exercised. The detailed disclosure requirements and the method for calculating these limits are specified in the FINMA Financial Market Infrastructure Ordinance (FMIO-FINMA). Under the FMIO-FINMA, nominee companies which are not able to independently decide how voting rights are exercised are not required to disclose when any of their shareholdings reach, exceed or fall below these limits. As shareholders are only required to notify the company and SIX Swiss Exchange if their shareholdings reach, exceed or fall below one of the limits indicated above, the current percentage of shares actually held by significant shareholders may at any time differ from the percentage most recently disclosed.

The shareholding notifications can be viewed on the website of the SIX Exchange Regulation at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

In the 2021 reporting year, no shareholdings subject to Article 120 FMIA were reported to Swisscom. In August 2017, BlackRock, Inc., New York, reported a shareholding of 3.44% of the voting rights in Swisscom Ltd. According to the Swisscom share register, Chase Nominees Ltd., London, held 4.02% of the voting rights in Swisscom Ltd on 31 December 2021.

The Swiss federal government (Swiss Confederation), as majority shareholder, held 50.95% of the issued share capital of Swisscom Ltd on 31 December 2021, which was unchanged from the previous year. The Telecommunications Enterprise Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd. The Federal Council defines the goals which the Confederation as principal shareholder of the company aims to achieve in the next four years. As a rule, stakeholder talks with the Chairman of the Board, the CEO and government representative are conducted three times a year by the responsible federal government departments – the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Department of Finance (FEF) – led by the Head of DETEC. During these talks, the participants examine the status of target achievement. After the close of the business year, target achievement is assessed by the Federal Council.

☉ See [www.swisscom.ch/ziele\\_2018-2021](http://www.swisscom.ch/ziele_2018-2021)

☉ See [www.swisscom.ch/ziele\\_2022-2025](http://www.swisscom.ch/ziele_2022-2025)

## 2.3 Cross-shareholdings

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

# 3 Capital structure

## 3.1 Capital

The share capital of Swisscom Ltd has remained unchanged since 2009, totalling CHF 51,801,943. There is no authorised or conditional share capital. Information concerning equity can be found in the financial statements of Swisscom Ltd.

▢ See report page 178

## 3.2 Shares, participation and profit-sharing certificates

All of the shares issued by Swisscom Ltd are fully paid-up registered shares with a par value of CHF 1. Each share entitles the holder to one vote. Shareholders may only exercise their voting rights, however, if their shares 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 exercise 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 or 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. If it does not receive instructions, it does not exercise the voting rights.

Swisscom Ltd has issued neither participation nor profit-sharing certificates.

Further information on the shares is available in Section 7 'Shareholders' participation rights' as well as in the Management Commentary.

▢ See report [page 88](#)

▢ See report [page 60](#)

### 3.3 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 restrictions of any kind. 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 if the 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. For the shares in excess of the limit, the acquirer is entered in the share register as a shareholder or beneficial holder without voting rights. The other statutory provisions on restricted transferability are described in Section 7.1 of this Corporate Governance report, 'Voting right restrictions and proxies'.

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

▢ See report [page 88](#)

Swisscom has issued special regulations governing the registration of trustees and nominees in the share register. To facilitate the tradability of the company's shares on the stock exchange, the Articles of Incorporation (Article 3.6) allow the Board of Directors, by means of regulations or agreements, to permit the fiduciary entry of registered shares with voting rights for 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, for which 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.

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

The entry of trustees and nominees as shareholders with voting rights is subject to application and the conclusion of an agreement by which the trustee or nominee acknowledges the applicable entry restrictions and disclosure obligations as binding. Trustees and nominees related in terms of capital or voting rights either contractually or through common management or other means are treated as a single shareholder (trustee or nominee).

### 3.4 Convertible bonds, debenture bonds and options

Swisscom has no convertible bonds outstanding. Details of the debenture bonds are given in Note 2.2 to the consolidated financial statements.

▢ See report [pages 124–127](#)

Swisscom does not issue options on registered shares of Swisscom Ltd to its employees.



## 4 Board of Directors

### 4.1 Members of the Board of Directors

At the Annual General Meeting on 31 March 2021, the Chairman of the Board of Directors, Hansueli Loosli, stepped down from the Board of Directors, having served the maximum permitted twelve-year term of office. Information about him is available in the 2020 corporate governance report. The Annual General Meeting elected

Michael Rechsteiner as the new Chairman of the Board of Directors and Guus Dekkers as a new Board member.

© See [www.swisscom.ch/report2020](http://www.swisscom.ch/report2020)

As of 31 December 2021, the Board of Directors comprised the following non-executive members:

Name	Nationality	Year of birth	Function	Taking office at the Annual General Meeting
Michael Rechsteiner <sup>1</sup>	Switzerland	1963	Chairman	2019
Roland Abt	Switzerland	1957	Member	2016
Alain Carrupt	Switzerland	1955	Member, representative of the employees	2016
Guus Dekkers <sup>2</sup>	Netherlands	1965	Member	2021
Frank Esser	Germany	1958	Deputy Chairman	2014
Barbara Frei	Switzerland	1970	Member	2012
Sandra Lathion-Zweifel	Switzerland	1976	Member, representative of the employees	2019
Anna Mossberg	Sweden	1972	Member	2018
Renzo Simoni <sup>3</sup>	Switzerland	1961	Member, representative of the Confederation	2017

<sup>1</sup> Since 31 March 2021 Chairman.

<sup>2</sup> Elected to the Board of Directors on 31 March 2021.

<sup>3</sup> Designated by the Swiss Confederation.

### 4.2 Education, professional activities and affiliations

Key details of the career and qualifications of each member of the Board of Directors are provided in the summary below, along with the mandates held outside the Group and other significant activities. 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. The number of mandates held by order of Swisscom is limited to ten, while the number of mandates in interest groups, charitable



associations, institutions and foundations, and employee retirement-benefit foundations is limited to seven. The Board members are obligated to consult the Chairman of the Board of Directors prior to accepting new mandates and to immediately advise him of any changes in their professional lives. If the Chairman is concerned, he shall consult or inform the Deputy Chairman. The Chairman or Deputy Chairman, as the case may be, then informs the Board of Directors about these changes and potential conflicts of interest. The issue of affiliations is addressed with the Board of Directors as part of an annual internal training session that focuses on stock exchange regulations. 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. One member of the Board of Directors exceeds the limits set for mandates in listed companies during a transitional period of six months until the mandate is relinquished at the end of the term of office.

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The members of the Board of Directors are required to order their personal and business affairs and take whatever measures necessary to ensure that conflicts of interest are avoided as far as possible. Should a conflict of interest nevertheless arise, the member concerned must inform the Chairman of the Board of Directors and/or the Deputy Chairman immediately, for the attention of the Board of Directors. The members of the Board of Directors and the Chairman are obliged to abstain from negotiations in business which conflict with their own interests or with the interests of natural or legal persons closely associated with them.



**Michael Rechsteiner**  
**Master of Science in Mechanical Engineering,**  
**Zurich Federal Institute of Technology (ETH);**  
**Master of Business Administration,**  
**University of St. Gallen (HSG)**

#### **Career history**

1990–2000 various roles at ABB Kraftwerke AG, most recently General Manager of ABB Power Generation Asia, Kuala Lumpur, Malaysia; 2000–2002 Head of Power Plants, Vice President Project Execution, Alstom Power; 2003–2007 Chief Operating Officer, Sultex; 2007–2015 various roles at Alstom Power, most recently CEO and Senior Vice President Power Service; 2015–2017 General Electric (GE) Officer and Vice President of Global Product Lines at GE Power Services; April 2017–March 2021 managerial responsibility for GE Power Services Europe and CEO of GE Gas Power Europe; since April 2021 external advisor to General Electric (Switzerland) GmbH; since March 2021 Chairman of the Board of Directors of Swisscom Ltd

#### **Mandates in non-listed companies**

Until March 2021 President of the Executive Board, General Electric (Switzerland) GmbH, Baden, Switzerland; until January 2021 member of the Supervisory Board, GE Power Sp. z o.o., Warsaw

#### **Mandates in interest groups, charitable associations, institutions and foundations, and employee retirement-benefit foundations**

Member of the Board of Trustees of General Electric Switzerland Pension Fund

#### **Mandates by order of Swisscom**

Since September 2021 Member of the Board of Directors and the Board Committee of *economiesuisse*

#### **Other significant activities**

Until April 2021 Member of the Board of *Swissmem*



### **Roland Abt**

**Doctorate in Business Administration (Dr. oec.)  
University of St. Gallen (HSG)**

#### **Career history**

1985–1987 CFO of a group of companies with operations in the areas of IT and real estate; 1987–1996 Eternit Group (later Nueva Group); 1987–1991 Head of 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 Machining Solutions), 2004–2016 CFO, Georg Fischer AG, and member of the Group Executive Board

#### **Mandates in listed companies**

Member of the Board of Directors of Bystronic AG (formerly Conzeta AG), Zurich

#### **Mandates in non-listed companies**

Mandates for Aargau Verkehr AG (AVA), Aarau: Chairman of the Board of Directors of Aargau Verkehr AG, Aarau, Chairman of the Board of Directors of Limmat Bus AG; other mandates: Chairman of the Board of Directors of Eisenbergwerk Gonzen AG, Sargans; Member of the Board of Directors of Raiffeisenbank Zufikon

#### **Mandates in interest groups, charitable associations, institutions and foundations, and employee retirement-benefit foundations**

President of the Board of Trustees of Fürsorgestiftung Conzeta, Zurich

#### **Other significant activities**

–



### **Alain Carrupt**

**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**

–

#### **Other significant activities**

President of the association Opération Boule à Zéro, Belfaux



### **Guus Dekkers**

**Master's degree in Computer Science, Radboud University Nijmegen;  
Master of Business Administration, School of Management Rotterdam**

#### **Career history**

1990–2001 various functions, mainly in the area of business process optimisations, Volkswagen AG, Wolfsburg; 2002–2005 Head of Information Technology Europe & International and Vice President, Johnson Controls Automotive; 2005–2007 Chief Information Officer and Vice President, Siemens VDO Automotive AG, Germany; 2008–2016 Chief Information Officer, Airbus Group, France; since April 2018 Chief Technology Officer, Tesco PLC, London

#### **Mandates**

–

#### **Other significant activities**

Member of the Advisory Board of the Fraunhofer Institute for Secure Information Technology, Darmstadt; Member of the Advisory Board of the National Research Center for Cybersecurity, Darmstadt



### **Frank Esser**

**Graduate in Business Administration,  
Doctorate in Economics (Dr. rer. pol.)**

#### **Career history**

1988–2000 Mannesmann Deutschland, most recently from 1996 member of the Executive Board of Mannesmann Eurokom; 2000–2012 Société Française du Radiotéléphone (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**

Chairman of the Board of Directors of SES S.A., Luxembourg

#### **Other significant activities**

–



**Barbara Frei**  
**Degree in Mechanical Engineering, ETH;**  
**Doctorate (Dr. sc. techn.), ETH Zurich;**  
**Master of Business Administration, IMD Lausanne**

#### **Career history**

1998–2016 ABB Group in various managerial positions, including 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; 2013–2015 Drives and Control Unit, Managing Director; 2016 Head of Strategic Portfolio Reviews for the Power Grids division; since December 2016 Schneider Electric, Paris: Chair of the Executive Committee of Schneider Electric GmbH, Germany, in which capacity she was also Zone President Germany until June 2017; July 2017–December 2018 Zone President Germany, Austria and Switzerland, January 2019–April 2021 Executive Vice President Europe Operations, since May 2021 Executive Vice President Industrial Automation

#### **Mandates in listed companies**

Member of the Board of Directors, Swiss Prime Site, Olten

#### **Mandates in non-listed companies**

Mandates for Schneider Electric Group: until July 2021 Chairman of the Board of Directors of Schneider Nordic Baltic A/S; until July 2021 Member of the Board of Directors of Schneider Electric Industries SAS, Rueil Malmaison

#### **Other significant activities**

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**Sandra Lathion-Zweifel**  
**Degree in Law, attorney-at-law;**  
**Master of Laws from the University of Zurich**  
**and Columbia University, New York;**  
**trader's licence from SIX Swiss Exchange**

#### **Career history**

2005–2010 attorney-at-law for Mergers & Acquisitions, Lenz & Staehelin law firm, Zurich; 2010–2014 Head of Financial Products, Legal & Compliance, Credit Suisse AG, Zurich; 2014–2018 Head of department in the Asset Management division of the Swiss Financial Market Supervisory Authority (FINMA); 2018–2019 counsel for Banking & Finance, Lenz & Staehelin law firm, Geneva

#### **Mandates in listed companies**

Until December 2021 Member of the Board of Directors, Banque Cantonale du Valais, Sion

#### **Mandates in non-listed companies**

Since December 2021 Member of the Board of Directors of the Raiffeisen Switzerland cooperative, St. Gallen

#### **Other significant activities**

Member of the Advisory Board of the Capital Markets and Technology Association, Geneva; since March 2021 Member of the Executive Board of swissVR, Rotkreuz



**Anna Mossberg**  
Executive MBA for Growing Companies,  
Stanford Business School, Palo Alto, USA;  
Master of Science in Industrial Engineering  
and Management, Luleå University of Technology

#### **Career history**

1996–2010 Telia: in various roles, including Vice President and Head of Business & Product Management, Head of Internet, Consumer Segment, Director Data Services, Product & Services; 2010 Bahnhof AB, CEO; 2011 Stanley Securities AB, Senior Advisor; 2012–2014 Deutsche Telekom, Senior Vice President Strategy and Portfolio Management; 2015–March 2018 Google Ltd, Sweden, member of the Management Team; March 2021 to February 2022 Managing Director Silo AI, Sweden

#### **Mandates in listed companies**

Member of the Board of Directors, Swedbank AB, Stockholm; until April 2022 member of the Board of Directors, Schibsted ASA, Oslo; member of the Board of Directors, Orkla ASA, Oslo; since July 2021 member of the Board of Directors, Bygghälsa AB, Stockholm (listed since 15 October 2021)

#### **Other significant activities**

–



**Renzo Simoni**  
Doctorate in Mechanical Engineering (Dr. sc. techn.),  
Zurich Federal Institute of Technology (ETH)

#### **Career history**

1985–1989 technical assistant in Civil Engineering and Building Construction, Gruner Group; 1989–1995 scientific assistant, Federal Institute of Technology in Zurich (ETH Zurich); 1995–1998 lecturer (part-time), ETH Zurich; 1995–2002 Civil Engineering Developer Consulting Services, Ernst Basler + Partner AG; 2002–2006 member of the Management Board, most recently as Co-CEO, Helbling Beratung + Bauplanung AG; 2007–2017 Chairman of the Management Board, AlpTransit Gotthard AG

#### **Mandates in non-listed companies**

Member of the Board of Directors, Gruner AG, Basel; member of the Board of Directors, Rhätische Bahn AG, Chur; Chairman of the Board of the Psychiatric Hospital of the University of Zurich; Chairman of Verkehrsbetriebe Luzern AG, Lucerne

#### **Other significant activities**

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### 4.3 Composition of the Board of Directors

The Board of Directors regularly examines its composition and plans the appointments to the committee positions on an annual basis. The members of the Board of Directors possess comprehensive expertise in relevant areas and broad experience.

The following diagrams show breakdowns of the Board of Directors by competency, term of office and gender.

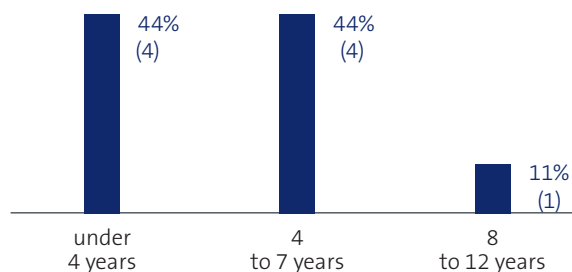
### Board of Directors by career, experience, skills and knowledge

In % and (number of members) as of 31 December 2021



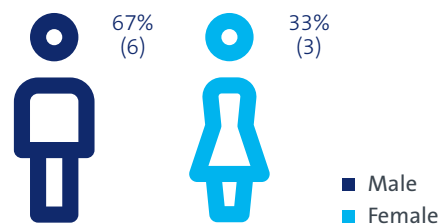
### Board of Directors by length of term of office

In % and (number of members) as of 31 December 2021



### Board of Directors by gender

In % and (number of members) as of 31 December 2021



The Board of Directors of Swisscom Ltd thus already complies with the requirements of Swiss company law regarding gender representation on the boards of directors of listed companies.

### 4.4 Independence

To establish the independence of its members, the Board of Directors applies the criteria set out in the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse*. Independent members are thus understood to mean non-executive members of the Board of Directors who were never a member of the executive management or who have not been a member of the executive management for at least three years and who have no or only 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 Renzo Simoni, holds the majority of the capital and voting rights in Swisscom in accordance with the Telecommunications Enterprise Act (TEA). Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 6.2 to the consolidated financial statements.

□ See report page 166

#### 4.5 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. 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. At present, one representative is appointed. Under the terms of the TEA, employees must be granted appropriate representation on the Board of Directors of Swisscom Ltd. The Articles of Incorporation also stipulate that the Board of Directors is to include two employee representatives and that employees are entitled to make proposals for their employee representatives. Alain Carrupt was nominated as employee representative by the syndicom trade union and Sandra Lathion-Zweifel was nominated as employee representative by the transfair staff association. The employee representatives are elected by the shareholders at the Annual General Meeting upon a motion proposed by the Board of Directors, as are the other members of the Board of Directors with the exception of the representative of the Swiss Confederation, who is appointed by the Federal Council.

The Annual General Meeting elects the members and the Chairman of the Board of Directors as well as 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 representative of the Swiss Confederation are determined by the Federal Council.

#### 4.6 Succession planning

The Board of Directors regularly examines whether its members' qualifications, abilities and experience are still aligned with the Board's needs and requirements. The Board commences the evaluation of potential new members early on so as to ensure that it has access to the expertise it requires, is well-diversified and can nominate new members as needed in the future. As a guide for the ad-hoc Nomination Committee, the Board of Directors formulates a requirements profile specifying the qualifications, skills and experience that are desired. On the basis of this, the Nomination Committee evaluates potential candidates and makes recommendations to the Board of Directors for the election of new Board members by the Annual General Meeting. The Board of Directors submits a motion to the Annual General Meeting regarding the approval of new Board members.

#### 4.7 Ongoing development and continuing education

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 its individual committees generally assess their own performance and efficiency once a year in December or January on the basis of a survey sent out in advance. This self-evaluation asks them to assess both the work of the respective body as well as the performance of the Board or Committee Chairman. The evaluation additionally covers the composition, organisation and work processes of the body, responsibilities under the Organisational Rules and the priorities and goals for the reporting year. The Board of Directors and the Committees meet to discuss the results of the survey and formulate goals and measures for the following/current year. The Chairman also conducts a one-on-one annual discussion with each member in which possibilities for further individual development are addressed.

Once a year, a one-day mandatory training course is held, most recently in January 2021 and 2022. At least four times per year, 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 well as the subsidiaries as part of 'company experience days'. The majority of the Board members regularly take advantage of these opportunities. In addition, all the members of the Board of Directors attend the Swisscom Group's annual management meeting whenever possible. New Board members are given a task-specific introduction to their duties. At a one-day introduction, they are provided with an overview of Group management, the business and the current operational challenges. In addition, they are introduced to topics related to the Italian subsidiary Fastweb S.p.A. and attend task-related training courses.

## 4.8 Chairman of the Board of Directors

Hansueli Loosli stepped down as Chairman on 31 March 2021 after reaching the twelve-year term limit. The Annual General Meeting selected Michael Rechsteiner as his successor. The tasks and responsibilities of the Chairman are defined in the Organisational Rules. In the event that the Chairman of the Board of Directors is unavailable or there is a potential conflict of interest, the Vice-Chairman, Frank Esser, takes over the Chairman's tasks and responsibilities.

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

## 4.9 Internal organisation and modus operandi

The Board of Directors is responsible for the strategic and financial management of Swisscom and for monitoring 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 virtue of law.

The Board of Directors is usually convened once per month by the Chairman (except in July and November) for a one-to-two-day meeting. Further meetings are convened as business requires (ad-hoc meetings). In the event that the Chairman is hindered, the meeting is convened by the Vice-Chairman. The Chairman sets the agenda. Any Board member may request the inclusion of further items on the agenda. The Board members receive the agenda and supporting documentation approximately ten days prior to the meetings, so that they can

prepare. The CEO, the CFO and the Head of Group Strategy & Board Services always attend the Board meetings as well. At every Board meeting, the Chairman of the Board, the CEO and the Chief Personnel Officer report on particular events, on the general course of business and major business transactions, as well as on any measures that have been implemented. To further ensure appropriate reporting to the members of the Board, the Board of Directors invites members of the Group Executive Board and senior employees of Swisscom as well as auditors and other internal and external experts, as necessary, to all its meetings as dictated by the specific issues being addressed. Furthermore, as a result of the network outages experienced in July 2021, the CEO, in consultation with the Board of Directors, commissioned an external follow-up audit on the audits related to last year's network faults.

The duties, responsibilities and modus operandi of the Board of Directors and its conduct with respect to conflicts of interest are defined in the Organisational Rules and in the rules governing the standing committees.

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

The following table gives an overview of the Board of Directors' meetings and circular resolutions in 2021. The Board of Directors held individual meetings via videoconference due to the measures implemented by the authorities as a result of the Covid-19 pandemic. Members were connected to individual meetings via videoconference.

	Meeting days	Ad-hoc meetings	Circular resolutions
Total	13	2	1
Average duration (in hours)	07:21	02:10	–
Participation:			
Michael Rechsteiner, Chairman <sup>1</sup>	13	2	1
Hansueli Loosli, Chairman <sup>2</sup>	3	2	1
Roland Abt	13	2	1
Alain Carrupt	13	2	1
Guus Dekkers <sup>3</sup>	10	2	1
Frank Esser, Deputy Chairman	13	2	1
Barbara Frei	13	2	1
Sandra Lathion-Zweifel	13	2	1
Anna Mossberg	12	2	1
Renzo Simoni	13	2	1

<sup>1</sup> Since 31 March 2021 Chairman.

<sup>2</sup> Left the Board of Directors on 31 March 2021.

<sup>3</sup> Elected to the Board of Directors on 31 March 2021.



## 4.10 Committees of the Board of Directors

The Board of Directors has delegated individual tasks to committees. The standing committees of the Board of Directors of Swisscom Ltd were constituted as follows as at 31 December 2021:



<sup>1</sup> Called Audit Committee by the end of 2021

<sup>2</sup> Chairman/chairwoman of the Board of Directors committee

<sup>3</sup> No voting rights

The Board of Directors has three standing committees (Finance, Audit & ESG Reporting and Compensation) and one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. In accordance with the rules governing the committees, they usually each consist of three to six members. As a rule, each member of the Board of Directors sits on at least one of the standing committees. 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 standing committees are chaired by other members, however. The chairs of the committees report verbally on the latest committee meetings at the next meeting of the Board of Directors. All members of the Board of Directors also receive copies of all meeting minutes from the Finance Committee and the Audit & ESG Reporting Committee. The minutes of the Compensation Committee and the Nomination Committee are provided to the other members of the Board of Directors upon request.

### Finance Committee

The Finance Committee prepares information for the Board of Directors on corporate transactions, for example, in connection with setting up or dissolving signifi-

cant 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 and examines specific current issues in depth. The Finance Committee has the ultimate decision-making authority when it comes to issuing rules of procedure and directives in the areas of Mergers & Acquisitions and Corporate Venturing. Details of the Committee's activities and responsibilities are set out in the Finance Committee rules of procedure.

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The Finance Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but as a rule once per quarter within the framework of a half-day meeting. The CEO, the CFO and the Head of Group Strategy & Board Services always attend the meetings of the Finance Committee. In 2021, all the meetings were also attended by other members of the Group Executive Board, members of the Management Boards of strategic Group companies or project managers, depending on the agenda items. The Finance Committee did not call on any external consultants during the reporting year.

The following table gives an overview of the Finance Committee's meetings and circular resolutions in 2021. The Committee held individual meetings via videoconference due to the measures implemented by the

authorities as a result of the Covid-19 pandemic. Members were connected to individual meetings via videoconference.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	5	–	–
Average duration (in hours)	03:40	–	–
Participation:			
Frank Esser, Chairman	5	–	–
Alain Carrupt	5	–	–
Guus Dekkers <sup>1,2</sup>	4	–	–
Anna Mossberg	5	–	–
Michael Rechsteiner	5	–	–
Hansueli Loosli <sup>3</sup>	1	–	–

<sup>1</sup> Elected to the Board of Directors on 31 March 2021.

<sup>2</sup> Since 31 March 2021 member of the Committee.

<sup>3</sup> Left the Board of Directors on 31 March 2021.

### Audit & ESG Reporting Committee

The Audit & ESG Reporting Committee handles all business relating to financial management (for example, accounting, financial controlling, financial planning, tax strategy and financing), assurance (risk management, the internal control system, compliance and internal audit), data protection and security as well as external audit. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (dividend policy, for example). In 2021, the Committee also addressed the topic of ESG (environment, social and governance) reporting in detail. 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 decision-making authority. Details of the Committee's activities and responsibilities are set out in the rules of procedure of the Audit & ESG Reporting Committee.

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

The Audit & ESG Reporting Committee is composed of four independent members. The Chairman of the Committee is an expert in the financial field, and the majority of the members are experienced in finance and

accounting. The Audit & ESG Reporting Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but at least once per quarter and one additional time in December. The meetings usually last between three and six hours. The CEO, CFO, Head of Group Strategy & Board Services, Head of Accounting, Head of Internal Audit and the external auditors always attend the meetings. In 2021, the Board of Directors called upon other members of the Group Executive Board and Swisscom management to attend, depending on the agenda. The Audit & ESG Reporting Committee can also involve independent third parties such as lawyers, public accountants and tax experts as required. The Committee invited external consultants to one of its meetings during the reporting year.

The Chairman of the Audit & ESG Reporting Committee also liaises closely with the Heads of Internal Audit and Accounting and the representatives of Swisscom's external auditors outside of the meetings. He and individual members of the Committee also meet with the persons responsible for Fastweb's internal and external audits once a year to discuss the current challenges facing Fastweb.

The following table gives an overview of the Audit & ESG Reporting Committee's meetings and circular resolutions in 2021. The Committee held one meeting via videoconference due to the measures implemented by

the authorities as a result of the Covid-19 pandemic. Members were connected to one meeting via video-conference.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	6	–	–
Average duration (in hours)	04:25	–	–
Participation:			
Roland Abt, Chairman <sup>1</sup>	6	–	–
Sandra Lathion-Zweifel	6	–	–
Renzo Simoni	6	–	–
Michael Rechsteiner <sup>2</sup>	5	–	–
Hansueli Loosli <sup>1,3</sup>	1	–	–

1 Financial expert.

2 Since 31 March 2021 member of the Committee.

3 Left the Board of Directors on 31 March 2021.

### Compensation Committee

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

□ See report [page 93](#)

### Nomination Committee

The Nomination Committee is formed on an ad-hoc basis for the purpose of preparing the groundwork for electing new members to the Board of Directors and the Group Executive Board when needed. The Committee is presided over by the Chairman of the Board of Directors 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 outlining the qualifications and experience sought. It then presents suitable candidates to the Board of Directors, but has no further decision-making authority. The Board of Directors appoints the members of the Group Executive Board and decides upon the motion to be proposed to the Annual General Meeting for the election and approval of members of the Board of Directors. The Nomination Committee is convened by the Chairman or at the request of a Committee member as often as business requires. In the 2021 financial year, a Nomination Committee consisting of Michael Rechsteiner (Chairman), Frank Esser, Barbara Frei and Anna Mossberg held four meetings. The average duration of the meetings was 1 hour and 45 minutes. All members participated.

### Amendment as at 1 January 2022

The Board of Directors revised the corporate responsibility governance in 2021. From 2022 onward, the Board of Directors will assume overall responsibility for ESG issues (environmental, social, governance), approve the sustainability strategy as part of the corporate strategy and monitor compliance with it. The Audit & ESG Reporting Committee

is assigned a key role in the area of sustainability reporting. Accordingly, the Audit Committee has been renamed 'Audit & ESG Reporting Committee' as of January 2022. The new ESG governance is described in the Sustainability Report.

☉ See [www.swisscom.ch/cr-report2021](http://www.swisscom.ch/cr-report2021)

### 4.11 Assignment of powers of authority

The Telecommunications Enterprise Act (TEA) refers 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 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. The Board of Directors also sets the strategic, organisational, financial planning and accounting guidelines, including the tax strategy, taking into account the goals that the Swiss Confederation, as majority shareholder, aims to achieve. The Federal Council formulates these goals for a four-year period in accordance with the provisions of the TEA.

☉ See [www.swisscom.ch/ziele\\_2018-2021](http://www.swisscom.ch/ziele_2018-2021)

☉ See [www.swisscom.ch/ziele\\_2022-2025](http://www.swisscom.ch/ziele_2022-2025)

The Board of Directors has delegated day-to-day business management to the CEO in accordance with the TEA and the Articles of Incorporation. In addition to the duties reserved for it under the law, the Board of Directors decides on business transactions of major importance to the Group, including, for example, the acquisition or disposal of companies with a financial exposure in excess of CHF 20 million and capital investments or divestments thereof 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 detail in the Organisational Rules and in Annex 2 to the Organisa-

tional Rules, 'Rules of Procedure and Accountability' (see function diagram).

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#### 4.12 Information and controlling instruments of the Board of Directors vis-à-vis the Group Executive Board

The Board of Directors is briefed comprehensively so it can fulfil its tasks and responsibilities. The Chairman of the Board of Directors and the CEO discuss fundamental issues concerning Swisscom Ltd and its Group companies at least once a month. 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 at least once a year for an in-depth discussion of topical issues.

The CEO also provides the Board of Directors at every ordinary meeting 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 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 financial statement reporting policies as for external financial reporting. It also includes key non-financial information that is important for controlling and steering purposes. The Board of Directors is informed in writing about other current or material issues on an ongoing and timely basis. 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 reclusion 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 is responsible for establishing and monitoring the Groupwide assurance functions of risk management, internal control system, compliance and internal audit and is briefed comprehensively on these matters at least once a year.

#### 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 promotes the conscious handling of risks facilitates the achievement of this objective. Accordingly, Swisscom has implemented a Group-wide,

central risk management system that is based on ISO Standard 31000 and takes account of both external and internal events. Swisscom engages in level-appropriate, comprehensive reporting and maintains the appropriate documentation. Its 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 Controlling, works closely with the Controlling and Strategy departments and other assurance functions and line functions. The risk management system is examined periodically by an external auditor. Swisscom assesses its risks in terms of the probability that they will occur and their quantitative and qualitative effects in the event that they do occur. It manages risks 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 & ESG Reporting Committee and the Group Executive Board are provided with a report on risks every quarter. The Board of Directors and the Audit & ESG Reporting Committee are provided with in-depth information in April and December on significant risks, their potential effects and the status of remedial measures. In urgent cases, the Chairman of the Audit & ESG Reporting Committee is informed without delay about any significant new risks. The risk factors are described in the Risks section of the Management Commentary.

□ See report page 62

#### Internal control system and financial reporting

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 accounting risks, control activities, monitoring controls, information and communication. The Accounting unit, which reports to the CFO, manages and monitors the ICS. Internal Audit periodically reviews the functioning and effectiveness of the ICS. Significant shortcomings in the ICS identified during these monitoring and review activities are reported together with the corrective measures in a status report to the Audit & ESG Reporting Committee twice a year and to the Board of Directors on an annual basis. Should the ICS risk assessment change significantly, the Chairman of the Audit & ESG Reporting Committee is informed without delay. Corrective measures to remedy the shortcomings are monitored by the Accounting unit. The Audit & ESG Reporting Committee assesses the performance and effectiveness of the ICS on the basis of the periodic reporting.

## Compliance management

The Board of Directors has set the objective of safeguarding the Swisscom Group and its executive bodies and employees from legal sanctions, financial losses and reputational damage by ensuring Group-wide compliance. A corporate culture that promotes willingness to behave in a way that complies with the relevant regulations is intended to help achieve this objective. The applicable principles are laid down in the Code of Conduct approved by the Board of Directors. Swisscom has therefore implemented a Group-wide, central compliance system. Within the framework of this system, every year Group Compliance applies a risk-based approach to identify 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 corrective measures. The employees affected are informed of the measures and their implementation is monitored. The decentralised Compliance functions independently monitor legal compliance in the areas for which they are responsible and report their findings to Group Compliance. Once every year, Group Compliance reviews the appropriateness and effectiveness of the system. In certain areas, an annual audit of the implemented measures is also performed by external auditors (financial intermediation in accordance with the Money Laundering Act). Group Compliance reports to the Audit & ESG Reporting Committee and the Board of Directors once per annum on its activities and its risk assessments. Should there be significant changes in the risk assessment or if serious breaches are identified, the Chairman of the Audit & ESG Reporting Committee is informed without delay.

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## Internal auditing

Internal auditing is carried out by the Internal Audit unit. Internal Audit supports the Swisscom Ltd Board of Directors and its Audit & ESG Reporting 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 and the assurance functions. 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 and possesses maximum independence. It is under the direct control of the Chairman of the Board of Directors and provides reports to the Audit & ESG Reporting Committee. At an 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 files of Internal Audit. Based on a risk analysis and in close coordination with the external auditors, Internal Audit prepares the integrated strategic audit plan annually and presents it to the Audit & ESG Reporting Committee for approval. Notwithstanding the above, the Audit & ESG Reporting Committee can commission special audits, also based on information received on the whistle-blowing platform operated by Internal Audit. This reporting procedure, which has been approved by the Audit & ESG Reporting Committee, allows complaints relating to external reporting and financial reporting, among other things, to be submitted anonymously to Internal Audit, which in turn ensures that these will be followed up. At its meetings, which are held at least quarterly, the Audit & ESG Reporting Committee is briefed on audit findings, the reports submitted to the whistle-blowing platform and the status of any corrective measures implemented. The Head of Internal Audit took part in all six meetings of the Audit & ESG Reporting Committee in 2021. He reported on audit findings at one meeting of the full Board of Directors.



## 5 Group Executive Board

### 5.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Executive Board comprises one or more members, who must not be members of the Board of Directors of Swisscom Ltd at the same time. Temporary exceptions are only permitted in exceptional cases. The Board of Directors has delegated responsibility for the overall executive management of Swisscom Ltd to the CEO. The CEO is entitled to delegate his powers to subordinates, mainly to other members of the Group Executive Board. The members of the Group Executive Board are appointed by the Board of Directors. The Board of Directors has appointed Klementina Pejic as Head of Human Resources (CPO) and member of the Group Executive Board with effect from 1 February 2021. She succeeds

Hans Werner, who stepped down with effect from 31 January 2021. The Board of Directors has appointed Eugen Stermetz as Chief Financial Officer (CFO), Head of Group Business Steering and member of the Group Executive Board with effect from 1 March 2021. The current CFO, Mario Rossi, relinquished his position on 28 February 2021. Further information regarding Hans Werner and Mario Rossi can be found in the 2020 Corporate Governance Report.

☉ See [www.swisscom.ch/report2020](http://www.swisscom.ch/report2020)

▣ See report page 66

An overview of the composition of the Group Executive Board as at 31 December 2021 is given in the table below.

Name	Nationality	Year of birth	Function	Appointed to the Group Executive Board as of
Urs Schaeppi <sup>1</sup>	Switzerland	1960	CEO Swisscom Ltd	March 2006
Eugen Stermetz	Austria	1972	CFO Swisscom Ltd	March 2021
Klementina Pejic	Germany	1974	CPO Swisscom Ltd	February 2021
Urs Lehner	Switzerland	1968	Head of Business Customers	June 2017
Christoph Aeschlimann	Switzerland	1977	Head of IT, Network & Infrastructure	February 2019
Dirk Wierzbitzki	Germany	1965	Head of Residential Customers	January 2016

<sup>1</sup> Since November 2013 CEO.

## 5.2 Education, professional activities and affiliations

Key details of the careers and qualifications of the members of the Group Executive Board are provided below along with a summary of the mandates they hold outside the Group and other significant activities. 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. The number of mandates held by order of Swisscom is limited to ten, while the number of mandates in interest groups, charitable associations, institutions and foundations, and employee retirement-benefit foundations is limited to seven. Prior to accepting new mandates and other duties 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. None of the members of the Group Executive Board exceeds the set limits for mandates. The members of the Group Executive Board perform most of their other significant activities by order of Swisscom.

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The members of the Group Executive Board are required to order their personal and business affairs and take whatever measures are necessary to ensure that conflicts of interest are avoided as far as possible. Should a conflict of interest nevertheless arise, the member concerned must inform the CEO and/or Chairman immediately. The members of the Group Executive Board are obliged to abstain from negotiations in business which conflict with their own interests or with the interests of natural or legal persons closely associated with them.



**Urs Schaeppi**  
**Degree in Engineering (Dipl. Ing., Zurich Federal Institute of Technology (ETH)) and Business Administration (lic. oec., University of St. Gallen (HSG))**

### Career history

Career history 1994–1998 plant manager, Biberist paper factory; 1998–2006 Head of Commercial Business, Swisscom Mobile; 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 and since March 2006 member of the Swisscom Group Executive Board

### Mandates by order of Swisscom

Member of the Executive Board, Association Suisse des Télécommunications (asut), Berne; member of the Foundation Board, International Institute for Management Development (IMD), Lausanne; member of the Board of Trustees of the Swiss Entrepreneurs Foundation

### 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 the University of Zurich; member of the Steering Committee of digital-switzerland, Zurich (formerly Digital Zurich 2025); member of the international Advisory Committee of the ZHAW School of Management and Law, Winterthur



**Eugen Stermetz**

**Degree in Business Administration (lic. oec.), University of St. Gallen; PhD in Social and Economic Sciences (Dr. rer. soc. oec.), Vienna University of Economics and Business**

**Career history**

1996–2000 Boston Consulting Group, Munich and Vienna; 2001–2005 Chief Financial Officer (CFO), Igeon AG, Vienna; 2006–2008 CFO and Managing Director, F-star GmbH, Vienna; 2009–2011 CFO and member of the Executive Board, SVOX AG, Zurich; since 2012 Swisscom: until 2017 CFO Participations, 2017–2018 CFO Participations and Head of M&A, 2018–February 2021 Group Treasurer (Treasury, Insurance and M&A), since March 2021 Chief Financial Officer (CFO) and member of the Swisscom Group Executive Board

**Mandates by order of Swisscom**

Since March 2021 Vice President of the Board of Trustees of the comPlan pension fund, Berne

**Other significant activities**

–



**Klementina Pejic**

**Dortmund University of Applied Sciences; École Supérieure des Sciences Économique et Commerciales ESSEC, Cergy-Pontoise, International Business M. A.**

**Career history**

2001–2002 Watson Wyatt AG, Zurich, Consultant; 2003–2020 Clariant International AG: 2003–2004 Divisional HR Manager, 2005–2007 Global HR Business Partner, 2008–2009 Head of Management Development Europe, 2009–2011 Head of Global Talent Management, 2012–2013 Head of Senior Management Development, 2014–2017 Head of SMD & People Excellence, 2018–January 2021 Head of Human Resources; since 1 February 2021 Swisscom Ltd, Chief Personnel Officer (CPO) and member of the Group Executive Board

**Mandates by order of Swisscom**

Since February 2021 member of the Board of Trustees of the comPlan pension fund, Berne

**Other significant activities**

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### **Urs Lehner**

**Degree in IT Engineering (UAS, University of Applied Sciences), Executive MBA in Business Engineering, University of St. Gallen (HSG)**

#### **Career history**

1997–2013 Trivadis Group, most recently: 2004–2008 Solution Portfolio Manager, member of the Executive Board of Trivadis Group, 2008–2011 Chief Operating Officer (COO) of Trivadis Group, 2011–2013 member of the Board of Directors of Trivadis Holding AG; July 2011–June 2017 Swisscom (Switzerland) Ltd: July 2011–December 2013 Head of Marketing & Sales Corporate Business, 2014–2015 Head of Marketing & Sales Enterprise Customers, 2016–June 2017 Head of Sales & Services Enterprise Customers; since June 2017 Head of Enterprise Customers (known as ‘Enterprise Customers’ until 2019) and member of the Swisscom Group Executive Board

#### **Mandates**

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#### **Other significant activities**

Member of the Advisory Board of BKW Innovation GmbH, Berlin



### **Christoph Aeschlimann**

**Degree in Computer Science (Dipl. Ing.), École polytechnique fédérale de Lausanne (EPFL); MBA, McGill University (Canada)**

#### **Career history**

2001–2004 Odyssey Asset Management Systems, Software Development Manager; 2006–2007 Zühlke Group, Business Unit Manager; 2007–2011 Odyssey Financial Technologies: 2007–2008 Area Services Manager, 2008–2011 Senior Account Manager EMEA; 2011–2012 BSB, Head of Switzerland and General Manager D-A-CH & CIS; 2012–2018 ERNI Group: 2012–2014 Business Area Manager, 2014–2017 Managing Director Switzerland, 2017–2018 CEO; since February 2019 Swisscom Ltd, Head of IT, Network & Infrastructure and member of the Swisscom Group Executive Board

#### **Mandates**

–

#### **Other significant activities**

Member of Dell’s CIO Advisory Board; since January 2022, member of the Cisco Global Customer Advisory Board, San José



**Dirk Wierzbitzki**  
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 of Commercial Terminals, 2006–2008 Director of Consumer Internet Services and Platforms, 2008–2010 Director of Communications Services; 2010–2015 Swisscom (Switzerland) Ltd: member of Management Residential Customers, 2010–2012 Head of Customer Experience Design for Residential Customers, 2013–2015 Head of Fixed-network Business & TV for Residential Customers; since January 2016 Swisscom Ltd: until 2019 Head of Products & Marketing and since 2020 Head of Residential Customers; since 2016 member of the Swisscom Group Executive Board

#### Mandates by order of Swisscom

Member of the Board of Directors of SoftAtHome, Paris

#### 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

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.

□ See report [page 93](#)

## 7 Shareholders' participation rights

### 7.1 Voting right restrictions and proxies

Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to recognise an acquirer of shares as a shareholder or beneficial holder with voting rights if the latter's total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. For the shares in excess of the limit, the acquirer is entered in the share register as a shareholder or beneficial holder without voting rights. This restriction on voting rights also applies to registered shares acquired through the exercise of subscription, option or conversion rights. The calculation of the percentage restriction is subject to the Group clause in accordance with Article 3.5.1 of the Articles of Incorporation.

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The 5% voting right restriction does not apply to the Swiss Confederation, which, under the terms of the Telecommunications Enterprise Act (TEA), holds the majority of the capital and voting rights in 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 a 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 shareholders or beneficial holders with voting rights

any persons acquiring shares who fail to expressly declare upon request that they have acquired the shares in their own name and for their own account or as beneficial holders. Should acquirers of shares refuse to make such a declaration, they will be entered as shareholders 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 the share register entry as a shareholder with voting rights and enter the acquirer as a shareholder without voting rights. The acquirer must be notified of the deletion immediately.

The restrictions on voting rights provided for in the Articles of Incorporation may be changed by resolution of the Annual General Meeting, for which an absolute majority of valid votes cast is 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 decides its elections by the absolute majority of valid votes cast. Abstentions are not deemed to be votes cast. In addition to the special quorum requirements under the Swiss Code of Obligations, a two-thirds majority of the voting shares represented is required in the following cases:

- introduction of restrictions on voting rights
- conversion of registered shares to bearer shares
- change in the Articles of Incorporation concerning special quorums for resolutions

## 7.3 Convocation of the Annual General Meeting and agenda items

The Board of Directors convenes 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 or, in the case of elections, by stating the names of the proposed candidates.

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 (Article 5.4.3 of the Articles of Incorporation).

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## 7.4 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. The law firm Reber Rechtsanwälte, Zurich, was appointed as independent proxy for the period up until the conclusion of the Annual General Meeting in March 2022. Partnerships and legal entities may be represented by authorised signatories, while minors and wards may be represented by their legal representative, even if the representative is not a shareholder.

A power of attorney may be granted in writing or electronically via the shareholder portal operated by Computershare Switzerland Ltd. 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 the independent proxy receives no instructions, he shall abstain. Abstentions are not deemed to be votes cast (Article 5.7.4 of the Articles of Incorporation).

In accordance with the measures prescribed by the Federal Council to combat the coronavirus (Covid-19 Ordinance 3), the Annual General Meeting of 31 March 2021 took place without the physical participation of shareholders. Shareholders were able to authorise the independent proxy to cast their votes and execute their instructions on their behalf. The independent proxy cast the votes in person at the Annual General Meeting.

## 7.5 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 at its own discretion for determining voting entitlements, which is normally three business days before the respective Annual General Meeting. Entries in and deletions from the share register can be made 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 5 p.m. on 26 March 2021 were entitled to vote at the Annual General Meeting of 31 March 2021. Shareholders entered in the share register with voting rights as of 5 p.m. on 25 March 2022 are entitled to vote at the Annual General Meeting of 30 March 2022.

## 8 Change of control and defensive measures

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 Financial Market Infrastructures Act, since this would contradict the TEA.

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

▢ See report page 93

## 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 policies for appointing the statutory auditor have been set forth in a policy by the Audit & ESG Reporting Committee. A new invitation to tender is issued for the statutory auditor's mandate at least every ten to 14 years. The statutory auditor's tenure is limited to 20 years. As stipulated by the Swiss Code of Obligations, the auditor-in-charge may only perform the mandate for a maximum of seven years. A request for tenders for the audit mandate was issued in 2018. PricewaterhouseCoopers (PwC), Zurich, has performed the mandate since the 2019 financial year. The auditor-in-charge is Peter Kartscher.

### 9.2 Audit fees

The fees paid to PwC as auditors for the 2021 financial year amount to CHF 3,084 thousand (prior year: CHF 2,989 thousand).

### 9.3 Supplementary fees

The fees charged by PwC for additional audit-related services in the year under review amounted to CHF 701 thousand (prior year: CHF 802 thousand), and the fees for other services were CHF 120 thousand (prior year: CHF 34 thousand).

Audit-related services include audit services in connection with IT outsourcing orders from business customers, IT projects, reporting requirements related to the outstanding green bonds and the reporting of financial information. Other services include consulting services related to cybersecurity, international VAT in connection with roaming, the reporting of financial information, and the variance analysis for international sustainability certification.

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

The Audit & ESG Reporting Committee verifies the qualifications and independence of the statutory auditors as a state-supervised auditing firm on behalf of the Board of Directors. It also assesses the performance and remuneration of the auditors. Assessment criteria are the competence and availability of the audit team, the audit process, and reporting and communication. It is also responsible for observing the statutory rotation principle for the auditor-in-charge and for reviewing and issuing the new invitations to tender for the audit mandate. The Audit & ESG Reporting 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. To help ensure independence, the Audit & ESG Reporting Committee has laid down principles for awarding additional services to the auditors, including a list of prohibited services. In order to ensure the independence of the auditors, additional service mandates must be approved by the Audit & ESG Reporting Committee where the fee exceeds CHF 300 thousand. The Audit & ESG Reporting Committee requires that the CFO reports to it quarterly and the auditors annually on current mandates being performed by the auditors, broken down according to audit services, audit-related services and non-audit services, and on their independence.

The statutory auditors, represented by the auditor-in-charge and his deputy, usually attend all Audit & ESG Reporting Committee meetings. They inform the Committee in detail on the performance and results of their work, in particular regarding the annual financial statement audit. They further submit a written report annually to the Board of Directors and the Audit & ESG Reporting 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. Finally, the Chairman of the Audit & ESG Reporting Committee liaises closely with the auditor-in-charge beyond the meetings of the Committee and regularly reports to the Board of Directors. Representatives of PwC, the statutory auditors, attended all six meetings of the Audit & ESG Reporting Committee in 2021. They did not participate in the meetings of the full Board of Directors. The Head of Internal Audit attended all six meetings of the Audit & ESG Reporting Committee in 2021. He reported on audit findings at one meeting of the full Board of Directors.

## 10 Information policy

Swisscom pursues an open, active information policy vis-à-vis shareholders, the general public and the capital markets. Shareholders are provided with notifications and announcements in accordance with Article 12 of the Articles of Incorporation, which are published in the Swiss Commercial Gazette. Swisscom publishes comprehensive, consistent and transparent financial information on a quarterly basis. Furthermore, it publishes an annual sustainability report in accordance with the Global Reporting Initiative (GRI) and an annual report including a management commentary, corporate governance report, remuneration report, consolidated financial statements and a condensed version of the financial statements of Swisscom Ltd. The interim reports, annual report and financial statements of Swisscom Ltd are available on the Swisscom website under 'Investors' or may be ordered directly from Swisscom. The Sustainability Report is available on the Swisscom website under 'Company'.

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

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

☉ See [www.swisscom.ch/cr-report2021](http://www.swisscom.ch/cr-report2021)

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 and other interested parties continuously informed about its business through press releases.

Related presentations and the ad-hoc press releases published by Swisscom are available on the Swisscom website under 'Investors'. It is possible to subscribe online to the ad-hoc press releases published by Swisscom.

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

The comprehensive minutes of the Annual General Meeting of 30 March 2021 and minutes from past meetings are available on the Swisscom website.

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

Those responsible for investor relations can be contacted via the website or by email, telephone or post. The contact details and address of the head office may be found in the website publishing details.

☐ See report [page 185](#)

## 11 Financial calendar

- Annual General Meeting for the 2021 financial year: 30 March 2022, in Volketswil, without the personal attendance of shareholders
- 1<sup>st</sup> Quarter Interim Report: 28 April 2022
- Half-Year Interim Report: 4 August 2022
- 3<sup>rd</sup> Quarter Interim Report: 27 October 2022
- Annual Report 2022: 9 February 2023

The detailed financial calendar is published on the Swisscom website under 'Investors' and is updated on a regular basis.

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

# Letter from the Chair of the Compensation Committee

## Dear Shareholders

On behalf of the Board of Directors and the Compensation Committee, I am pleased to present our Remuneration Report for the 2021 reporting year.

The year under review was shaped by the measures taken to contain the Covid-19 pandemic and a slowly recovering economy. Over the past year, Swisscom was able to successfully assert itself in the saturated IT and telecoms markets, both of which are characterised by strong price and promotional pressure. It did so thanks to top-rated broadband and mobile networks, innovative products and services that have already received multiple awards. On top of that, simplification and a systematic digital transformation were able to reduce the cost base and hone the company's competitive edge. In order to ensure high network quality, Swisscom invested CHF 1.6 billion in Switzerland again last year in the maintenance and expansion of its networks. In Switzerland, Swisscom saw growth in particular in the business customer market for IT services and in the residential customers market for home networking. Once again, Fastweb's performance in the Italian market was impressive, with growth reported in terms of revenue, EBITDA and customers. Swisscom consolidated its role as a pioneer in the area of climate protection with the goal of becoming climate-neutral across the entire value chain in Switzerland by 2025.

With regard to the compensation of the Group Executive Board, the Compensation Committee reviewed the variable remuneration system and proposed adjustments to the Board of Directors. The changes approved by the Board of Directors now tie remuneration even more closely to strategy implementation. They also weight long-term sustainable remuneration criteria more heavily. The variable performance-related salary component for members of the Group Executive Board will continue to be paid out in cash and blocked shares. As in the past, the Group's financial performance indicators play a key role in determining overall target achievement. A new minimum EBITDA requirement was added to supplement the remuneration criteria. The Board of Directors also fleshed out the business transformation topics and added sustainability-related topics. With these changes, the remuneration system not only incorporates financial performance but also indicators relating to operating performance, customers, growth and sustainability. It now reflects our responsibility to make a significant contribution to society's positive development and to pro-

tect the environment. Further details on our commitment can be found in the Sustainability Report.

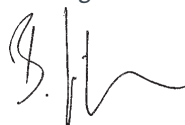
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In addition to the excellent financial results, the year under review also saw exceptional performance in the areas of customer satisfaction and sustainability. In its overall evaluation, the Board of Directors weighed this against operating performance (network faults) that was not entirely satisfactory. This results in an overall target achievement of 118% to 120% for the members of the Executive Committee, depending on their respective functions. As explained in this Remuneration Report, the total remuneration for the members of the Board of Directors for the 2021 reporting year is within the range approved by the 2020 Annual General Meeting. Likewise, the total remuneration paid to members of the Group Executive Board is within the range approved at the 2020 Annual General Meeting.

Like every year, you, dear shareholders, will have an opportunity at the 2022 Annual General Meeting to cast your vote on Swisscom's remuneration principles and the remuneration system as part of the consultative vote on the Remuneration Report. In addition, the maximum total remuneration paid to the Board of Directors and the Group Executive Board for the 2023 financial year will be put to a vote. The proposed amounts for the Board of Directors and the Group Executive Board remain unchanged over the prior year.

To meet up to our responsibilities, the Compensation Committee will conduct regular reviews of the remuneration strategy and system again in the coming year to ensure that our principles are aligned with the interests of shareholders and other stakeholders and that performance is rewarded appropriately and sustainably. We look forward to your continued support and thank you for your trust.

Kind regards



Barbara Frei  
Chair of the Compensation Committee

# Remuneration Report

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

## 1 Governance

### 1.1 General principles

The Remuneration Report is based on sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by the SIX Swiss Exchange and Articles 13 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC). Swisscom implements the requirements of the OaEC and complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse*, the umbrella organisation representing Swiss business.

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 versions of these documents as well as their earlier, unamended and superseded versions can be viewed online on the Swisscom website under 'Basic principles'.

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As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 30 March 2022.

### 1.2 Division of responsibilities 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. In addition, the Articles of Incorporation contain the following provisions relating to the remuneration policy:

- Remuneration of the Board of Directors (Articles 6.4 and 8.1)
- Compensation Committee (Article 6.5)
- Remuneration of the Group Executive Board (Articles 7.2 and 8.1)
- Contracts of the Board of Directors and the Group Executive Board (Article 8.2)
- Number of external mandates for the Board of Directors and Group Executive Board (Article 8.3)

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 total 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 participate in meetings at which any change to their remuneration is discussed or decided.

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.

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

Subject	Remuneration Committee	Board of Directors	Annual General Meeting
Maximum total amounts for remuneration of the Board of Directors and Group Executive Board	V <sup>1</sup>	A <sup>2</sup>	G <sup>3</sup>
Additional amount for the remuneration of newly appointed members of the Group Executive Board (Articles of Incorporation)	V	A	G
Personnel and remuneration policy	V	G <sup>4</sup>	–
Principles of the performance and shareholding plans for the Board of Directors and Group Executive Board (Articles of Incorporation)	V	A	G
Principles underlying retirement-benefit plans and social security payments	V	G	–
Equity-share and performance-based participation plans of the Group	V	G <sup>4</sup>	–
General terms of employment of the Group Executive Board	V	G <sup>4</sup>	–
Definition of performance targets for the variable performance-related salary component	V	G <sup>4</sup>	–
Concept of remuneration to members of the Board of Directors	V	G <sup>4</sup>	–
Remuneration of the Board of Directors	V	G <sup>5</sup>	–
Remuneration of the CEO Swisscom Ltd	V	G <sup>5</sup>	–
Total remuneration of the Group Executive Board	V	G <sup>5</sup>	–
Remuneration of the members of the Group Executive Board (excl. CEO)	G <sup>5,6</sup>	–	–
Remuneration report	V	A	G <sup>7</sup>

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.

7 Advisory vote.

### 1.3 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 recuses himself when discussions take place or decisions are made with regard to changes in his own remuneration. The CEO, CPO, Head of Group Strategy & Board Services and the Head of Rewards & HR Analytics attend the meetings in an advisory capacity. In the case of agenda items that concern the Board of Directors exclusively or concern changes in the remuneration of the CEO and CPO, the CEO and CPO may not be 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 Chairman of the Compensation Committee reports verbally on the activities of the Committee at the next meeting of the Board of Directors. The meetings of the Compensation Committee are generally held in February, June and December. Further meetings can be convened as and when required. The Compensation Committee did not call on any external consultants during the reporting year.

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

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

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 6.2 to the consolidated financial statements.

📄 See report page 166



The following table gives an overview of the composition of the Committee, the Committee meetings and circular resolutions in 2021.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	3	–	–
Average duration (in hours)	01:10	–	–
Participation:			
Barbara Frei, Chairwoman	3	–	–
Roland Abt	3	–	–
Frank Esser	3	–	–
Renzo Simoni <sup>1</sup>	3	–	–
Michael Rechsteiner <sup>2,3</sup>	2	–	–
Hansueli Loosli <sup>2,4</sup>	1	–	–

1 Representative of the Confederation.

2 Participation without voting rights.

3 Elected to the Committee on 31 March 2021.

4 Left the Board of Directors on 31 March 2021.

## 2 Remuneration of the Board of Directors

### 2.1 Principles

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. 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.

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The remuneration is made up of a fixed Director's fee that varies in relation to the member's function (basic emolument plus functional allowances), statutory and regulatory employer contributions to social security and to the occupational pension, as well as any additional benefits. Additional remuneration is not given

for attendance at meetings. 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 normally reviewed every December for the following year for ongoing appropriateness. In December 2020, the Board of Directors assessed the appropriateness of the remuneration as part of a discretionary decision. The Board of Directors compared Swisscom's remuneration with that of other listed companies domiciled in Switzerland, which, like Swisscom, must fulfil Swiss and foreign legal requirements, including full personal liability. The Board of Directors used as a comparison the remuneration paid by Compagnie Financière Richemont, Geberit, Givaudan, Lonza, SGS, Sika and Swatch Group. The Board of Directors did not call on any external consultants with regard to the determination of the remuneration nor to review its appropriateness.

## 2.2 Remuneration components

### Director's fee

The Director's fee is made up of a basic emolument and allowances as compensation for the individual functions. The following amounts are paid per year:

in CHF	2021 Gross	2020 Gross
<b>Base salary per member</b>	146,000	146,000
<b>Functional allowances<sup>1</sup></b>		
Presidium	308,000	308,000
Vice presidium	25,000	25,000
Representative of the Confederation	48,000	48,000
Audit Committee & ESG Reporting, Chair	61,000	61,000
Audit Committee & ESG Reporting, Member	17,000	17,000
Finance Committee, Chair	25,000	25,000
Finance Committee, Member	17,000	17,000
Remuneration Committee, Chair	25,000	25,000
Remuneration Committee, Member	15,000	15,000

<sup>1</sup> No functional allowance is paid for participation in ad-hoc committees appointed on a case-by-case basis.

Under the Management Incentive Plan, the members of the Board of Directors are obligated to draw one third of their Director's fee in the form of shares. For members who resign from the Board of Directors at the Annual General Meeting, the fee is paid fully in cash on a pro rata basis. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares. Shares are blocked from sale for 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 the reporting year for 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. In April 2021, a total of 1,512 shares were allocated to the members of the Board of Directors (prior year: 1,548 shares) with a tax value of CHF 423 per share (prior year: CHF 439). Their market value was CHF 504 (prior year: CHF 522.80) per share.

### Contributions to social security and occupational pension as well as additional benefits

Swisscom pays the statutory and regulatory employer contributions to social security and occupational pension on the fee. The contributions are disclosed separately and are included in the total remuneration.

If required by law, the individual members of the Board of Directors are insured against the economic consequences of old age, death and disability; their basic emolument is covered through the comPlan pension plan (see [www.pk-complan.ch](http://www.pk-complan.ch) for the regulations) and their functional allowances are covered as part of a 1e plan with VZ Sammelstiftung. The reported pension benefits cover all savings, guarantee and risk contributions paid by the employer to the pension plan.

The disclosure of service-related and non-cash benefits and expenses relies on a tax-based point of view. Swisscom does not offer any significant service-related or non-cash benefits. Expenses are reimbursed on the basis of actual costs incurred. Accordingly, neither service-related and non-cash benefits nor out-of-pocket expenses are included in the reported remuneration.

## 2.3 Total remuneration

The total remuneration paid to the individual members of the Board of Directors for the 2020 and 2021 financial years is presented in the tables below, broken down into

individual components. The higher total compensation in 2021 is primarily due to higher contributions to the occupational pension plan.

2021, in CHF million	Base salary and functional allowances				Total 2021
	Cash remuneration	Share-based payment	Employer contributions to pension plan	Employer contributions to SS	
Michael Rechsteiner, Chairman <sup>1</sup>	279	167	47	25	518
Hansueli Loosli, Chairman <sup>2</sup>	126	–	–	–	126
Roland Abt	159	95	35	15	304
Alain Carrupt	109	65	–	8	182
Guus Dekkers <sup>3</sup>	82	49	–	8	139
Frank Esser <sup>4</sup>	152	91	–	–	243
Barbara Frei	124	74	–	12	210
Sandra Lathion-Zweifel	109	65	22	10	206
Anna Mossberg <sup>5</sup>	109	65	–	32	206
Renzo Simoni	151	90	33	14	288
<b>Total remuneration to members of the Board of Directors</b>	<b>1,400</b>	<b>761</b>	<b>137</b>	<b>124</b>	<b>2,422</b>

1 Elected as chairman on 31 March 2021.

2 Left the Board of Directors on 31 March 2021.

3 Elected to the Board of Directors on 31 March 2021.

4 Frank Esser is subject to social security contributions in Germany. No employer contributions are paid.

5 Anna Mossberg is subject to social security contributions in Sweden.

2020, in CHF thousand	Base salary and functional allowances				Total 2020
	Cash remuneration	Share-based payment	Employer contributions to pension plan	Employer contributions to social security	
Hansueli Loosli	335	200	–	23	558
Roland Abt	159	95	35	15	304
Alain Carrupt	109	65	7	8	189
Frank Esser <sup>1</sup>	152	91	–	–	243
Barbara Frei	124	74	–	12	210
Sandra Lathion-Zweifel	109	65	22	10	206
Anna Mossberg <sup>2</sup>	109	65	–	32	206
Michael Rechsteiner	109	65	–	10	184
Renzo Simoni	151	90	33	14	288
<b>Total remuneration to members of the Board of Directors</b>	<b>1,357</b>	<b>810</b>	<b>97</b>	<b>124</b>	<b>2,388</b>

1 Frank Esser is subject to social security contributions in Germany.

2 Anna Mossberg is subject to social security contributions in Sweden.

The total remuneration paid to the members of the Board of Directors for the 2021 financial year is within the maximum total amount approved by the 2020 Annual General Meeting (AGM) for 2021 of CHF 2.5 million.

## 2.4 Minimum shareholding requirement

The members of the Board of Directors are required to maintain a minimum shareholding equivalent to one annual emolument (basic emolument plus functional allowances). As a rule, they have four years from the start of their term of office or assumption of a new function to acquire the prescribed shareholding in the form of the blocked shares paid as part of remuneration and, if necessary, through share purchases on the open market, observing internal and legal trading restrictions. 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.

## 2.5 Shareholdings of the members of the Board of Directors

As at 31 December 2020 and 2021, the members of the Board of Directors and/or related parties held blocked and non-blocked shares as shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

Number	31.12.2021	31.12.2020
Michael Rechsteiner	565	233
Hansueli Loosli <sup>1</sup>	–	3,856
Roland Abt	915	726
Alain Carrupt	692	563
Guus Dekkers <sup>2</sup>	148	–
Frank Esser	1,152	972
Barbara Frei	1,336	1,189
Sandra Lathion-Zweifel	367	238
Anna Mossberg	475	346
Renzo Simoni	831	652
<b>Total shares held by the members of the Board of Directors</b>	<b>6,481</b>	<b>8,775</b>

1 Left the Board of Directors on 31 March 2021.

2 Elected to the Board of Directors on 31 March 2021.

## 3 Remuneration of the Group Executive Board

### 3.1 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.
- Through direct financial participation in the performance of the Swisscom share, 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 (mainly a car allowance) and retirement benefits. The variable remuneration includes a performance-related component settled partly in cash and partly in shares.

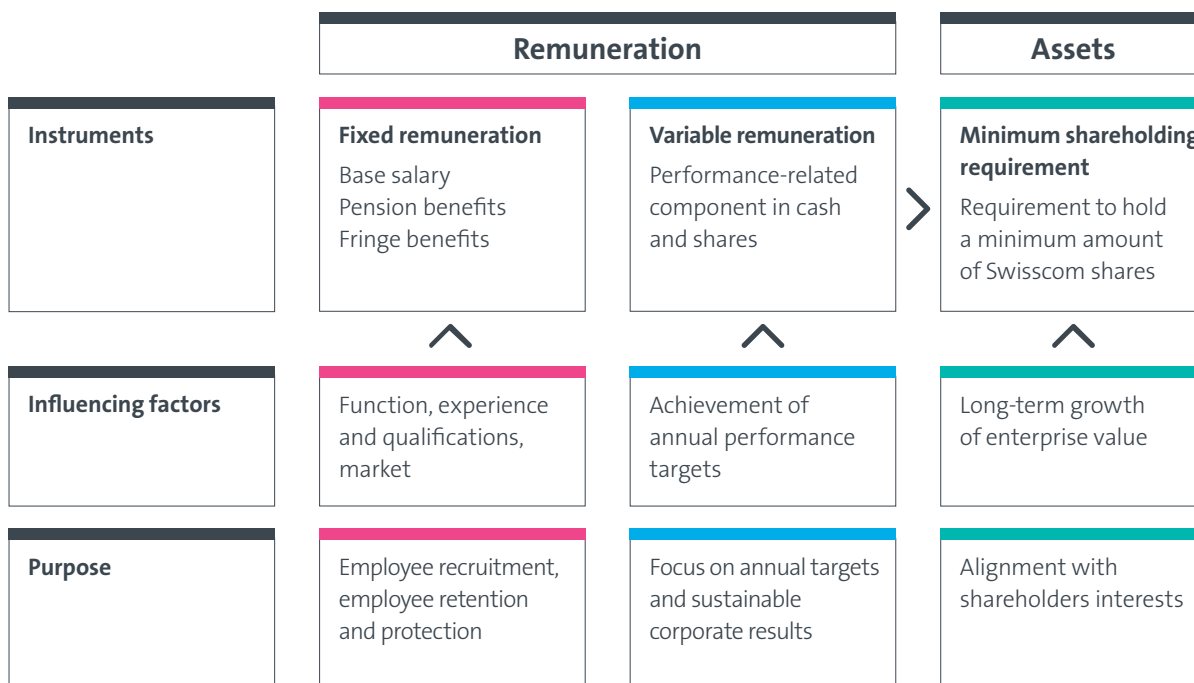
The members of the Group Executive Board are required to hold a minimum shareholding, which strengthens their direct financial participation in the medium-term performance of the Swisscom share and thus aligns their interests with those of shareholders. To facilitate compliance with the minimum shareholding requirement, Group Executive Board members have the possibility of drawing 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 equity participation plans of the Group Executive Board are set out in Article 8.1 of the Articles of Incorporation.

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# Remuneration system

Remuneration components and determining factors



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 consulted a national and international comparative study conducted by Willis Towers Watson in 2020. The comparison with the Swiss market covers twelve 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 14.63 billion and employ 16,403 people. The international sector comparison covers telecommunications companies from eight western European countries with median revenue of CHF 7.5 billion and a median workforce of 19,500 employees. The evaluation of the two comparative studies takes into account the comparability of the extent of responsibility in terms of revenue, number of employees and international scope. In 2020, both the Compensation Committee and the Board of Directors took an in-depth look at the further development of the remuneration system. A consultancy firm was called on in order to review the existing

remuneration system from an external perspective and factor in the latest developments. This company had no other Swisscom mandates. The Compensation Committee did not call on any external consultants during the reporting year.

As a rule, the Compensation Committee reviews the individual remuneration paid to members of the Group Executive Board every three years of employment. The Board of Directors made no adjustments to the salary of any member of the Group Executive Board during the year under review.

## 3.2 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 of 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 in full (performance-related 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, the performance-related bonus may amount to no more than 130% of the target bonus. The maximum performance-related salary component is thus limited to 91% of the base salary. This ensures that the 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 and achievement of targets for the variable performance-related salary component

The Board of Directors adjusted the targets for the variable performance-related component during the year under review. This was done to:

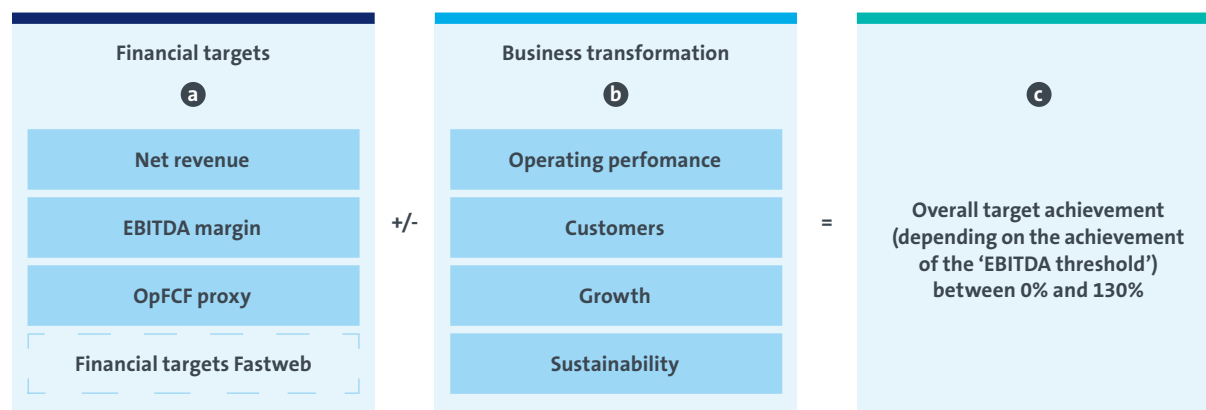
- reduce complexity
- align the targets more closely with the interests of shareholders
- specifically take long-term and sustainable aspects into consideration

The targets for the members of the Group Executive Board consist of financial targets as well as topics relating to the business transformation. The target structure therefore increasingly anchors long-term, strategic considerations such as strengthening the core business by offering the best customer experiences and the best infrastructure, realising new growth opportunities, and continuously developing operational excellence.

Overall target achievement also depends on the achievement of the minimum EBITDA requirement, referred to as the 'EBITDA threshold'. The EBITDA threshold is set annually by the Board of Directors in relation to the Group EBITDA target. Once the EBITDA threshold is reached, overall target achievement is measured based on financial target achievement and topics related to business transformation (0-130%). If the EBITDA threshold is not reached, overall target achievement for the members of the Group Executive Board is 0% and no variable performance-related salary component is paid out.

## Determination of target achievement

As the decisive basis for the payment of the performance-related component



#### a) Financial targets

The financial targets underlying the variable performance-related salary 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 are left unchanged from the previous year, in line with the Group's continuing corporate strategy. The targets are based on the budget figures for the respective year under review.

The financial targets include net revenue, operating income before interest, taxes, depreciation and amortisation as a percentage of net revenue (EBITDA margin),

and operating free cash flow proxy. The Group Executive Board members delegated by Swisscom to the Board of Directors of the Italian subsidiary Fastweb S.p.A. are also measured on the basis of the Fastweb financial targets.

The Compensation Committee's decision is based on an assessment of the extent to which financial targets have been met using a scale for the overachievement and/or underachievement of each target. The achievement of an individual target can vary from 0% to 200%. The achievement of the financial targets is determined according to the weighting of the individual targets and cannot exceed 200% overall.

## Weighting of financial targets

Financial targets	Weighting CEO, CFO and Head of IT, Network & Infrastructure	Weighting other members of Group Executive Board
Net revenue	24%	30%
EBITDA margin	24%	30%
Free cash flow proxy	32%	40%
Financial targets Fastweb	20%	0%

### b) Business transformation

The topics relevant to Swisscom's long-term success are summarised under the term 'business transformation'. These topics sharpen the degree to which compensation is focused on shareholder interests even further by allowing Swisscom's performance, which is geared to the long term, to be assessed even more comprehensively. As a result, indicators on market share, network and service stability and reputation have been included in the assessment of operating performance. The topic of customers includes customer satisfaction as measured by the Net Promoter Score for residential and business customers; this is a recognised indicator of customer loyalty. Growth is measured on the basis of innovation indicators and the implementation of strategic projects, while the new topic of sustainability includes indicators on employee satisfaction and

Swisscom's contribution toward protecting the environment (CO<sub>2</sub> reduction; ESG criterion). This therefore incorporates Swisscom's responsibility to help promote society's positive development and protect the environment into the remuneration system. Further information on customer satisfaction can be found in the Management Commentary. Further information on Swisscom's contribution to the environment and society can be found in the Sustainability Report.

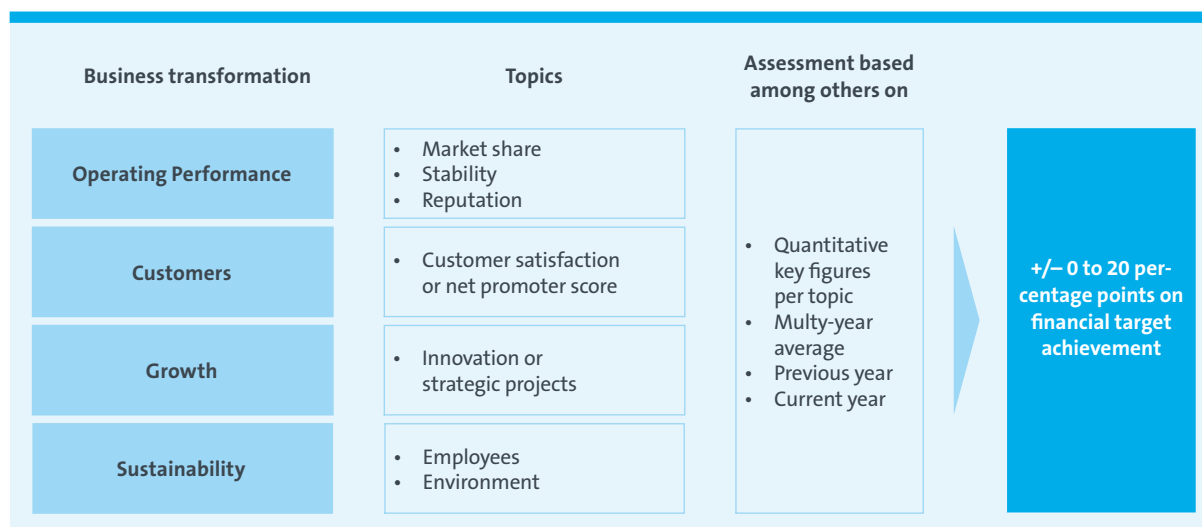
□ See report page 39

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The Compensation Committee uses key figures and deviations from the multi-year average or previous year to deliberate on the performance of the business transformation. It assesses the outcome at its own discretion on a scale of +/- 0 to 20 percentage points.

## Business transformation topics

Securing long-term success

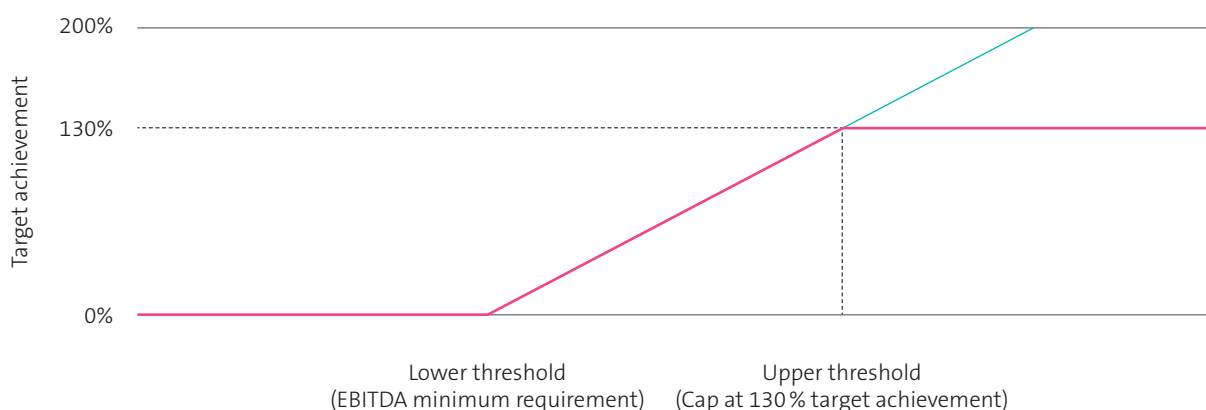


### c) Overall target achievement

Overall target achievement is calculated based on achievement of financial targets plus or minus the business transformation assessment. In order to ensure that this definition of overall target achievement appropriately describes the Group's performance and reflects shareholders' interests in terms of long-term value creation, the Compensation Committee may, in exceptional situations, exercise its discretion in determining the overall target achievement in order to appropriately depict

actual management performance. In doing so, it may take into account certain special factors e.g. currency fluctuations, extraordinary financial effects or unforeseen industry and market developments. The overall achievement of targets is limited to a maximum of 130%. Based on the overall achievement of targets, the Compensation Committee submits a proposal for the approval of the Board of Directors for the amount of the performance-related salary component to be paid to the Group Executive Board and the CEO.

## Thresholds for overall target achievement



### Payment of the variable performance-related salary component

The variable performance-related salary component for a given financial year 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 the share component up to a maximum of 50% of the total variable performance-related compensation. The remaining portion of the performance-related component is settled in cash. In the event of a departure from the Group Executive Board during the course of the year, the payment of the performance-related component for the current year is generally made in cash only. The decision as to 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. Shares are blocked from sale for three years. 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. The allocation of shares for the year under review will be made in March 2022.

In April 2021, a total of 1,454 shares (prior year: 1,452 shares) with a tax value of CHF 423 (prior year: CHF 439) per share and a market value of CHF 504 (prior year: CHF 522.80) per share were allocated for the 2020 financial year to the members of the Group Executive Board.

### Pension fund and fringe benefits

The members of the Group Executive Board, like all eligible employees in Switzerland, are insured against the financial consequences of old age, death and disability through the comPlan pension plan (for pension fund regulations, see [www.pk-complan.ch](http://www.pk-complan.ch)). The reported pension benefits cover 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 term life insurance concluded for Swisscom management staff in Switzerland. Further



information about this is provided in Note 4.3 to the consolidated financial statements.

□ See report pages 151-156

A tax-based point of view is taken in reporting service-related and non-cash benefits and expenses. The members of the Group Executive Board are entitled to a car allowance. 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.

### 3.3 Total remuneration

The following table shows the total remuneration paid to the members of the Group Executive Board for the 2020 and 2021 financial years, broken down into individual components and including the highest amount paid to one member. In the year under review, the financial targets relevant to remuneration were considerably

exceeded. At the same time, expectations were also exceeded in the context of the business transformation. This mainly related to the topics of customers and sustainability. The EBITDA threshold was reached. The resulting overall target achievement of the performance-related component is 118% of the target bonus for the CEO and between 118 and 120% for the other members of the Group Executive Board. The Board of Directors took network faults into account when determining target achievement. In the year under review, the variable performance-related salary component for members of the Group Executive Board (CHF 2,769 thousand in total) was around 88% of the base salary (CHF 3,165 thousand in total). The total remuneration paid to the highest-earning member of the Group Executive Board (CEO, Urs Schaeppi) increased by 5.7% compared to the prior year. The increase in total remuneration paid to the Group Executive Board and the CEO is primarily attributable to the higher variable remuneration as compared to the prior year.

In CHF thousand	Total Group Executive Board 2021	Total Group Executive Board 2020	Thereof Urs Schaeppi 2021	Thereof Urs Schaeppi 2020
Fixed base salary paid in cash	3,165	3,221	882	882
Variable performance-related remuneration paid in cash	1,916	1,708	547	477
Variable performance-related remuneration paid in shares <sup>1</sup>	853	731	217	189
Service-related and non-cash benefits	118	109	17	18
Employer contributions to social security <sup>2</sup>	526	510	146	139
Retirement benefits	766	796	149	148
<b>Total remuneration to members of the Group Executive Board</b>	<b>7,344</b>	<b>7,075</b>	<b>1,958</b>	<b>1,853</b>
Benefits paid following retirement from Group Executive Board <sup>3</sup>	1,026	190	–	–
<b>Total remuneration paid to Group Executive Board, incl. benefits paid following retirement from Board</b>	<b>8,370</b>	<b>7,265</b>	<b>1,958</b>	<b>1,853</b>

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 Contractual compensation payments made during the notice period to Group Executive Board members who resigned from Board during the financial year or in 2020.

Total remuneration paid to the members of the Group Executive Board for the 2021 financial year is within the maximum total amount approved by the 2020 Annual General Meeting (AGM) for 2021 of CHF 8.7 million.

### 3.4 Minimum shareholding requirement

The members of the Group Executive Board are required to hold a minimum amount of Swisscom shares. The minimum shareholding to be held by the CEO is equivalent to two years' base salary and the other Group Executive Board members are required to maintain a shareholding equivalent to one year's base salary. The members of the Group Executive Board build up the pre-

scribed shareholding over four allocation periods in the form of the blocked shares paid as part of remuneration and, if necessary, through share purchases on the open market, observing internal trading restrictions. 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.

### 3.5 Shareholdings of the members of the Group Executive Board

Blocked and non-blocked shares held by members of the Group Executive Board and/or related parties as at

Number	31.12.2021	31.12.2020
Urs Schaeppi (CEO)	5,445	5,069
Eugen Stermetz <sup>1</sup>	–	–
Mario Rossi <sup>2</sup>	–	1,897
Klementina Pejic <sup>3</sup>	–	–
Hans C. Werner <sup>4</sup>	–	1,588
Urs Lehner	1,019	821
Christoph Aeschlimann	422	145
Dirk Wierzbitzki	1,323	1,122
<b>Total shares held by the members of the Group Executive Board</b>	<b>8,209</b>	<b>10,642</b>

1 Elected to the Group Executive Board on 1 March 2021.

2 Left the Group Executive Board on 28 February 2021.

31 December 2020 and 2021 are shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

3 Elected to the Group Executive Board on 1 February 2021.

4 Left the Group Executive Board on 31 January 2021.

### 3.6 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 any wrongfully awarded remuneration to lapse or may reclaim any remuneration that is wrongfully paid. The contracts do not contain either a non-competition clause or a clause on change of control.

## 4 Other remuneration

### 4.1 Remuneration for additional services

Swisscom may pay remuneration to members of the Board of Directors for assignments in Group companies and assignments performed by order of Swisscom (Article 6.4 of the Articles of Incorporation). No such remuneration was paid in the year under review.

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

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.

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

In the year under review, no remuneration was paid to former members of the Board of Directors in connection with their earlier activities as a member of a governing body of the company or which are not at arm's length. Similarly, no such remuneration was paid to former members of the Group Executive Board. Further, there were no payments 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.

### 4.3 Loans and credits granted

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

In the 2021 financial year, Swisscom did not grant any collateral, 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. There are therefore no corresponding receivables outstanding.

# Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen

We have audited the remuneration report of Swisscom Ltd for the year ended 31 December 2021. 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 2.3, 2.5, 3.3, 3.5 and 4.1 to 4.3 on pages 93 to 104 of the remuneration report.

## Board of Directors' responsibility

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 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 of Swisscom Ltd for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Peter Kartscher  
Audit expert  
Auditor in charge

Petra Schwick  
Audit expert

Zürich, 2 February 2022

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# Consolidated Financial Statements

<b>Consolidated Financial Statements</b>	Consolidated statement of comprehensive income . . . .	<b>108</b>
	Consolidated balance sheet. . . . .	<b>109</b>
	Consolidated statement of cash flows . . . . .	<b>110</b>
	Consolidated statement of changes in equity . . . . .	<b>111</b>
<b>Notes to the consolidated financial statements</b>	<b>1 Operating performance</b>	
	1.1 Segment information . . . . .	<b>114</b>
	1.2 Operating expenses . . . . .	<b>120</b>
	<b>2 Capital and financial risk management</b>	
	2.1 Capital management and equity . . . . .	<b>122</b>
	2.2 Financial liabilities . . . . .	<b>124</b>
	2.3 Leases. . . . .	<b>127</b>
	2.4 Financial result . . . . .	<b>131</b>
	2.5 Financial risk management . . . . .	<b>131</b>
	<b>3 Operating assets and liabilities</b>	
	3.1 Net current operating assets . . . . .	<b>139</b>
	3.2 Property, plant and equipment . . . . .	<b>142</b>
	3.3 Intangible assets . . . . .	<b>144</b>
	3.4 Goodwill . . . . .	<b>145</b>
	3.5 Provisions and contingent liabilities. . . . .	<b>147</b>
	<b>4 Employees</b>	
	4.1 Employee headcount and personnel expense. . . . .	<b>150</b>
	4.2 Key management compensation . . . . .	<b>151</b>
	4.3 Post-employment benefits . . . . .	<b>151</b>
	<b>5 Scope of consolidation</b>	
	5.1 Group structure . . . . .	<b>158</b>
	5.2 Changes in the scope of consolidation . . . . .	<b>158</b>
	5.3 Equity-accounted investees . . . . .	<b>159</b>
	5.4 Group companies . . . . .	<b>161</b>
	<b>6 Other disclosures</b>	
	6.1 Income taxes. . . . .	<b>163</b>
	6.2 Related parties . . . . .	<b>166</b>
	6.3 Other accounting policies . . . . .	<b>167</b>
	Report of the statutory auditor . . . . .	<b>168</b>

# Consolidated statement of comprehensive income

In CHF million, except for per share amounts	Note	2021	2020
<b>Income statement</b>			
<b>Net revenue</b>	1.1	<b>11,183</b>	<b>11,100</b>
Direct costs	1.2	(2,779)	(2,669)
Personnel expense	1.2, 4.1	(2,667)	(2,717)
Other operating expense	1.2	(1,857)	(1,798)
Capitalised self-constructed assets and other income	1.2	598	466
<b>Operating income before depreciation and amortisation</b>		<b>4,478</b>	<b>4,382</b>
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	(2,131)	(2,149)
Depreciation of right-of-use assets	2.3	(281)	(286)
<b>Operating income</b>		<b>2,066</b>	<b>1,947</b>
Financial income	2.4	269	41
Financial expense	2.4	(173)	(193)
Result of equity-accounted investees	5.3	(10)	4
<b>Income before income taxes</b>		<b>2,152</b>	<b>1,799</b>
Income tax expense	6.1	(319)	(271)
<b>Net income</b>		<b>1,833</b>	<b>1,528</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses from defined benefit pension plans	2.1	638	261
Change in fair value of equity instruments	2.1	71	(9)
<b>Items that will not be reclassified to income statement</b>		<b>709</b>	<b>252</b>
Foreign currency translation adjustments of foreign subsidiaries	2.1	(75)	(5)
Change in cash flow hedges	2.1	(6)	(3)
Other comprehensive income from equity-accounted investees	2.1	2	(5)
<b>Items that may be reclassified to income statement</b>		<b>(79)</b>	<b>(13)</b>
<b>Other comprehensive income</b>		<b>630</b>	<b>239</b>
<b>Comprehensive income</b>			
Net income		1,833	1,528
Other comprehensive income		630	239
<b>Comprehensive income</b>		<b>2,463</b>	<b>1,767</b>
<b>Share of net income and comprehensive income</b>			
Equity holders of Swisscom Ltd		1,832	1,530
Non-controlling interests		1	(2)
<b>Net income</b>		<b>1,833</b>	<b>1,528</b>
Equity holders of Swisscom Ltd		2,462	1,769
Non-controlling interests		1	(2)
<b>Comprehensive income</b>		<b>2,463</b>	<b>1,767</b>
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share (in CHF)</b>	2.1	<b>35.37</b>	<b>29.54</b>

# Consolidated balance sheet

In CHF million	Note	31.12.2021	31.12.2020
<b>Assets</b>			
Cash and cash equivalents		401	340
Trade receivables	3.1	2,315	2,132
Receivables from finance leases	2.3	33	33
Other operating assets	3.1	1,179	1,029
Other financial assets		93	137
Current income tax assets	6.1	2	4
<b>Total current assets</b>		<b>4,023</b>	<b>3,675</b>
Property, plant and equipment	3.2	10,771	10,725
Intangible assets	3.3	1,714	1,745
Goodwill	3.4	5,157	5,162
Right-of-use assets	2.3	2,134	2,138
Equity-accounted investees	5.3	30	155
Receivables from finance leases	2.3	66	54
Other financial assets		691	425
Defined benefit assets	4.3	11	–
Deferred tax assets	6.1	204	183
<b>Total non-current assets</b>		<b>20,778</b>	<b>20,587</b>
<b>Total assets</b>		<b>24,801</b>	<b>24,262</b>
<b>Liabilities and equity</b>			
Financial liabilities	2.2	559	792
Lease liabilities	2.3	217	226
Trade payables	3.1	1,600	1,525
Other operating liabilities	3.1	1,617	1,269
Provisions	3.5	118	144
Current income tax liabilities	6.1	230	186
<b>Total current liabilities</b>		<b>4,341</b>	<b>4,142</b>
Financial liabilities	2.2	5,886	6,250
Lease liabilities	2.3	1,800	1,762
Defined benefit obligations	4.3	24	795
Provisions	3.5	1,031	1,072
Deferred gain on sale and leaseback of real estate	2.3	95	106
Deferred tax liabilities	6.1	811	644
<b>Total non-current liabilities</b>		<b>9,647</b>	<b>10,629</b>
<b>Total liabilities</b>		<b>13,988</b>	<b>14,771</b>
Share capital		52	52
Capital reserves		136	136
Retained earnings	2.1	12,485	11,085
Foreign currency translation adjustments	2.1	(1,864)	(1,791)
Hedging reserves	2.1	2	8
<b>Equity attributable to equity-holders of Swisscom Ltd</b>		<b>10,811</b>	<b>9,490</b>
Non-controlling interests		2	1
<b>Total equity</b>		<b>10,813</b>	<b>9,491</b>
<b>Total liabilities and equity</b>		<b>24,801</b>	<b>24,262</b>

# Consolidated statement of cash flows

In CHF million	Note	2021	2020
Net income		1,833	1,528
Income tax expense	6.1	319	271
Result of equity-accounted investees	5.3	10	(4)
Financial income	2.4	(269)	(41)
Financial expense	2.4	173	193
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	2,131	2,149
Depreciation of right-of-use assets	2.3	281	286
Gain on sale of property, plant and equipment	1.2	(10)	(10)
Expense for share-based payments		1	1
Revenue from finance leases		(120)	(101)
Proceeds from finance leases		112	100
Change in deferred gain from the sale and leaseback of real estate	2.3	(11)	(16)
Change in operating assets and liabilities	3.1	65	178
Change in provisions	3.5	(73)	(22)
Change in defined benefit obligations	4.3	(9)	65
Interest received		14	24
Dividends received	5.3	1	15
Interest payments on financial liabilities	2.2	(81)	(93)
Interest payments on lease liabilities	2.3	(44)	(45)
Income taxes paid	6.1	(279)	(309)
<b>Cash flow from operating activities</b>		<b>4,044</b>	<b>4,169</b>
Purchase of property, plant and equipment and intangible assets	3.2, 3.3	(2,270)	(2,188)
Proceeds from sale of property, plant and equipment and intangible assets		17	16
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5.2	(42)	(39)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	5.2	1	–
Acquisition of equity-accounted investees	5.2	(3)	(15)
Proceeds from sale of equity-accounted investees	5.2	149	–
Purchase of other financial assets		(73)	(121)
Proceeds from other financial assets		120	20
Other cash flows from investing activities		(19)	(4)
<b>Cash flow used in investing activities</b>		<b>(2,120)</b>	<b>(2,331)</b>
Issuance of financial liabilities	2.2	350	732
Repayment of financial liabilities	2.2	(792)	(1,110)
Repayment of lease liabilities	2.3	(259)	(287)
Dividends paid to equity holders of Swisscom Ltd	2.1	(1,140)	(1,140)
Dividends paid to non-controlling interests		(1)	(1)
Acquisition of non-controlling interests		–	(1)
Other cash flows from financing activities		(14)	(17)
<b>Cash flow used in financing activities</b>		<b>(1,856)</b>	<b>(1,824)</b>
<b>Net increase in cash and cash equivalents</b>		<b>68</b>	<b>14</b>
Cash and cash equivalents at 1 January		340	328
Foreign currency translation adjustments in respect of cash and cash equivalents		(7)	(2)
<b>Cash and cash equivalents at 31 December</b>		<b>401</b>	<b>340</b>



# Consolidated statement of changes in equity

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
<b>Balance at 1 January 2020</b>	<b>52</b>	<b>136</b>	<b>10,454</b>	<b>(1,781)</b>	<b>11</b>	<b>8,872</b>	<b>3</b>	<b>8,875</b>
Net income	–	–	1,530	–	–	1,530	(2)	1,528
Other comprehensive income	–	–	252	(10)	(3)	239	–	239
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,782</b>	<b>(10)</b>	<b>(3)</b>	<b>1,769</b>	<b>(2)</b>	<b>1,767</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(11)	–	–	(11)	1	(10)
<b>Balance at 31 December 2020</b>	<b>52</b>	<b>136</b>	<b>11,085</b>	<b>(1,791)</b>	<b>8</b>	<b>9,490</b>	<b>1</b>	<b>9,491</b>
Net income	–	–	1,832	–	–	1,832	1	1,833
Other comprehensive income	–	–	709	(73)	(6)	630	–	630
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>2,541</b>	<b>(73)</b>	<b>(6)</b>	<b>2,462</b>	<b>1</b>	<b>2,463</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(1)	–	–	(1)	1	–
<b>Balance at 31 December 2021</b>	<b>52</b>	<b>136</b>	<b>12,485</b>	<b>(1,864)</b>	<b>2</b>	<b>10,811</b>	<b>2</b>	<b>10,813</b>

# Notes to the consolidated financial statements

The financial report is a translation from the original German version. In case of any inconsistency the German version shall prevail.

## General information and changes in accounting policies

### General information

The Swisscom Group (hereinafter referred to as 'Swisscom') provides telecommunications services, and is active primarily in Switzerland and Italy. The consolidated financial statements for the year ended 31 December 2021 comprise Swisscom Ltd, as the parent company, and its subsidiaries. Swisscom Ltd is a public limited company with special status under Swiss law and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenastrasse 6, 3048 Worblaufen. Swisscom is listed on the SIX Swiss Exchange. The number of issued shares is unchanged from the prior year and totals 51,801,943. The shares have a nominal value of CHF 1 and are fully paid-up. Each share entitles the holder to one vote. The majority shareholder of Swisscom Ltd remains, as in the prior year, the Swiss Confederation ('Confederation'). The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom approved the issuance of these consolidated financial statements on 2 February 2022. As of this date, no material events after the reporting date have occurred. The consolidated financial statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 30 March 2022.

### Basis of preparation

The consolidated financial statements of Swisscom have been prepared in accordance with International Financial Reporting Standards (IFRS), and in compliance with the provisions of Swiss law. The reporting period covers twelve months. The consolidated financial statements are presented in Swiss francs (CHF), which corresponds to the functional currency of Swisscom Ltd. Unless otherwise noted, all amounts are stated in millions of Swiss francs. The consolidated financial statements are drawn up on the historical cost basis, unless a standard or interpretation prescribes another measurement basis for a particular line item, in which case this is explicitly stated in the accounting policies. Material accounting policies of relevance for an understanding of the consolidated financial statements are set out in the specific notes to the financial statements.

### Significant judgements, estimates and assumptions in applying the accounting policies

The preparation of consolidated financial statements is dependent upon assumptions and estimates being made in applying the accounting policies, for which management can exercise a certain degree of judgement. In particular, this concerns the following positions:

Description	Further information
Leases	Note 2.3
Property, plant and equipment	Note 3.2
Intangible assets	Note 3.3
Goodwill	Note 3.4
Provisions for dismantlement and restoration costs	Note 3.5
Provision for regulatory and competition law procedures	Note 3.5
Defined benefit plans	Note 4.3

## Amendments to International Financial Reporting Standards and Interpretations which are to be applied for the first time in the financial year

Standard	Name
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR reform: phase 2

As of 1 January 2021, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, which have no material impact on the results or financial position of the Group. Further information regarding the changes to the IFRS which must be applied in 2022 or later are set out in Note 6.3.

### Changes in the presentation

In order to better reflect the operating nature of proceeds from finance lease arrangements, these will be reported under cash flows from operating activities from 2021 onwards. Previously, these cash flows were presented in investing activities. The prior year's comparatives have been restated accordingly. As a result of the amendment, cash inflow from operating activities and cash outflow from investing activities each increased by CHF 100 million for the 2020 financial year.

## 1 Operating performance

This chapter sets out information on the operating performance of Swisscom in the current financial year. The classification according to operating segments corresponds to the reporting system used internally to evaluate performance and allocate resources as well as to Swisscom's management structure.

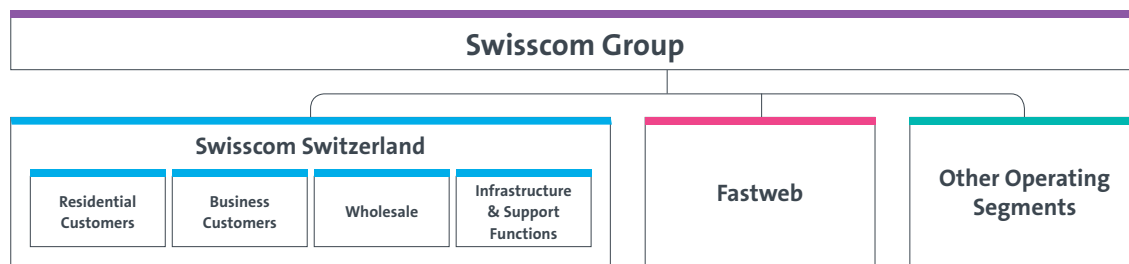
### 1.1 Segment information

#### Changes in segment reporting

As of 1 January 2021, Swisscom amended its organisational structure in Switzerland and the segment formerly known as IT, Network & Infrastructure was renamed Infrastructure & Support Functions. The departments with overlapping functions were merged organisationally at Swisscom Switzerland. As a result, the Group Headquarters division is no longer reported separately in segment reporting. In addition, Swisscom transferred various divisions between the segments of Swisscom Switzerland and the Other Operating Segments as of 1 January 2021. The prior year's figures were restated as follows:

In CHF million	Reported	Adjustment	Restated
<b>Net revenue</b>			
<b>2020 financial year</b>			
Residential Customers	4,564	(4)	4,560
Business Customers	3,100	–	3,100
Wholesale	976	–	976
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	85	(2)	83
Elimination	(450)	(19)	(469)
<b>Swisscom Switzerland</b>	<b>8,275</b>	<b>(25)</b>	<b>8,250</b>
Fastweb	2,470	–	2,470
Other Operating Segments	1,020	(6)	1,014
Elimination	(665)	31	(634)
<b>Total net revenue</b>	<b>11,100</b>	<b>–</b>	<b>11,100</b>
<b>Segment result</b>			
<b>2020 financial year</b>			
Residential Customers	2,586	(2)	2,584
Business Customers	1,235	3	1,238
Wholesale	523	–	523
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	(2,556)	(64)	(2,620)
<b>Swisscom Switzerland</b>	<b>1,788</b>	<b>(63)</b>	<b>1,725</b>
Fastweb	166	–	166
Other Operating Segments	111	(1)	110
Group Headquarters	(64)	64	–
Elimination	(99)	–	(99)
<b>Total segment result</b>	<b>1,902</b>	<b>–</b>	<b>1,902</b>

## General information



Segment	Activity
<b>Residential Customers</b>	The Residential Customers segment provides mobile and fixed-network services in Switzerland, such as telephony, broadband, TV and mobile offerings. The segment also includes the sale of terminal equipment.
<b>Business Customers</b>	The Business Customers segment focuses on telecom services and overall communications solutions for large corporations and customers from small and medium-sized enterprises in Switzerland. Its offering in the area of business ICT infrastructure covers the entire range from individual products to complete solutions.
<b>Wholesale</b>	This segment incorporates the use of the Swisscom fixed-line and mobile network by other telecommunications service providers and the use of external networks by Swisscom. In addition, Wholesale includes roaming by foreign operators whose customers use the Swisscom mobile network, as well as broadband services and regulated access services to the access network.
<b>Infrastructure &amp; Support Functions</b>	The segment Infrastructure & Support functions is responsible for the planning, operation and maintenance of Swisscom's network infrastructure and all IT systems. It is responsible for the development and production of IT and network services in Switzerland. In addition, Infrastructure & Support Functions also includes Group-wide support functions such as finance, human resources or strategy as well as the management of real estate and the vehicle fleet in Switzerland.
<b>Fastweb</b>	Fastweb provides broadband and mobile services to residential, business and wholesale customers in Italy. The offering includes telephony, broadband and mobile offerings. For business customers, Fastweb offers comprehensive ICT solutions.
<b>Other Operating Segments</b>	Other Operating Segments mainly comprises Digital Business and Participations. Digital Business mainly comprises Swisscom Directories Ltd (localsearch), which operates in the field of online directories and telephone directories. Participations mainly comprises the subsidiaries cablex Ltd and Swisscom Broadcast Ltd. The operations of cablex Ltd are in the building and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunications. Swisscom Broadcast Ltd is the leading provider in Switzerland of broadcast services, of cross-platform retail media services, and of security communications.

Reporting is divided into the segments Residential Customers, Business Customers, Wholesale, and Infrastructure & Support Functions, which are grouped under Swisscom Switzerland, as well as Fastweb and Other Operating Segments.

For its services, the Infrastructure & Support Functions segment does not charge any network costs or management fees to other segments. Any other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Segment expense encompasses the direct and indirect costs, which include personnel expense and other operating costs less capitalised costs of self-constructed assets and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column 'Eliminations'. The Eliminations segment result of CHF –20 million (prior year: CHF –99 million) includes income of CHF 14 million (prior year: expense of CHF 65 million) as a pension cost reconciliation item in accordance with IAS 19.

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments comprises depreciation and interest on right-of-use assets excl. depreciation of pre-paid indefeasible rights of use (IRU) of CHF 23 million (prior year: CHF 24 million), impairments on right-of-use assets of CHF 1 million (prior year: CHF 7 million) and the accounting for the rental of buildings between segments. The lease expense of assets of low value is presented as direct costs.

Capital expenditure consists of the purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU). In general, IRU are paid in full at the beginning of the usage period. If the criteria of IFRS 16 are met, they are classified as a lease. From an economic point of view, pre-paid IRU will be considered as capital expenditure in the segment information. IRU payments in 2021 amounted to CHF 16 million (prior year: CHF 41 million).

Swisscom Switzerland sometimes sells mobile handsets at a subsidised rate as part of a bundled offering with a mobile contract. As a result of the reallocation of revenue over the pre-delivered components (mobile handset), revenue is recognised earlier than the date of invoicing. This results in contract assets deriving from this business being recognised. In the segment reporting of Swisscom Switzerland, the recognition and derecognition of these contract assets is reported as other revenue. The amounts invoiced are reported under revenue from telecoms services or merchandise.

## Segment information 2021

2021, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	4,515	1,233	–	–	5,748
Corporate customers	3,004	1,057	431	–	4,492
Wholesale customers	658	285	–	–	943
<b>Net revenue from external customers</b>	<b>8,177</b>	<b>2,575</b>	<b>431</b>	<b>–</b>	<b>11,183</b>
Net revenue from other segments	56	8	602	(666)	–
<b>Net revenue</b>	<b>8,233</b>	<b>2,583</b>	<b>1,033</b>	<b>(666)</b>	<b>11,183</b>
Direct costs	(1,826)	(933)	(72)	52	(2,779)
Indirect costs	(2,954)	(758)	(795)	581	(3,926)
<b>Segment result before depreciation and amortisation</b>	<b>3,453</b>	<b>892</b>	<b>166</b>	<b>(33)</b>	<b>4,478</b>
Lease expense	(232)	(58)	(11)	–	(301)
Depreciation and amortisation	(1,475)	(637)	(56)	13	(2,155)
<b>Segment result</b>	<b>1,746</b>	<b>197</b>	<b>99</b>	<b>(20)</b>	<b>2,022</b>
Interest expense on lease liabilities					44
<b>Operating income</b>					<b>2,066</b>
Financial income and financial expense, net					96
Result of equity-accounted investees					(10)
<b>Income before income taxes</b>					<b>2,152</b>
Income tax expense					(319)
<b>Net income</b>					<b>1,833</b>
Segment result before depreciation and amortisation	3,453	892	166	(33)	4,478
Capital expenditure	(1,642)	(649)	(41)	46	(2,286)
Lease expense	(232)	(58)	(11)	–	(301)
<b>Operating free cash flow proxy</b>	<b>1,579</b>	<b>185</b>	<b>114</b>	<b>13</b>	<b>1,891</b>

## Segment information Swisscom Switzerland 2021

2021, in CHF million	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,987	927	–	–	–	2,914
Mobile	1,854	710	–	–	–	2,564
<b>Telecom services</b>	<b>3,841</b>	<b>1,637</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,478</b>
Solution business	–	1,111	–	–	–	1,111
Merchandise	548	228	–	–	–	776
Wholesale	–	–	658	–	–	658
Revenue other	126	6	–	22	–	154
<b>Net revenue from external customers</b>	<b>4,515</b>	<b>2,982</b>	<b>658</b>	<b>22</b>	<b>–</b>	<b>8,177</b>
Net revenue from other segments	77	76	313	54	(464)	56
<b>Net revenue</b>	<b>4,592</b>	<b>3,058</b>	<b>971</b>	<b>76</b>	<b>(464)</b>	<b>8,233</b>
Direct costs	(1,135)	(821)	(426)	(7)	563	(1,826)
Indirect costs	(686)	(950)	(20)	(1,200)	(98)	(2,954)
<b>Segment result before depreciation and amortisation</b>	<b>2,771</b>	<b>1,287</b>	<b>525</b>	<b>(1,131)</b>	<b>1</b>	<b>3,453</b>
Lease expense	(40)	(31)	(1)	(160)	–	(232)
Depreciation and amortisation	(55)	(67)	–	(1,353)	–	(1,475)
<b>Segment result</b>	<b>2,676</b>	<b>1,189</b>	<b>524</b>	<b>(2,644)</b>	<b>1</b>	<b>1,746</b>
Capital expenditure	(40)	(42)	–	(1,560)	–	(1,642)

## Segment information 2020

2020, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	4,484	1,214	–	–	5,698
Corporate customers	3,048	973	445	–	4,466
Wholesale customers	661	275	–	–	936
<b>Net revenue from external customers</b>	<b>8,193</b>	<b>2,462</b>	<b>445</b>	<b>–</b>	<b>11,100</b>
Net revenue from other segments	57	8	569	(634)	–
<b>Net revenue</b>	<b>8,250</b>	<b>2,470</b>	<b>1,014</b>	<b>(634)</b>	<b>11,100</b>
Direct costs	(1,772)	(887)	(70)	60	(2,669)
Indirect costs	(3,012)	(743)	(760)	466	(4,049)
<b>Segment result before depreciation and amortisation</b>	<b>3,466</b>	<b>840</b>	<b>184</b>	<b>(108)</b>	<b>4,382</b>
Lease expense	(232)	(56)	(12)	–	(300)
Depreciation and amortisation	(1,509)	(618)	(62)	9	(2,180)
<b>Segment result</b>	<b>1,725</b>	<b>166</b>	<b>110</b>	<b>(99)</b>	<b>1,902</b>
Interest on lease liabilities					45
<b>Operating income</b>					<b>1,947</b>
Financial income and financial expense, net					(152)
Result of equity-accounted investees					4
<b>Income before income taxes</b>					<b>1,799</b>
Income tax expense					(271)
<b>Net income</b>					<b>1,528</b>
Segment result before depreciation and amortisation	3,466	840	184	(108)	4,382
Capital expenditure	(1,599)	(629)	(44)	43	(2,229)
Lease expense	(232)	(56)	(12)	–	(300)
<b>Operating free cash flow proxy</b>	<b>1,635</b>	<b>155</b>	<b>128</b>	<b>(65)</b>	<b>1,853</b>

## Segment information Swisscom Switzerland 2020

2020, in CHF million, restated	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	2,012	960	–	–	–	2,972
Mobile	1,934	761	–	–	–	2,695
<b>Telecom services</b>	<b>3,946</b>	<b>1,721</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,667</b>
Solution business	–	1,058	–	–	–	1,058
Merchandise	524	235	–	–	–	759
Wholesale	–	–	661	–	–	661
Revenue other	14	12	–	22	–	48
<b>Net revenue from external customers</b>	<b>4,484</b>	<b>3,026</b>	<b>661</b>	<b>22</b>	<b>–</b>	<b>8,193</b>
Net revenue from other segments	76	74	315	61	(469)	57
<b>Net revenue</b>	<b>4,560</b>	<b>3,100</b>	<b>976</b>	<b>83</b>	<b>(469)</b>	<b>8,250</b>
Direct costs	(1,088)	(810)	(433)	(8)	567	(1,772)
Indirect costs	(774)	(942)	(19)	(1,179)	(98)	(3,012)
<b>Segment result before depreciation and amortisation</b>	<b>2,698</b>	<b>1,348</b>	<b>524</b>	<b>(1,104)</b>	<b>–</b>	<b>3,466</b>
Lease expense	(43)	(33)	(1)	(155)	–	(232)
Depreciation and amortisation	(71)	(77)	–	(1,361)	–	(1,509)
<b>Segment result</b>	<b>2,584</b>	<b>1,238</b>	<b>523</b>	<b>(2,620)</b>	<b>–</b>	<b>1,725</b>
Capital expenditure	(27)	(40)	–	(1,532)	–	(1,599)

## Disclosure by geographical regions

In CHF million	2021		2020	
	Net revenue	Non-current assets	Net revenue	Non-current assets
Switzerland	8,579	15,984	8,614	15,814
Italy	2,575	3,811	2,462	4,044
Other countries	29	11	24	67
Not allocated	–	972	–	662
<b>Total</b>	<b>11,183</b>	<b>20,778</b>	<b>11,100</b>	<b>20,587</b>

## Disclosure by products and services

In CHF million	2021	2020
	Telecom services	7,673
Solution business	1,111	1,058
Merchandise	851	828
Wholesale	942	936
Revenue other	606	508
<b>Total net revenue</b>	<b>11,183</b>	<b>11,100</b>



## Accounting policies

### Telecoms services

Telecoms services encompass mobile and fixed-network services both in Switzerland and abroad. Mobile phone services comprise the basic charges; in addition, they include the domestic and international cellular traffic by Swisscom customers within Switzerland and abroad. Swisscom offers subscriptions with a monthly flat-rate fee, the revenue for which is recognised on a straight-line basis over the minimum term of the contract. Depending on the type of subscription, revenue is recognised on the basis of the minutes used. The minimum contract term is generally 12 or 24 months. If a mobile handset is sold as part of a bundled offering with a mobile contract, it is considered as a multiple-element contract. Similar multiple-element contracts are grouped into portfolios for revenue accounting. The transaction price for multiple-element contracts is allocated to each identified performance obligation on the basis of relative stand-alone selling prices. In this process, the stand-alone selling price of each component is considered in relation to the sum of the stand-alone selling prices of all performance obligations under the contract. The stand-alone selling prices of mobile handsets and subscriptions correspond to Swisscom's list price and the minimum contract term. Non-refundable connection fees which do not constitute a separate performance obligation are considered as part of the total transaction price and allocated to the separate performance obligations arising under the customer contract on a pro rata basis. In the event that there is no minimum contract term, the revenue is recognised at the time of connection. Fixed-network services principally comprise the basic charges for fixed telephony, broadband and TV connections, as well as the domestic and international telephony traffic of individuals and corporate customers. In addition, Swisscom makes bundled offerings comprising broadband and TV connections with an optional fixed-line telephony connection. These subscription fees are flat rate. The minimum contract term is twelve months. Revenues are recognised on a straight-line basis over the term of the contract. Revenue for telephone calls is recognised at the time when the calls are made.

### Solutions

The service area of communications and IT solutions principally comprise advisory services and the implementation, maintenance and operation of communication infrastructures. Furthermore, the area includes applications and services, as well as the integration, operation and maintenance of data networks and outsourcing services. Revenue from customer-specific orders is recognised using a measure of progress method, which is measured on the basis of the relationship of the costs incurred to total anticipated costs. Revenue arising on long-term outsourcing contracts is recognised as a function of performance to date provided to the customer. The duration of these contracts is generally between three and seven years. Transition projects in connection with an outsourcing contract are not recorded as separate performance obligations. Maintenance revenues are recognised on a straight-line basis over the term of the maintenance contracts. Variable consideration is only included in the transaction price if it is highly probable that no significant revenue reversals will occur in the future.

### Sales of merchandise

Mobile handsets, fixed-line devices and miscellaneous supplies are recognised as revenue at the time of delivery or provision of the service. Swisscom sells routers and TV boxes to be used for services provided by Swisscom. As these are only compatible with the Swisscom network and cannot be used for networks of other telecommunications service providers, they are not recorded as separate performance obligations. Revenue is deferred and recognised over the minimum contract term of the related broadband or TV subscription.

### Wholesale

The services principally comprise leased lines and the use of the Swisscom fixed network by other telecommunications service providers (roaming). Leased-line charges are recognised as revenue on a straight-line basis over the terms of the contract. Roaming services are recognised as revenue on the basis of the call minutes or as contractually agreed charges as of the time of providing the service. Roaming fees charged to other telecommunications service providers are reported on a gross basis.

## 1.2 Operating expenses

### Direct costs

In CHF million	2021	2020
Customer premises equipment and merchandise	1,035	980
Services purchased	730	646
Costs to obtain a contract	219	285
Costs to fulfil a contract	31	20
Network access costs of Swiss subsidiaries	338	344
Network access costs of foreign subsidiaries	426	394
<b>Total direct costs</b>	<b>2,779</b>	<b>2,669</b>

### Indirect costs

In CHF million	2021	2020
Salary and social security expenses	2,580	2,657
Other personnel expense	87	60
<b>Total personnel expense<sup>1</sup></b>	<b>2,667</b>	<b>2,717</b>
Information technology cost	257	255
Maintenance expense	284	267
Energy costs	120	116
Advertising and selling expenses	201	186
Consultancy expenses and freelance workforce	127	130
Call centre services purchased	139	136
Administration expense	59	57
Allowances for receivables and contract assets	64	94
Miscellaneous operating expenses	606	557
<b>Total other operating expense</b>	<b>1,857</b>	<b>1,798</b>
Capitalised self-constructed tangible and intangible assets	(432)	(359)
Own work for capitalised contract costs	(60)	(40)
Gain on sale of property, plant and equipment	(11)	(11)
Miscellaneous income	(95)	(56)
<b>Total capitalised self-constructed assets and other income</b>	<b>(598)</b>	<b>(466)</b>
<b>Total indirect costs</b>	<b>3,926</b>	<b>4,049</b>

<sup>1</sup> See Note 4.1.

Capitalised self-constructed tangible and intangible assets include personnel costs for the manufacturing of technical installations, the construction of network infrastructure and the development of software for internal use.

## Accounting policies

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### Costs to obtain a contract

Swisscom pays commissions to dealers for the acquisition and retention of mobile-phone customers. The commission payable is dependent on the type of subscription. Costs to obtain a contract are deferred and amortised over the related revenue-recognition period. In addition, Swisscom will reimburse the dealer for any handset subsidies they grant to customers when they take out a Swisscom mobile subscription at the same time. The associated costs are deferred and recognised on a straight-line basis over the contract term as the costs of obtaining a contract. The amortisation period corresponds to the related revenue-recognition period. See Note 1.1.

### Costs to fulfil a contract

In connection with a broadband or TV subscription, the customer must purchase a router or TV box in order to use the services of Swisscom. Routers and TV boxes may be used exclusively for services provided by Swisscom. The cost of routers and TV boxes are reported as costs to fulfil a contract and amortised over the minimum term of the contract. The set-up costs incurred to transfer and integrate outsourcing transactions with corporate customers are deferred and amortised against income on a straight-line basis over the duration of the operating contract. The amortisation period corresponds to the related revenue-recognition period. See Note 1.1.

## 2 Capital and financial risk management

The following chapter sets out the procedures and guidelines governing the active management of the capital structure and the financial risks to which Swisscom is exposed. Swisscom strives to achieve a robust equity basis, which enables it to guarantee its ability to continue as a going concern and to offer investors an appropriate return based on the risks assumed.

### 2.1 Capital management and equity

#### Ratio of net debt to EBITDA after lease expense

Swisscom has a single A credit rating with rating agencies Standard & Poor's and Moody's. Swisscom aims to maintain this single A credit rating. An important quantitative criterion for the credit rating and the assessment and control of the financial situation by the management is the ratio of net debt to operating result before depreciation, amortisation and impairment losses after lease expense (EBITDA AL). Net debt comprises financial liabilities less cash and cash equivalents, listed debt instruments, certificates of deposit, derivative financial instruments held for hedging financial liabilities and other current financial assets. Lease expense includes depreciation and interest on right-of-use assets excluding depreciation on prepaid indefeasible rights of use (IRU) and impairment losses. The net debt to EBITDA AL ratio is as follows:

In CHF million	31.12.2021	31.12.2020
<b>Net debt</b>	<b>5,689</b>	<b>6,218</b>
EBITDA after lease expense (EBITDA AL)	4,177	4,082
<b>Ratio net debt/EBITDA AL</b>	<b>1.4</b>	<b>1.5</b>

#### Equity ratio

Swisscom strives to achieve an equity ratio of a minimum of 30%. The equity ratio is computed as follows:

In CHF million	31.12.2021	31.12.2020
Equity	10,813	9,491
Total assets	24,801	24,262
<b>Equity ratio in %</b>	<b>43.6</b>	<b>39.1</b>

#### Dividend policy

Swisscom pursues a dividend policy with a stable dividend, taking into account its financial situation and cash flow generation. Distributable reserves are not determined on the basis of the equity as reported in the consolidated financial statements but rather on the basis of equity as reported in the statutory financial statements of the parent company, Swisscom Ltd. As at 31 December 2021, Swisscom Ltd's distributable reserves amounted to CHF 4,691 million. The dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of Shareholders. Treasury shares are not entitled to a dividend. Swisscom Ltd paid the following dividends in 2020 and 2021:

In CHF million, except where indicated	2021	2020
Number of registered shares eligible for dividend (in millions of shares)	51.802	51.802
Ordinary dividend per share (in CHF)	22.00	22.00
<b>Dividends paid</b>	<b>1,140</b>	<b>1,140</b>

The Board of Directors will propose the payment of an unchanged dividend of CHF 22 per share for the 2021 financial year to the Annual General Meeting of Shareholders of Swisscom Ltd on 30 March 2022. This equates to an aggregate dividend distribution of CHF 1,140 million. The expected dividend payment date is 5 April 2022.

## Earnings per share

In CHF million, except where indicated

	2021	2020
Share of net income attributable to equity holders of Swisscom Ltd	1,832	1,530
Weighted average number of shares outstanding (number)	51,801,334	51,800,587
<b>Basic and diluted earnings per share (in CHF)</b>	<b>35.37</b>	<b>29.54</b>

## Supplementary information on equity

Development of retained earnings and other reserves as well as comprehensive income 2021

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
<b>Balance at 1 January 2021</b>	<b>11,085</b>	<b>(1,791)</b>	<b>8</b>	<b>9,302</b>	<b>1</b>	<b>9,303</b>
<b>Net income</b>	<b>1,832</b>	<b>–</b>	<b>–</b>	<b>1,832</b>	<b>1</b>	<b>1,833</b>
Actuarial gains and losses from defined benefit pension plans	777	–	–	777	–	777
Change in fair value of equity instruments	84	–	–	84	–	84
Income tax expense	(152)	–	–	(152)	–	(152)
<b>Items that will not be reclassified to income statement</b>	<b>709</b>	<b>–</b>	<b>–</b>	<b>709</b>	<b>–</b>	<b>709</b>
Foreign currency translation adjustments of foreign subsidiaries	–	(107)	–	(107)	–	(107)
Foreign currency translation losses of foreign subsidiaries transferred to income statement	–	25	–	25	–	25
Fair value losses of cash flow hedges transferred to income statement	–	–	(7)	(7)	–	(7)
Equity-accounted investees	–	2	–	2	–	2
Income tax expense	–	7	1	8	–	8
<b>Items that may be reclassified to income statement</b>	<b>–</b>	<b>(73)</b>	<b>(6)</b>	<b>(79)</b>	<b>–</b>	<b>(79)</b>
<b>Other comprehensive income</b>	<b>709</b>	<b>(73)</b>	<b>(6)</b>	<b>630</b>	<b>–</b>	<b>630</b>
<b>Comprehensive income</b>	<b>2,541</b>	<b>(73)</b>	<b>(6)</b>	<b>2,462</b>	<b>1</b>	<b>2,463</b>
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	(1)	–	–	(1)	1	–
<b>Balance at 31 December 2021</b>	<b>12,485</b>	<b>(1,864)</b>	<b>2</b>	<b>10,623</b>	<b>2</b>	<b>10,625</b>

## Development of retained earnings and other reserves as well as comprehensive income 2020

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
<b>Balance at 1 January 2020</b>	<b>10,454</b>	<b>(1,781)</b>	<b>11</b>	<b>8,684</b>	<b>3</b>	<b>8,687</b>
<b>Net income</b>	<b>1,530</b>	<b>–</b>	<b>–</b>	<b>1,530</b>	<b>(2)</b>	<b>1,528</b>
Actuarial gains and losses from defined benefit pension plans	330	–	–	330	–	330
Change in fair value of equity instruments	(10)	–	–	(10)	–	(10)
Income tax expense	(68)	–	–	(68)	–	(68)
<b>Items that will not be reclassified to income statement</b>	<b>252</b>	<b>–</b>	<b>–</b>	<b>252</b>	<b>–</b>	<b>252</b>
Foreign currency translation adjustments of foreign subsidiaries	–	(5)	–	(5)	–	(5)
Fair value losses of cash flow hedges transferred to income statement	–	–	(3)	(3)	–	(3)
Equity-accounted investees	–	(5)	–	(5)	–	(5)
<b>Items that may be reclassified to income statement</b>	<b>–</b>	<b>(10)</b>	<b>(3)</b>	<b>(13)</b>	<b>–</b>	<b>(13)</b>
<b>Other comprehensive income</b>	<b>252</b>	<b>(10)</b>	<b>(3)</b>	<b>239</b>	<b>–</b>	<b>239</b>
<b>Comprehensive income</b>	<b>1,782</b>	<b>(10)</b>	<b>(3)</b>	<b>1,769</b>	<b>(2)</b>	<b>1,767</b>
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	(11)	–	–	(11)	1	(10)
<b>Balance at 31 December 2020</b>	<b>11,085</b>	<b>(1,791)</b>	<b>8</b>	<b>9,302</b>	<b>1</b>	<b>9,303</b>

## 2.2 Financial liabilities

In CHF million	2021	2020
<b>Balance at 1 January</b>	<b>7,042</b>	<b>7,460</b>
Issuance of bank loans	221	2
Issuance of debenture bonds	100	719
Issuance of other financial liabilities	29	11
<b>Issuance of financial liabilities</b>	<b>350</b>	<b>732</b>
Repayment of bank loans	(192)	(557)
Repayment of debenture bonds	(544)	(540)
Repayment of other financial liabilities	(56)	(13)
<b>Repayment of financial liabilities</b>	<b>(792)</b>	<b>(1,110)</b>
Interest expense	63	75
Interest payments	(81)	(93)
Foreign currency translation adjustments	(88)	(41)
Change in fair value	(25)	6
Accrual of deferred purchase price margins from business combinations	6	–
Expenses for deferred consideration arising on business combinations <sup>1</sup>	(10)	(26)
Other changes	(20)	39
<b>Balance at 31 December</b>	<b>6,445</b>	<b>7,042</b>
Bank loans	488	484
Debenture bonds	5,564	6,110
Private placements	151	151
Derivative financial instruments <sup>2</sup>	64	90
Other financial liabilities	178	207
<b>Total financial liabilities</b>	<b>6,445</b>	<b>7,042</b>
Thereof current financial liabilities	559	792
Thereof non-current financial liabilities	5,886	6,250

<sup>1</sup> Reported in the cash flow statement as cash flow used in investing activities. See Note 5.2.      <sup>2</sup> See Note 2.5.

## Credit lines

Swisscom has two confirmed lines of credit. In 2021, one line of credit was increased from CHF 1,000 million to CHF 1,200 million and the maturity date was extended to 2026. The second line of credit of CHF 1,000 million was converted in 2021 into a sustainability linked loan with a maturity date in 2026. The amount of the credit margin is linked to the achievement of defined sustainability targets by Swisscom. The two confirmed lines of credit are affected by the Interest Rate Benchmark Reform (known as the IBOR Reform). In Switzerland, the changeover from the reference interest rate LIBOR to SARON is taking place. In the course of the renewal or conversion of the lines of credit, the reference interest rate for CHF was also changed from LIBOR to SARON in each case. As of 31 December 2021, none of these lines of credit had been drawn down, as in the prior year.

## Bank loans

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount	
					31.12.2021	31.12.2020
Bank loans in CHF <sup>1</sup>	2020–2021	199	0.00%	0.00%	–	199
Bank loans in EUR <sup>1,3</sup>	2021–2023	200	Euribor +0.63%	0.10%	207	–
Bank loans in EUR <sup>2,3</sup>	2017–2024	150	0.67%	0.67%	155	163
Bank loans in USD <sup>2</sup>	2009–2028	58	8.30%	4.62%	68	66
Bank loans in USD <sup>2</sup>	2009–2028	51	7.65%	4.63%	58	56
<b>Total bank loans</b>					<b>488</b>	<b>484</b>

1 Variable interest-bearing.

2 Fixed interest-bearing.

3 Designated for hedge accounting of net investments in foreign operations.

As of 31 December 2021, Swisscom had not taken on any short-term bank loans on a weekly or monthly basis (prior year: CHF 199 million). In the second quarter of 2021, Swisscom took on a bank loan of EUR 200 million (CHF 207 million), maturing in 2023. The funds received were used to repay existing debt. Bank loans to the value of EUR 350 million (CHF 362 million) may become due for immediate repayment if the shareholding of the Confederation in the capital of Swisscom falls below one third, or if another shareholder can exercise control over Swisscom.

## Debenture bonds

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount	
					31.12.2021	31.12.2020
Debenture bond in EUR (ISIN: XS1051076922) <sup>1</sup>	2014–2021	500	1.88%	2.06%	–	542
Debenture bond in CHF (ISIN: CH0114695379)	2010–2022	500	2.63%	2.81%	503	503
Debenture bond in CHF (ISIN: CH0268988174) <sup>2</sup>	2015–2023	250	0.25%	–0.38% <sup>3</sup>	252	255
Debenture bond in CHF (ISIN: CH0188335365)	2012–2024	500	1.75%	1.77%	504	504
Debenture bond in EUR (ISIN: XS1288894691)	2015–2025	500	1.75%	–0.06% <sup>4</sup>	537	578
Debenture bond in CHF (ISIN: CH0247776138)	2014–2026	200	1.50%	1.47%	202	202
Debenture bond in EUR (ISIN: XS1803247557) <sup>1</sup>	2018–2026	500	1.13%	1.25%	515	538
Debenture bond in CHF (ISIN: CH0344583783) <sup>2</sup>	2016–2027	200	0.38%	–0.37% <sup>3</sup>	203	208
Debenture bond in CHF (ISIN: CH0362748359)	2017–2027	350	0.38%	0.39%	351	351
Debenture bond in CHF (ISIN: CH0317921663)	2016–2028	200	0.38%	0.30%	202	202
Debenture bond in CHF (ISIN: CH0437180935)	2018–2028	150	0.75%	0.72%	151	151
Debenture bond in EUR (ISIN: XS21692434791) <sup>1</sup>	2020–2028	500	0.38%	0.53%	511	534
Debenture bond in CHF (ISIN: CH0254147504)	2014–2029	160	1.50%	1.47%	161	161
Debenture bond in CHF (ISIN: CH0419040982)	2019–2029	200	0.50%	0.43%	201	201
Debenture bond in CHF (ISIN: CH0515152467)	2020–2031	100	0.13%	0.15%	100	100
Debenture bond in CHF (ISIN: CH0336352775)	2016–2032	300	0.13%	0.14%	299	299
Debenture bond in CHF (ISIN: CH0373476164)	2017/ 2019–2033	230	0.75%	0.66%	233	233
Debenture bond in CHF (ISIN: CH1112455766)	2021–2033	100	0.25%	0.27%	100	–
Debenture bond in CHF (ISIN: CH0580291968)	2020–2034	100	0.25%	0.27%	100	100
Debenture bond in CHF (ISIN: CH0268988182) <sup>2</sup>	2015/ 2018–2035	300	1.00%	0.26% <sup>3</sup>	314	323
Debenture bond in CHF (ISIN: CH0494734335)	2019–2044	125	0.00%	0.00%	125	125
<b>Total debenture bonds</b>					<b>5,564</b>	<b>6,110</b>

1 Designated for hedge accounting of net investments in foreign operations.

2 Thereof CHF 575 million designated for fair value hedge accounting.

3 After hedging with interest rate swap.

4 After hedging with currency swap and taking hedge accounting into consideration.



In the second quarter of 2021, Swisscom issued a green bond for CHF 100 million. It has a coupon of 0.25% and matures in 2033. The funds raised were used within the Green Bond Framework. Swisscom repaid a EUR 500 million (CHF 544 million) bond upon maturity in the third quarter of 2021.

In the second quarter of 2020, Swisscom became the first listed company in Switzerland to issue a Green Bond in EUR. The amount borrowed totalled EUR 500 million (CHF 519 million). The coupon was 0.375% and the bond has a maturity of 8.5 years. The funds raised will be used within Swisscom's Green Bond Framework. In the third quarter of 2020, Swisscom issued a CHF 100 million bond with a maturity of 11 years and a coupon of 0.125%. In the fourth quarter of 2020, Swisscom issued a CHF 100 million bond with a maturity of 14 years and a coupon of 0.245%. The funds received were used to repay existing debt. Swisscom repaid a EUR 500 million (CHF 540 million) bond upon maturity in the third quarter of 2020.

### **Private placements**

The outstanding private placement of CHF 150 million matures in 2031. It may become due for immediate repayment if the shareholding of the Confederation in the capital of Swisscom falls below 35% or if another shareholder can exercise control over Swisscom.

### **Other financial liabilities**

As at 31 December 2021, the carrying amount of other financial liabilities was CHF 178 million (prior year: CHF 207 million), consisting primarily of loans.

## **2.3 Leases**

### **Lessee**

Swisscom's leases comprise the rental of operation and office buildings, antenna sites, and network infrastructure in particular. In addition, indefeasible rights of use (IRU) are classified as leases under IFRS 16. In general, IRU are paid in full at the beginning of use. The Italian subsidiary Fastweb procures various access services from other fixed-network operators and uses their connection cables to the end customer. Swisscom applies the low value asset exemption for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will be reported as direct costs. There are no material lease commitments arising from leases that began after the balance sheet date.

Swisscom concluded two agreements in 2001 for the sale of real estate. At the same time, it entered into long-term agreements to lease back part of the real estate sold which, in part, qualify as finance leases. The gain realised on real estate classified as finance leases was deferred. As at 31 December 2021, the carrying amount of the deferred gains was CHF 95 million (prior year: CHF 106 million). The deferred gains are released to other income over the term of the individual leases.

## Right-of-use assets

In CHF million	Land and buildings	Technical installations	Other right-of-use assets	Total
<b>At cost</b>				
<b>Balance at 1 January 2020</b>	<b>1,999</b>	<b>1,006</b>	<b>8</b>	<b>3,013</b>
Additions	202	53	3	258
Disposals	(29)	(9)	(1)	(39)
Business combinations	1	–	–	1
Foreign currency translation adjustments	(1)	(4)	–	(5)
<b>Balance at 31 December 2020</b>	<b>2,172</b>	<b>1,046</b>	<b>10</b>	<b>3,228</b>
Additions	261	47	9	317
Disposals	(78)	(12)	(1)	(91)
Sales of subsidiaries	(1)	–	–	(1)
Foreign currency translation adjustments	(13)	(43)	–	(56)
<b>Balance at 31 December 2021</b>	<b>2,341</b>	<b>1,038</b>	<b>18</b>	<b>3,397</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance at 1 January 2020</b>	<b>(393)</b>	<b>(442)</b>	<b>(1)</b>	<b>(836)</b>
Depreciation	(223)	(53)	(3)	(279)
Impairments	(7)	–	–	(7)
Disposals	22	9	–	31
Foreign currency translation adjustments	–	1	–	1
<b>Balance at 31 December 2020</b>	<b>(601)</b>	<b>(485)</b>	<b>(4)</b>	<b>(1,090)</b>
Depreciation	(223)	(53)	(4)	(280)
Impairments	(1)	–	–	(1)
Disposals	71	12	1	84
Foreign currency translation adjustments	3	21	–	24
<b>Balance at 31 December 2021</b>	<b>(751)</b>	<b>(505)</b>	<b>(7)</b>	<b>(1,263)</b>
<b>Net carrying amount</b>				
<b>Net carrying amount at 31 December 2021</b>	<b>1,590</b>	<b>533</b>	<b>11</b>	<b>2,134</b>
<b>Net carrying amount at 31 December 2020</b>	<b>1,571</b>	<b>561</b>	<b>6</b>	<b>2,138</b>
<b>Net carrying amount at 1 January 2020</b>	<b>1,606</b>	<b>564</b>	<b>7</b>	<b>2,177</b>

## Lease liabilities

In CHF million	2021	2020
<b>Balance at 1 January</b>	<b>1,988</b>	<b>2,027</b>
Additions	317	258
Interest expense	44	45
Payments	(303)	(332)
Disposals	(7)	(8)
Business combinations	–	1
Foreign currency translation adjustments	(22)	(3)
<b>Balance at 31 December</b>	<b>2,017</b>	<b>1,988</b>
Land and buildings	1,653	1,624
Technical installations	349	356
Other leases	15	8
<b>Total lease liabilities<sup>1</sup></b>	<b>2,017</b>	<b>1,988</b>
Thereof current lease liabilities	217	226
Thereof non-current lease liabilities	1,800	1,762

<sup>1</sup> Note 2.5 shows the maturity analysis for lease liabilities.

## Income and expenses arising from leases

In CHF million	2021	2020
<b>Revenue</b>		
Income from leases excluding subleases	189	187
Income from subleases	6	7
<b>Other income</b>		
Deferred gain on sale and leaseback of real estate	11	16
<b>Financial income</b>		
Interest income on finance lease	2	2
<b>Direct costs</b>		
Expense from leases of low value assets	(110)	(134)
<b>Depreciation and impairment losses</b>		
Depreciation of right-of-use assets	(280)	(279)
Impairment losses on right-of-use assets	(1)	(7)
<b>Financial expense</b>		
Interest expense on lease liabilities	(44)	(45)

## Lessor

Swisscom supplies other providers of telecommunications services with access lines for use, which are classified either as finance or operating leases. At the same time, Swisscom leases space in operations and offices buildings and at antenna sites, which is classified as an operating lease. Future lease payments in respect of receivables from finance leases as at 31 December 2020 and 2021 break down as follows:

In CHF million	31.12.2021	31.12.2020
Within 1 year	33	34
Between 1 and 2 years	24	22
Between 2 and 3 years	7	6
Between 3 and 4 years	6	4
Between 4 and 5 years	4	3
After 5 years	26	19
<b>Total future payments from finance leases</b>	<b>100</b>	<b>88</b>
Future interest income	(1)	(1)
<b>Total receivables from finance leases</b>	<b>99</b>	<b>87</b>
Thereof current receivables from finance leases	33	33
Thereof non-current receivables from finance leases	66	54

Future lease payments in respect of operating leases are as follows as at 31 December 2020 and 2021:

In CHF million	31.12.2021	31.12.2020
Within 1 year	44	62
Between 1 and 2 years	40	41
Between 2 and 3 years	39	39
Between 3 and 4 years	39	38
Between 4 and 5 years	38	15
After 5 years	38	16
<b>Total future payments from operating leases</b>	<b>238</b>	<b>211</b>

### Significant judgements or estimates

When determining the terms of leases, management considers all facts and circumstances that encompass an economic incentive to exercise renewal options or not exercise termination options. Renewal and termination options are only included in the contract term where there is sufficient certainty that they will be exercised. This assessment is reviewed in the event of a material occurrence or change in circumstances that may affect the previous assessment, where this is within the lessee's control.

### Accounting policies

#### Financial liabilities

Financial liabilities are initially recognised at fair value less direct transaction costs. In subsequent accounting periods, they are re-measured at amortised cost using the effective interest method.

#### Leases

A lease is a contract or part of a contract that transfers the right to control the use of an identifiable asset for an agreed period of time in return for payment. In particular, Swisscom leases comprise the rental of operation and office buildings, antenna sites as well as network infrastructure and indefeasible rights of use (IRU). As a lessee, for each lease Swisscom recognises a lease liability for future lease payments and a right of use for the underlying asset as at the time when the leased asset becomes available to Swisscom. The lease payments are divided into a repayment component and an interest component. The interest component is recognised as an interest expense over the lease term computed on the basis of the effective interest method. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the lease term. As a lessor, Swisscom has to distinguish between finance and operating leases. A lease is recorded as a finance lease whenever essentially all of the risks and rewards incidental to ownership of the asset are transferred. Unless implicitly specified in the lease, the interest rate used to measure the rights of use and lease liabilities is the incremental borrowing rate. In the area of network access services, for selected leases Swisscom applies the exemptions regarding the separation of lease and non-lease components. The non-lease components are accounted for in accordance with other standards. Swisscom procures various access services from other network operators and uses their connection cables to the end customer. Under IFRS 16, part of these access services is classified as a lease. The value of the individual connection cable fulfils the criteria as an asset of low value. Swisscom applies the low value asset exemption for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will continue to be reported as operating expense. The exemption for short-term leases is not applied. A number of leases for the rental of operation and office buildings include renewal and termination options which are taken into account in the initial measurement by category of building. Rental contracts of antenna sites have an initial lease term of 10 to 15 years. In general, these rental contracts include renewal and mutual termination options. For these leases, it is not reasonably certain that all renewal options will be exercised. Accordingly, no renewal options are taken into account in the initial measurement of lease contracts of antenna sites. Given Swisscom's planning horizon of a maximum of five years and technological developments, it is not possible to estimate the amount of additional undiscounted payments which are currently not included in the lease liabilities.

## 2.4 Financial result

In CHF million	2021	2020
Interest income on financial assets	3	6
Foreign exchange gains	14	–
Change in fair value of interest rate swaps <sup>1</sup>	21	–
Gain on sale of equity-accounted investees <sup>2</sup>	219	–
Gain on exchange of financial assets	–	31
Other financial income	12	4
<b>Total financial income</b>	<b>269</b>	<b>41</b>
Interest expense on financial liabilities	(63)	(75)
Interest expense on lease liabilities	(44)	(45)
Interest expense on defined benefit obligations <sup>3</sup>	(1)	(2)
Foreign exchange losses	–	(5)
Change in fair value of interest rate swaps <sup>1</sup>	–	(9)
Present-value adjustments on provisions <sup>4</sup>	(32)	(39)
Other financial expense	(33)	(18)
<b>Total financial expense</b>	<b>(173)</b>	<b>(193)</b>
<b>Financial income and financial expense, net</b>	<b>96</b>	<b>(152)</b>
Interest expense on lease liabilities	(44)	(45)
Net interest expense on financial assets and liabilities	(60)	(69)

1 See Note 2.5.

2 See Note 5.3.

3 See Note 4.3.

4 See Note 3.5.

In the third quarter of 2020, Swisscom exchanged certificates of deposit for U.S. treasury bond strips (listed debt instruments). The exchange of financial assets resulted in a valuation difference of CHF 31 million, which was recognised as financial income.

## 2.5 Financial risk management

Swisscom is exposed to various financial risks arising from its operating and financing activities. Financial risk management is conducted in accordance with established guidelines, with the objective of containing the potential adverse effects thereof on the financial situation of Swisscom. The identified risks and measures to minimise them are presented below:

Risk	Source	Risk mitigation
<b>Currency risks</b>	Swisscom is exposed to foreign exchange changes which can impact the Group's cash flows, financial result and equity.	<ul style="list-style-type: none"> <li>Reduction in cash flow volatility by use of forward currency contracts/swaps and currency swaps and designation for hedge accounting (transaction risk)</li> <li>Reduction in translation risk by foreign currency financing and designation for hedge accounting</li> <li>Hedging of currency risk of foreign currency financing by use of currency swaps</li> </ul>
<b>Interest rate risk</b>	Interest rate risks result from changes in interest rates which can negatively impact cash flows and the financial situation of Swisscom.	<ul style="list-style-type: none"> <li>Use of interest rate swaps to manage fixed/variable share of financial debt</li> </ul>
<b>Credit risks from operating business activities and financial transactions</b>	Through its operating business activities and derivative financial instruments and financial investments, Swisscom is exposed to the risk of default of a counterparty.	<ul style="list-style-type: none"> <li>Guideline establishing minimum requirements for counterparties</li> <li>Designated counterparty limits</li> <li>Employment of netting agreements foreseen under ISDA (International Swaps and Derivatives Association)</li> <li>Use of collateral agreements</li> </ul>
<b>Liquidity risk</b>	Prudent liquidity management involves the holding of adequate reserves of cash and cash equivalents, negotiable securities as well as the possibility of obtaining confirmed lines of credit.	<ul style="list-style-type: none"> <li>Procedures and principles to ensure adequate liquidity</li> <li>Two guaranteed bank credit lines totaling CHF 2,200 million</li> </ul>

## Foreign exchange risks

As regards financial instruments, the following currency risks and hedging contracts existed for foreign currencies as of 31 December 2020 and 2021:

In CHF million	31.12.2021		31.12.2020	
	EUR	USD	EUR	USD
Cash and cash equivalents	11	14	30	19
Trade receivables	6	7	(15)	9
Other financial assets	13	403	30	315
Financial liabilities	(1,931)	(217)	(2,350)	(221)
Trade payables	(60)	(41)	(37)	(49)
<b>Net exposure at carrying amounts</b>	<b>(1,961)</b>	<b>166</b>	<b>(2,342)</b>	<b>73</b>
Net exposure to forecasted cash flows in the next 12 months	(15)	(219)	2	(307)
<b>Net exposure before hedges</b>	<b>(1,976)</b>	<b>(53)</b>	<b>(2,340)</b>	<b>(234)</b>
Forward currency contracts	–	219	–	307
Foreign currency swaps	131	(36)	86	(34)
Currency swaps	517	–	540	–
<b>Hedges</b>	<b>648</b>	<b>183</b>	<b>626</b>	<b>273</b>
<b>Net exposure</b>	<b>(1,328)</b>	<b>130</b>	<b>(1,714)</b>	<b>39</b>

In addition, as at 31 December 2021, Swisscom had outstanding financial liabilities with a nominal value totalling EUR 1,350 million (CHF 1,395 million, prior year: EUR 1,650 million, CHF 1,782 million), which are designated for hedge accounting of net investments in foreign operations. In 2021, income of CHF 61 million (prior year: income of CHF 9 million) arising from the measurement of financial liabilities was recognised in other comprehensive income in the position of foreign currency translation of foreign Group companies. As at 31 December 2021, the cumulative positive amount of foreign currency translation differences in equity totals CHF 304 million.

### Foreign currency sensitivity analysis

The following sensitivity analysis shows the impact on the income statement should the EUR/CHF and USD/CHF exchange rates change in line with their implicit volatility over the next twelve months. The analysis assumes that all other variables, in particular the interest rate level, remain constant.

In CHF million	Income impact on balance sheet items	Hedges for balance sheet items	Planned cash flows	Hedges for planned cash flows
<b>31.12.2021</b>				
EUR volatility 5.02%	98	(32)	1	–
USD volatility 6.24%	(10)	2	14	(14)
<b>31.12.2020</b>				
EUR volatility 5.14%	120	(32)	–	–
USD volatility 6.39%	(5)	2	20	(22)

The volatility of balance sheet positions and scheduled cash flows is partially offset by the volatility of the related hedging contracts.

## Interest rate risks

The structure of interest-bearing financial instruments at nominal values is as follows:

In CHF million	31.12.2021	31.12.2020
Fixed interest-bearing financial liabilities	6,050	6,565
Variable interest-bearing financial liabilities	230	274
<b>Total interest-bearing financial liabilities</b>	<b>6,280</b>	<b>6,839</b>
Fixed interest-bearing financial assets	(275)	(271)
Variable interest-bearing financial assets	(584)	(561)
<b>Total interest-bearing financial assets</b>	<b>(859)</b>	<b>(832)</b>
<b>Total interest-bearing financial assets and liabilities, net</b>	<b>5,421</b>	<b>6,007</b>
Variable interest-bearing	(354)	(287)
Variable through interest rate swaps	1,092	1,115
<b>Variable interest-bearing, net</b>	<b>738</b>	<b>828</b>
Fixed interest-bearing	5,775	6,294
Variable through interest rate swaps	(1,092)	(1,115)
<b>Fixed interest-bearing, net</b>	<b>4,683</b>	<b>5,179</b>
<b>Total interest-bearing financial assets and liabilities, net</b>	<b>5,421</b>	<b>6,007</b>

## Interest rate sensitivity analysis

A shift in interest rates by 100 basis points has an impact of CHF 7 million on the income statement (previous year: CHF 8 million), but no impact on equity as at 31 December 2020 and 2021.

## Credit risks

### Credit risks from financial transactions

The carrying amounts of cash and cash equivalents and other financial assets exposed to credit risk (excluding trade receivables, receivables from finance leases and contract assets) may be analysed as follows:

In CHF million	31.12.2021	31.12.2020
Cash and cash equivalents	401	340
Financial assets at amortised cost	356	391
Derivative financial instruments	19	79
Other assets valued at fair value	2	1
<b>Total carrying amount of financial assets</b>	<b>778</b>	<b>811</b>

The carrying amounts analysed by the Standard & Poor's rating of the counterparties may be summarised as follows:

In CHF million	31.12.2021	31.12.2020
AAA	118	87
AA- to AA+	530	441
A- to A+	75	218
BBB- to BBB+	11	40
Without rating	44	25
<b>Total</b>	<b>778</b>	<b>811</b>

## Financial risks from operating activities

Credit risks on trade receivables, contract assets and other receivables arise from the Group's operating activities. Credit risks from other receivables are insignificant. As an initial step, Swisscom divides the credit risks from operating activities between Swisscom Switzerland and Fastweb. Default risks are principally impacted by the individual attributes of the customers. They are also influenced by the default risk of customer groups and industry sectors. Swisscom has a receivables management system in place to minimise default losses. New customers are reviewed for their creditworthiness and maximum payment targets are set for customer groups. As regards their creditworthiness, customers are divided into groups for the purposes of monitoring default risk. In the process a differentiation is made between individual and business customers, among other things. In addition, the ageing structure of the receivables is taken into account, as is the industry segment in which a business customer is active. The split of trade receivables and contract assets by operating segment is as follows:

In CHF million	31.12.2021	31.12.2020
<b>Notional amount</b>		
Residential Customers	868	1,003
Business Customers	559	421
Wholesale	186	141
Infrastructure & Support Functions	36	22
<b>Swisscom Switzerland</b>	<b>1,649</b>	<b>1,587</b>
Fastweb	821	643
Other Operating Segments	170	219
<b>Total notional amount</b>	<b>2,640</b>	<b>2,449</b>
<b>Allowances for doubtful debts</b>		
Residential Customers	(51)	(59)
Business Customers	(22)	(14)
Wholesale	(4)	(2)
Infrastructure & Support Functions	(1)	(2)
<b>Swisscom Switzerland</b>	<b>(78)</b>	<b>(77)</b>
Fastweb	(48)	(60)
Other Operating Segments	(25)	(27)
<b>Total allowances for doubtful debts</b>	<b>(151)</b>	<b>(164)</b>
<b>Total notional amount less allowances for doubtful debts</b>	<b>2,489</b>	<b>2,285</b>

As at 31 December 2021, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

In CHF million	31.12.2021		
	Rate	Par value	Allowance
Not overdue	0.30%	1,657	(5)
Past due up to 3 months	3.80%	789	(30)
Past due 4 to 6 months	40.82%	49	(20)
Past due 7 to 12 months	45.83%	48	(22)
Past due over 1 year	76.29%	97	(74)
<b>Total</b>	<b>5.72%</b>	<b>2,640</b>	<b>(151)</b>



As at 31 December 2020, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

In CHF million	31.12.2020		
	Rate	Par value	Allowance
Not overdue	0.65%	1,681	(11)
Past due up to 3 months	6.82%	513	(35)
Past due 4 to 6 months	42.31%	52	(22)
Past due 7 to 12 months	27.88%	104	(29)
Past due over 1 year	67.68%	99	(67)
<b>Total</b>	<b>6.70%</b>	<b>2,449</b>	<b>(164)</b>

Movements in valuation allowances for trade receivables and contract assets may be analysed as follows:

In CHF million	2021	2020
<b>Balance at 1 January</b>	<b>164</b>	<b>144</b>
Additions to allowances	87	97
Write-off of irrecoverable receivables subject to allowance	(66)	(74)
Release of unused allowances	(23)	(3)
Sales of subsidiaries	(9)	–
Foreign currency translation adjustments	(2)	–
<b>Balance at 31 December</b>	<b>151</b>	<b>164</b>

## Liquidity risk

### Contractual maturities including estimated interest payable

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
<b>31.12.2021</b>						
Bank loans	488	526	7	214	173	132
Debenture bonds	5,564	5,779	556	293	1,832	3,098
Private placements	151	158	1	1	2	154
Derivative financial instruments	64	61	(1)	(3)	28	37
Other financial liabilities	178	178	27	45	20	86
Lease liabilities	2,017	2,680	261	245	600	1,574
Trade payables	1,600	1,600	1,517	70	13	–
<b>Total</b>	<b>10,062</b>	<b>10,982</b>	<b>2,368</b>	<b>865</b>	<b>2,668</b>	<b>5,081</b>

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
<b>31.12.2020</b>						
Bank loans	484	526	206	7	181	132
Debenture bonds	6,110	6,356	606	556	1,409	3,785
Private placements	151	159	1	1	2	155
Derivative financial instruments	90	83	14	3	11	55
Other financial liabilities	207	207	11	93	24	79
Lease liabilities	1,988	2,653	271	233	560	1,589
Trade payables	1,525	1,525	1,502	15	8	–
<b>Total</b>	<b>10,555</b>	<b>11,509</b>	<b>2,611</b>	<b>908</b>	<b>2,195</b>	<b>5,795</b>

## Derivative financial instruments

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Interest rate swaps in CHF	575	575	19	37	–	–
Currency swaps in EUR	517	540	–	41	(2)	–
<b>Total fair value hedges</b>	<b>1,092</b>	<b>1,115</b>	<b>19</b>	<b>78</b>	<b>(2)</b>	<b>–</b>
Forward currency contracts in USD	166	90	–	–	(2)	(3)
<b>Total cash flow hedges</b>	<b>166</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>(3)</b>
Interest rate swaps in CHF	200	200	–	–	(58)	(79)
Currency swaps in USD	36	34	–	1	–	–
Currency swaps in EUR	131	87	–	–	(1)	(1)
Forward currency contracts in USD	53	216	–	–	(1)	(7)
<b>Total other derivative financial instruments</b>	<b>420</b>	<b>537</b>	<b>–</b>	<b>1</b>	<b>(60)</b>	<b>(87)</b>
<b>Total derivative financial instruments</b>	<b>1,678</b>	<b>1,742</b>	<b>19</b>	<b>79</b>	<b>(64)</b>	<b>(90)</b>
Thereof current derivative financial instruments			1	1	(4)	(11)
Thereof non-current derivative financial instruments			18	78	(60)	(79)

Swisscom has entered into interest rate and foreign currency swaps, designated as fair value hedges, in order to hedge interest rate and foreign currency risks of fixed interest-bearing finance denominated in CHF and EUR. Derivative financial instruments contains forward contracts, designated as cash flow hedges, for hedging future purchases of goods and services in USD. Furthermore, derivative financial instruments include interest rate swaps which are not designated for hedge accounting purposes. In addition, derivative financial instruments exclusively comprise forward foreign currency transactions and foreign currency swaps in EUR and USD which serve to hedge future transactions in connection with financing or the operating business activities of Swisscom, and which were not designated for hedge accounting purposes. Swisscom does not enter into derivative financial instruments for speculative purposes.

The interest rate and currency swaps entered into by Swisscom are affected by the Interest Rate Benchmark Reform (known as the IBOR Reform). In Switzerland, the changeover from the reference interest rate LIBOR to SARON is taking place. In the EUR zone, the EURIBOR was recently reformed and ESTR is to be replaced by the EONIA. In 2021, Swisscom switched the reference interest rate for interest rate swaps worth CHF 775 million and for currency swaps worth EUR 500 million.

## Valuation category and fair value of financial instruments

The fair values of financial assets and financial liabilities are summarised in the following table. Not included therein are cash and cash equivalents, trade receivables and trade payables, as well as miscellaneous receivables and liabilities whose carrying amount corresponds to a reasonable estimation of their fair value.

In CHF million	31.12.2021		
	Carrying amount	Fair value	Level
<b>Other financial assets</b>			
Term deposits	57	57	2
Listed debt instruments	278	273	1
Loans	21	21	2
<b>At amortised cost</b>	<b>356</b>	<b>351</b>	
Equity instruments valued at fair value	26	26	1
Equity instruments valued at fair value	381	381	3
<b>Fair value through other comprehensive income</b>	<b>407</b>	<b>407</b>	
Loans	2	2	2
Derivative financial instruments	19	19	2
<b>Fair value through profit or loss</b>	<b>21</b>	<b>21</b>	
<b>Total other financial assets</b>	<b>784</b>	<b>779</b>	
<b>Financial liabilities</b>			
Bank loans	488	514	2
Debenture bonds	5,564	5,717	1
Private placements	151	154	2
Derivative financial instruments	64	64	2
Other financial liabilities	178	187	2
<b>Total financial liabilities</b>	<b>6,445</b>	<b>6,636</b>	

In CHF million	31.12.2020		
	Carrying amount	Fair value	Level
<b>Other financial assets</b>			
Term deposits	107	107	2
Quoted debt instruments	271	277	1
Loans	13	13	2
<b>At amortised cost</b>	<b>391</b>	<b>397</b>	
Equity instruments valued at fair value	91	91	3
<b>At fair value through other comprehensive income</b>	<b>91</b>	<b>91</b>	
Loans	1	1	2
Derivative financial instruments	79	79	2
<b>Fair value through profit or loss</b>	<b>80</b>	<b>80</b>	
<b>Total other financial assets</b>	<b>562</b>	<b>568</b>	
<b>Financial liabilities</b>			
Bank loans	484	519	2
Debenture bonds	6,110	6,381	1
Private placements	151	160	2
Derivative financial instruments	90	90	2
Other financial liabilities	207	223	2
<b>Total financial liabilities</b>	<b>7,042</b>	<b>7,373</b>	

Financial assets amounting to CHF 284 million (prior year: CHF 277 million) are not freely available as they serve as security for liabilities.

## Accounting policies

### Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently measured at fair value. The method of recording the fluctuations in fair value depends on the underlying transaction and the objective pursued by purchasing or entering into this underlying transaction. On the date a derivative contract is concluded, management designates the purpose of the hedging relationship: hedge of the fair value of an asset or liability ('fair value hedge') or a hedge of future cash flows in the case of future transactions ('cash flow hedge'). Changes in the fair value of derivative financial instruments that were designated as hedging instruments for 'fair value hedges' are recognised in the income statement. Changes in the fair value of derivative financial instruments that were designated as 'cash flow hedges' are dealt with in other comprehensive income, and are recognised in the hedging reserve as part of equity. If a hedge of an anticipated transaction subsequently results in the recording of a financial asset or financial liability, the amount included in equity is recognised in the income statement in the same period in which the financial asset or financial liability impacts the results. Otherwise, the amounts recorded in equity are recognised in the income statement as income or expense in the same period as the cash flows of the intended or agreed future transaction occur. Changes in the fair value of derivative financial instruments that are not designated as hedging instruments are immediately recorded as income.

### Estimation of fair values

Fair values are allocated to one of the following three hierarchical levels:

- **Level 1:** exchange-quoted prices in active markets for identical assets or liabilities;
- **Level 2:** other factors which are observable on markets for assets and liabilities, either directly or indirectly;
- **Level 3:** factors that are not based on observable market data.

The fair value of publicly traded equity and debt instruments of Level 1 is based upon their stock exchange quotations as of the balance sheet date. The fair value of Level 2 financial assets and liabilities which are not quoted on exchanges are computed on the basis of future maturing payments discounted at market interest rates. Level 3 assets consist of investments in various investment funds and individual companies. The fair value is determined on the basis of a computational model. Interest rate and currency swaps are discounted at market rates. Foreign currency forward transactions and foreign currency swaps are valued by reference to forward foreign exchange rates as of the balance sheet date.

### 3 Operating assets and liabilities

The following chapter discloses information on the movement in net operating assets and liabilities as well as in significant non-current tangible and intangible assets. In addition, it outlines the allocation of goodwill to the individual cash-generating units and the results of any applicable impairment tests. Changes in provisions and contingent liabilities are also presented in this chapter.

#### 3.1 Net current operating assets

##### Movements in operating assets and liabilities

In CHF million	01.01.2021	Operational changes	Other changes <sup>1</sup>	31.12.2021
<b>2021 financial year</b>				
Trade receivables	2,132	269	(86)	2,315
Other operating assets	1,029	161	(11)	1,179
Trade payables	(1,525)	(110)	35	(1,600)
Other operating liabilities	(1,269)	(385)	37	(1,617)
<b>Total operating assets and liabilities, net</b>	<b>367</b>	<b>(65)</b>	<b>(25)</b>	<b>277</b>

<sup>1</sup> Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

In CHF million	01.01.2020	Operational changes	Other changes <sup>1</sup>	31.12.2020
<b>2020 financial year</b>				
Trade receivables	2,183	(54)	3	2,132
Other operating assets	1,156	(127)	–	1,029
Trade payables	(1,614)	86	3	(1,525)
Other operating liabilities	(1,194)	(83)	8	(1,269)
<b>Total operating assets and liabilities, net</b>	<b>531</b>	<b>(178)</b>	<b>14</b>	<b>367</b>

<sup>1</sup> Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

##### Trade receivables

In CHF million	31.12.2021	31.12.2020
Billed revenue	2,335	2,180
Accrued revenue	131	116
Allowances	(151)	(164)
<b>Total trade receivables <sup>1</sup></b>	<b>2,315</b>	<b>2,132</b>

<sup>1</sup> Credit risks. See Note 2.5.

## Other operating assets and liabilities

In CHF million	31.12.2021	31.12.2020
<b>Other operating assets</b>		
Contract assets	174	153
Contract costs	263	224
Other receivables	84	79
Inventories	114	120
Prepaid expenses	430	349
Advance payments made	38	17
Value-added taxes receivable	22	27
Other non-financial assets	54	60
<b>Total other operating assets</b>	<b>1,179</b>	<b>1,029</b>
<b>Other operating liabilities</b>		
Contract liabilities	1,012	737
Accruals for variable performance-related bonus	172	160
Value-added taxes payable	68	100
Accruals for annual holiday, overtime	43	45
Liabilities from collection activities	19	12
Miscellaneous liabilities	303	215
<b>Total other operating liabilities</b>	<b>1,617</b>	<b>1,269</b>

## Contract assets and liabilities

In CHF million	31.12.2021	31.12.2020
<b>Contract assets</b>		
Swisscom Switzerland	113	89
Other	61	64
<b>Total contract assets</b>	<b>174</b>	<b>153</b>
<b>Contract liabilities</b>		
Swisscom Switzerland	559	535
Fastweb	379	122
Other	74	80
<b>Total contract liabilities</b>	<b>1,012</b>	<b>737</b>

Contract assets of Swisscom Switzerland primarily include deferrals arising in connection with the sale of bundled offerings in the mobile-phone area. In part, mobile handsets are sold on a subsidised basis, together with a mobile contract in a bundled offering. As a result of the allocation of revenue over the pre-delivered components (mobile handset), revenues are recognised earlier than the invoicing thereof. This results in contract assets deriving from this business being recognised. Contractual liabilities above all cover deferrals from payments for prepaid cards and prepaid Swisscom Switzerland subscription fees. In 2021, an amount of CHF 305 million was recorded as revenue which had been recognised as a contract liability as at 31 December 2020. Swisscom avails itself of the rules of IFRS 15.121 regarding the disclosure of the transaction price allocated to the performance obligations that are unsatisfied. The exemption is not applied in the case of mobile-phone contracts with the sale of a subsidised mobile handset and a minimum contract term. These contracts incorporate revenue of CHF 613 million (2022: CHF 462 million; 2023: CHF 151 million).

## Contract costs

Contract costs include deferred costs to obtain a contract as well as costs to fulfil a contract, which may be analysed as follows:

In CHF million	31.12.2021	31.12.2020
<b>Costs to obtain a contract</b>		
Swisscom Switzerland	39	42
Fastweb	54	25
Other	45	41
<b>Total costs to obtain a contract</b>	<b>138</b>	<b>108</b>
<b>Costs to fulfil a contract</b>		
Router and TV boxes	34	44
Initial costs from outsourcing contracts	91	72
<b>Total costs to fulfil a contract</b>	<b>125</b>	<b>116</b>
<b>Total contract costs</b>	<b>263</b>	<b>224</b>

## Accounting policies

### Operating assets and liabilities

Total operating assets and liabilities used in the normal course of business are disclosed as current items in the balance sheet.

### Trade receivables

Trade and other receivables are measured at amortised cost less impairment losses. Impairment losses on trade receivables are recognised, depending on the nature of the underlying transaction, in the form of individual valuation allowances or portfolio-based general valuation allowances which cover the anticipated default risk. As regards portfolio-based general valuation allowances, financial assets are grouped together based on homogeneous credit risk attributes, reviewed collectively for impairment and, whenever required, impairment losses are recognised. In addition to the contractually foreseen payment conditions, historical default rates and current information and expectations are taken into consideration in determining the expected future cash flows from the portfolio. Impairment losses for trade receivables are recognised as other operating expenses.

## 3.2 Property, plant and equipment

In CHF million	Technical installations	Land, buildings and leasehold improvements	Other installations	Advances made and assets under construction	Total
<b>Cost of acquisition</b>					
<b>Balance at 1 January 2020</b>	<b>27,955</b>	<b>1,684</b>	<b>4,614</b>	<b>484</b>	<b>34,737</b>
Additions	1,241	2	209	229	1,681
Disposals	(1,042)	(10)	(110)	–	(1,162)
Adjustment to dismantlement and restoration costs	46	–	18	–	64
Reclassifications	135	(1)	70	(205)	(1)
Foreign currency translation adjustments	(18)	–	–	–	(18)
<b>Balance at 31 December 2020</b>	<b>28,317</b>	<b>1,675</b>	<b>4,801</b>	<b>508</b>	<b>35,301</b>
Additions	1,020	4	197	489	1,710
Disposals	(946)	(15)	(444)	–	(1,405)
Adjustment to dismantlement and restoration costs	15	–	(36)	–	(21)
Reclassifications	158	15	97	(270)	–
Business combinations	–	–	1	–	1
Sales of subsidiaries	–	–	(1)	–	(1)
Foreign currency translation adjustments	(248)	(4)	(1)	(2)	(255)
<b>Balance at 31 December 2021</b>	<b>28,316</b>	<b>1,675</b>	<b>4,614</b>	<b>725</b>	<b>35,330</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at 1 January 2020</b>	<b>(19,548)</b>	<b>(1,390)</b>	<b>(3,270)</b>	<b>–</b>	<b>(24,208)</b>
Depreciation	(1,198)	(18)	(303)	–	(1,519)
Impairment losses	(8)	–	–	–	(8)
Disposals	1,038	8	103	–	1,149
Foreign currency translation adjustments	10	–	–	–	10
<b>Balance at 31 December 2020</b>	<b>(19,706)</b>	<b>(1,400)</b>	<b>(3,470)</b>	<b>–</b>	<b>(24,576)</b>
Depreciation	(1,215)	(17)	(298)	–	(1,530)
Impairment losses	(3)	–	(4)	–	(7)
Disposals	943	14	438	–	1,395
Sales of subsidiaries	–	–	1	–	1
Foreign currency translation adjustments	156	2	–	–	158
<b>Balance at 31 December 2021</b>	<b>(19,825)</b>	<b>(1,401)</b>	<b>(3,333)</b>	<b>–</b>	<b>(24,559)</b>
<b>Net carrying amount</b>					
<b>Net carrying amount at 31 December 2021</b>	<b>8,491</b>	<b>274</b>	<b>1,281</b>	<b>725</b>	<b>10,771</b>
<b>Net carrying amount at 31 December 2020</b>	<b>8,611</b>	<b>275</b>	<b>1,331</b>	<b>508</b>	<b>10,725</b>
<b>Net carrying amount at 1 January 2020</b>	<b>8,407</b>	<b>294</b>	<b>1,344</b>	<b>484</b>	<b>10,529</b>

### Commitments for future capital expenditures

Firm contractual commitments for future capital investments in property, plant and equipment as at 31 December 2021 aggregated CHF 899 million (prior year: CHF 800 million).

### Non-cash investing and financing transactions

As a result of changes in the assumptions made in estimating the provisions for dismantlement and restoration costs, a decrease therein of CHF 21 million (prior year: increase of CHF 64 million) was recognised in property, plant and equipment with no impact on the income statement. See Note 3.5.



## Significant judgements or estimates

Management estimates the useful economic lives and residual values of technical facilities, real estate and other installations and equipment, on the basis of the anticipated period over which economic benefits will accrue to the company from the use of the assets. Useful economic lives are reviewed annually on the basis of historical and forecast expectations concerning future technological developments, economic and legal changes, as well as further external factors.

## Accounting policies

Property, plant and equipment is recognised at historical cost less depreciation and impairment losses. In addition to historical cost and the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the purchase or manufacturing cost also includes the estimated costs for dismantling and restoring the site. Borrowing costs are capitalised insofar as they are directly attributable to the acquisition or production of a qualifying asset. Costs of replacement, renewal or renovation of property, plant and equipment are capitalised as replacement investments if a future inflow of economic benefits is probable and costs can be measured reliably. The carrying amount of the parts replaced is de-recognised. Depreciation is calculated using the straight-line method except for land, which is not depreciated. The estimated useful lives for the main categories of property, plant and equipment are:

Category	Years
Ducts <sup>1</sup>	40
Cables <sup>1</sup>	15 to 30
Transmission and switching equipment <sup>1</sup>	4 to 15
Other technical installations <sup>1</sup>	3 to 15
Buildings and leasehold improvements	10 to 40
Other installations	3 to 15

<sup>1</sup> Technical installations.

Whenever significant parts of an item of property, plant and equipment comprise individual components with differing useful lives, each component is depreciated separately. The process for estimating useful lives takes into account the expected use by the company, the expected wear and tear, technological developments, as well as empirical values with comparable assets. Leasehold improvements and installations in leased premises are depreciated on a straight-line basis over the shorter of their estimated useful lives and the remaining minimum lease term. The impact from adjusting useful economic lives and residual values is recognised on a prospective basis. Whenever indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down to the recoverable amount. The carrying amount of an item of property, plant and equipment is de-recognised upon disposal or whenever no future economic benefits are expected from its use. Gains and losses arising on the disposal of property, plant and equipment are recognised as other income or other operating expenses.

### 3.3 Intangible assets

In CHF million	Purchased software	Internally generated software	Licenses	Brands and customer relations	Other intangible assets	Total
<b>Cost of acquisition</b>						
<b>Balance at 1 January 2020</b>	<b>2,143</b>	<b>1,404</b>	<b>949</b>	<b>461</b>	<b>284</b>	<b>5,241</b>
Additions	190	145	61	–	114	510
Disposals	(16)	(26)	(2)	–	(7)	(51)
Reclassifications	34	79	–	–	(112)	1
Business combinations	2	–	–	–	16	18
Sales of subsidiaries	–	(2)	–	–	–	(2)
Foreign currency translation adjustments	(6)	–	(1)	(1)	–	(8)
<b>Balance at 31 December 2020</b>	<b>2,347</b>	<b>1,600</b>	<b>1,007</b>	<b>460</b>	<b>295</b>	<b>5,709</b>
Additions	210	194	83	–	78	565
Disposals	(10)	(111)	(26)	(67)	(35)	(249)
Reclassifications	11	107	–	–	(118)	–
Business combinations	–	–	–	29	2	31
Sales of subsidiaries	(13)	–	–	–	(1)	(14)
Foreign currency translation adjustments	(80)	(8)	(12)	(13)	(2)	(115)
<b>Balance at 31 December 2021</b>	<b>2,465</b>	<b>1,782</b>	<b>1,052</b>	<b>409</b>	<b>219</b>	<b>5,927</b>
<b>Accumulated amortisation and impairment losses</b>						
<b>Balance at 1 January 2020</b>	<b>(1,696)</b>	<b>(955)</b>	<b>(246)</b>	<b>(381)</b>	<b>(121)</b>	<b>(3,399)</b>
Amortisation	(229)	(252)	(98)	(32)	(8)	(619)
Impairment losses	–	(1)	–	(2)	–	(3)
Disposals	16	26	2	–	7	51
Foreign currency translation adjustments	5	–	–	–	1	6
<b>Balance at 31 December 2020</b>	<b>(1,904)</b>	<b>(1,182)</b>	<b>(342)</b>	<b>(415)</b>	<b>(121)</b>	<b>(3,964)</b>
Amortisation	(229)	(221)	(113)	(21)	(9)	(593)
Impairment losses	(1)	–	–	–	–	(1)
Disposals	10	110	26	67	35	248
Reclassifications	14	(14)	–	–	–	–
Sales of subsidiaries	6	–	–	–	–	6
Foreign currency translation adjustments	69	6	3	12	1	91
<b>Balance at 31 December 2021</b>	<b>(2,035)</b>	<b>(1,301)</b>	<b>(426)</b>	<b>(357)</b>	<b>(94)</b>	<b>(4,213)</b>
<b>Net carrying amount</b>						
<b>Net carrying amount at 31 December 2021</b>	<b>430</b>	<b>481</b>	<b>626</b>	<b>52</b>	<b>125</b>	<b>1,714</b>
<b>Net carrying amount at 31 December 2020</b>	<b>443</b>	<b>418</b>	<b>665</b>	<b>45</b>	<b>174</b>	<b>1,745</b>
<b>Net carrying amount at 1 January 2020</b>	<b>447</b>	<b>449</b>	<b>703</b>	<b>80</b>	<b>163</b>	<b>1,842</b>

As at 31 December 2021, other intangible assets include advance payments made and uncompleted development projects of CHF 107 million (prior year: CHF 150 million).

#### Commitments for future capital expenditures

As at 31 December 2021, firm contractual commitments for future capital investments in intangible assets aggregated CHF 63 million (prior year: CHF 54 million).

#### Significant judgements or estimates

Management estimates the useful economic lives and residual values of intangible assets on the basis of the anticipated period over which economic benefits will accrue to the company from the use of the assets. Useful economic lives are reviewed annually on the basis of historical and forecast expectations concerning future technological developments, economic and legal changes as well as further external factors.

## Accounting policies

Mobile-phone licences, self-developed software as well as other intangible assets are recorded at historical cost less accumulated amortisation. Intangible assets resulting from business combinations, such as brands and customer relationships, are recognised at cost less accumulated amortisation, which equates to fair market value as at the date of acquisition. Mobile-phone licences are amortised based on the term of the licence. It begins as soon as the related network is ready for operation, unless other information is at hand which would suggest the need to modify the useful lives. The impact from adjusting useful economic lives and residual values is recognised on a prospective basis. Amortisation is computed on a straight-line basis over the following estimated useful economic lives:

Category	Years
Software internally generated and purchased	3 to 7
Brands and customer relationships	5 to 10
Licenses	2 to 16
Other intangible assets	3 to 10

Whenever indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down to the recoverable amount.

### 3.4 Goodwill

Goodwill is allocated to the cash-generating units of Swisscom based upon their business activities. Goodwill arising in a business combination is allocated to each cash-generating unit which can derive synergies from the business combination. The goodwill allocated to the cash-generating units may be analysed as follows:

In CHF million	Residential Customers Swisscom Switzerland	Business Customers Swisscom Switzerland	Fastweb	Other cash-generating units <sup>1</sup>	Total
<b>At cost</b>					
<b>Balance at 1 January 2020</b>	<b>2,769</b>	<b>1,453</b>	<b>1,922</b>	<b>403</b>	<b>6,547</b>
Foreign currency translation adjustments	–	–	(7)	–	(7)
<b>Balance at 31 December 2020</b>	<b>2,769</b>	<b>1,453</b>	<b>1,915</b>	<b>403</b>	<b>6,540</b>
Additions	–	9	–	9	18
Foreign currency translation adjustments	–	–	(83)	–	(83)
<b>Balance at 31 December 2021</b>	<b>2,769</b>	<b>1,462</b>	<b>1,832</b>	<b>412</b>	<b>6,475</b>
<b>Accumulated impairment losses</b>					
<b>Balance at 1 January 2020</b>	–	–	<b>(1,384)</b>	–	<b>(1,384)</b>
Foreign currency translation adjustments	–	–	6	–	6
<b>Balance at 31 December 2020</b>	–	–	<b>(1,378)</b>	–	<b>(1,378)</b>
Foreign currency translation adjustments	–	–	60	–	60
<b>Balance at 31 December 2021</b>	–	–	<b>(1,318)</b>	–	<b>(1,318)</b>
<b>Net carrying amount</b>					
<b>Net carrying amount at 31 December 2021</b>	<b>2,769</b>	<b>1,462</b>	<b>514</b>	<b>412</b>	<b>5,157</b>
<b>Net carrying amount at 31 December 2020</b>	<b>2,769</b>	<b>1,453</b>	<b>537</b>	<b>403</b>	<b>5,162</b>
<b>Net carrying amount at 1 January 2020</b>	<b>2,769</b>	<b>1,453</b>	<b>538</b>	<b>403</b>	<b>5,163</b>

<sup>1</sup> Comprises the cash-generating units Wholesale Swisscom Switzerland and Swisscom Directories.

## Impairment testing

In the fourth quarter of 2021 and after the conclusion of business planning, individual goodwill amounts were subjected to an impairment test. The recoverable amount of a cash-generating unit is determined based on its value in use, applying the discounted cash flow (DCF) method. The projected free cash flows are estimated on the basis of the business plans approved by management, which as a rule cover a three-year period. A planning horizon of five years was used for the Fastweb impairment test. For free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalising the normalised cash flows. A steady long-term growth rate that corresponds to the growth rates customary in the country or market was assumed. The projected cash flows and management assumptions are corroborated by external sources of information. The discount rate is derived from the Capital Asset Pricing Model (CAPM). This latter comprises the weighted value of own equity and external borrowing costs. For the risk-free interest rate which forms the basis of the discount rate, the yield from Swiss government bonds is taken (abroad: Germany) with a maturity of ten years and a zero-interest rate, subject to minimum interest rates of 1.5% (Switzerland) and 2.0% (abroad). For cash-generating units abroad, a risk premium for the country risk is then added.

### Discount rates and long-term growth rates

Cash-generating unit	2021			2020		
	WACC pre-tax	WACC post-tax	Long-term growth rate	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	5.01%	4.09%	0%	5.25%	4.30%	0%
Business Customers Swisscom Switzerland	4.99%	4.09%	0%	5.25%	4.30%	0%
Fastweb	7.21%	5.36%	0.8%	6.91%	5.13%	0.5%
Other cash-generating units	5.01– 9.64%	4.09– 8.28%	0– 1.0%	5–25– 7–27%	4.30– 5.84%	0%

## Results and sensitivity of impairment tests

### Residential Customers and Business Customers Swisscom Switzerland

As at the measurement date, the recoverable amount at all cash-generating units, based on their value in use, is higher than the carrying amount relevant for the impairment test. Swisscom believes none of the anticipated changes in key assumptions which can rationally be expected would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

### Fastweb

As at the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the net carrying amount by EUR 641 million (CHF 680 million). In the prior year, the difference amounted to EUR 2,241 million (CHF 2,398 million). The following changes in material assumptions would lead to a situation where the value in use would equate to the carrying amount:

	2021		2020	
	Assumptions	Sensitivity	Assumptions	Sensitivity
Average annual revenue growth until 2026 (2025) with EBITDA margin unchanged compared to business plan	6.6%	5.6%	8.8%	5.6%
Normalised EBITDA margin	31%	30%	33%	28%
Normalised capital expenditure rate	21%	22%	20%	25%
Post-tax discount rate	5.36%	6.27%	5.13%	8.10%
Long-term growth rate	0.8%	–0.4%	0.5%	–3.3%

## Significant judgements or estimates

The allocation of goodwill to the cash-generating units as well as the computation of the recoverable amount is subject to the judgement of Management. This encompasses the estimation of future cash flows, the determination of the discounting rate, and the growth rate on the basis of historic data and current forecasts.

## Accounting policies

For the purposes of the impairment test, goodwill is allocated to the cash-generating units. The impairment test is performed annually on a mandatory basis. Whenever there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. An impairment loss is recognised if the recoverable amount of a cash-generating unit is lower than its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use.

### 3.5 Provisions and contingent liabilities

#### Provisions

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits <sup>1</sup>	Other	Total
<b>Balance at 1 January 2021</b>	<b>741</b>	<b>233</b>	<b>63</b>	<b>179</b>	<b>1,216</b>
Additions to provisions	–	63	30	88	181
Adjustments recorded under property, plant and equipment	(21)	–	–	–	(21)
Present-value adjustments	4	28	–	–	32
Release of unused provisions	–	–	(17)	(26)	(43)
Use of provisions	(12)	(148)	(21)	(31)	(212)
Sales of subsidiaries	–	–	–	(4)	(4)
<b>Balance at 31 December 2021</b>	<b>712</b>	<b>176</b>	<b>55</b>	<b>206</b>	<b>1,149</b>
Thereof current provisions	–	–	44	74	118
Thereof non-current provisions	712	176	11	132	1,031

<sup>1</sup> See Note 4.1.

#### Provisions for dismantling and restoration costs

The provisions are computed by reference to estimates of future anticipated dismantling costs and are discounted using an average interest rate of 0.91% (prior year: 0.58%). Adjustments as a result of reassessments in the amount of CHF -21 million were recognised under property, plant and equipment with no impact on the income statement in 2021. Of this amount, CHF -45 million resulted from the use of different interest rates, CHF 9 million from the adjustment of the cost index used to calculate dismantling costs and CHF 15 million from other effects. An increase of estimated costs by 10% would result in an increase of CHF 69 million in the amount of the provision. A delay of another ten years in the timing of the dismantling would lead to an increase of CHF 41 million in the provisions.

#### Provisions for regulatory and competition law proceedings

In accordance with the revised Telecommunications Act, Swisscom provides access services (incl. interconnection) to other telecommunications service providers in Switzerland. In previous years, several telecommunications service providers demanded ComCom reduce the prices charged to them by Swisscom. In February 2019, ComCom issued its decision on the disputed access prices for 2013 to 2016. Swisscom has filed an appeal against this decision with the Federal Administrative Court. In its judgement of 16 July 2021, the Federal Administrative Court ruled on the appeal and referred the matter back to ComCom for reassessment on a number of points. The procedures for setting access prices for 2013 onwards are still pending before ComCom. In February 2020, a provider of telecommunications services requested from ComCom that the interest on recovery claims from access-related proceedings should be based on the weighted average cost of capital (WACC). This led to a reassessment of the interest effect, which was recognised as a present value adjustment in the amount of CHF 15 million. In June 2021, ComCom confirmed this interest rate regulation. Swisscom has appealed against this complaint before the Federal Administrative Court. The appeal procedure is pending.

In its investigation as to the invitation to tender for the corporate network of the Swiss Post in 2008, the Competition Commission (COMCO) reached the conclusion in November 2015 that Swisscom has a dominant position on the market for broadband access for business clients. As a result of this conduct, which was judged to be unlawful under competition law, COMCO imposed a penalty of CHF 8 million. Swisscom challenged COMCO's rul-

ing concerning the invitation to tender for the corporate network of Swiss Post in the Federal Administrative Court. In June 2021, the Federal Administrative Court largely confirmed COMCO's ruling and ordered Swisscom to pay a fine of CHF 7 million. Swisscom has filed an appeal against this decision with the Federal Court. In the event of a legally binding finding of abuse of a market-dominant position, claims could be asserted against Swisscom under civil law.

In 2009, COMCO imposed a fine on Swisscom for abuse of a market-dominant position in the area of ADSL services during the period to 2007. Swisscom challenged the fine in the last instance before the Federal Court. In December 2019, the Federal Court dismissed Swisscom's appeal and confirmed the sanction. As a result of the legally binding determination of market abuse, civil law claims were filed by telecommunications service providers in the second quarter of 2020. In the third and fourth quarters of 2021, negotiations took place with telecommunications service providers, which were concluded with an out-of-court settlement.

On 17 December 2020, COMCO opened an investigation into Swisscom's optical fibre network and ordered precautionary measures. Swisscom has filed an appeal against these precautionary measures. In its ruling of 30 September 2021, the Federal Administrative Court confirmed the precautionary measures ordered by COMCO and dismissed Swisscom's appeal. Swisscom has filed an appeal against this decision with the Federal Court. The proceedings are still pending.

On the basis of legal opinions, Swisscom has recognised provisions for regulatory and competition law proceedings. As a result of the reassessment of these proceedings, provisions of CHF 63 million were made in 2021 and present-value adjustments of CHF 28 million were recorded. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could probably occur within five years.

#### Other provisions

Other provisions mainly include provisions for contractual risks. Any necessary payments of the non-current portion of the provisions could likely occur within three years.

#### **Contingent liabilities for regulatory and competition law proceedings**

The Competition Commission (COMCO) is conducting several proceedings against Swisscom. In the event that a legally enforceable finding of market abuse is reached, COMCO might impose a penalty on Swisscom. In addition, claims under civil law might be asserted against Swisscom. In April 2013, COMCO opened an investigation against Swisscom under the Federal Cartel Act concerning the broadcasting of live sporting events on pay-TV. In May 2016, COMCO imposed a penalty of CHF 72 million on Swisscom in these proceedings. On 25 August 2020, COMCO launched an investigation against Swisscom into allegations that it abused its market-dominant position for broadband connections to interconnect company sites. As things stand, Swisscom does not believe it is probable that a court of final appeal will levy a penalty and, as in prior years, has therefore still not recognised a provision in its consolidated financial statements as at 31 December 2021. In view of the previous proceedings conducted by COMCO, further proceedings against Swisscom might be initiated.

### **Significant judgements or estimates**

The provisions for dismantling and restoration costs relate to the dismantling of telecommunications installations and transmitter stations as well as the restoration to its original state of land held by third-party owners. The level of the provisions is determined to a significant degree by the estimation of future dismantling and restoration costs, as well as the timing of dismantlement. The provisions and contingent liabilities for regulatory and antitrust proceedings relate to proceedings in connection with regulated access services provided by Swisscom and proceedings initiated by COMCO. The legal and accounting assessment of these proceedings is associated with significant uncertainties in estimation and scope for discretion with regard to the probability of occurrence and the amount of a possible cash outflow. The provisions recognised in this way constitute the best estimate of the liability. Possible liabilities whose occurrence as at the balance-sheet date cannot be assessed, or liabilities for which the level cannot be reliably estimated, are disclosed as contingent liabilities.

### **Accounting policies**

Provisions are recognised whenever a legal or constructive obligation arises from past events, the outflow of resources to settle the liability is probable, and the amount of the liability can be estimated reliably. Provisions are discounted if the effect is material.

#### **Provisions for dismantling and restoration costs**

Swisscom is legally obligated to dismantle transmitter stations and telecommunications installations located on land belonging to third-parties following decommissioning, and to restore to its original state the property owned by third-parties in the locations where these installations are erected. The costs of dismantling are capitalised as part of the acquisition costs of the installations, and are amortised over their useful lives. The provisions are measured at the present value of the aggregate future costs, and are reported under non-current provisions. Whenever the provision is re-measured, the present value of the changes in the liability is either added to or deducted from the cost of the related capitalised item of property, plant and equipment. The amount deducted from the cost of the related asset may not exceed its carrying amount. Any excess is taken directly to income.

#### **Provisions for termination benefits**

Costs in connection with the implementation of restructuring programmes are first expensed when management commits itself to a restructuring plan, it is probable that a liability has been incurred, the amount thereof can be reliably estimated and the implementation of the programme has commenced, or the individuals involved have been advised in sufficient detail as to the main terms of the restructuring programme. A public announcement and/or communication to personnel associations are deemed to be equivalent to commencing the implementation of the programme.

## 4 Employees

Swisscom currently has around 19,000 full-time equivalent employees, of whom almost 16,000 are in Switzerland. This chapter contains information on employee headcount and personnel expense, the compensation paid to key management personnel as well as retirement-benefit obligations.

### 4.1 Employee headcount and personnel expense

#### Employee headcount

In full-time equivalent	31.12.2021	31.12.2020	Change
Residential Customers	2,875	3,082	-6.7%
Business Customers	5,045	4,931	2.3%
Wholesale	81	83	-2.4%
Infrastructure & Support Functions	4,888	4,749	2.9%
<b>Swisscom Switzerland</b>	<b>12,889</b>	<b>12,845</b>	<b>0.3%</b>
Fastweb	2,753	2,703	1.8%
Other Operating Segments	3,263	3,514	-7.1%
<b>Total headcount</b>	<b>18,905</b>	<b>19,062</b>	<b>-0.8%</b>
Thereof Switzerland	15,882	16,048	-1.0%
Thereof other countries	3,023	3,014	0.3%
Average number of employees	19,099	19,095	0.0%

#### Personnel expense

In CHF million	2021	2020
Salary and wage costs	2,060	2,065
Social security expenses	248	243
Expense of defined benefit plans <sup>1</sup>	260	338
Expense of defined contribution plans	11	10
Expense for share-based payments	1	1
Termination benefits	13	(1)
Other personnel expense	74	61
<b>Total personnel expense</b>	<b>2,667</b>	<b>2,717</b>
Thereof Switzerland	2,399	2,493
Thereof other countries	268	224

<sup>1</sup> See Note 4.3.

#### Termination benefits

Swisscom supports employees affected by restructuring through a social plan. In addition to other benefits, the social plan benefits include continued salary payments beyond the contractual notice period for a maximum period of time, which depends on the seniority and age of the employee concerned. Under certain conditions, older employees affected by job cuts may transfer to the subsidiary Worklink AG at reduced guaranteed continued salary payments. Worklink AG aims to place participants with third-parties for temporary work assignments, whereby the participants are paid a share of the turnover as a wage supplement. Net expenditure for personnel reduction was CHF 13 million (prior year: minus CHF 1 million). This is comprised of newly established provisions of CHF 30 million, less the release of unused provisions to the value of CHF 17 million. As already announced, these personnel downsizing measures are connected with Swisscom's aim for 2022, which is, as in previous years, to reduce the cost base by around CHF 100 million.



## 4.2 Key management compensation

In CHF thousand	2021	2020
Current compensation	1,400	1,357
Share-based payments	761	810
Pension contributions	137	97
Social security contributions	124	124
<b>Total compensation to members of the Board of Directors</b>	<b>2,422</b>	<b>2,388</b>
Current compensation	5,199	5,038
Share-based payments	853	731
Benefits paid following retirement from Group Executive Board	1,026	190
Pension contributions	766	796
Social security contributions	526	510
<b>Total compensation to members of the Group Executive Board</b>	<b>8,370</b>	<b>7,265</b>
<b>Total compensation to members of the Board of Directors and of the Group Executive Board</b>	<b>10,792</b>	<b>9,653</b>

Swisscom's key management personnel are the members of the Group Executive Board and Board of Directors of Swisscom Ltd. Compensation paid to members of the Board of Directors consists of a base salary plus functional allowances. One third of the entire compensation of the Board of Directors is settled in the form of equity shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary paid in cash, a variable performance-related component settled in cash and shares, payments in kind and non-cash benefits, as well as pension and social insurance contributions. 25% of the variable performance-related share of the members of the Group Executive Board is settled in shares. The Group Executive Board members may elect to increase this share to 50%. The disclosures required by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) are set out in the chapter Remuneration Report. Shares in Swisscom Ltd held by the members of the Board of Directors and Group Executive Board are set out in the notes to the Consolidated Financial Statements of Swisscom Ltd.

## 4.3 Post-employment benefits

### Pension plans

#### comPlan

The majority of employees in Switzerland are insured under the Swisscom pension plan against the risks of old age, death and disability. The pension plan is implemented by the comPlan foundation. The supreme governing body of the pension fund is the Foundation Council, which is made up of an equal number of representatives from the employees and the employer. The pension fund rules, together with the legal provisions concerning occupational pension plans, constitute the formal regulatory framework of the pension plan. Individual retirement savings accounts are maintained for each beneficiary, to which savings contributions varying with age are credited as well as any interest which accrues. The rate of interest to be applied to the retirement savings accounts is set each year by the Foundation Council, having regard to the financial situation of the pension fund as well as the statutory minimum interest rate. The amounts credited to the individual savings accounts are funded by savings contributions from both the employer and employees. In addition, the employer pays risk contributions to fund death and disability benefits.

The standard retirement age is 65. Employees are entitled to early retirement with a reduced old-age pension. The amount of the old-age pension is the result of multiplying the individual retirement savings account at the time of retirement by a conversion rate set out in the pension fund rules. The retirement benefits can also be paid out in the form of a capital payment either in full or in part. In case of early retirement, the employer also finances an OASI bridging pension until the standard retirement age. The amount of disability pensions is determined as a percentage of the insured salary and is independent of the number of years of service.

The formal regulatory framework contains various provisions concerning risk sharing between the beneficiaries and the employer. In the event of a funding shortfall, computed in accordance with Swiss accounting standards for pension funds (Swiss GAAP FER 26), the Foundation Council lays down measures which shall lead to the elimination of this funding deficit and the restoration of financial equilibrium within a timeframe of five to seven

years. Such measures may include a reduced or zero interest rate on retirement savings accounts, a reduction in future benefits, the levying of restructuring contributions or a combination of these measures. Should a structural funding shortfall exist as a result of insufficient current interest-induced funding, the top priority is to remedy this situation by adapting future benefits. Employer's restructuring contributions must, at a minimum, be equal to the sum of employee restructuring contributions. Under the formal regulatory framework, the employer has no legal obligation to pay additional contributions to eliminate more than 50% of a funding shortfall. From past common business practice, Swisscom has a de facto obligation over and above the legal minimum to pay additional or restructuring contributions in the case of funding shortfalls and structural funding deficits. The upper limit of the employer's share of future benefit costs within the meaning of IAS 19.87(c) is assumed to be at the level of the de facto obligation.

In the second quarter of 2021, the comPlan Board of Trustees adopted various measures to improve intergenerational equity. The key points of the measures include a reduction in the conversion rate in monthly steps from 1 January 2023 to 1 May 2024 and an increase in savings contributions. To cushion the impact of the conversion rate reduction, special monthly contributions are credited to the individual retirement savings of active insured persons during the reduction period. The special contributions are fully financed from comPlan's reserves. In addition, the vested or future spouse's or partner's pensions will be standardised at 60% of the old age pension from 2023. The plan amendment will result in a net decrease of CHF 45 million in the defined benefit obligation in the second quarter of 2021. An amount of CHF 60 million was recognised as negative past service cost in the income statement and an amount of CHF 15 million was recognised as actuarial loss from changes in assumptions in other comprehensive income. This is based on a remeasurement of the net defined benefit obligation using the current fair values of plan assets at the inception of the plan amendment and current actuarial assumptions, taking into account the risk-sharing characteristics. The past service cost is the difference between the valuation with the previous regulatory benefits and contributions and the valuation with the amended regulatory benefits and contributions.

In accordance with the Swiss accounting standards (Swiss GAAP FER 26) which are relevant for the pension fund, as at 31 December 2021 comPlan had a technical coverage ratio of 120% (prior year: 112%). The main reasons for the difference compared with IFRS are the use of a higher discount rate as well as a differing actuarial measurement method with the deferred recognition of the costs of future retirement benefits.

### Other pension plans

Other pension plans exist for individual Swiss subsidiary companies which are not affiliated to comPlan and for Fastweb. Employees of the Italian subsidiary Fastweb have acquired entitlements to future pension benefits up to the end of 2006, which are recorded in the balance sheet as defined benefit obligations. The discount rate used was 0.34% (prior year: 0.77%).

### Pension cost

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
Current service cost	312	4	316	326	3	329
Employment termination benefits	–	–	–	5	–	5
Plan amendments	(60)	–	(60)	–	–	–
Administration expense	3	1	4	3	1	4
<b>Total recognised in personnel expense</b>	<b>255</b>	<b>5</b>	<b>260</b>	<b>334</b>	<b>4</b>	<b>338</b>
Interest expense on net defined benefit obligations	1	–	1	2	–	2
<b>Total recognised in financial expense</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>2</b>	<b>–</b>	<b>2</b>
<b>Total expense of defined benefit plans recognised in income statement</b>	<b>256</b>	<b>5</b>	<b>261</b>	<b>336</b>	<b>4</b>	<b>340</b>

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
<b>Actuarial gains and losses from</b>						
Change of the demographical assumptions	(250)	–	(250)	(114)	–	(114)
Change of the financial assumptions	23	–	23	44	–	44
Experience adjustments to defined benefit obligations	127	(1)	126	41	1	42
Change in share of employee contribution (risk sharing)	455	–	455	107	–	107
Return on plan assets excluding the part recognised in financial result	(1,161)	–	(1,161)	(409)	–	(409)
Asset ceiling	30	–	30	–	–	–
<b>Total (income) expense of defined benefit plans recognised in other comprehensive income</b>	<b>(776)</b>	<b>(1)</b>	<b>(777)</b>	<b>(331)</b>	<b>1</b>	<b>(330)</b>

## Status of pension plans

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
<b>Defined benefit obligations</b>						
<b>Balance at 1 January</b>	<b>12,740</b>	<b>42</b>	<b>12,782</b>	<b>12,664</b>	<b>38</b>	<b>12,702</b>
Current service cost	312	4	316	326	3	329
Interest cost on defined benefit obligations	39	–	39	29	–	29
Employee contributions	175	–	175	177	–	177
Benefits paid	(509)	–	(509)	(537)	–	(537)
Actuarial losses (gains)	355	(1)	354	78	1	79
Change in scope of consolidation	–	3	3	–	(1)	(1)
Employment termination benefits	–	–	–	5	–	5
Plan amendments	(60)	–	(60)	–	–	–
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Transfer of pension plans	1	(1)	–	(2)	2	–
<b>Balance at 31 December</b>	<b>13,053</b>	<b>47</b>	<b>13,100</b>	<b>12,740</b>	<b>42</b>	<b>12,782</b>
<b>Plan assets</b>						
<b>Balance at 1 January</b>	<b>11,968</b>	<b>19</b>	<b>11,987</b>	<b>11,627</b>	<b>17</b>	<b>11,644</b>
Interest income on plan assets	38	–	38	27	–	27
Employer contributions	264	5	269	268	4	272
Employee contributions	175	–	175	177	–	177
Benefits paid	(509)	–	(509)	(537)	–	(537)
Return (expense) on plan assets excluding the part recognised in financial result	1,161	–	1,161	409	–	409
Administration expense	(3)	(1)	(4)	(3)	(1)	(4)
Change in scope of consolidation	–	–	–	–	(1)	(1)
<b>Balance at 31 December</b>	<b>13,094</b>	<b>23</b>	<b>13,117</b>	<b>11,968</b>	<b>19</b>	<b>11,987</b>
<b>Net defined benefit obligations (assets)</b>						
Net defined benefit obligations (assets) before asset ceiling	(41)	24	(17)	772	23	795
Asset ceiling	30	–	30	–	–	–
<b>Net defined benefit obligations (assets) recognised at 31 December</b>	<b>(11)</b>	<b>24</b>	<b>13</b>	<b>772</b>	<b>23</b>	<b>795</b>
Thereof defined benefit asset	(11)	–	(11)	–	–	–
Thereof defined benefit obligations	–	24	24	772	23	795

Movements in recognised defined benefit obligations (assets) are to be analysed as follows:

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
<b>Balance at 1 January</b>	<b>772</b>	<b>23</b>	<b>795</b>	<b>1,037</b>	<b>21</b>	<b>1,058</b>
Pension cost, net	256	5	261	336	4	340
Employer contributions and benefits paid	(264)	(5)	(269)	(268)	(4)	(272)
Change in scope of consolidation	–	3	3	–	–	–
(Income) expense of defined benefit plans, recognised in other comprehensive income	(776)	(1)	(777)	(331)	1	(330)
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Transfer of pension plans	1	(1)	–	(2)	2	–
<b>Balance at 31 December</b>	<b>(11)</b>	<b>24</b>	<b>13</b>	<b>772</b>	<b>23</b>	<b>795</b>

The weighted average duration of the cash value of the defined benefit obligations for comPlan is 16 years (prior year: 17 years).

### Breakdown of comPlan pension plan assets

Category	Investment strategy	31.12.2021			31.12.2020		
		Quoted	Not quoted	Total	Quoted	Not quoted	Total
Government bonds Switzerland	5.0%	2.0%	2.9%	4.9%	1.1%	3.6%	4.7%
Corporate bonds Switzerland	7.0%	5.5%	0.0%	5.5%	5.8%	0.0%	5.8%
Government bonds developed markets, World	5.0%	4.6%	0.0%	4.6%	5.4%	0.0%	5.4%
Corporate bonds developed markets, World	10.0%	9.8%	0.0%	9.8%	9.9%	0.0%	9.9%
Government bonds emerging markets, World	8.0%	7.7%	0.0%	7.7%	7.9%	0.0%	7.9%
Private debt	5.0%	0.0%	4.8%	4.8%	0.0%	5.0%	5.0%
<b>Third-party debt instruments</b>	<b>40.0%</b>	<b>29.6%</b>	<b>7.7%</b>	<b>37.3%</b>	<b>30.1%</b>	<b>8.6%</b>	<b>38.7%</b>
Equity shares Switzerland	7.0%	7.5%	0.0%	7.5%	7.1%	0.0%	7.1%
Equity shares developed markets, World	13.0%	14.3%	0.0%	14.3%	13.6%	0.0%	13.6%
Equity shares emerging markets, World	5.0%	5.3%	0.0%	5.3%	6.7%	0.0%	6.7%
<b>Equity instruments</b>	<b>25.0%</b>	<b>27.1%</b>	<b>0.0%</b>	<b>27.1%</b>	<b>27.4%</b>	<b>0.0%</b>	<b>27.4%</b>
Real estate Switzerland	14.5%	6.9%	7.6%	14.5%	7.2%	6.7%	13.9%
Real estate World	7.0%	0.7%	6.7%	7.4%	1.0%	5.2%	6.2%
<b>Real estate</b>	<b>21.5%</b>	<b>7.6%</b>	<b>14.3%</b>	<b>21.9%</b>	<b>8.2%</b>	<b>11.9%</b>	<b>20.1%</b>
Commodities	3.5%	1.5%	1.9%	3.4%	1.7%	2.2%	3.9%
Private markets	9.0%	0.0%	9.3%	9.3%	0.0%	9.4%	9.4%
Cash and cash equivalents and other investments	1.0%	0.0%	1.0%	1.0%	0.0%	0.5%	0.5%
<b>Cash and cash equivalents and alternative investments</b>	<b>13.5%</b>	<b>1.5%</b>	<b>12.2%</b>	<b>13.7%</b>	<b>1.7%</b>	<b>12.1%</b>	<b>13.8%</b>
<b>Total plan assets</b>	<b>100.0%</b>	<b>65.8%</b>	<b>34.2%</b>	<b>100.0%</b>	<b>67.4%</b>	<b>32.6%</b>	<b>100.0%</b>

The Foundation Council determines the investment strategy and tactical bandwidths within the framework of the legal provisions. Within its terms of reference, the Investment Commission undertakes the asset allocation, and is the central steering, coordination and monitoring body for the management of the pension plan assets. The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance, and thus of generating income on a long-term basis to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments in both developed and emerging markets. The interest rate duration of interest-bearing assets is 7.9 years (prior year: 7.8 years), and the average rating of these assets is BBB+ (prior year: A-). Within the overall portfolio, all foreign currency positions are hedged against the Swiss franc following a currency strategy to the extent necessary to meet a pre-determined ratio of 85% (CHF or CHF-hedged). Following this investment strategy, comPlan expects its results prepared in accordance with Swiss GAAP FER to show a target value for the value fluctuation reserve of 18.4% of total assets.

### Additional information on plan assets

As at 31 December 2021, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 12 million (prior year: CHF 10 million). The effective income from plan assets was CHF 1,199 million in 2021 (prior year: CHF 436 million). In 2022, Swisscom expects to make payments to the pension funds for statutory employer contributions totalling CHF 268 million.

### Assumptions underlying comPlan actuarial computations

Assumptions	2021	2020
Discount rate	0.30%	0.19%
Expected rate of salary increases	1.23%	1.08%
Expected rate of pension increases	–%	–%
Interest on old age savings accounts up to 5 years	1.54%	0.36%
Interest on old age savings accounts after 5 years	0.54%	0.36%
Share of employee contribution to funding shortfall	40%	40%
Share of employee contribution to surplus	50%	n.a.
Life expectancy at age of 65 – men (number of years)	22.09	22.40
Life expectancy at age of 65 – women (number of years)	23.83	24.20

The discount rate is based upon CHF-denominated corporate bonds with an AA rating of domestic and foreign issuers and listed on the Swiss Exchange SIX. The development of salaries corresponds to the historical average of recent years. No future pension increases are expected because comPlan does not have sufficient fluctuation reserves for this under pension law. The interest rate on the individual savings balances was determined taking into account the BVG minimum interest rate for the mandatory BVG portion. Life-expectancy assumptions are arrived at through a projection of future mortality improvements in accordance with the Continuous Mortality Investigation Model (CMI) and is based on improvements in mortality observed in Switzerland in the past. The computations are made with a future long-term rate of mortality improvement of 1.75%. The actuarial gain of CHF 250 million resulting from changes in demographic assumptions in 2021 is mainly due to the application of new mortality tables. The insured person can draw the retirement benefit in full or in part by means of a one-off lump-sum payment. Based on past values, a lump-sum withdrawal ratio of 24% (prior year: 22%) was assumed.

The risk-sharing attributes contained in the formal regulatory framework relating to the handling of funding shortfalls were taken into account in the financial assumptions in two steps. As a first step, it is assumed that a gradual lowering of future pensions by 3.0% (prior year: 9.7%) over a period of ten years will take place in order to close the interest-induced structural funding gap. This is based upon a projection of the future conversion rate using a mixed rate for the mandatory and extra-mandatory portions. The conversion rate in the mandatory portion applies the current legal conversion rate. In the extra-mandatory portion, the conversion rate is computed with a discount rate of 0.30%. As a second step, the present value of the remaining funding gap between the regulatory contributions and the benefits adjusted in the first step is shared between the employer and the employees. The legal and de facto obligation of the employer to pay additional contributions is unchanged and assumed to be limited to 60% of the funding gap. This is based on the legal and regulatory provisions concerning the elimination of funding shortfalls as well as the measures actually decided upon by the Foundation Council and the employer in the past. The change of the employee share is recognised in other comprehensive income. If there is a surplus under IFRS, no limit is placed on the employer's share of a funding shortfall in the second step. Instead, the gross surplus is reduced by an employee contribution of 50%. As at 31 December 2021, there is a gross surplus, which has been reduced by the employee contribution of CHF 31 million. In the prior year, the limitation of the employer's contribution to the funding shortfall resulted in a reduction of the pension obligation of CHF 423 million. The change in the employee's contribution to the funding shortfall or surplus is recognised in other comprehensive income.

## Sensitivity analysis comPlan

### Sensitivity analysis 2021

In CHF million	Defined benefit obligations		Current service cost	
	Increase assumption	Decrease assumption	Increase assumption	Decrease assumption
Discount rate (change +/-0.5%)	(431)	467	(34)	41
Expected rate of salary increases (change +/-0.5%)	32	(25)	6	(6)
Expected rate of pension increases (change +0.5%; -0.0%)	368	-	6	-
Interest on old age savings accounts (change +/-0.5%)	53	(46)	7	(7)
Share of employee contribution to funding shortfall (change +/-10%)	-	-	-	-
Share of employee contribution to surplus (change +/-10%)	6	(6)	-	-
Life expectancy at age of 65 (change +/-0.5 year)	108	(103)	5	(5)

### Sensitivity analysis 2020

In CHF million	Defined benefit obligations		Current service cost	
	Increase assumption	Decrease assumption	Increase assumption	Decrease assumption
Discount rate (change +/-0.5%)	(573)	668	(35)	41
Expected rate of salary increases (change +/-0.5%)	39	(37)	6	(6)
Expected rate of pension increases (change +0.5%; -0.0%)	558	-	26	-
Interest on old age savings accounts (change +/-0.5%)	21	-	7	-
Share of employee contribution to funding shortfall (change +/-10%)	106	(106)	-	-
Life expectancy at age of 65 (change +/-0.5 year)	142	(143)	4	(4)

The sensitivity analysis takes into consideration the movement in defined benefit obligations as well as current service costs in adjusting the actuarial assumptions by half a percentage point and half a year, respectively. In the process only one of the assumptions is adjusted each time, the other parameters remaining unchanged. In the sensitivity analysis, no change was made in view of a negative movement in pension increases as it is not possible to reduce current pensions. The assumed gradual reduction in conversion rates is left unchanged in the sensitivities of the discount rate shown. Due to the limitation of the assets, an increase in the discount rate of 0.5% in the calculation of the conversion rate reduction does not lead to an increase in the pension obligation.

### Significant judgements or estimates

The determination of post-employment retirement benefit obligations requires an estimation of the future service periods, the development of future salaries and pensions, interest accruing on the employee savings accounts, the timing of contractual pension benefit payments and the employees' share of the funding shortfall. This evaluation is made on the basis of prior experience and anticipated future trends. Anticipated future payments are discounted with the yields of Swiss franc-denominated corporate bonds from domestic and foreign issuers quoted on the Swiss Exchange with an AA rating. The discount rates match the anticipated payment maturities of the liabilities.

## Accounting policies

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Actuarial computations of pension expenses and the related defined benefit obligations are carried out using the projected unit credit method. Current service costs, past service costs arising from pension plan amendments and plan settlements as well as administrative costs are reported in the income statement under personnel expense and interest accruing on net obligations as a finance expense. Actuarial gains and losses and the return on plan assets, excluding the amounts reflected in net interest income, are reported under other comprehensive income. The assumptions regarding net future benefits are made in compliance with the formal set of regulations governing the pension plan. As regards the Swiss pension plans, the relevant formal regulations comprise the rules of the pension fund as well as the relevant laws, ordinances and directives concerning occupational benefit plans, in particular the provisions contained therein related to funding and measures to be taken to eliminate funding shortfalls. Risk-sharing features in the formal regulatory framework are taken into account when arriving at financial assumptions; these limit the employer's share of the costs of future benefits as well as involving employees in any necessary payment of additional contributions in order to eliminate funding deficits. Should the level of committed long-term disability benefits (disability pensions), irrespective of the number of years of service, be the same for all insured employees, the costs for these benefits are recognised on the date on which the event causing the disability occurs. Any net asset value from a defined benefit plan is recognised at the lower of the surplus and the present value of any economic benefit in the form of refunds or reductions in future contributions, provided that the value fluctuation reserve set as a target by the Board of Trustees is exceeded.

## 5 Scope of consolidation

The following chapter sets out details of the Group structure of Swisscom and includes disclosures concerning subsidiaries, joint ventures and associates. In addition, it outlines material changes in Group structure and the corresponding impact on the consolidated financial statements.

### 5.1 Group structure

Swisscom Ltd is the parent company of the Group. It essentially holds direct majority shareholdings in Swisscom (Switzerland) Ltd, blue Entertainment Ltd, Swisscom Broadcast Ltd and Swisscom Directories Ltd. Fastweb S.p.A. (Fastweb) is held indirectly via Swisscom (Switzerland) Ltd as well as an intermediate company in Italy. Swisscom Re Ltd in Liechtenstein is the Group's in-house reinsurance company. Swisscom raises finance in EUR through Swisscom Finance B.V. in the Netherlands.

### 5.2 Changes in the scope of consolidation

Net cash flows from the acquisition and disposal of participations may be analysed as follows:

In CHF million	2021	2020
Expenses for business combinations net of cash and cash equivalents acquired	(32)	(13)
Expenses for deferred consideration arising on business combinations	(10)	(26)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	1	–
Expenses for shareholdings accounted for using the equity method	(3)	(15)
Proceeds from sale of equity-accounted investees <sup>1</sup>	149	–
Acquisition of non-controlling interests	–	(1)
<b>Total cash flow from the purchase and sale of shareholdings, net</b>	<b>105</b>	<b>(55)</b>

1 See Note 5.3.

Acquisitions and disposals of subsidiaries in 2021 are not individually material. Business combinations in 2021 include the full acquisition of Webtiser AG and JLS Digital as well as acquisition of a 90% stake in the Innovative Web Group. Following its acquisition, Webtiser AG was merged with Swisscom (Switzerland) Ltd. Swisscom also sold all its shares in local.fr SA in 2021 and relinquished control of Custodigit AG.

Additionally in 2021, Swisscom sold its shares in the equity-accounted investments Belgacom International Carrier Services SA, Medgate AG, SEC Consult (Schweiz) AG, SmartLife Care AG, SwissSign Group AG and tiko Energy Solutions AG. For further information, see Note 5.3.



## Accounting policies

### Consolidation

Subsidiaries are all companies over which Swisscom Ltd has the effective ability to control the financial and business policies. Control is generally assumed where Swisscom Ltd directly or indirectly holds the majority of the voting rights or potential voting rights of the company. Companies acquired and sold are included in consolidation from the date on which they are acquired and deconsolidated from the date they are disposed of, respectively. Intra-group balances and transactions, income and expenses, shareholdings and dividends as well as unrealised gains and losses are fully eliminated. Non-controlling interests in subsidiaries are reported within equity in the consolidated balance sheet, but separately from equity attributable to the shareholders of Swisscom Ltd. The non-controlling interests in net income or loss are shown in the consolidated income statement as a component of the consolidated net income or loss. Changes in shareholdings of subsidiary companies are reported as transactions within equity insofar as control existed previously and continues to exist. Put options granted to owners of non-controlling interests are disclosed as financial liabilities. The balance sheet date for all consolidated subsidiaries is 31 December. There are no material restrictions on the transfer of funds from the subsidiaries to the parent company.

Shareholdings over which Swisscom exercises significant influence but does not have control are accounted for using the equity method. A significant influence is generally assumed to exist whenever between 20% and 50% of the voting rights are held.

### Business combinations

Business combinations are accounted for using the acquisition method. Acquisition costs are recognised at fair value as at the date of the business combination. The purchase consideration includes the amount of cash paid and the fair value of the assets ceded, liabilities incurred or assumed, and own equity instruments ceded. Liabilities depending on future events based on contractual agreements are recognised at fair value. All identifiable assets and liabilities that satisfy the recognition criteria are recognised at their fair values at the time of acquisition. The difference between the cost of acquisition and the fair value of the identifiable assets and liabilities acquired or assumed is accounted for as goodwill, after taking into account any non-controlling interests.

## 5.3 Equity-accounted investees

In CHF million	2021	2020
<b>Balance at 1 January</b>	<b>155</b>	<b>156</b>
Additions	18	16
Disposals	(131)	–
Dividends	(1)	(15)
Share of net results	(5)	9
Share of other comprehensive income	(2)	(5)
Impairment losses	(5)	(5)
Foreign currency translation adjustments	1	(1)
<b>Balance at 31 December</b>	<b>30</b>	<b>155</b>

As part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. For contributing its 20% stake to Flash Fiber, Fastweb has received a 4.5% stake in FiberCop. The transaction was completed in March 2021. The fair value of the FiberCop investment is EUR 210 million (CHF 232 million). The transaction resulted in a gain on the Flash Fiber participation of CHF 169 million, which was recognised in the income statement in the first quarter of 2021. In addition, in the first quarter of 2021, Swisscom sold its share in Belgacom International Carrier Services SA (BICS) for a sale price of EUR 115 million (CHF 126 million). Swisscom realised a gain of CHF 38 million from the sale of BICS.

### Selected key performance indicators for equity-accounted investees

In CHF million	2021	2020
<b>Income statement</b>		
Net revenue	368	1,614
Operating expense	(369)	(1,541)
Operating income	(1)	73
<b>Net income</b>	<b>(34)</b>	<b>41</b>
<b>Other comprehensive income</b>	<b>(9)</b>	<b>(23)</b>
<b>Balance sheet at 31 December</b>		
Current assets	158	820
Non-current assets	19	1,343
Current liabilities	(69)	(951)
Non-current liabilities	(30)	(594)
<b>Equity</b>	<b>78</b>	<b>618</b>

## 5.4 Group companies

### Group companies in Switzerland

Registered name	Registered office	31.12.2021 Capital and voting rights share in %	31.12.2020 Capital and voting rights share in %	Share capital in million	Currency	Segment <sup>4</sup>
<b>Switzerland</b>						
AdUnit Ltd <sup>2</sup>	Zurich	100	100	0.1	CHF	OTH
Ajila AG <sup>2</sup>	Sursee	60	60	0.1	CHF	OTH
Artificialy SA <sup>2,3</sup>	Lugano	18	18	1.1	CHF	OTH
autoSense Ltd <sup>2,3</sup>	Zurich	33	33	0.3	CHF	OTH
Billag Ltd in liquidation <sup>1</sup>	Fribourg	100	100	0.1	CHF	OTH
Blue Entertainment Ltd <sup>1</sup>	Zurich	100	100	0.5	CHF	SCS
cablex Ltd <sup>2</sup>	Muri near Berne	100	100	5.0	CHF	OTH
Credit Exchange Ltd <sup>2,3</sup>	Zurich	25	25	0.1	CHF	OTH
Custodigit Ltd <sup>2,3</sup>	Zurich	41	75	1.8	CHF	OTH
daura Ltd <sup>2,3</sup>	Zurich	26	31	0.4	CHF	OTH
ecmt AG <sup>2,3</sup>	Embrach	20	20	0.1	CHF	OTH
Entertainment Programm AG <sup>2,3</sup>	Zurich	33	33	0.6	CHF	SCS
finnova ltd bankware <sup>2,3</sup>	Lenzburg	9	9	0.5	CHF	SCS
Global IP Action Ltd <sup>2</sup>	Freienbach	68	79	0.2	CHF	OTH
Innovative Government Ltd <sup>1</sup>	Freienbach	90	–	0.1	CHF	OTH
Innovative Web Ltd <sup>1</sup>	Freienbach	90	–	0.1	CHF	OTH
Innovative We Marketing & Service Ltd <sup>1</sup>	Zurich	90	–	0.1	CHF	OTH
itnetX (Switzerland) AG <sup>2</sup>	Rümlang	100	100	0.1	CHF	SCS
JLS Digital AG <sup>2</sup>	Lucerne	100	–	1.0	CHF	SCS
kitag kino-theater Ltd <sup>2</sup>	Zurich	–	100	1.0	CHF	SCS
Medgate Ltd <sup>2,3</sup>	Basel	–	40	0.7	CHF	OTH
Medgate Technologies Ltd <sup>2,3</sup>	Basel	–	40	0.1	CHF	OTH
Mona Lisa Capital AG in liquidation <sup>2</sup>	Ittigen	100	100	5.0	CHF	OTH
SEC consult (Switzerland) Ltd <sup>2,3</sup>	Zurich	–	47	0.1	CHF	OTH
SmartLife Care Ltd <sup>2,3</sup>	Wangen	–	48	0.2	CHF	OTH
Swisscom Blockchain Ltd <sup>2</sup>	Zurich	–	100	0.1	CHF	OTH
Swisscom Broadcast Ltd <sup>1</sup>	Berne	100	100	25.0	CHF	OTH
Swisscom Digital Technology SA <sup>1</sup>	Geneva	75	75	0.1	CHF	SCS
Swisscom Directories Ltd <sup>1</sup>	Zurich	100	100	2.2	CHF	OTH
Swisscom eHealth Invest GmbH <sup>2</sup>	Ittigen	100	100	1.4	CHF	OTH
Swisscom Health AG <sup>2</sup>	Ittigen	–	100	0.1	CHF	SCS
Swisscom Real Estate Ltd <sup>1</sup>	Ittigen	100	100	100.0	CHF	SCS
Swisscom IT Services Finance Custom Solutions Ltd <sup>2</sup>	Olten	100	100	0.1	CHF	SCS
Swisscom (Switzerland) Ltd <sup>1</sup>	Ittigen	100	100	1,000.0	CHF	SCS
Swisscom Services Ltd <sup>2</sup>	Ittigen	100	100	0.1	CHF	SCS
Swisscom Trust Services Ltd <sup>2</sup>	Zurich	100	–	1.0	CHF	OTH
Swisscom Ventures Ltd <sup>2</sup>	Ittigen	100	100	2.0	CHF	OTH
SwissSign Group Ltd <sup>2,3</sup>	Opfikon	–	10	12.5	CHF	OTH
Teleclub AG <sup>2</sup>	Zurich	–	100	1.2	CHF	SCS
tiko Energy Solutions SA <sup>2,3</sup>	Ittigen	–	29	13.3	CHF	OTH
United Security Provider Ltd <sup>2</sup>	Berne	100	100	0.5	CHF	SCS
Worklink AG <sup>1</sup>	Berne	100	100	0.5	CHF	SCS

1 Participation directly held by Swisscom Ltd.

2 Participation indirectly held by Swisscom Ltd.

3 Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

4 SCS = Swisscom Switzerland, FWB = Fastweb, OTH = Other

## Group companies in other countries

Registered name	Registered office	31.12.2021 Capital and voting rights share in %	31.12.2020 Capital and voting rights share in %	Share capital in million	Currency	Segment <sup>4</sup>
<b>Belgium</b>						
Belgacom International Carrier Services Ltd <sup>2,3</sup>	Brussels	–	22	1.5	EUR	SCS
<b>Germany</b>						
Swisscom Telco GmbH <sup>2</sup>	Leipzig	100	100	–	EUR	OTH
<b>France</b>						
local.fr SA <sup>2</sup>	Bourg-en-Bresse	–	86	1.0	EUR	OTH
SoftAtHome SA <sup>2,3</sup>	Comment/Sectio	10	10	6.5	EUR	SCS
<b>Great Britain</b>						
Ajila UK Ltd <sup>2</sup>	London	60	60	–	GBP	OTH
<b>Italy</b>						
7Layers Group S.r.l. <sup>2</sup>	Porcari	–	70	–	EUR	FWB
7Layers S.r.l. <sup>2</sup>	Florence	70	70	0.2	EUR	FWB
Fastweb S.p.A. <sup>2</sup>	Milan	100	100	41.3	EUR	FWB
Fastweb Air S.r.l. <sup>2</sup>	Milan	100	100	–	EUR	FWB
Flash Fiber S.r.l. <sup>2,3</sup>	Milan	–	20	–	EUR	FWB
Swisscom Italia S.r.l. <sup>2</sup>	Milan	100	100	505.8	EUR	SCS
<b>Latvia</b>						
Swisscom DevOps Latvia SIA <sup>2</sup>	Riga	100	100	–	EUR	SCS
<b>Liechtenstein</b>						
Swisscom Re Ltd <sup>1</sup>	Vaduz	100	100	5.0	CHF	SCS
<b>Luxembourg</b>						
DTF GP S.A.R.L. <sup>2</sup>	Luxembourg	100	100	–	EUR	OTH
DTF GP II S.A.R.L. <sup>2</sup>	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Carried Partner SCSp <sup>2</sup>	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Initial Limited Partner SCSp <sup>2</sup>	Luxembourg	100	100	–	EUR	OTH
<b>Netherlands</b>						
NGT International B.V. <sup>2</sup>	Capelle a/d IJssel	100	100	–	EUR	SCS
Swisscom DevOps Center B.V. <sup>2</sup>	Rotterdam	–	100	–	EUR	SCS
Swisscom Finance B.V. <sup>1</sup>	Rotterdam	100	100	–	EUR	OTH
<b>Austria</b>						
Swisscom IT Services Finance SE <sup>2</sup>	Vienna	100	100	3.3	EUR	SCS
<b>Singapore</b>						
Swisscom IT Services Finance Pte Ltd <sup>2</sup>	Singapore	100	100	0.1	SGD	SCS
<b>Spain</b>						
Webtiser Spain SA <sup>2</sup>	Madrid	100	–	0.1	EUR	SCS
<b>USA</b>						
Swisscom Cloud Lab Ltd <sup>2</sup>	Delaware	100	100	–	USD	OTH

<sup>1</sup> Participation directly held by Swisscom Ltd.

<sup>2</sup> Participation indirectly held by Swisscom Ltd.

<sup>3</sup> Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

<sup>4</sup> SCS = Swisscom Switzerland, FWB = Fastweb, OTH = Other

## 6 Other disclosures

This chapter details information which is not already disclosed in the other parts of the report. For instance, it includes disclosures regarding income taxes and related parties.

### 6.1 Income taxes

#### Income tax expense

In CHF million	2021	2020
Current income tax expense	337	325
Adjustments recognised for current tax of prior periods	(3)	(5)
Deferred income tax expense	(15)	(49)
<b>Total income tax expense recognised in income statement</b>	<b>319</b>	<b>271</b>
Thereof Switzerland	339	242
Thereof other countries	(20)	29

In addition, other comprehensive income includes current and deferred income taxes, which may be analysed as follows:

In CHF million	2021	2020
Foreign currency translation adjustments of foreign subsidiaries	(7)	–
Actuarial gains and losses from defined benefit pension plans	139	69
Change to the fair value of equity instruments	13	(1)
Change in cash flow hedges	(1)	–
<b>Total income tax expense recognised in other comprehensive income</b>	<b>144</b>	<b>68</b>

#### Analysis of income taxes

The applicable income tax rate which serves to prepare the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland. The applicable income tax rate is 18.3% (prior year: 18.7%). The decline in the applicable income tax rate can be attributed to a reduction in the tax rates in various Swiss cantons.

In CHF million	2021	2020
Income before income taxes in Switzerland	1,827	1,669
Income before income taxes other countries	325	130
<b>Income before income taxes</b>	<b>2,152</b>	<b>1,799</b>
Applicable income tax rate	18.3%	18.7%
<b>Income tax expense at the applicable income tax rate</b>	<b>394</b>	<b>336</b>
<b>Reconciliation to reported income tax expense</b>		
Effect from result of shareholdings accounted for using the equity method	2	(2)
Effect of changes in tax law in Switzerland	5	(29)
Effect of changes in tax law in other countries	(57)	–
Effect of use of different income tax rates in Switzerland	1	7
Effect of use of different income tax rates in other countries	6	1
Effect of non-recognition of tax loss carry-forwards	1	3
Effect of recognition and offset of tax loss carry-forwards not recognised in prior years	–	(14)
Effect of exclusively tax-deductible expenses and income	(30)	(26)
Effect of income tax of prior periods	(3)	(5)
<b>Total income tax expense</b>	<b>319</b>	<b>271</b>
Effective income tax rate	14.8%	15.1%

As a result of a change in tax law in Italy, Fastweb was able to revalue its own goodwill to the carrying amount for tax purposes in the third quarter of 2021. The revaluation resulted in a positive tax effect of CHF 57 million.

On 1 January 2020, various legislative changes affecting corporate taxation came into force in Switzerland. These changes fundamentally abolish tax privileges for companies, such as the privileged taxation of the profits of holding companies. In return, most of the cantons reduced the corporate income tax rates. In 2020, this led to positive tax effects of CHF 29 million resulting from the revaluation of deferred tax liabilities.

### Current income tax assets and liabilities

In CHF million	2021	2020
<b>Current income tax liabilities at 1 January, net</b>	<b>182</b>	<b>170</b>
Recognised in income statement	334	320
Recognised in other comprehensive income	(9)	1
Income taxes paid in Switzerland	(264)	(298)
Income taxes paid in other countries	(15)	(11)
<b>Current income tax liabilities at 31 December, net</b>	<b>228</b>	<b>182</b>
Thereof current income tax assets	(2)	(4)
Thereof current income tax liabilities	230	186
Thereof Switzerland	222	182
Thereof other countries	6	–

### Deferred income tax assets and liabilities

In CHF million	31.12.2021			31.12.2020		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Property, plant and equipment	50	(611)	(561)	45	(617)	(572)
Intangible assets	12	(62)	(50)	–	(82)	(82)
Provisions	102	(93)	9	91	(87)	4
Defined benefit obligations	–	(24)	(24)	118	–	118
Tax loss carry-forwards	12	–	12	57	–	57
Other	140	(133)	7	117	(103)	14
<b>Total tax assets (tax liabilities)</b>	<b>316</b>	<b>(923)</b>	<b>(607)</b>	<b>428</b>	<b>(889)</b>	<b>(461)</b>
Thereof deferred tax assets			204			183
Thereof deferred tax liabilities			(811)			(644)
Thereof Switzerland			(629)			(443)
Thereof other countries			22			(18)

Tax loss carry-forwards for which no deferred tax assets were recognised expire as follows:

In CHF million	31.12.2021	31.12.2020
Expiring within 1 year	–	–
Expiring within 2 to 7 years	18	26
No expiration	5	20
<b>Total unrecognised tax loss carry-forwards</b>	<b>23</b>	<b>46</b>
Thereof Switzerland	18	26
Thereof other countries	5	20

### **Other disclosures**

Deferred tax liabilities of CHF 6 million (prior year: CHF 6 million) were recognised on the undistributed earnings of subsidiaries as at 31 December 2021. Temporary differences of subsidiaries and equity-accounted investees for which no deferred tax liabilities are recognised as at 31 December 2021 amounted to CHF 2,838 million (prior year: CHF 2,102 million). In 2021, the tax authorities definitively assessed some tax years. The assessments have resulted in no material uncertain tax positions remaining as at 31 December 2021.

### **Accounting policies**

Income taxes encompass all current and deferred taxes which are based on income. Taxes which are not based on income, such as taxes on real estate and on capital, are recorded as other operating expenses. Deferred taxes are computed using the balance sheet liability method, whereby as a general rule deferred taxes are recognised on all temporary differences. Temporary differences arise from differences between the carrying amount of a balance sheet position in the consolidated financial statements and its value as reported for tax purposes, which will reverse in future periods. Deferred tax assets are only recognised as assets to the extent that it is probable that they can be offset against future taxable income. Income tax liabilities on distributions of undistributed profits of Group companies are only recognised if the distribution of profits is to be made in the foreseeable future. If it is probable that the tax authority will accept the chosen tax treatment, the tax amount in the consolidated financial statements is the same as that entered in the tax return submitted. However, if this is not probable, the amounts will be different. The uncertainty is taken into account in the measurement, which requires a best-possible estimate of the expected cash outflow. If there are few possible outcomes of the tax treatment, the most likely outcome is used to determine the tax liability. If there are a large number of possible tax consequences, an expected value is determined on the basis of a probability calculation. Current and deferred tax assets and liabilities are offset whenever they relate to the same taxing authority and taxable entity.

## 6.2 Related parties

### Majority shareholder and equity-accounted investees

#### Majority shareholder

Pursuant to the Swiss Federal Telecommunications Enterprises Act (TEA), the Swiss Confederation ('the Confederation') is obligated to hold a majority of the share capital and voting rights of Swisscom. On 31 December 2021, the Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd. Any reduction of the Confederation's holding below a majority shareholding would require a change in law, which would need to be voted upon by the Swiss Parliament and would also be subject to the right of optional referendum by Swiss voters. As the majority shareholder, the Confederation has the power to control the decisions of the annual general meetings of shareholders which are taken by the absolute majority of validly cast votes. This relates primarily to resolutions concerning dividend distributions and the election of the members of the Board of Directors. Swisscom supplies telecommunications services to, and also procures services from, the Confederation. The Confederation comprises the various ministries and administrative bodies of the Confederation and the other companies controlled by the Confederation (primarily the Swiss Post, Swiss Federal Railways, RUAG and Skyguide). All transactions are conducted on the basis of normal customer/supplier relationships and on conditions applicable to unrelated third-parties. In addition, financing transactions are entered into with the Swiss Post under market conditions.

#### Equity-accounted investees

Services provided to/by equity-accounted investees are based upon market prices. Such participations are listed in Note 5.3.

#### Transactions and balances

In CHF million	Income	Expense	Receivables	Liabilities
<b>2021 financial year</b>				
Confederation	186	69	278	159
Equity-accounted investees	18	50	6	4
<b>Total 2021/balance at 31 December 2021</b>	<b>204</b>	<b>119</b>	<b>284</b>	<b>163</b>

In CHF million	Income	Expense	Receivables	Liabilities
<b>2020 financial year</b>				
Confederation	181	80	187	359
Equity-accounted investees	62	111	22	22
<b>Total 2020/balance at 31 December 2020</b>	<b>243</b>	<b>191</b>	<b>209</b>	<b>381</b>

### Occupational pension schemes and compensation payable to individuals in key positions

Transactions between Swisscom and the various pension funds are detailed in Note 4.3. Compensation paid to individuals in key positions is disclosed in Note 4.2.



## 6.3 Other accounting policies

### Foreign currency translation

Foreign currency transactions which are not denominated in the functional currency are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Monetary items as at the balance sheet date are translated into the functional currency at the exchange rate prevailing at the balance sheet date, while non-monetary items are translated using the exchange rate on the date of the transaction. Translation differences are recognised in the income statement. Assets and liabilities of subsidiaries and equity-accounted investees reporting in a different functional currency are translated at the exchange rates prevailing on the balance sheet date, whereas the income statement and the cash flow statement are translated at the average exchange rate. Translation differences arising from the translation of net assets and income statements are recorded in other comprehensive income.

### Significant foreign currency translation rates

Currency	Closing rate			Average rate	
	31.12.2021	31.12.2020	31.12.2019	2021	2020
1 EUR	1.033	1.080	1.085	1.080	1.072
1 USD	0.912	0.880	0.966	0.912	0.937

### Amended International Financial Reporting Standards and Interpretations, whose application is not yet mandatory

The following International Financial Reporting Standards and Interpretations published up to the end of 2021 are mandatory for annual periods beginning on or after 1 January 2022:

Standard	Name	Effective from
Amendments to IFRS 3	References to conceptual framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Income before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract	1 January 2022
Various	Amendments to IFRS 2018–2020	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associated company or joint venture	still open

Swisscom will review its financial reporting for the impact of those new and amended standards which take effect on or after 1 January 2022 and which Swisscom did not choose to adopt earlier than required. At present, Swisscom anticipates no material impact on the consolidated financial statements.

# Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Swisscom Ltd and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 108 to 167) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Overview



Overall materiality for the consolidated financial statements: CHF 80 million

We conducted full scope audit work at four Group companies in two countries. These Group companies represent over 90% of the Group's revenue. In addition, specified procedures were performed on selected balance sheet and income statement line items for one additional Group company located in Switzerland.

As key audit matters the following areas of focus have been identified:

- Recoverability of Fastweb goodwill
- Revenue recognition – Solutions business with Business Customers
- Recoverability of technical installations and intangible assets
- Assessment of litigation arising from regulatory and competition law proceedings

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### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	CHF 80 million
<b>Benchmark applied</b>	Profit before tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements with impacts on the income statement above CHF 4 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

### Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of three operating segments (Swisscom Switzerland, Fastweb, Other Operating Segments) and operates mainly in Switzerland and Italy. Swisscom (Schweiz) Ltd generates most of the revenue. Another company that we identified as significant is Fastweb S.p.A. (Fastweb).

The audits of Swisscom (Schweiz) Ltd and Swisscom Ltd were performed by the Group audit team. The audit of Fastweb was performed by the PwC component auditor in Italy, to whom we provided instructions and with whom we are in regular contact to discuss the treatment of transactions that are material to the consolidated financial statements as well as questions regarding valuation and disclosure. In addition, we participate in important discussions with Fastweb's management. The audit of these three companies addresses the major part of the consolidated financial statements. Another company in Switzerland is audited by a Swiss PwC component auditor, whom we have instructed and with whom we are also in regular contact. Finally, we identified an additional subsidiary with significant balance sheet and income statement items, which is audited by the Group audit team. Group-wide topics, such as treasury, taxes, pension obligations, investments including goodwill and the implementation of new accounting requirements are addressed by the Group audit team.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Recoverability of Fastweb goodwill**

**Key audit matter**

The impairment testing of goodwill relating to Fastweb was deemed a key audit matter for the following reasons:

- As at 31 December 2021, the goodwill relating to the Fastweb operating segment amounted to CHF 514 million (2020: CHF 537 million), which is a significant amount.
- In performing the annual impairment test of the Fastweb goodwill, management has considerable scope for judgement regarding the expected future cash flows, the discount rate (WACC) used and the forecasted growth.

Please refer to note 3.4 'Goodwill' (page 145) in the notes to the consolidated financial statements.

**How our audit addressed the key audit matter**

During our audit, we assessed with regard to the impairment test whether a correct valuation method was used, the calculation was coherent and the assumptions made were appropriate.

In doing so, we challenged the input data and assumptions relating to the underlying cash flows of the impairment test. In addition, we compared the results of the current year with the forecasts made in the previous year in order to assess the appropriateness of the previous year's assumptions.

With regard to the discount rate used, we analyzed together with our own valuation specialists how it was derived and compared it with our own calculation.

We also examined whether the information on impairment testing in the notes to the consolidated financial statements was disclosed correctly and whether the sensitivity analyses presented indicate appropriately the risks of impairment.

We consider the valuation method and the assumptions used by management to test for the impairment of the Fastweb goodwill to be appropriate.



## Revenue recognition – Solutions business with Business Customers

### Key audit matter

For the 2021 financial year, Swisscom reports net revenue of CHF 11,183 million (2020: CHF 11,100 million). Of this amount, CHF 1,111 million (2020: CHF 1,058 million) is generated by the Solutions business with Business Customers. The Solutions business with Business Customers comprises integrated communications solutions (e.g. IT outsourcing) for large enterprises in Switzerland.

We consider revenue recognition in the Solutions business with Business Customers to be a key audit matter for the following reasons:

- The specific projects within the Solutions business are based on complex individual contracts that may include multiple performance obligations. The accounting treatment of these contracts requires management to estimate the expected transaction price and the timing of revenue recognition of the individual performance obligations.
- The projects typically last between three and seven years. To ensure a loss-free valuation of ongoing projects, management has significant scope for judgement in its assessment of the future costs of each project.

Please refer to note 1.1 'Segment information' (page 114) in the notes to the consolidated financial statements.

### How our audit addressed the key audit matter

We assessed the design and effectiveness of the controls implemented to ensure the correct recognition of revenue in the Solutions business with Business Customers.

Further, we performed analytical audit procedures. On the basis of internal and external reports, we defined our expectations and critically assessed deviations from them.

For a sample of contracts entered into in the 2021 financial year, we assessed the accounting treatment applied by Swisscom. In doing so, we assessed whether management's estimate of the expected transaction price and of the timing of revenue recognition relating to individual performance obligations is appropriate.

To address the significant scope for judgement when assessing future costs to ensure a loss-free valuation, we performed the following audit procedures:

- We gained an understanding of the process implemented by management to assess future developments in the Solutions business and critically assessed that process.
- We discussed with Swisscom their expectations regarding the future development of individual projects and critically assessed those expectations on the basis of current developments.
- Using a sample of projects, we compared Swisscom's forecasts from the previous year with actual developments in the current financial year and analysed any variances.

Finally, on the basis of a sample, we assessed whether the revenue in the Solutions business with Business Customers was recorded correctly. To do so, we checked cash receipts for individual revenue transactions and obtained external balance confirmations from Swisscom customers.

We consider management's estimates relating to the recognition of revenue in the Solutions business with Business Customers to be appropriate.



**Recoverability of technical installations and intangible assets**

**Key audit matter**

We consider the impairment testing of technical facilities and intangible assets to be a key audit matter for the following reasons:

- Swisscom recognises as of 31 December 2021 technical installations with a net book value of CHF 8,491 million (2020: CHF 8,611 million) and intangible assets with a net book value of CHF 1,714 million (2020: CHF 1,745 million). Both represent significant amounts.
- Management has significant scope for judgement when assessing and determining the useful life of technologies that are in use.

Please refer to note 3.2 'Property, plant and equipment' (page 142) and note 3.3 'Intangible assets' (page 144) in the notes to the consolidated financial statements.

**How our audit addressed the key audit matter**

We assessed the design and effectiveness of the controls implemented to ensure the correct impairment testing of technical installations and intangible assets.

We also discussed with management the estimates of the future useful lives of existing technologies and critically assessed these on the basis of current developments at Swisscom and other telecommunications companies.

In addition, we assessed the completeness and appropriateness of changes in useful lives and actual impairments in the 2021 financial year.

We consider management's assessment of the expected period over which Swisscom derives economic benefits from the use of existing technologies to be appropriate.



## Assessment of litigation arising from regulatory and competition law proceedings

### Key audit matter

Swisscom recorded as at 31 December 2021 provisions amounting to CHF 1,149 million (2020: CHF 1,216 million). Of this amount, CHF 176 million (2020: CHF 233 million) relates to provisions for litigation arising from regulatory and competition law proceedings.

Swisscom provides regulated access services to other telecommunications service providers in accordance with the Telecommunications Act. The prices charged by Swisscom are subject to reviews by the Federal Communications Commission (ComCom). If the Commission issues a ruling against Swisscom, the prices charged must be reduced with retroactive effect.

Swisscom is also a party to proceedings conducted by the Federal Competition Commission (COMCO). In the event of a final verdict establishing market abuse by Swisscom, COMCO may impose sanctions. A final verdict establishing market abuse issued by COMCO could lead to civil claims against Swisscom.

We consider the assessment of the financial implications of litigation arising from regulatory and competition law proceedings to be a key audit matter because management has significant scope for judgement in estimating the probability, the timing and the amount of a potential cash outflow due to litigation.

Please refer to note 3.5 'Provisions, contingent liabilities and contingent assets' (page 147) in the notes to the consolidated financial statements.

### How our audit addressed the key audit matter

To address the significant scope for judgement in estimating the probability, the timing and the amount of a potential cash outflow due to litigation, we performed together with an internal legal expert the following audit procedures:

- We discussed pending litigation with management and Swisscom's internal legal counsel.
- We obtained written statements from Swisscom's external and internal legal counsel.
- We gained an understanding of the process and controls implemented by management to identify, assess and recognise pending litigation, and critically assessed it.

To assess the amount of the provisions established, we considered whether the underlying data were adequately factored into the calculation of the provisions.

Finally, we assessed the recognition and disclosure in the consolidated financial statements of litigation arising from regulatory and competition law proceedings.

We consider management's approach to the treatment in the consolidated financial statements of litigation arising from regulatory and competition law proceedings to be appropriate.

### Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Swisscom Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.





From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Kartscher  
Audit expert  
Auditor in charge

Petra Schwick  
Audit expert

Zürich, 2 February 2022



# Further Information

<b>Further Information</b> _____	<b>Financial statements Swisscom Ltd</b>
	General information..... <b>178</b>
	Income statement..... <b>178</b>
	Balance sheet ..... <b>179</b>
	Further information ..... <b>179</b>
	Proposed appropriation of retained earnings..... <b>179</b>
	<b>Glossary</b>
	Technical terms..... <b>180</b>
	Other terms ..... <b>182</b>
	<b>Five-year review</b> ..... <b>183</b>

# Financial statements

## Swisscom Ltd

### General information

This is a condensed version of the financial statements of Swisscom Ltd. The full version and the auditors' report can be viewed on the Swisscom website.

☎ See [www.swisscom.ch/financialstatements2021](http://www.swisscom.ch/financialstatements2021)

Swisscom Ltd is a holding company under Swiss law. As at 31 December 2021, the Swiss Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd as in the prior year. The Telecommunications Enterprise Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

The financial statements of Swisscom Ltd have been prepared in accordance with statutory requirements and the Articles of Incorporation. Distributable reserves are not determined on the basis of the equity as reported in the consolidated financial statements, but rather on the basis of equity as reported in the separate financial statements of Swisscom Ltd. The equity totalled CHF 4,753 million in the 2021 annual financial statements of Swisscom Ltd. Under Swiss company law, share capital and that part of the general reserves representing 20% of the share capital may not be distributed. On 31 December 2021, Swisscom Ltd held distributable reserves of CHF 4,691 million. The dividend is proposed by the Board of Directors and must be approved by Swisscom Ltd's Annual General Meeting of Shareholders on 30 March 2022. Treasury shares are not entitled to a dividend.

### Income statement

In CHF million	2021	2020
Net revenue from the sale of goods and services	19	100
Other income	16	29
<b>Total operating income</b>	<b>35</b>	<b>129</b>
Personnel expense	(33)	(62)
Other operating expense	(12)	(75)
<b>Total operating expenses</b>	<b>(45)</b>	<b>(137)</b>
<b>Operating income</b>	<b>(10)</b>	<b>(8)</b>
Financial expense	(37)	(107)
Financial income	73	150
Income from participations	163	62
<b>Income before taxes</b>	<b>189</b>	<b>97</b>
Income tax expense	(4)	(8)
<b>Net income</b>	<b>185</b>	<b>89</b>

## Balance sheet

In CHF million	31.12.2021	31.12.2020
<b>Assets</b>		
Cash and cash equivalents	337	217
Financial assets	4,217	6,080
Participations	8,222	8,196
Other assets	56	82
<b>Total assets</b>	<b>12,832</b>	<b>14,575</b>
<b>Liabilities and equity</b>		
Interest-bearing liabilities	7,944	8,693
Other liabilities	135	175
<b>Total liabilities</b>	<b>8,079</b>	<b>8,868</b>
Share capital	52	52
Legal capital reserves/capital surplus reserves	21	21
Voluntary retained earnings	4,680	5,635
Own equity interest	–	(1)
<b>Total equity</b>	<b>4,753</b>	<b>5,707</b>
<b>Total liabilities and equity</b>	<b>12,832</b>	<b>14,575</b>

## Further information

Information on the participation rights held by the members of the Board of Directors and the Group Executive Board is also disclosed in the Remuneration Report (sections 2.5 and 3.5).

As at 31 December 2021, guarantee obligations exist for Group companies in favour of third parties totalling CHF 275 million (prior year: CHF 253 million), and financial assets totalling CHF 155 million (prior year: CHF 149 million) were not freely available. These assets serve to secure commitments arising from bank loans.

Swisscom Ltd carried out the equal pay analysis in accordance with the Gender Equality Act using the standard analysis tool Logib and this was reviewed by PwC. PwC states in its report that during the formal review of the equal pay analysis, it did not come across any facts from which it would have to conclude that the equal pay analysis does not comply with the legal requirements in all respects.

## Proposed appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 30 March 2022 that the available retained earnings of CHF 4,680 million for the financial year ending on 31 December 2021 be appropriated as follows:

In CHF million	31.12.2021
<b>Appropriation of retained earnings</b>	
<b>Retained earnings from previous year</b>	<b>5,634</b>
Ordinary dividend	(1,140)
<b>Balance carried forward from prior year</b>	<b>4,494</b>
Net income for the year	185
Changes in treasury shares	1
<b>Retained earnings available to the Annual General Meeting</b>	<b>4,680</b>
Ordinary dividend of CHF 22.00 per share	(1,140)
<b>Balance to be carried forward</b>	<b>3,540</b>

In the event that the proposal is approved, a dividend of CHF 22 per share will be paid to shareholders on 5 April 2022.

# Glossary

## Technical terms

**4G/LTE (Long-Term Evolution):** 4G/LTE is the fourth generation of mobile technology. At present, LTE enables mobile broadband data speeds of up to 150 Mbps.

**4G+/LTE Advanced:** 4G+/LTE enables theoretical broadband data speeds of up to 700 Mbps via the mobile network. To do so, it bundles 4G/LTE frequencies to achieve the required capacity.

**5G:** 5G is the latest generation in mobile network technology. 5G brings with it even more capacity, very short response times and higher bandwidths, and supports the digitisation of Swiss business and industry. There are two types: 5G (also known as 5G-wide) and 5G+ (also known as 5G-fast). Both types are more efficient than predecessor technologies in terms of both energy consumption and the use of electromagnetic fields.

**5G (5G-wide):** This type has been using existing mobile frequencies and antennas for a long time – in simplified terms it is a software update. It enables widespread coverage and up to 1Gbit/s of data throughput.

**5G+ (5G-fast):** This type uses newly acquired frequencies. It offers very high capacities and speeds but shorter ranges. This type is required to fully exploit all the opportunities offered by 5G, and also calls for next-generation antennas.

**All IP:** All IP means that all services such as television, the Internet and fixed-line phone run over the same IT network. Swisscom switched all existing communication networks to Internet Protocol (IP) by the end of 2019. The IP services within Switzerland thus operate on Swisscom's own network, thereby enhancing security and availability in comparison with other voice services on the World Wide Web.

**Bandwidth:** Bandwidth refers to the transmission capacity of a medium, also known as the data transmission rate. The higher the bandwidth, the more information units (bits) can be transmitted per unit of time (second). It is defined in bps, kbps or Mbps.

**Cloud:** Cloud computing makes it possible for IT infrastructures such as computing capacity, data storage, ready-to-use software and platforms to be accessed

dynamically via the Internet as needed. The data centres, along with the resources and databases, are distributed via the cloud. The term 'cloud' refers to such hardware which is not precisely locatable.

**Connectivity:** Connectivity is the generic term used to denote IP services or the connection to the Internet and the ability to exchange data with any partner on the network.

**Convergence (bonding technology):** In the telecommunications sector, 'convergence' normally refers to an interaction of mobile communication and fixed-network technologies or to products that encompass both mobile communication and fixed-network services.

**FTTH (Fibre to the Home):** FTTH refers to the end-to-end connection of homes and businesses using fibre-optic cables instead of traditional copper cables.

**FTTH topologies (P2P and P2MP):** There are two different common topologies in a fibre-optic network: point-to-point (P2P) or point-to-multipoint (P2MP). With P2P, a separate optical fibre is laid between each apartment and the nearest node (usually a local exchange) – if ten apartments in a neighbourhood are connected, ten optical fibres are also available at the node. By contrast, with P2MP there is only a single optical fibre running from the node to the vicinity of the apartments. From there, a 'splitter' breaks up the light signal and distributes it to several optical fibres, which then lead to the apartments.

**FTTS (Fibre to the Street)/FTTB (Fibre to the Building)/FTTC (Fibre to the Curb):** FTTS, FTTB and FTTC refer to hybrid broadband connection technologies (optical fibre and copper). With these technologies, optical fibre is brought as near as possible to buildings and in the case of FTTB right to the building's basement; the existing copper cables are used for the remaining stretch.

**ICT (Information and Communication Technology):** The terms ‘information technology’ and ‘communication technology’ were first combined in the 1980s to denote the convergence of information technology (information and data processing and the related hardware) and communication technology (technically aided communications).

**IoT (Internet of Things):** The connecting of things, devices and machines to enable recording of status and environmental data. These data provide the basis for optimising processes, such as early identification of failing machine components. IoT facilitates new business models based on these data or opens up new opportunities for interacting with customers.

**IoT NB (IoT Narrowband):** IoT NB is a connection technology for the Internet of Things (IoT). It is designed for maximum range, minimum energy consumption and a high density of devices, but dispenses with some of the features of LTE. IoT NB is mainly used for mass market applications such as electricity and water meters or monitoring sensors (massive IoT applications).

**LAN (Local Area Network):** A LAN is a local network for interconnecting computers, usually based on Ethernet.

**LTE-M:** LTE-M is a connection technology for the Internet of Things (IoT). It dispenses with some of the features of LTE to increase efficiency and reduce complexity and costs. It enables all conventional IoT applications and – in contrast to IoT Narrowband (IoT NB) – allows voice transmission (e.g. in lift telephones). LTE-M is particularly suitable for quality-sensitive applications such as security and monitoring solutions (Critical IoT applications).

**MVNO (Mobile Virtual Network Operator):** MVNO denotes a business model for mobile communications. In this case, the corresponding business (the MVNO) has either a limited network infrastructure or no network infrastructure at all. It therefore accesses the infrastructure of other mobile communication providers.

**Network convergence:** Network convergence refers to the dissolution and reconstitution of previously separate networks into one large convergent network, such as in the case of the fixed and mobile networks of Swisscom.

**Optical fibre:** Optical fibre is a transport medium for optical data transmission – in contrast to copper cables, which transmit data through electrical signals.

**OTT (Over the Top):** OTT refers to content distributed by service providers over an existing network infrastructure that they do not themselves operate. OTT companies offer proprietary services on the basis of the infrastructures of other companies in order to reach a broad range of users quickly and cost-efficiently.

**Petabyte:** Unit of measurement for data size. 1 petabyte is equivalent to approximately 1,000 terabytes, 1,000,000 gigabytes or 1,000,000,000 megabytes.

**Roaming:** Roaming is when a mobile user makes calls, uses other mobile services or participates in data traffic outside his or her home network, i.e. usually abroad. This requires that the mobile device in question is compatible with the roaming network.

**Router:** A router is a device for connecting or separating several computer networks. The router analyses incoming data packets according to their destination address and either blocks them or forwards them accordingly (routing). Routers come in different types, ranging from large machines in a network to the small devices used by residential customers.

**Streaming:** Streaming is the transmission of audio and video signals over a network or the Internet without the data having to be stored on a local device.

**TDM (Time Division Multiplexing):** Multiplexing is a method that allows the simultaneous transmission of multiple signals over a single communications medium (line, cable or radio link), for example, by means of classic telephony (using an ISDN or analogue line). Multiplexing methods are often combined to achieve even higher utilisation. The signals are multiplexed once the user data have been modulated on a carrier signal. At the receiver end the information signal is first demultiplexed and then demodulated. TDM methods are now at the end of their life cycle.

**Terabyte:** Unit of measurement for data size. 1 terabyte is equivalent to approximately 1,000 gigabytes or 1,000,000 megabytes.

**Ultra-fast broadband:** Ultra-fast broadband denotes broadband speeds of more than 50 Mbps – on both the fixed-line and mobile networks.

## Other terms

**ComCo (Competition Commission):** ComCo enforces the Federal Cartel Act, the aim of which is to safeguard against the harmful economic or social impact of cartels and other constraints on competition in order to foster competition. ComCo combats harmful cartels and monitors market-dominant companies for signs of anti-competitive conduct. It is responsible for monitoring mergers and also provides opinions on official decrees that affect competition.

**ComCom (Federal Communications Commission):** ComCom is the decision-making authority for telecommunications. Its primary responsibilities include issuing concessions for use of the radio frequency spectrum as well as basic service licences. It also provides access (unbundling, interconnection, leased lines, etc.), approves national numbering plans and regulates the conditions governing number portability and freedom of choice of service provider.

**Federal Office of Communications (OFCOM):** OFCOM deals with issues related to telecommunications and broadcasting (radio and television) and performs official and regulatory tasks in these areas. It prepares the decisions of the Swiss Federal Council, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Communications Commission (ComCom).

**FTE (full-time equivalent):** Throughout this report, FTE is used to denote the number of full-time equivalent positions.

**Interconnection:** Interconnection means linking up the systems and services of two TSPs so as to enable the logical interaction of the connected telecoms components and services and to provide access to third-party services. Interconnection allows the customer of one provider to communicate with the subscribers of another provider. Under the terms of the Federal Telecommunications Act, market-dominant telecommunications service providers are required to allow their competitors interconnection at cost-based prices.

**Unbundling:** Unbundling of the last mile (Unbundling of the Local Loop, ULL) enables fixed-line-network competitors without their own access infrastructure to access customers directly at non-discriminatory conditions based on original cost. The prerequisite for ULL is the presence of a market-dominant provider. There are two forms of unbundling: unbundling at the level of the telephone exchange (Unbundling of the Local Loop (ULL) or Local Loop Unbundling (LLU), known as TAL in Switzerland) with currently around 600 unbundled locations; and unbundling at distribution box level (sub-loop unbundling, known as T-TAL in Switzerland), in which no competitor has yet shown any interest.



# Five-year review

In CHF million, except where indicated	2017	2018 <sup>1</sup>	2019 <sup>2</sup>	2020	2021
<b>Net revenue and results</b>					
Net revenue	11,662	11,714	11,453	11,100	11,183
Operating income before depreciation and amortisation (EBITDA)	4,295	4,213	4,358	4,382	4,478
EBITDA as % of net revenue	36.8	36.0	38.1	39.5	40.0
Operating income (EBIT)	2,131	2,069	1,910	1,947	2,066
Net income	1,568	1,521	1,669	1,528	1,833
Earnings per share	30.31	29.48	32.28	29.54	35.37
<b>Balance sheet and cash flows</b>					
Equity	7,645	8,208	8,875	9,491	10,813
Equity ratio	34.7	36.3	36.6	39.1	43.6
Cash flow from operating activities	4,091	3,720	4,019	4,169	4,044
Capital expenditure	2,378	2,404	2,438	2,229	2,286
Net debt	7,447	7,393	6,758	6,218	5,689
<b>Employees</b>					
Full-time equivalent employees	20,506	19,845	19,317	19,062	18,905
Average number of full-time equivalent employees	20,836	20,083	19,561	19,095	19,099
<b>Operational data</b>					
Fixed telephony access lines in Switzerland	2,047	1,788	1,594	1,523	1,424
Broadband access lines retail in Switzerland	2,014	2,033	2,058	2,043	2,037
Mobile access lines in Switzerland	6,637	6,370	6,333	6,224	6,177
TV access lines in Switzerland	1,467	1,519	1,555	1,588	1,592
Revenue generating units (RGU) in Switzerland	12,165	11,710	11,540	11,378	11,230
Unbundled fixed access lines in Switzerland	107	87	70	56	41
Broadband access lines wholesale in Switzerland	435	481	515	555	596
Broadband access lines in Italy	2,451	2,547	2,637	2,747	2,750
Mobile access lines in Italy	1,065	1,432	1,746	1,961	2,472
<b>Swisscom share</b>					
Number of issued shares	51.802	51.802	51.802	51.802	51.802
Market capitalisation	26,859	24,331	26,554	24,715	26,657
Closing price at end of period	518.50	469.70	512.60	477.10	514.60
Closing price highest	527.00	530.60	523.40	577.80	562.40
Closing price lowest	429.80	427.00	441.10	446.70	456.30
Ordinary dividend per share	22.00	22.00	22.00	22.00	22.00 <sup>3</sup>
Ratio payout/earnings per share	72.59	74.63	68.16	74.48	62.20
<b>Information Switzerland</b>					
Net revenue	9,476	9,274	8,969	8,614	8,579
Operating income before depreciation and amortisation (EBITDA)	3,451	3,419	3,508	3,522	3,569
Capital expenditure	1,678	1,645	1,770	1,596	1,634
Full-time equivalent employees	17,688	17,147	16,628	16,048	15,882

1 Swisscom has been applying IFRS 15 'Revenue from Contracts with Customers' since 1 January 2018. The prior year's figures have not been adjusted.

2 Swisscom has been applying IFRS 16 'Leases' since 1 January 2019. The prior year's figures have not been adjusted.

3 In accordance with the proposal of the Board of Directors to the Annual General Meeting.

## Forward-looking statements

This Annual Report contains forward-looking statements. In this Annual Report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Publishing details

## Key dates

- **3 February 2022**  
Publication of 2021 Annual Results and Annual Report
- **30 March 2022**  
Annual General Meeting
- **1 April 2022**  
Ex dividend date
- **5 April 2022**  
Dividend payment
- **28 April 2022**  
2022 First-Quarter Results
- **4 August 2022**  
2022 Second-Quarter Results
- **27 October 2022**  
2022 Third-Quarter Results
- **9 February 2023**  
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A condensed version of the 2021 Annual Report is also available in English, French, German and Italian at [www.swisscom.ch/ataglance2021](http://www.swisscom.ch/ataglance2021).

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