Annual Report 2023

swisscom

Annual reporting

The Annual Report and the Sustainability Impact Report make up Swisscom's reporting on 2023. The two publications are available online at: **swisscom.ch/report2023.**

Adjustments in 2023

The Swisscom Annual Report now includes the report on non-financial matters. This is Swisscom's way of meeting the new requirements set out in the Swiss Code of Obligations, which establishes this sort of reporting as a mandatory requirement from 2023 onwards. The Sustainability Impact Report includes Swisscom's sustainability reporting in Switzerland and now also the climate report, which used to be published separately.

The majority of the images on the cover pages and in the reports are taken from the various Swisscom campaigns conducted during the 2023 reporting year. The pictures of the Board of Directors and the Group Executive Board were taken by Manuel Rickenbacher.

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2023 in review

Revenue (billion CHF)	
11.1	▲ 0.2%

EBITDA (billion CHF)	
4.6	▲ 4.9%

Net income (billion CHF)	
1.7	▲ 6.7%

Net debt to EBITDA ratio	
1.5	▼ –0.2

Total shareholder return Swisscom share (%)	
4.2	▲ 1.7 PP

Capital expenditure (billion CHF)	
2.3	▼ –0.7%

Dividend per share CHF

22

Equity ratio %

47.0 ▲ 1.6 PP

Employees (full-time equivalent)

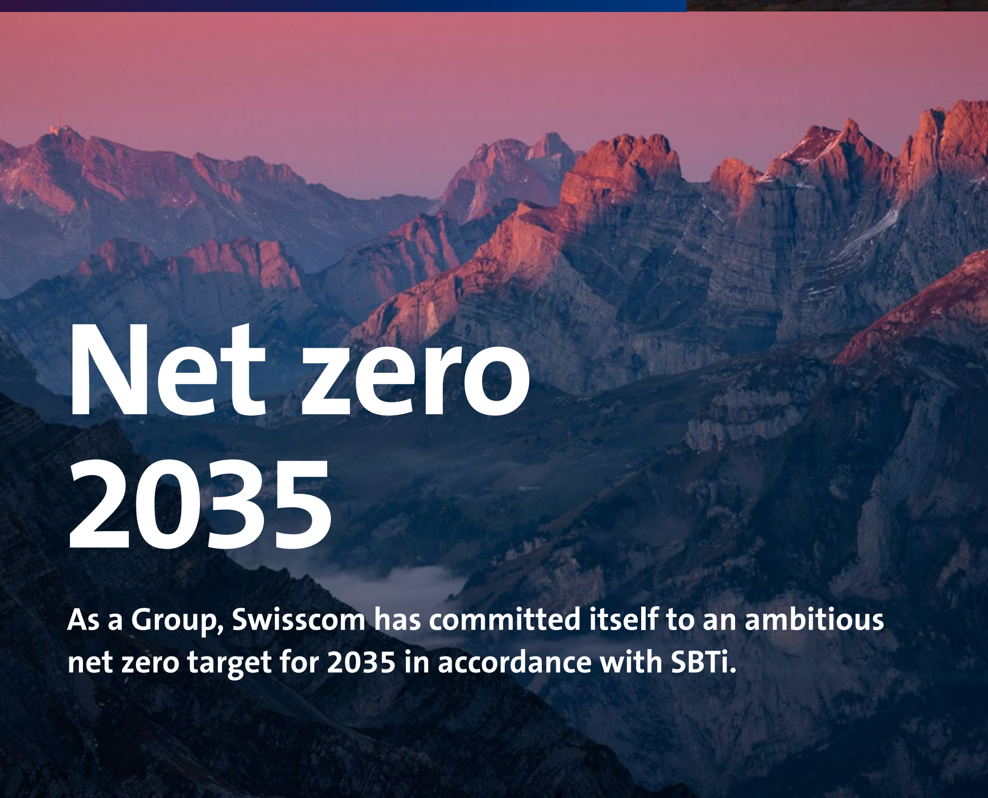
19,729 ▲ 3.0%

‘My first mobile phone’

Swisscom launches the ‘My first mobile phone’ guide for parents, which features tips, checklists and an online parents’ evening with almost 40,000 viewers.

Viva Italia!

Fastweb has grown continuously for over 10 years, increasing its customers, revenue and EBITDA.



Net zero 2035

As a Group, Swisscom has committed itself to an ambitious net zero target for 2035 in accordance with SBTi.

The best network

Swisscom is at the top tier of the podium in all mobile network tests and impresses with the best broadband network.

Friendly Work Space

Swisscom is awarded the ‘Friendly Work Space’ label by Health Promotion Switzerland.

Small but mighty

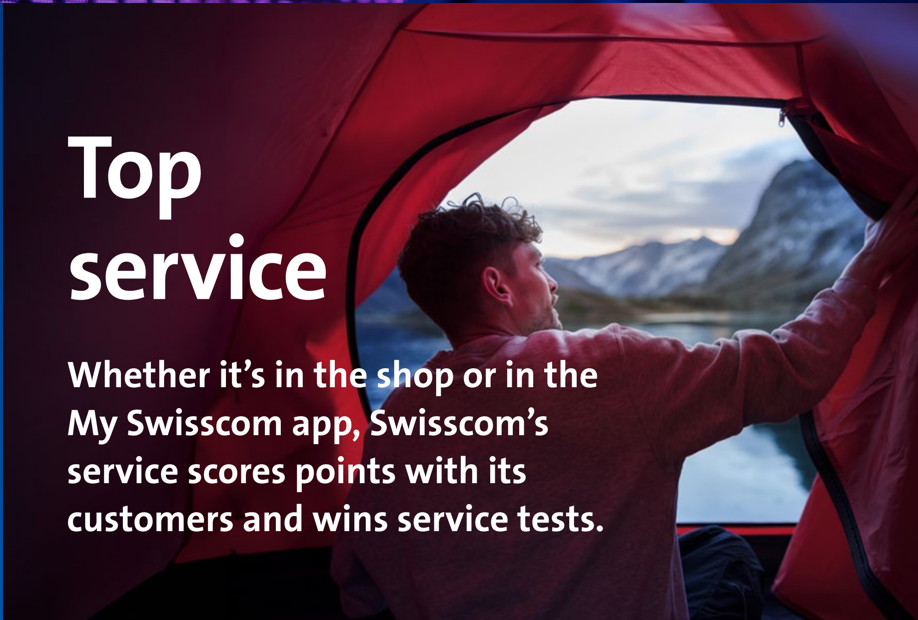
Half the size, more energy-efficient and largely made of recycled plastic: The possibilities of the new Swisscom TV-Box – with additional streaming partners and subscriber packages – are huge.

Customer focus

Thanks to efficient cost management, Swisscom is keeping the prices of blue subscriptions stable.

Acclaimed

World Finance magazine rates Swisscom the world's most sustainable telecoms company for the third time in a row.



Top service

Whether it's in the shop or in the My Swisscom app, Swisscom's service scores points with its customers and wins service tests.

KPIs

In CHF million, except where indicated		2023	2022	Change
Revenue and results [1]				
Revenue		11,072	11,051	0.2%
Operating income before depreciation and amortisation (EBITDA)		4,622	4,406	4.9%
EBITDA as % of revenue	%	41.7	39.9	
EBITDA after lease expense (EBITDAaL)		4,334	4,120	5.2%
Operating income (EBIT)		2,205	2,040	8.1%
Net income		1,711	1,603	6.7%
Earnings per share	CHF	33.03	30.93	6.8%
Balance sheet and cash flows [1]				
Equity		11,622	11,171	4.0%
Equity ratio	%	47.0	45.4	
Capital expenditure		2,292	2,309	–0.7%
Operating free cash flow proxy		2,042	1,811	12.8%
Free cash flow		1,480	1,349	9.7%
Net debt		7,071	7,374	–4.1%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,226	1,322	–7.3%
Broadband access lines retail in Switzerland	in thousand	2,006	2,027	–1.0%
TV access lines in Switzerland	in thousand	1,537	1,571	–2.2%
Mobile access lines in Switzerland	in thousand	6,202	6,173	0.5%
Access lines wholesale Switzerland	in thousand	692	679	1.9%
Broadband access lines retail in Italy	in thousand	2,601	2,683	–3.1%
Broadband access lines wholesale in Italy	in thousand	648	458	41.5%
Mobile access lines in Italy	in thousand	3,509	3,087	13.7%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	–
Market capitalisation		26,212	26,243	–0.1%
Closing price at end of period	CHF	506.00	506.60	–0.1%
Dividend per share	CHF	22.00 [2]	22.00	–
Employees				
Full-time equivalent employees	number	19,729	19,157	3.0%
Average number of full-time equivalent employees	number	19,461	19,046	2.2%

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 to residential customers in Switzerland, such as fixed-line telephony, broadband, TV and mobile communications.

Business Customers
Business Customers offers telecommunications 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.

Revenue

CHF 8.1 billion

EBITDA

CHF 3.7 billion

Fastweb

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

Revenue

EUR 2.6 billion

EBITDA

EUR 0.8 billion

Other Operating Segments

With subsidiaries in the area of network construction and maintenance (cablex Ltd) and broadcast services (Swisscom Broadcast Ltd), Swisscom is supplementing its core business in related areas. Other Operating Segments also include the business with online directories (localsearch), as well as the Trust Services area, which encompasses the business with trust services such as the electronic signature and digital certificates.

Revenue

CHF 1.1 billion

EBITDA

CHF 0.2 billion

From left: Michael Rechsteiner, Chairman of the Board of Directors, Christoph Aeschlimann, CEO Swisscom Ltd.

Trustworthy – sustainable

Dear Shareholders

We are pleased to inform you of Swisscom's positive performance in what was a challenging year. 2023 was marred by uncertainties, such as the volatile macroeconomic environment with rising interest rates and inflation, as well as mounting geopolitical risks. This makes our annual figures all the more encouraging. Swisscom achieved a stable set of financial results in a challenging market. It won over its customers with an attractive offering, first-rate service and excellent network infrastructure. World Finance magazine has rated Swisscom the world's most sustainable telecommunications service provider for the third time in a row.

The foundation for this success is our committed employees, who give their very best day in, day out. We are on track to achieve our Group targets for 2025: market leader in Switzerland, leading challenger in Italy, solid financial results, forward-looking services provided in secure networks, and all of this combined with a strong focus on sustainability.

Number 1 in Switzerland

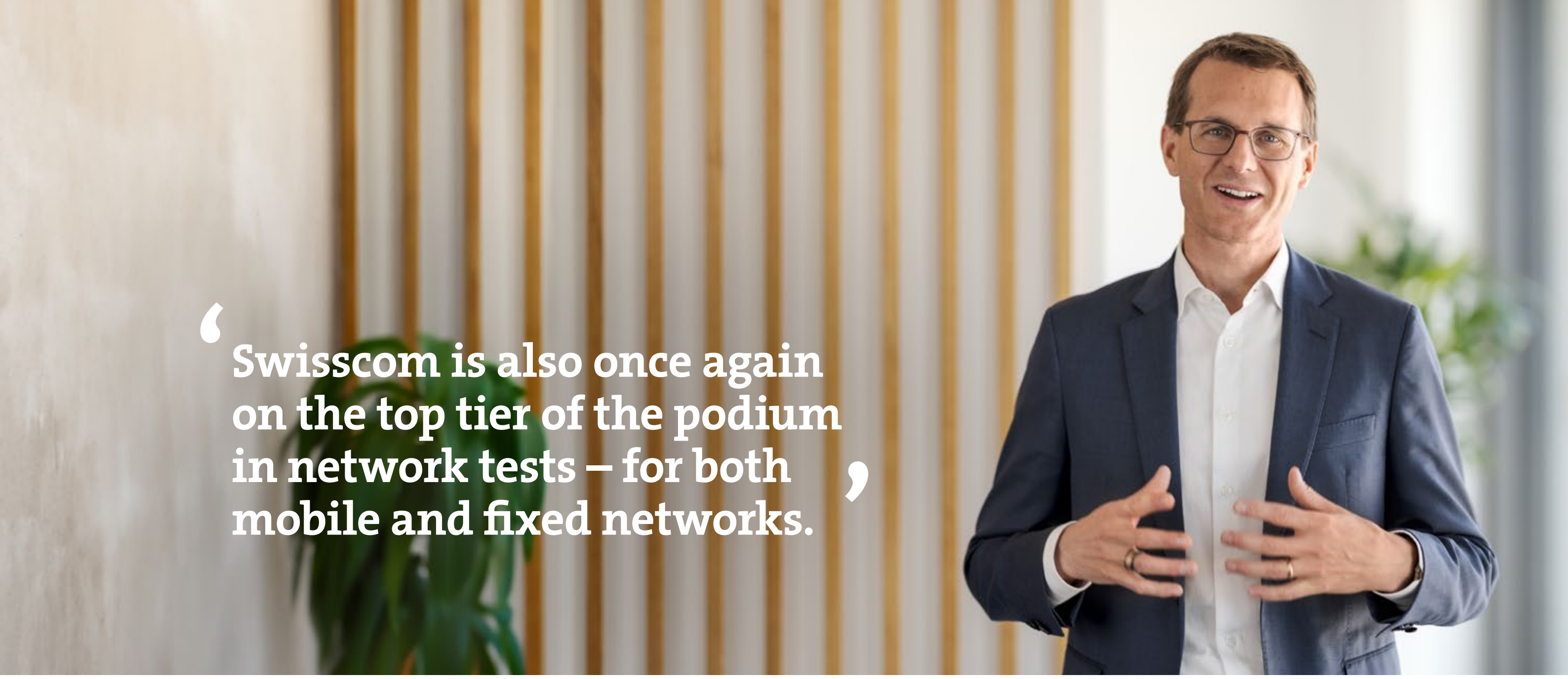
In Switzerland, Swisscom seeks to inspire its customers with the best networks, first-rate service and the most state-of-the-art products and services. This is something we have managed to achieve. Our employees once again delivered convincing performance in Swisscom shops and on our mobile hotline in independent tests. What's more, the My Swisscom App received the best rating of all service apps offered by Swiss telecommunications providers for the third time running. Swisscom is also once again on the top tier of the podium in recognised network tests – for both mobile and fixed networks.

Swisscom also provides security. Despite ongoing inflation, and unlike our peers, we are not implementing any general price increases and will maintain stable prices for mobile communications, internet, TV and fixed network subscriptions until the end of 2024 at the earliest. Our new TV-Box 5 is impressive. It offers attractive new features and is only half the size of, and more energy-efficient than, its predecessor models. Swisscom is also the first provider in Switzerland to offer its customers a subscription package including several streaming providers at a special price. Independent market researchers also name Swisscom as a leading cybersecurity solutions provider. With its new IT security services, Swisscom is offering small and medium-sized enterprises even greater security and reliable protection against cyber risks. The acquisition of Axept Business Software Ltd allowed it to expand its expertise in the area of business software. Swisscom is the first provider in Switzerland to combine the mobile network and Microsoft Teams in a single app in the form of Teams Telephony Mobile. Swisscom has a strong position among its business customers as a full-service provider, and customer satisfaction is high as a result. Consequently, demand for cloud, security, IoT and SAP solutions, and business applications, continued to grow.

The best networks – the expansion work continues

Switzerland receives top marks internationally for its mobile communications and fibre-optic networks. By way of example, it yet again won the renowned fixed and mobile network test organised by the industry magazine *connect*. In the mobile phone test, Swisscom actually achieved the highest score ever awarded by *connect*. As our customers are making increasingly intensive use of our networks, Swisscom is constantly investing in their performance. Expanding the mobile network remains a challenge. The search for new locations is no mean feat, and around 3,000 building applications for mobile communications systems are pending nationwide. In the autumn of 2023, the national government sent out a crucial signal to improve the overall conditions for a rapid 5G network expansion.

Swisscom is working on the expansion of its optical fibre-based infrastructure and is slightly raising its targets: it is aiming to achieve fibre-optic coverage of 57% throughout Switzerland by the end of 2025, and of 75% to 80% by the end of 2030. After 2030, Swisscom plans to complete the fibre-optic network in every municipality. In parallel with the ongoing optical fibre expansion, it is now decommissioning the copper access network wherever high-speed internet is already available.



Fastweb is growing

Fastweb has been building its position as a high-quality provider in Italy for years now. It is now the leading challenger in Europe's fourth-largest broadband market. Fastweb reported growth in customers, revenue and operating income (EBITDA) in 2023. Its revenue came to EUR 2,633 million (+6.1%), with EBITDA up by 2.1% on a like-for-like basis.

Healthy finances create confidence

We handle the funds entrusted to us with respect and care. Healthy finances are the result of prudent management and are essential for our continued success going forward.

Swisscom recorded another solid set of financial results in 2023. With slightly higher revenue of CHF 11,072 million (+0.2%) and higher operating income before depreciation and amortisation (EBITDA) of CHF 4,622 million (+4.9%), it generated net income of CHF 1,711 million (+6.7%). Revenue (+0.9%) and EBITDA (+2.3%) were both up on a like-for-like basis and at constant exchange rates.

In order to secure our long-term profitability, we are promoting collaboration within our company, developing new business activities and continuously working on our efficiency. For example, we once again reduced our cost base in Swiss telecommunications in 2023 – by around CHF 60 million.

Responsibility for the environment and society

Swisscom has set itself ambitious goals for the environment and society. We promote media skills, both for young people within schools and for the population at large. As a pioneer, we also make a key contribution to climate protection, with an emphasis on reducing our CO_2 emissions. We also invest in carefully selected climate protection projects. *World Finance* magazine, for example, once again rated Swisscom the world's most sustainable telecommunications company in the reporting year. The topic of sustainability has been included in the 'Report on non-financial matters' chapter for the very first time, and both Swisscom (for Switzerland) and Fastweb publish a sustainability report.

Most trusted tech innovator

In the reporting year, we firmly established our vision for 2030 within the company: we are aiming to be the most trusted tech innovator in Switzerland and create unique customer experiences. To safeguard our long-term success, we work closely with the pacesetters of the digital transformation, be they universities, start-ups or established technology companies. In 2023, Swisscom supported what are known as deeptech start-ups through its StartUp Challenge programme: young companies that are developing solutions based on highly developed technologies such as robotics, cleantech or fintech. The winners also get the chance to partner with Swisscom. Swisscom has also launched the Swisscom Sign service, which allows contracts to be signed digitally in a legally effective manner. The service is free of charge for private users and is conveniently integrated into the My Swisscom App.

Shareholder return and outlook

Swisscom's share price remained virtually stable during the year under review at CHF 506 (–0.1%). The total shareholder return (TSR) based on the increase in the share price and distributions over the last five years was positive at 33%.

Looking ahead to 2024, Swisscom expects revenue of around CHF 11.0 billion, EBITDA of between CHF 4.5 and 4.6 billion and capital expenditure of around CHF 2.3 billion (around CHF 1.7 billion of which will be in Switzerland). Subject to achieving its targets, Swisscom plans to propose payment of an unchanged dividend of CHF 22 per share for the 2024 financial year at the 2025 Annual General Meeting.

Many thanks

We would like to thank our employees for the passion they show in doing their best for our customers every day. We would also like to thank you, our valued shareholders, for the trust you have placed in us.

We have set ourselves new, ambitious goals and look forward to embarking on a successful new year with you. There is one thing we can assure you of: exactly 25 years after its IPO, Swisscom is in an excellent market position and can face the future with confidence.

Kind regards

Michael Rechsteiner
Chairman of the Board of Directors
Swisscom Ltd

Christoph Aeschlimann
CEO of Swisscom Ltd

Management Commentary

Strategy and environment

Swiss business
Number 1
Swisscom is number 1 in the Swiss telecoms market.

Revenue
CHF 11.1 billion
in revenue was generated by Swisscom in 2023, 77% of which in Switzerland and 23% in Italy.

Business in Italy
Leading challenger
Fastweb is the leading challenger in Italy.

Financial targets and achievement of targets in 2023

	Targets 2023	Achievement of targets in 2023
Financial targets		
Revenue [1]	around CHF 11.1 billion	CHF 11,072 million
Operating income before depreciation and amortisation (EBITDA)	CHF 4.6–4.7 billion	CHF 4,622 million
Capital expenditure	around CHF 2.3 billion	CHF 2,292 million

1 As already communicated during the course of 2023, the financial 2023 financial targets have been adjusted as follows as a result of the strong Swiss franc and lower hardware sales: revenue from CHF 11.1–11.2 billion to around CHF 11.1 billion.

Market environment

	Unit	2021	2022	2023
Change GDP Switzerland	in %	3.5	2.0	1.3 [1]
Change GDP Italy	in %	6.3	3.9	0.7 [2]
Inflation rate Switzerland	in %	1.5	2.8	2.1
Inflation rate Italy	in %	3.9	11.6	0.6
Yield on government bonds (10 years)	in %	(0.13)	1.57	0.66
Closing rate CHF/EUR	in CHF	1.03	0.99	0.93
Closing rate CHF/USD	in CHF	0.91	0.92	0.84

1 Forecast SECO.

2 Forecast Istat.

Economy
Economic development in Switzerland slowed in the reporting year, and the outlook is characterised by considerable uncertainty caused in part by the geopolitical situation and monetary policy aimed at curbing inflation. The rate of inflation, as measured by the national consumer price index, has dipped slightly due to the appreciation of the Swiss franc.

Interest rates
The interest rate level has an impact on funding costs and, in the context of the consolidated financial statements, the balance sheet value of individual items such as non-current provisions and pension liabilities, as well as the impairment assessment of goodwill. Swisscom's average interest expense (excluding leasing) amounts to 1.1% at the end of 2023. Swisscom's financing structure offers considerable protection

against further interest rate increases thanks to a 82% share of fixed-interest financial debt.

Exchange rates
Currency effects impact the consolidated financial statements both through transactions made in foreign currencies and the translation of the annual financial statements of foreign subsidiaries. Transaction risks mainly relate to the purchase of terminals, technical equipment, licences and services. In the Swiss core business, the amount of money paid out in foreign currencies is higher than the income in the corresponding currencies. The largest net transaction risk is in the US dollar (USD). The transaction risks are partly hedged by foreign currency forward contracts, and hedge accounting is applied in the consolidated financial statements. Among the foreign subsidiaries, a currency translation risk primarily exists at Fastweb, whose net assets amounted to EUR 3.4 billion at the end of 2023. Currency translation differences of the balance sheet are recognised directly in equity. A portion of the financial liabilities in EUR serves as a currency hedge of Fastweb's net assets for IFRS accounting purposes.

Legal environment

Swisscom's legal framework
Swisscom is a public limited company with special status under Swiss law. In addition to company law, corporate governance is primarily governed by the Telecommunications Enterprise Act (TEA). As a listed company, Swisscom is also subject to capital market law. The legal framework for Swisscom's business activities is formed by the decrees listed below.

According to the TEA, the Swiss Confederation must hold a majority of the capital and voting rights in Swisscom.

Telecommunications Enterprise Act (TEA) and relationship with the Swiss Confederation
The Telecommunications Enterprise Act 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 for the years 2022 to 2025 includes strategic, financial and human resources 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 while also attaching special importance to the reduction of greenhouse gas emissions.

See www.swisscom.ch/ziele_2022-2025

Telecommunications Act (TCA)
The Telecommunications Act and the associated ordinances primarily regulate network access, international roaming, the open internet, basic service provision, the use of radio frequencies, and the security of installations and operations.

See www.admin.ch

Network access
Cost-based and non-discriminatory network access regulation is limited to fixed network telephony and copper-based connections with the associated services. Access to fibre-optic lines is granted on the basis of commercial agreements.

Basic service provision
Basic service provision means ensuring that fixed network telephony and broadband internet are available throughout Switzerland. The minimum data transfer rates for broadband internet access are 10 Mbit/s for downloads and 1 Mbit/s for uploads. From 2024 onwards, basic service provision will include a new data transfer rate of 80 Mbit/s for downloads. Swisscom has been responsible for basic service provision for many years. In the reporting year, the Federal Communications Commission (ComCom) once again awarded Swisscom the universal service licence for the period from 2024 to 2031. Swisscom is committed to ensuring reliable basic service provision within Switzerland and has done so since 1999 without receiving any compensation from the public sector.

Swisscom pursues an open internet policy.

Open internet
Swisscom pursues an open internet policy. It is convinced of its customers' desire to freely choose content and offerings on the internet. Within the scope of its network management activities, it provides all web content and services in the same high quality wherever possible. The blocking or removal of web content and services occurs solely in compliance with official orders or to ensure network security. Swisscom does not have any zero-rated

offers that exclude access to selected web services from the data volume.

Non-ionising radiation (NIR)

The Ordinance on Non-Ionising Radiation (ONIR) regulates exposure and thus the transmission power of mobile antennas. Swiss precautionary values as defined by the Environmental Protection Act (installation limit value) are much stricter than the exposure limit values recommended by the WHO. Additional antennas are required to cope with increasing volumes of data transmitted over the network and to guarantee the reliability of mobile connections. In September 2023, Parliament submitted a motion to the Federal Council calling for the rapid expansion of the 5G network within the existing limits. Implementation of this motion would allow outdated regulations for calculating transmission power to be adapted to reflect developments and findings over the last 20 years and building permit procedures to be simplified. Around 3,000 applications for building permits for mobile communications systems are currently still pending with the relevant authorities.

Federal Cartel Act (CartA)

Competition law (Federal Cartel Act) is highly relevant, primarily due to Swisscom's prominent market position. It allows for direct sanctions to be imposed for unlawful conduct by market-dominant companies. Swisscom has established compliance measures and corresponding processes to prevent violations of the law. With regard to its compliance-related measures, Swisscom pursues a zero-tolerance strategy. 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 as well as the broadband connections of both business customers and directory services. The status of the respective proceedings as well as the potential financial effects are set out in the notes to the consolidated financial statements.

See report **pages 169–170**

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 consideration. 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 the distribution of television programmes and to the use of time-delayed television viewing (Replay TV).

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. A revised version of the Act came into force on 1 September 2023. As part of a project, Swisscom has intensively analysed the new provisions and taken the necessary measures to comply with the revised Federal Act on Data Protection.

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

The General Data Protection Regulation regulates the processing of personal data. 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. To the extent that the GDPR affects Swisscom's activities, Swisscom has implemented measures to comply with the relevant requirements.

Legal and regulatory environment in Italy

Fastweb's business activities are governed by Italian and EU telecommunications legislation. The Italian regulatory authority AGCOM generally sets the prices for Telecom Italia's (TIM) wholesale access on the basis of a market analysis. A new market analysis was planned for 2022. Due to the uncertainty surrounding the project on the merger of the TIM/FiberCop and Open Fiber fixed networks ('rete unica'), AGCOM set the prices for 2022 and 2023 without carrying out a market analysis. The prices for the period from 2024 to 2028 are set to be published in the first quarter of 2024.

The new EU Foreign Subsidies Regulation (FSR) entered into force at the beginning of 2023. The FSR may have an impact on Swiss companies that generate revenue in the EU, carry out M&A transactions or participate in public tenders. The FSR introduces new reporting obligations and grants the European Commission investigative powers with regard to subsidies granted by non-EU countries.

Market for telecommunications and IT

Swiss market trends

The Swiss telecoms market is characterised by a wide range of products and services for data and voice communications. In addition to the established regional and national telecoms companies, internationally active companies are also participating in the Swiss telecoms market. These companies provide internet-based free and paid services worldwide, including telephony, messaging, TV and streaming.

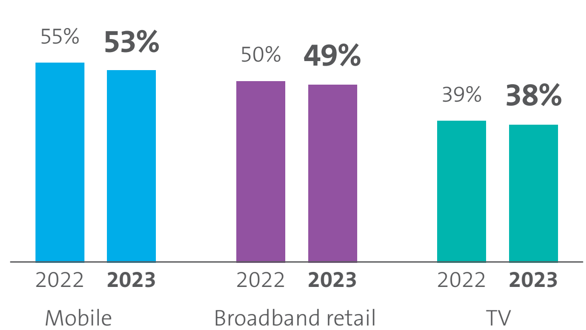
Overall, demand for high bandwidths that enable fast, quality access to data and applications is growing constantly. The uninterrupted availability of data and services as well as the security involved in ensuring this availability are pivotal, with a modern, highly effective network infrastructure providing the foundation. Swisscom continuously invests in the quality, coverage and performance of its network infrastructure, thereby consolidating its position at the cutting edge of technology. In the year under review, the Swisscom mobile and fixed networks were once again the winners in independent network tests.

The Swiss telecoms market is broken down into the mobile communications and fixed network submarkets. It generates total revenue estimated at CHF 11 billion. Competition on this market remains intense. Saturation in all markets is intensifying the cut-throat competition. The individual submarkets are characterised by a high level of promotional activity on the part of the individual market participants. 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 network telephony. Swisscom – as well as some competitors – offers products and services from the core business using secondary and third-party brands.

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 number of mobile lines (SIM cards) in Switzerland has increased by around 2% within the year and stands at around 12 million. Mobile access line penetration is estimated at around 130%. As in the previous year, the number of postpaid subscriptions increased, while the number of prepaid customers fell. The proportion of mobile users with postpaid subscriptions stands at 85% (prior year: 83%). Swisscom's postpaid market share is 53%. This represents a decrease of two percentage points compared to the previous year, which is due to the continuing competitive pressure.

Market share Swisscom
Swiss telecommunications market



Fixed-line market

Close to 100% of Switzerland is covered by fixed broadband networks. In addition to the fixed 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. Broadband connections lay the basis for a comprehensive product offering from both national and global competitors. The broadband market grew by around 1% year over year. There were around 4 million retail broadband access lines in Switzerland at the end of 2023. Swisscom's market share decreased by one percentage point to 49% due to the ongoing intense competition.

In Switzerland, TV signals are transmitted via cable, broadband, satellite and mobile. The Swiss TV market is characterised by a diverse range of offerings provided by established national market participants. Offerings from other national and international companies are also available, including TV and streaming services that can be used over an existing broadband or mobile connection, regardless of the internet provider. Competitive dynamics remain high, driven by the large number of different offerings.

IT services market in Switzerland

In 2023, the IT services market (IT services and software) generated revenue of just under CHF 21 billion. This represented a continuation of the market's prior-year growth trend, albeit on a less steep trajectory. For the coming years, Swisscom assumes that the market will continue to exhibit moderate growth due to increasing digitalisation. The areas in which Swisscom expects the most growth are the cloud, security, the Internet of Things (IoT) and business applications, while business with legacy systems is set to decline. This growth is a result of the increasing number of business-driven ICT projects as well as the demand for digital business models and new working models. Swisscom has noticed companies' growing willingness to procure external services in order to cope with a high level of complexity as well as the transformation into a hybrid cloud in an environment characterised by limited availability of qualified specialists. Further growth drivers are the increasing threats in the area of IT security as well as system solutions in the area of IoT. Here, customers generally expect services customised to their individual sector and business processes with appropriate advice. Swisscom has maintained its market position in a fiercely competitive, changing market environment. This was mainly due to positive trends in the growth areas of security, cloud and business applications. Market revenues at Swisscom increased in each of those areas, although certain revenues shifted to the big global cloud providers (hyperscalers). The acquisition of Axept Business Software Ltd in the year under review (integration and operations partner of the Swiss SME ERP software Abacus) provided a further boost to Swisscom's market position.

Italian market trends

Italian broadband market

Generating estimated revenue of around EUR 15 billion including wholesale, the Italian broadband market is the fourth-largest in Europe. The market for fixed broadband has shrunk slightly in recent years. Growth was only witnessed in the area of mobile broadband connections (fixed wireless access, FWA). The fixed broadband market comprises more than 17 million connections distributed between four major competitors and other smaller providers. Around 66% of Italian homes and businesses are covered by fixed broadband services, putting market penetration below the European average of 75%. This is due in part to a lower level of digital literacy and less developed online services and applications. In addition, customers in Italy are increasingly using mobile internet for large volumes of data due to the low prices and at times better performance compared with the fixed network. Fastweb is one of the biggest providers of fixed broadband connections thanks to a market share of around 16% in the residential customer segment and 35% in the business customer segment.

Italian mobile communications market

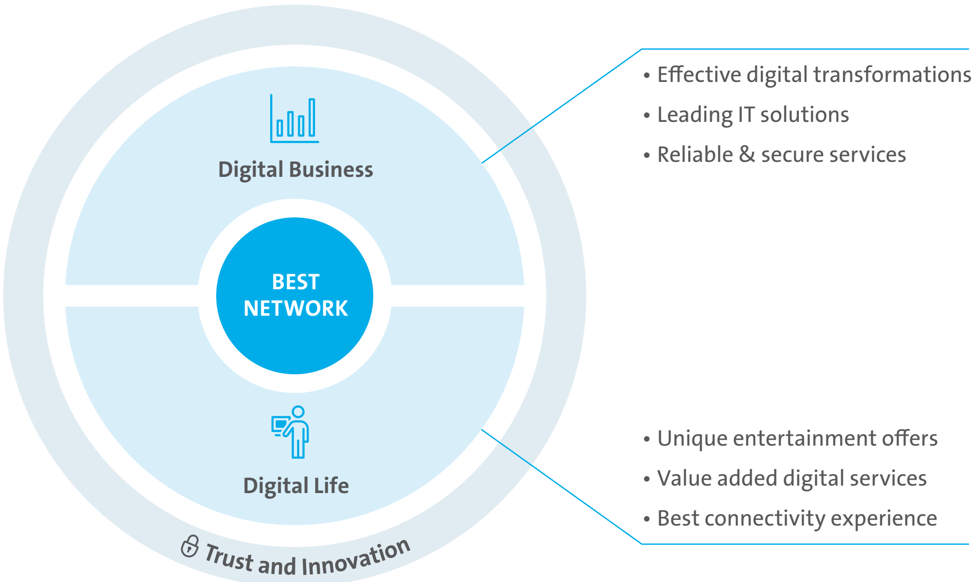
With a volume of over 78 million active SIM cards, a market penetration rate corresponding to around 133% of the population and total revenue estimated at EUR 12 billion, the Italian mobile telephony market is one of the most competitive in Europe. There is fierce price competition that has intensified further following the market entry of Iliad and the launch of secondary brands by mobile network operators. Fastweb's mobile customer base grew by around 14% year-on-year to more than 3.5 million customers. Fastweb's market share among residential and business customers increased to 5%.

Group goals and strategy

General conditions

Swisscom operates in a dynamic environment. Recent years have seen greater changes in the geopolitical and economic environment than in the past. Causes include the supply chain bottlenecks, rising inflation and heightened geopolitical risks due to tense trade relations between the US and China, the war in Ukraine and the conflict in the Middle East. Swisscom constantly monitors global developments in order to identify and act on relevant trends in good time.

The Swisscom Group Customer Proposition



The digital transformation is making inroads into more and more areas of our lives, leading to lasting changes in customer behaviour. Swisscom offers its customers the best possible support across the board thanks to a wide range of products and services and its fast, reliable and sustainable network. This applies to both residential customers in their 'digital life' and business customers in their 'digital business'.

Customers' expectations regarding customer-oriented offerings, high-performance and stable networks, a seamless and personalised customer experience and transparent sustainability efforts will continue to rise. Business customers are increasingly driving the digital transformation (business-oriented IT initiatives). Security and compliance are also becoming more and more important as critical business enablers for business customers. Hybrid ICT environments are increasingly becoming the standard, and globally standardised technologies with delivery as a service (DaaS) models are becoming ever more dominant in the IT market.

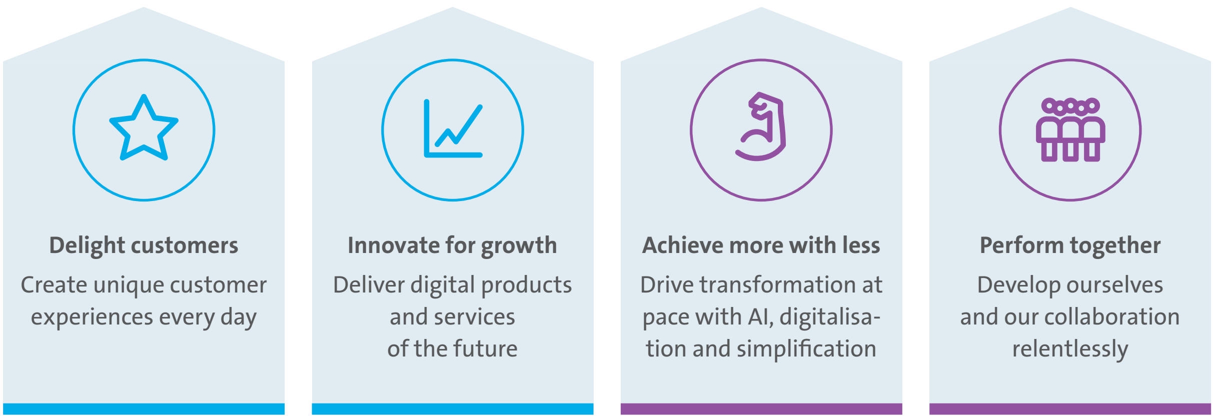
Long-term megatrends, demographic change and new forms of work are fundamentally changing society and the economy, and influencing Swisscom's activities. Technological advances at the company are also driving constant change. For example, Swisscom is using the latest technologies to expand its network. Progress in the field of artificial intelligence offers attractive opportunities for optimising customer service. Other technologies such as quantum computing will only unleash their full potential in the future.

Swisscom's core business is characterised by competition with strong price pressure. The overall market for connectivity services in Switzerland is continuing to decline slightly, while market revenues in Italy are stabilising. The market for IT services in Switzerland continues to grow moderately.

Group goals and strategy

To ensure that Swisscom continues to develop successfully in a challenging market environment and opens up the opportunities of the digital transformation to its customers, it continues to pursue the purpose of 'Empowering the Digital Future' and the vision of 'Innovators of Trust. The most trusted Swiss tech innovator creating unique customer experiences with positive impact for society'. Because innovation and trust are core values of Swisscom and central to successful technological and social development. Swisscom is already addressing relevant, promising future topics and has set the following Group strategy and the following Group goals.

The Swisscom Group Strategy



Group goals

In the reporting year, Swisscom redefined some of its strategic Group goals that it intends to pursue in the coming years.

As Swisscom is characterised by enormous stability, it lives up to its goal of having 'rock-solid financials'. Safeguarding profitability and cash flow is essential to its ability to continue distributing an attractive dividend. As a leading digital company, Swisscom launches progressive products and services that are based on resilient, secure networks and that meet the goal of being 'outstanding in innovation & reliability'. It develops growth areas in its Digital Business division, such as trust services, in a targeted manner. As a 'trusted leader in digital life & business', Swisscom wants to consolidate its position as market leader in Switzerland and create growth in the area of IT services and in Italy as a 'leading challenger'. As a 'pioneer in sustainability', Swisscom continues to pursue ambitious goals with regard to its responsibility towards the environment and society. Swisscom's main priorities are to reduce or avoid CO_2 emissions, to fulfil its responsibility as a corporate citizen with outstanding governance and compliance and to work towards a digital society in which everyone in Switzerland can participate. Through its goal of 'high-performing teams', Swisscom intends to focus more strongly on the further development of its corporate culture and the challenges posed by the shortage of skilled labour. It wants employees to consciously develop and experience a positive, motivating corporate culture. An inspiring management culture is key to this. Swisscom wants employees to perceive it as a 'great place to work' and an attractive employer.

Group strategy

In the reporting year, Swisscom adjusted its Group strategy in parallel with the Group goals. The strategy is based on four pillars. Through 'Delight customers', Swisscom aims to inspire its customers with unique experiences every day. Through new, digital products and services, it wants to help its customers take advantage of the full potential of the digital transformation via 'Innovate for growth'. Through targeted digitalisation, the use of artificial intelligence and the simplification of processes, Swisscom aims to optimise and automate its operations in order to 'Achieve more with less'. Swisscom is aware that its success depends to a large extent on its employees and on creating the best conditions for collaboration. Under 'Perform together', Swisscom therefore attaches particular importance to the continuous development and optimal cooperation of its employees and focuses on topics such as performance culture, further training and diversity.

Infrastructure

Capital expenditure

CHF 2.3 billion

was invested by Swisscom in 2023, CHF 1.7 billion of which in Switzerland and CHF 0.6 billion in Italy.

Optical fibre expansion

57%

of homes and businesses in Switzerland are to be connected directly with Fibre to the Home (FTTH) by the end of 2025.

Fastweb

2.3 million

customers are covered by Fastweb's ultra-fast broadband in Italy – and the company aims to cover 39% of homes and businesses by 2024.

Infrastructure in Switzerland

Network infrastructure

Swisscom aims to provide its customers with the best network and the latest innovations for both the fixed and mobile networks. To do this, it relies on a smart combination of different network technologies.

Leading international position thanks to continuous expansion

International studies regularly confirm that Switzerland boasts one of the best IT and telecoms infrastructures worldwide. Rural regions benefit in particular from the high level of capital expenditure. According to the Broadband Coverage in Europe 2021 study by Omdia/IHS Markit – commissioned by the EU Commission and Glasfasernetz Schweiz – the availability of broadband with at least 30 Mbit/s in rural regions of Switzerland is 96.4%, well above the EU average of 69.8%.

The Broadband Network Test Switzerland 2023, conducted by the trade magazine connect, awarded first place with the distinction 'outstanding' to Swisscom's fixed network, with the company winning in the nationwide provider category. Similarly, Swisscom's mobile network is one of the best networks in the world, as confirmed by independent network tests such as those conducted by the trade magazines connect and CHIP.

Network expansion

Since the demand for broadband keeps growing on both the Swiss fixed and mobile networks, Swisscom invests some CHF 1.7 billion every year to maintain and expand its IT and network infrastructure.

Broadband coverage[1]

Coverage >80 Mbit/s	**92%**
Coverage >200 Mbit/s	**83%**
Coverage with 10 Gbit/s	**46%**

1 Built access lines.

Swisscom will increase fibre-optic coverage (FTTH) to around 57% by the end of 2025, and to 75 to 80% by 2030. The fibre-optic network should be completed in all municipalities after 2030. At the same time, Swisscom is continuously modernising its existing network and combining the performance of the fixed network in selected regions with that of the mobile phone network. The ongoing fibre-optic expansion will also allow Swisscom to gradually decommission the copper network in the coming years wherever fibre optic is available. In the long term, the copper network is to be decommissioned completely. Apart from a reduction in complexity in the area of IT and networks, the elimination of the copper network will lead to energy savings of around 95% in the regional access network (compared to requirements in 2023).

Swisscom is continually increasing its number of antenna sites. For this, it coordinates site expansions with other mobile providers wherever feasible, and now shares nearly a quarter of its approximately 10,200 antenna sites with them. At the end of 2023, Swisscom had around 6,800 exterior units and 3,800 mobile communication antennas in buildings. With around 6,500 hotspots in Switzerland, it is also the country's leading provider of public wireless local area networks (WLAN).

The 5G and 5G+ mobile communication standards not only enable new functions, but also bring a much-needed reduction in the load on the network, increase capacity and maintain the accustomed quality of the mobile 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 5G and 5G+. Swisscom announced in 2022 that it would be decommissioning its 3G technology, now more than 20 years old, at the end of 2025 in order to use the freed-up capacity for modern and efficient technologies.

See **www.swisscom.ch/networkcoverage**

Swisscom currently covers 99% of the Swiss population with a basic version of 5G and around 81% with 5G+. According to the industry association asut, 5.5 million 5G-enabled devices were already in operation in Switzerland by the end of 2023. The 5G expansion will gradually provide the additional capacity that residential and business customers need. Progress on this is slow due to concerns and resistance among the population – even despite the fact that a study commissioned by the FOEN indicates that 5G radiation only has a moderate impact on the population as a whole and is not harmful to people's health. In order to improve the level of information within the population, Swisscom provides information on its channels and supports the joint information platform Chance5G established by the industry association asut.

See **www.chance5g.ch**

The Internet of Things (IoT)

The concept of IoT is now considered to be the most significant initiator for innovative approaches and the digital transformation. Thanks to strong partnerships, Swisscom is already the leading provider of IoT system solutions required for cloud and analytics implementations and their operation. 'Data as a Service (DaaS)' rounds off Swisscom's portfolio and, thanks to plug and play, makes it even easier for customers to enter the IoT.

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 (WHO) in sensitive areas such as homes, schools, hospitals and permanent workplaces.

IT infrastructure and platforms

Swisscom operates six data centres in Switzerland. Its IT infrastructure comprises over 80,000 virtual machines and around 6,000 servers. The central telecoms functions for the operation of the fixed and mobile networks converge in four of the six data centres. Swisscom largely relies on virtualisation and containerisation of network functions to enable efficient and resilient operations.

Likewise, Swisscom use four data centres (two of the six data centres have a dual function) for running IT applications. These include all business applications in connection with Swisscom services for residential and business customers. The entire 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. Based on an established quality and security culture, including the associated governance processes, Swisscom takes every possible precaution to reduce the likelihood that major disruptions will occur.

The Swisscom Clouds form a key basis for the operation of numerous customer applications as well as the company's own applications. Swisscom follows the latest technical trends and is constantly developing its state-of-the-art solutions such as Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Container as a Service (CaaS). As part of its cloud strategy, Swisscom also makes use of public cloud services, relying on close partnerships with Amazon Web Services (AWS) or Microsoft Azure. In addition to its extensive multi-cloud service offering for business customers, Swisscom wants to increasingly make use of AWS services to operate its internal applications over the next few years.

As well as IT applications, Swisscom uses its cloud platforms to provide communication services. These include an ever broader connectivity offering featuring advanced services such as Software Defined Wide Area Network (SD-WAN), Managed Security and Managed LAN. Swisscom is also focussing increasingly on state-of-the-art approaches such as Secure Access Service Edge (SASE) and Zero Trust Network Access (ZTNA). The

Trusted leader in digital life and business

As the number 1 telecommunications provider in Switzerland, Swisscom sets the bar high with the best network and the best customer experience. Much like its subsidiary Fastweb in Italy, which is making a significant contribution to Swisscom’s growth and is constantly expanding its ultra-fast broadband network.

constant state of change on the market backs up its efforts to use the latest technologies both internally and externally for the benefit of its customers. Instead of developing its own infrastructure, Swisscom is making use of the standardised systems created by its partners. The focus on the development of market-specific, value-adding services based on established infrastructure has proven sound.

Swisscom is ready for the future thanks to its cost-efficient, automated and stable IT infrastructure. It gives its customers the best possible support as they make their way into the digital world, with state-of-the-art services, extensive knowledge and long-standing experience.

Infrastructure in Italy

Network infrastructure

Fastweb has captured a leading position in Italy by continuously investing in its own network and in FiberCop, in which it holds a 4.5% stake. At the end of 2023, 90% of Fastweb customers had a connection with a performance of over 100 Mbit/s. 10.6 million homes and businesses were connected to Fastweb's ultra-fast broadband network via FTTx (Fibre to the Home/Street) technologies by the end of 2023. In addition, the 5G mobile network set up in collaboration with WindTre achieved coverage of 72% of the Italian population.

In the coming years, Fastweb is aiming to make further investments in fixed and mobile network infrastructure in order to achieve ultra-fast broadband coverage of 90% of homes and businesses by 2026 and exploit the advantages of FTTx and 5G mobile communications.

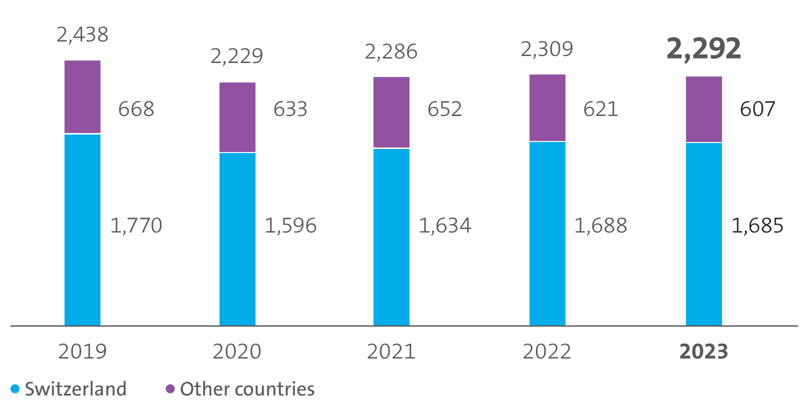
IT infrastructure

Fastweb is positioning itself as a digital partner for large corporations, and offers a vast range of connectivity and infrastructure services (cloud, cybersecurity and customised 5G mobile communications solutions). It currently uses five large data centres. Two data centres operate based on a model in which Fastweb assumes responsibility for end-to-end governance of the data space and ICT services. Two other data centres are mainly used for the business customer segment, including for colocation and server housing, cloud services and other ICT-managed services. The fifth data centre is dedicated to the operation of internal IT systems and processes.

In light of the growth of the ICT market for cloud-based solutions and the business opportunities in the cloud edge area, Fastweb is planning to further expand its centralised and local computing capacities, primarily through the use of additional white space and proprietary solutions. Fastweb is aiming to develop progressive services such as edge computing with around 40 nodes by 2025, in order to supply the whole of Italy via an extensive network of mini data centres.

Capital expenditure

In CHF million



Employees

Employees	Part-time	Women
19,729	**21%**	**23%**
employees (FTEs) work at Swisscom, 16,050 of which in Switzerland (81%) and 3,157 in Italy (16%).	of employees have part-time workloads at Swisscom.	of the company's workforce is comprised of women; the figure for management is 14%.

Employees in Switzerland

The digital transformation presents numerous opportunities as well as great challenges for employees and companies. As a result, Swisscom helps employees develop their skills and provides them with five training and development days a year. Swisscom offers a wide range of mostly digitised learning content via its training and development platform, which employees use to increase their employability regardless of time and location. In 2023, Swisscom employees spent an average of 4.2 days per person on learning, training and development.

Overview employees

Employees (FTEs)	**16,050**
Subordination to CEA	**79%**
Permanent work contracts	**99%**
Part-time employees	**21%**
Fluctuation rate	**7%**

Swisscom staff are employed under private law on the basis of the Code of Obligations. The terms and conditions of employment exceed the minimum standard defined by the Code of Obligations. Swisscom management employees in Switzerland are subject to general terms and conditions of employment for managers, while the other employees are subject to Swisscom's Collective Employment Agreement (CEA).

See www.swisscom.ch/sir2023

Swisscom plays a pioneering role in flexible and hybrid working throughout Switzerland and is expanding the availability of this type of working model. Employees appreciate this flexibility, whether through not having to commute to work or through having a better work-life balance, just as much as they enjoy regular face-to-face meetings in the office – in part to cultivate informal exchanges of information.

Collective Employment Agreement (CEA)

Swisscom is committed to fostering constructive dialogue with its social partners – syndicom and transfair – as well as the employee associations that are granted rights of co-determination of varying degrees. The Collective Employment Agreement (CEA) and the social plan are negotiated by Swisscom Ltd and its social partners and applicable to Swisscom Ltd's employees. Group companies, such as Swisscom (Switzerland) Ltd, adopt the CEA by means of an affiliation agreement, possibly with business or sector-specific adjustments. In 2023, a new CEA was negotiated (effective from 1 January 2024) to further improve working conditions. 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.

Social plan

The objective of the social plan is to formulate socially acceptable restructuring measures and avoid job cuts. Responsibility for implementing the social plan lies with subsidiary firm Worklink AG. The services it offers include skill assessments, retraining measures, career advice and coaching as well as placement in temporary external and internal work assignments. In 2023, 86% of those affected by personnel reduction measures had found a new job before the social plan programme ended (prior year: 88%). 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

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 is measured by the achievement of overriding objectives such as financial parameters as well as business transformation topics 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.

With effect from April 2023, Swisscom and its social partners agreed to increase salaries for employees subject to the CEA by 2.6% of the total payroll. Some of the salary increases were general in nature and some were individual, taking the situation in the salary band into account. 2.6% of the total payroll was also available for individual salary adjustments at the management level.

Equal pay

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. 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.

Internal staff development and external job market

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. It is Swisscom's declared goal to fill as many positions as possible internally. Where this is not possible, external recruitment is used. To recruit the best talent, Swisscom has to compete with national and international companies – especially in the IT professions. Swisscom operates DevOps Centres with 502 employees (FTEs) in both Riga and Rotterdam. It does this primarily to provide access to international talent outside the Swiss labour market, if needed.

Apprenticeships and internships

Swisscom trains 856 apprentices in a variety of professions in Switzerland; with more than 535 ICT apprentices, it is the largest provider of ICT apprenticeships in Switzerland. In the year under review, it introduced the new 'Digital Business Developer with Swiss Federal Certificate of Competence (EFZ)' occupational profile and launched the 'Putting people before paper' pilot project in German-speaking Switzerland. Under this project, school reports are only consulted in the final stage of the apprenticeship application process.

Furthermore, Swisscom launched the 'Learnvolution' project with the Baden Vocational School to make the training concept of vocational schools more flexible. The project, which received the ICT Education & Training Award at ICT Award Night in 2022, enables graduates of technical colleges and universities to gain their first practical experience at Swisscom as part of a step-in internship or as a trainee.

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. Employees' results and the comments are made available to all employees in real time. 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. The response rate to the Pulse survey was 76% in 2023 (previous year: 71%). More than 90% of the employees participating in the survey said they recommend Swisscom as an employer.

More than 90% of the employees recommend Swisscom as an employer.

Diversity

Swisscom takes its social responsibility seriously and is committed to strengthening equality and equal treatment for all employees. It is convinced that the diversity of its workforce is what makes Swisscom a successful and innovative company. Relationships based on trust and respect, where employees meet each other on an equal footing, are crucial factors in this. Further information on diversity can be found in the report on non-financial matters.

See report pages 70–71

Outstanding in terms of innovation and reliability

Swisscom invests heavily in new technologies to consistently offer all of its customers the best in the networked world.

Employees in Italy

The working conditions that apply in Italy are based on the national collective employment agreement for the telecoms sector (CCNL). This agreement sets out the provisions governing working conditions for employees, such as weekly working hours, annual leave entitlement, and maternity and paternity leave. The collective employment agreement also contains provisions governing the relationship between Fastweb and trade unions. Fastweb maintains dialogue with trade unions and employee representatives and involves them in major operational changes at an early stage.

General terms of employment

Weekly working time in hours	**40**
Weeks of holiday entitlement	**5**
Weeks of maternity leave	**20**

The terms and conditions of employment enable employees to strike a healthy balance between their work demands and personal life. In 2020, Fastweb introduced an agreement on a new working concept (Smart Working). This agreement offers all employees of the company, including customer advisors, full flexibility and autonomy when it comes to choosing a working model. It gives Fastweb employees the option of using the smart working model on all working days or deciding on a day-to-day basis, in consultation with their manager, whether they want to work in the office or from home.

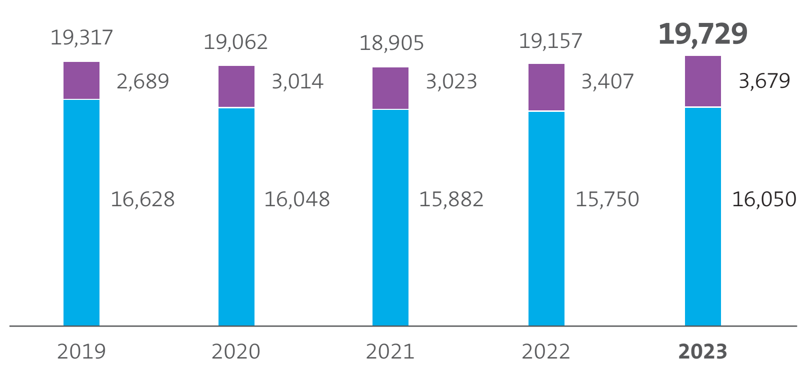
Fastweb offers competitive salaries to attract highly qualified specialists and managerial staff and ensure they remain with the company. Its salary system comprises a basic salary, a collective variable profit-sharing component for non-managerial staff and a variable performance component for managerial staff that is contingent on meeting individual and company goals. The basic salary is determined based on function, individual performance and the situation on the job market. The variable profit-sharing bonus is based on the model agreed with the unions. Fastweb complies with the legal minimum salary.

Fastweb is always interested in attracting new talent. With this goal in mind, the company offers young people the opportunity to complete internships at the company throughout the year and takes part in a programme to introduce school pupils to the working world through internships. Fastweb also participates in career conferences and recruitment events organised by universities and educational institutions in order to meet young candidates.

Fastweb strives to create a safe workplace where employees are proud to express their individuality and value diversity within the organisation. As a result, it views individual differences between employees as something that enriches the company. For Fastweb, inclusion is not only an ethical concern but should also serve as a driving force for the performance of the company as a whole. Further information on diversity can be found in the report on non-financial matters.

See report **pages 70–71**

Development of headcount
In full-time equivalents



Brands, products and services

Swisscom brand

CHF 6 billion

is the value of the Swisscom brand.

Swisscom blue

2.1 million

customers use blue subscriptions.

Fastweb

35%

is Fastweb's market share among business customers.

Swisscom brands

The Swisscom brand is managed strategically as an intangible asset and important element of the Group's reputation management.

In Switzerland, Swisscom offers products and services from its core business under the main Swisscom brand, as well as under the Wingo secondary brand 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.

Purpose, vision, values and the Swisscom promise determine the positioning of the Swisscom brand. Swisscom revamped its positioning in the year under review. Its new vision is: 'Innovators of Trust: The most trusted Swiss tech innovator creating unique customer experiences with positive impact for society'. In addition, the scopes of validity of the individual elements of the company's positioning are now even more transparent: the purpose, vision and values apply to all companies in the Group. Swisscom also expects all employees to demonstrate trustworthiness, commitment and curiosity in everything they do. Individual promises serve to differentiate the individual brands and make them relevant to specific customers. No changes have been made to the Swisscom brand. As it has done up to now, Swisscom is preparing its customers so they can make even easier use of the opportunities presented by the networked future. The 'ready' brand platform expresses this positioning to the outside world, which has a positive effect on the brand perception.

Main brand

Product family

Secondary brand and tertiary brands

Other brands (excerpt)

Swisscom brand portfolio

In terms of employer branding, Swisscom relies on its employees as ambassadors, primarily via platforms such as LinkedIn. The My Intranet App – MIA has established itself as an important tool in internal communications. It brings topics from the intranet to the mobile phones of all employees.

Trustworthiness, service and network quality 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 emphasise the importance of Swisscom for Switzerland.

Swisscom is part of a modern Switzerland, always remains recognisable as a Swiss company and positions itself clearly and credibly through its stance on responsibility. The targeted sustainability campaigns have had an impact and strengthened the brand overall. This is one reason why the reputation values achieved by Swisscom are exceptionally high for a company in the telecoms sector by global standards.

According to the Telecoms 150 2023 report, Swisscom is the strongest telecoms brand worldwide.

The Brand Finance Switzerland 50 2023 study rated Swisscom as the strongest brand in Switzerland in the year under review – ahead of Lindt and Rolex. According to the Telecoms 150 2023 study, Swisscom is also the only telecoms brand in the world with an AAA+ rating. It increased its brand value by 8.2% to CHF 6.0 billion (previous year CHF 5.6 billion), making it one of the ten most valuable Swiss brands.

Products and services in Switzerland

Residential Customers

Swisscom offers residential customers internet, TV, telephony and mobile communications under its main Swisscom blue brand. 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 network telephony services. Coop Mobile is exclusively a mobile subscription.

Although Swisscom is affected by inflation just like any other company, it is able to absorb a large part of the additional costs by introducing cost-cutting measures at an early stage. As a result, Swisscom will be keeping the prices of mobile, internet, TV and fixed network telephony subscriptions for its residential customers stable and will not implement any general price increases until late 2024 at the latest.

Swisscom enhanced the blue portfolio in the reporting year, making the subscription more flexible and attractive for new and existing customers and offering them a range with even more benefits. The subscriptions are available in flexible combinations and offer numerous free extras, maximum security and first-rate service. Swisscom uses the best mobile network and the largest fibre-optic network in Switzerland to provide its customers with fast and secure internet, top-quality entertainment and freedom while on the move. Customers who combine mobile communications and internet subscriptions benefit from a monthly loyalty discount starting from the very lowest subscription level.

Swisscom offers three different blue internet and mobile communications subscriptions. Kids, basic and prepaid mobile communications tariffs are also available. The subscriptions differ primarily in terms of speed (internet) or the units included in roaming (mobile communications). Each offering includes numerous free extras such as surf protection (Internet Guard) or call blocking (call filter).

Swisscom blue offers a comprehensive entertainment experience comprising TV, streaming and cinema. blue TV is available via the Swisscom Box, a smartphone and tablet app, a web player at blue.ch and smart TVs. The app is also available with the complete blue+ offering on the TV boxes of other providers such as UPC TV or Quickline. Apple TV 4K has been available as an alternative to the Swisscom TV-Box since 2022.

blue TV offers up to 2,000 hours of recording capacity. The blue Play media library offers up to 10,000 films and series episodes depending on the language region.

2023 saw Swisscom launch the TV-Box 5, which combines streaming and TV.

The year under review saw Swisscom launch the TV-Box 5, which combines streaming and TV. The new TV-Box is based on Android TV and integrates the Google universe. With blue SuperMax, Swisscom has launched a new offering that combines four providers (Disney+, Paramount+, Sky Cinema and blue Max) at a discounted price. In addition, the TV-Box offers access to the MySports channels, which broadcast matches from the top Swiss ice hockey leagues, among other things.

The easiest way to control Swisscom blue is via the My Swisscom App. Customers can use the app to customise their subscriptions, manage devices, order services, or contact customer support. The trade magazine connect rated the My Swisscom App as the best telecommunications app in Switzerland for the third time in succession. Swisscom offers its customers a Swiss solution via myCloud for securely managing and sharing their personal data such as photos, videos and documents. In addition to the standard communications channels such as hotlines, chats and contact forms, customers get in

Rock-solid financials

Swisscom is financially stable, its stock value is solid and the dividend is attractive. Prudent management, constant simplification and increasing efficiency form the basis for a successful future.

touch with Swisscom via WhatsApp, Facebook, X (formerly Twitter) and Google Business Messenger. When it comes to service, Swisscom continues to rely on a regional, on-site presence. Employees address customers' concerns in more than one hundred Swisscom shops. Swisscom earned top scores to win the shop test organised by the trade magazine connect for the third time in a row in the reporting year.

Business Customers

Swisscom makes use of its many years of experience as an integrated telecoms and IT company to support its business customers with their digital transformation efforts and works together with them to develop forward-looking solutions. Its comprehensive ICT portfolio 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, data and AI consulting, and services tailored to the banking industry.

Swisscom also helps drive the digital transformation of the healthcare sector. It helps makes hospitals more efficient by providing them with support to digitise their processes. It helps health insurance companies by taking over the operation of their core IT systems and interconnects service providers through digitised solutions. In the world of industry, Swisscom is driving a smart manufacturing vision, bringing people, systems, machinery, products and companies together efficiently along the entire value chain.

Swisscom has created a new standardised mobile communications offering for business customers to serve as a foundation for digital transformation within companies. Enterprise Mobile is aimed both at customers who do not make many calls and at users of unlimited roaming offers. It offers services that are tailored specifically to the needs of business customers and increase security and productivity, for example.

Swisscom has standardised and customisable ICT solutions in its portfolio for SME customers. inOne SME office covers an SME's basic internet and telephony needs, while Smart Business Connect, a scalable communication solution with collaboration and networking features, is ideal for SMEs with more complex needs. 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 – the infotainment offering for hotels and homes. SMEs are increasingly dependent on their IT functioning flawlessly and being able to adapt easily and flexibly to market and company changes at any time. The Smart ICT complete IT outsourcing package includes a modular integrated solution for SMEs. For this, Swisscom works together with regional IT partners to operate the IT and takes care of both security and professional data backups. Mobile subscriptions geared to the needs of small and medium-sized enterprises, IT security services, IoT solutions and cloud-based software for mobile working round off Swisscom's SME portfolio.

> The acquisition of Axept Business Software Ltd in June 2023 strengthens its ERP offering for SMEs.

The acquisition of Axept Business Software Ltd in the reporting year enabled Swisscom to strengthen its ERP offering (Abacus) for SMEs. Moreover, thanks to Secure Internet Traffic and Mail Security, smaller SMEs can now reduce their risk of falling victim to a cyberattack.

Through its localsearch product portfolio, Swisscom helps companies to be found online, to acquire new customers and to retain them in the long term. As a company with roots in the printed telephone directory, localsearch currently contributes to the success of Swiss SMEs in the digital world through the provision of simple yet effective online marketing solutions. In addition, localsearch operates local.ch and search.ch, the directory and booking platforms with the widest reach in Switzerland. localsearch's brand portfolio also includes renovero, the largest Swiss platform for tradespeople, Localcities, a platform for communities and associations, and Vergleich CH, an industry comparison service.

The subsidiary Swisscom Broadcast Ltd provides radio networks for broadcasting, security and professional mobile radio and makes around 450 transmitter sites available for co-use. It also supports its customers with telecommunications, IT, streaming media, content delivery and event management services. The safety and security solutions range from video surveillance, drone detection and drone piloting to the early detection of flooding or the prediction of people density at events.

Furthermore, Swisscom takes over the planning, construction, maintenance and operation of high-performance ICT and network infrastructure solutions through cablex Ltd, Switzerland's leading network infrastructure and service company. cablex also offers modern smart infrastructure solutions aimed at boosting energy efficiency. These include the installation of smart heating solutions, the planning and retrofitting of buildings that are self-sufficient in terms of energy, the construction and maintenance of photovoltaic plants and the introduction of smart energy meters.

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 transparent connections on an as-needed basis with a wide range of different bandwidths and interfaces and/or a flexible Ethernet service allowing tailored bandwidths and qualities of service. 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.

Products and services in Italy

Fastweb is positioning itself as a premium provider in the residential customer segment, thanks in part to the high quality of its services and its sustainability efforts. For example, Fastweb is offering its customers the first 'Internet at Zero CO_2 Emissions' subscriptions in Italy. It has also introduced the eSIM and a sustainable, certified ecoSIM developed by its partner company Thales. Finally, the Fastweb portfolio includes a range of digital solutions such as digital invoices, FASTGate and FASTHealth for environmental protection. These solutions enable customers to make sustainability an even more established component of their everyday lives by saving energy and going paperless. The Fastweb Digital Academy is an integral component of the offering structure. It strengthens Fastweb's commitment to promoting digital literacy within the country and developing talent.

Fastweb has retained its multi-level offering structure in the fixed-network segment. It offers various internet subscriptions and additional services to round off its offering. These include the innovative NeXXt Internet-Box and the WiFi booster with the integrated Alexa speech assistant, home and pet insurance offered as part of the partnership with Quixa (Axa Group), the Assistenza Plus customer service solution, which puts customers in direct contact with a customer advisor, and the FastwebUp Plus premium loyalty programme, which offers exclusive benefits every month. In the mobile communications sector, Fastweb is pursuing a go-to-market strategy aimed at attracting new customers by offering the best value for money on the market.

Fastweb has a strong market position in the business customers segment, particularly for fixed network and ICT services. In the area of public administration, Fastweb increased its market share thanks in part to the conclusion of public-sector national agreements for fixed-network and ICT services. The mobile phone sector is also becoming increasingly important for Fastweb. The Fastweb 5G Mobile service offering enabled Fastweb to acquire additional corporate customers in the reporting year.

ICT/security services are increasingly becoming a focal point for Fastweb. Acquisitions permitted Fastweb to expand its expertise and portfolio in the cloud and security segments. In the public cloud segment, Fastweb is looking for further opportunities to offer its customers an even more comprehensive range of multi-cloud solutions following the partnership entered into with Amazon Web Services (AWS). Fastweb launched its proprietary Edge platform for companies in the year under review: FASTedge is the first platform on the Italian market to offer cloud resources and services that are in close proximity to companies and facilitate the development of advanced solutions, particularly in areas of application relating to artificial intelligence, the Internet of Things (IoT) and big data. Thanks to its own ultra-broadband infrastructure and digital platform, Fastweb offers wholesale customers integrated access to the entire market presence and to state-of-the-art technologies, including 5G.

Customer satisfaction

Swisscom measures the satisfaction of residential and business customers twice a year, and that of wholesale customers once a year. The metrics used are the extent to which customers are willing to recommend Swisscom to others and the related Net Promoter Score (NPS). The NPS 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 conducts the following surveys among residential and business customers:

- The **Residential Customers segment** questions callers to the Swisscom hotline and visitors to the Swisscom shops 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 tools are implemented at relevant customer touchpoints to enable IT users to submit feedback or enter their comments in the order system after each interaction with the service desk or after placing orders. Customers can also assess the quality and success of their projects on completion.

In view of the highly competitive market, the NPS in the residential customer segment has remained stable at a good level – particularly compared with the competition. The NPS for business customers remains at a very high level. The results of these studies and surveys help Swisscom formulate direct 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

Trend scouting

Since 1998

Swisscom has had a branch office in Silicon Valley since 1998.

Promoting innovation

StartUp Challenge 2023

attracted more than 240 participants from 27 countries.

Swisscom Ventures

More than 80 investments

in technology companies made by Swisscom to date.

Innovation as a key driver of business performance

The digital transformation represents a huge opportunity for Switzerland. However, the population will only accept the advance of digitalisation within society if trust in secure services and the correct handling of sensitive data is assured. The way in which Swisscom brings trustworthy innovations to the market for its customers will play a key role in both its own success and that of its customers. Trust in new technologies will become even more important going forward, which is why Swisscom aims to become 'Innovators of Trust' for Switzerland and its customers. Innovative strength and trust are core values of Swisscom and central to successful technological and social development. With this in mind, Swisscom is already addressing relevant and promising future topics intensively. Swisscom strives every day to delight its customers with the best products and services ('Delight customers'). Swisscom is driving its growth by developing advanced products and services ('Innovate for growth'). It also supports forward-looking solutions to make its own processes even more efficient, for example through process digitalisation ('Achieve more with less'). Finally, Swisscom is focusing on innovation to help position itself as the best ICT employer, attract the best talent and retain it ('Perform together'). In order to achieve this, Swisscom works closely with partners, universities, start-ups and established technology companies.

In its Silicon Valley office in California, Swisscom has been engaged in trend and technology scouting since 1998. The office comprises an innovation lab with its own data centre and serves Swisscom as a source of information on technology developments in the Silicon Valley ecosystem. It also maintains local partnerships with promising start-ups and leading US technology companies whose products and business models are then launched in Switzerland.

Swisscom Ventures has been investing in start-ups since 2007 and networking them with Swisscom in order to stimulate innovation. In the year under review, Swisscom made investments in nine new companies and eleven follow-up investments in existing holdings. These include Scandit, a leading smart data capture company. Additionally, Swisscom uses the Swisscom StartUp platform to support entrepreneurs and start-ups in Switzerland through consulting, discounts on IT and cloud services, expert know-how, coaching programmes, financing and community events.

The year under review featured the eleventh Swisscom StartUp Challenge, which was all about deep tech.

Over 240 start-ups from 27 countries have applied for a funding programme as part of the Swisscom StartUp Challenge. The three winners of the StartUp Challenge secured an opportunity to take part in a customised acceleration programme at the Swisscom office in Silicon Valley. They also gained access to the Swisscom ecosystem. They can now access workshops, coaching and a network that includes companies from the deep tech segment as well as investors. Swisscom Kickbox is an employee-driven intrapreneurship and innovation programme with a clear process, tools and resources for innovation projects. It promotes a culture of innovation within the company and works at various strategic levels: for example, in the development of sophisticated customer-centric products and services and in employer branding to help Swisscom attract the best talent. Swisscom Kickbox is also available to other companies via the spin-off rready AG.

See www.swisscom.ch/innovation

Innovation focused on specific topics

Fixed network

Demand for bandwidth has increased more than tenfold over the last ten years and will continue to grow going forward, making it important for Swisscom to continuously invest in its network, further expand it and implement the latest technologies. Last year saw Swisscom become the first company in the world to successfully test the state-of-the-art generation of fibre-optic technology (50G-PON) in a Zurich metropolitan area. This is the next standard for Passive Optical Networks (PON) after XGS-PON and is intended to increase bandwidth from 10 Gbit/s to 50 Gbit/s. In addition to the increased bandwidth, 50G-PON offers features such as synchronisation for the transmission of 5G mobile communications and quality of service (QoS) mechanisms for service-level agreements (SLAs) for high-end access services aimed at business customers.

In the IP transport network, Swisscom is edging ever closer towards the limits of conventional technologies such as MPLS (Multiprotocol Label Switching). This is why Swisscom has become one of the first telecoms providers in the world to switch to the successor technology, segment routing via IPv6 (SRv6). This technology simplifies the IP protocol stack significantly, which brings benefits for operations and contributes to greater network stability. It has been consistently focusing on cloud technologies (software-defined networking (SDN/SD-WAN) and virtual network functions (VNF) in connectivity development for business customers for several years now. Customers set up their own configurations in full and without any delay with the aid of user interfaces or programming interfaces (APIs). Full automation based on declarative models enables complex, instant adjustments to be made to various systems (service chaining), ensuring a high degree of customer interaction.

Mobile communications

Swisscom is continuously improving its mobile network through the fine-tuning of a variety of parameters (antenna alignment, etc.). In the past, these adjustments were made manually. Today, innovative self-organising network (SON) algorithms automate and improve the mobile network, for example by automatically optimising parameters, antenna tilt and power in line with requirements. These algorithms minimise the number of manual interventions during installation and operation. In the 4G network, all adjustments are already automated. Thanks to the service management platform, which was developed in-house, a 5G network can be made available in just 43 minutes. A great deal of expert knowledge is still required to program the SON algorithms correctly.

Cloud and applications

Cloud solutions promise, among other things, lower costs and higher scalability – but also greater simplicity and better functionality for application development. High bandwidths and increasing connectivity are driving the penetration of cloud solutions. Swisscom offers numerous solutions in this area. Its extensive hybrid cloud portfolio provides customers with scalable services from the Swisscom Private Cloud, as well as Amazon Web Services (AWS) and Azure, from a single source. Standardised blueprints automatically set up cloud landing zones and solutions for the ongoing optimisation of public cloud architectures. In this way, Swisscom supports its customers in complying with cloud governance and making sustainable improvements to their operations. Working hand-in-hand with NETSCOUT and Ericsson, Swisscom is also strengthening network transparency with the world's first solution for cloud-based processing of 5G packet data – increasing the security of network services, analyses and cybersecurity.

Artificial intelligence (AI) and automation

Swisscom uses artificial intelligence (AI) to offer its customers even better service and optimise processes. It uses AI in its customer service, in new products and services and to detect network faults, for example. Together with EPFL, it invests in research projects related to machine learning and artificial intelligence at the Swisscom Digital Lab. 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 for three years now. 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. Ongoing training of the AI application and the use of large language models is improving the service continuously, so that certain customer enquiries can be resolved entirely via automated voice dialogue. Following the launch of ChatGPT, Swisscom has witnessed brisk demand for AI

Pioneer in sustainability

Sustainable action in favour of reducing CO_2 emissions, as well as fair and climate-friendly supply chains, are of central importance to Swisscom. The same applies to supporting the population in the use of digital media.

consultancy and software services related to AI. It has organised AI strategy workshops with renowned customers from a range of industries, implemented chatbots and voice recognition solutions and trained customer-specific AI models.

Security

Threats from the internet are constantly growing in number. Many processes and business models in today's companies are completely IT-based, making them targets for attackers. In addition, the use of multi-cloud and hybrid cloud solutions are making IT landscapes increasingly complex and vulnerable. Swisscom added further managed services to its security portfolio in the reporting year, including in the area of Extended Detection and Response (XDR). These new security solutions pick up on sophisticated attacks or anomalies and enhance protection against cyber threats. Swisscom has expanded the relevant capacities in the Security Operations Centre (SOC) to ensure that its cybersecurity experts can take effective defensive measures to protect customers. This means that attacks can be identified earlier and stopped before they cause damage.

Entertainment and immersive reality

Swisscom further expanded its Swisscom blue offering in 2022 and enabled customers to use Apple TV 4K as a TV box. Swisscom launched the new TV-Box 5 in the year under review. The box is based on Android TV and integrates the entire Google world. Thanks to the new streaming partners Paramount+ and Disney+, Swisscom has curated a NextGen streaming offering and allows customers to benefit from attractive discounts if they sign up for combined packages. Streaming subscriptions can be added and managed in the online Customer Center. Customers are billed centrally via Swisscom. The Swisscom Studio uses augmented reality to digitally display players, for example. Swisscom uses blue Music to provide a world of experience around the most popular Swiss open-air concerts – on site, online for people on the go and on blue TV. Finally, Swisscom is integrating the metaverse into its entertainment offerings and collaborated with Radio Energy to organise the first virtual live concerts in the metaverse in the previous year.

Trust

Swisscom has positioned itself in Switzerland as a pioneer and market leader for trust services such as electronic signatures and digital certificates. In the reporting year, Swisscom incorporated an electronic signature solution directly into the My Swisscom App. The Swisscom Sign service has been available to all users – regardless of whether or not they are Swisscom customers – since autumn 2023. All functions are fully digital, from AI-based identification to qualified electronic signatures.

Swisscom Sign is available to all users – regardless of whether or not they are Swisscom customers.

In addition, Swisscom subsidiary Ajila Ltd is helping numerous Swiss companies and administrations completely digitise their document-based business processes. Customer identification and onboarding as well as contract signings often pose bottlenecks in the customer journey. Fully digital processes call for tools that avoid media discontinuity and integrate seamlessly into companies' offerings. This is ensured by two subsidiaries: Innovative Web Ltd, the leading provider of eGovernment services to municipalities and cities in Switzerland, and Swisscom Trust Services Ltd, 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 Federal Act on Electronic Signatures (ESigA).

Other technologies of tomorrow

In addition to its areas of innovation, Swisscom is following developments in fields that will be relevant in the long term, such as LEO satellites, quantum computing, digital twins, Web 3.0, spatial computing and digital health. Among other things, it is monitoring advances in the quantum key distribution method, which guarantees secure data communication and could be used in quantum computers. With regard to other examples of future topics, Swisscom was one of the first Swiss companies to implement immersive applications in the metaverse last year. It organised the first virtual live concerts, and presented the winners of the Hero League with a virtual trophy in the form of an NFT (non-fungible token) as part of Swisscom's commitment to e-sports.

Financial review

Alternative performance measures

Swisscom uses key indicators defined in the IFRS Accounting 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 indicators used by Swisscom in its 2023 annual financial reporting are defined as follows:

Key performance indicator	Swisscom definition
Adjustments	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. The same definitions and calculation bases are applied for the adjustments in the financial year and in the previous year. In the financial reporting, the change in the adjusted operating result before depreciation and amortisation (EBITDA adjusted) is commented 'on a comparable basis'.
At constant exchange rates	Key performance measures considering currency effects (figures for 2023 are translated at the 2022 exchange rate to calculate the currency effect).
Operating income before depreciation and amortisation (EBITDA)	Operating income before depreciation, amortisation and impairment losses of property, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
Operating income (EBIT)	Operating income before financial expense and financial income, result of equity-accounted investees and income tax expense.
Capital expenditure	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.
Operating free cash flow proxy	Operating income before depreciation and amortisation (EBITDA) less investments in property, plant and equipment and intangible assets as well as payments for network access rights (IRU) and leasing expenses. Leasing expenses include interest expenses on leasing liabilities and depreciation of rights of use excluding depreciation of rights of use for network access (IRU) as well as impairments of rights of use.
Free cash flow	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.
Net debt	Financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments and derivative financial instruments.

Reconciliation of alternative performance measures

In CHF million	2023	2022	Change reported	Change at constant currencies
Revenue				
Revenue	**11,072**	**11,051**	**0.2%**	**0.9%**
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	4,622	4,406	4.9%	5.5%
Termination benefits	7	(5)		
(Release) additions of provisions for legal proceedings in Switzerland, net	(64)	157		
Additions of provisions for legal proceedings in Italy	13	–		
Expense for fixed wireless access Strategy adjustment	60	–		
EBITDA adjusted	**4,638**	**4,558**	**1.8%**	**2.3%**
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	2,272	2,289	–0.7%	0.1%
Payments for indefeasible rights of use (IRU)	20	20	0.0%	
Capital expenditure	**2,292**	**2,309**	**–0.7%**	**0.1%**

In CHF million	2023	2022	Change
Operating free cash flow proxy			
Cash inflow from operating activities	4,029	3,876	153
Capital expenditure	(2,292)	(2,309)	17
Depreciation of right-of-use assets	(291)	(262)	(29)
Depreciation of indefeasible rights of use (IRU)	18	20	(2)
Impairment losses on right-of-use assets	29	–	29
Proceeds from finance leases	(108)	(106)	(2)
Change in deferred gain from the sale and leaseback of real estate	4	10	(6)
Change in operating assets and liabilities	5	85	(80)
Change in provisions	124	(31)	155
Change in defined benefit obligations	31	(49)	80
Gain on sale of property, plant and equipment	6	11	(5)
Loss on disposal of property, plant and equipment	(1)	(3)	2
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	108	134	(26)
Interest received	(7)	(2)	(5)
Interest paid on financial liabilities	84	62	22
Dividends received	(9)	(2)	(7)
Income taxes paid	313	378	(65)
Operating free cash flow proxy	**2,042**	**1,811**	**231**
Free cash flow			
Cash inflow from operating activities	4,029	3,876	153
Cash flow used in investing activities	(2,322)	(2,430)	108
Repayment of lease liabilities	(270)	(240)	(30)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	62	67	(5)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	(2)	–	(2)
Purchase of equity-accounted investees	3	2	1
Purchase of other financial assets	13	142	(129)
Proceeds from other financial assets	(33)	(68)	35
Free cash flow	**1,480**	**1,349**	**131**

Summary

In CHF million, except where indicated	2023	2022	Change	in %
Revenue	11,072	11,051	21	0.2%
Operating income before depreciation and amortisation (EBITDA)	4,622	4,406	216	4.9%
EBITDA as % of revenue	41.7	39.9	1.8	
Operating income (EBIT)	2,205	2,040	165	8.1%
Net income	1,711	1,603	108	6.7%
Operating free cash flow proxy	2,042	1,811	231	12.8%
Free cash flow	1,480	1,349	131	9.7%
Capital expenditure	2,292	2,309	(17)	–0.7%
Net debt	7,071	7,374	(303)	–4.1%
Equity	11,622	11,171	451	4.0%
Equity ratio	47.0	45.4	1.6	
Full-time equivalent employees	19,729	19,157	572	3.0%

The main contributors to Group revenue for 2023 of CHF 11.1 billion are the Swisscom Switzerland (73%) and Fastweb (23%) segments. Swisscom Switzerland accounts for 80% of the operating income before depreciation and amortisation (EBITDA) of CHF 4.6 billion, with Fastweb accounting for a share of 17%.

Compared with the previous year, group revenue rose by 0.2% to CHF 11,072 million and operating income before depreciation and amortisation (EBITDA) by 4.9% to CHF 4,622 million. The reported revenue and EBITDA development was influenced by the performance of the euro (EUR) as a result of Fastweb's substantial share. The average EUR exchange rate decreased by 3.1% year-on-year in 2023. This resulted in negative exchange differences on Group revenue of CHF 83 million and on EBITDA of CHF 27 million. Based on a constant EUR exchange rate, revenue in 2023 rose by 0.9% or CHF 104 million. Swisscom Switzerland's revenue fell by 0.8% and Fastweb achieved growth in revenue of 6.1% (in EUR). In Other Operating Segments, revenue increased by 3.6%.

EBITDA development is influenced not only by currency effects, but also primarily by non-recurring items of CHF 16 million net (prior year: CHF –152 million). The non-recurring items include the reversal of provisions for legal proceedings in the net amount of CHF 51 million (prior year: recognition of provisions of CHF 157 million), termination benefits of CHF 7 million (prior year: income of CHF 5 million) and costs of CHF 60 million at Fastweb as a result of an adjustment to the fixed wireless access (FWA) strategy. Without these non-recurring items and with a constant EUR exchange rate, this resulted in an increase in EBITDA of CHF 107 million (+2.3%). Fastweb contributes CHF 18 million (+2.1%) to this figure. The EBITDA reported by Swisscom Switzerland remained virtually stable (CHF +8 million or +0.2%). The largest effect on Group EBITDA results from the reconciliation of pension costs. Because the interest rate relevant for IFRS measurement increased, the IFRS pension costs for the full year 2023 decreased by CHF 90 million compared to the previous year.

Net income increased by 6.7% year-on-year to CHF 1,711 million. The higher operating income before depreciation and amortisation (EBITDA) is offset by higher depreciation and amortisation and a deterioration in the financial result.

Capital expenditure was again substantial at CHF 2,292 million. This is 0.7% lower than in the previous year and relates primarily to network infrastructure in the Swiss core business and at the Italian subsidiary Fastweb. The generated free cash flow of CHF 1,480 million finances the total dividend of CHF 1,140 million and further reduced net debt. Net debt improved in relation to EBITDA to 1.5x (previous year: 1.7x). The single-A credit rating confirmed by both rating agencies (Moody's and Standard & Poor's A) and the further increase in the equity ratio to 47% underline Swisscom's solid financial position.

Swisscom expects revenue of around CHF 11.0 billion, EBITDA of CHF 4.5–4.6 billion and capital expenditure of around CHF 2.3 billion for 2024. Subject to achieving its targets, Swisscom plans to propose payment of an unchanged attractive dividend of CHF 22 per share for the 2024 financial year at the 2025 Annual General Meeting.

Segment results

In CHF million, except where indicated	2023	2022	Change	in %
Revenue [1]				
Residential Customers	4,502	4,527	(25)	–0.6%
Business Customers	3,098	3,129	(31)	–1.0%
Wholesale	542	551	(9)	–1.6%
Infrastructure & Support Functions	73	71	2	2.8%
Intersegment elimination	(69)	(69)	–	0.0%
Swisscom Switzerland	**8,146**	**8,209**	**(63)**	**–0.8%**
Fastweb	2,561	2,493	68	2.7%
Other Operating Segments	1,075	1,038	37	3.6%
Intersegment elimination	(710)	(689)	(21)	3.0%
Total revenue	**11,072**	**11,051**	**21**	**0.2%**
Operating income before depreciation and amortisation (EBITDA) [1]				
Residential Customers	2,979	2,979	–	0.0%
Business Customers	1,358	1,381	(23)	–1.7%
Wholesale	326	289	37	12.8%
Infrastructure & Support Functions	(963)	(1,165)	202	–17.3%
Intersegment elimination	1	(1)	2	
Swisscom Switzerland	**3,701**	**3,483**	**218**	**6.3%**
Fastweb	776	857	(81)	–9.5%
Other Operating Segments	153	160	(7)	–4.4%
Reconciliation pension cost [2]	37	(53)	90	
Intersegment elimination	(45)	(41)	(4)	9.8%
Total (EBITDA)	**4,622**	**4,406**	**216**	**4.9%**

1 Swisscom has changed the revenue recognition for roaming contracts with minimum guarantees as of 1 January 2023 and made adjustments to the financial management. The previous year's figures have been adjusted accordingly. For further information, see note 1.1 to the financial statements.

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. Infrastructure & Support Functions is managed as a cost centre and does not charge network costs and management fees to other segments. All other services between the segments are charged at market prices. The segment results for Residential Customers, Business Customers and Wholesale correspond to a contribution margin before network costs.

Fastweb operates in Italy and consists of the Residential Customers, Business Customers and Wholesale segments.

Other Operating Segments primarily comprises Swisscom Directories Ltd (localsearch), Swisscom Broadcast Ltd (radio transmitters) and cablex Ltd (network construction and maintenance).

Swisscom Switzerland

In CHF million, except where indicated	2023	2022	Change	in %
Revenue and operating income before depreciation and amortisation (EBITDA)				
Telecom services	5,377	5,449	(72)	–1.3%
IT services	1,184	1,152	32	2.8%
Merchandise	835	860	(25)	–2.9%
Wholesale	530	540	(10)	–1.9%
Revenue other	160	148	12	8.1%
External revenue	**8,086**	**8,149**	**(63)**	**–0.8%**
Intersegment revenue	60	60	–	0.0%
Revenue	**8,146**	**8,209**	**(63)**	**–0.8%**
Direct costs	(1,707)	(1,738)	31	–1.8%
Indirect costs	(2,738)	(2,988)	250	–8.4%
Operating expense	**(4,445)**	**(4,726)**	**281**	**–5.9%**
EBITDA	**3,701**	**3,483**	**218**	**6.3%**
Margin as % of revenue	45.4	42.4		
Operating free cash flow proxy				
EBITDA	3,701	3,483	218	6.3%
Lease expense	(225)	(218)	(7)	3.2%
EBITDA after lease expense (EBITDAaL)	**3,476**	**3,265**	**211**	**6.5%**
Capital expenditure	(1,690)	(1,698)	8	–0.5%
Operating free cash flow proxy	**1,786**	**1,567**	**219**	**14.0%**
Operational data in thousand and full-time equivalent employees				
Fixed telephony access lines	1,226	1,322	(96)	–7.3%
Broadband access lines retail	2,006	2,027	(21)	–1.0%
TV access lines	1,537	1,571	(34)	–2.2%
Mobile access lines	6,202	6,173	29	0.5%
Access lines wholesale	692	679	13	1.9%
Headcount	13,256	12,822	434	3.4%

Swisscom Switzerland's revenue fell slightly by 0.8%. Telecoms services account for the largest share of revenue (66%). The other main revenue items are IT services (15%), merchandise (10%) and wholesale business (7%).

Competitive and price pressure drove down revenue from telecom services. This revenue fell by CHF 72 million or 1.3%, meaning that the drop is less pronounced for the second year in a row now. In the Residential Customers segment, Swisscom virtually stabilised its revenue (2023: –0.5%; 2022: +0.2%). This is due primarily to the following measures: the successful launch of a new product portfolio (Swisscom blue) in 2022, reduced promotions and strong customer growth for the secondary brand Wingo. Revenue from merchandise dipped by 2.9%. Compared with the previous year, Swisscom sold fewer smartphones in the Residential Customers segment and realised fewer customer projects in the Business Customers segment. In a market environment that remains very intensive and in which Swisscom's market shares are on the decline in the areas of mobile communications, broadband and in the highly saturated TV market, the number of connections for broadband (–1.0%) and TV (–2.2%) dropped, while the number of connections for mobile telephony increased slightly (+0.5%). In mobile communications, the customer structure changed due to an increase in postpaid lines (+129,000) and a similarly pronounced decrease in prepaid lines (–100,000). In the Residential Customers segment, the share of secondary and third-party brands rose from 28% to 31%. The number of connections for fixed network telephony dropped (–7.3%) as a result of its substitution with mobile telephony.

Revenue from IT services rose by CHF 32 million (+2.8%). Just over one-third of this figure can be attributed to the takeover of Axept Business Software AG. Swisscom has a strong position as a full-service provider and customer satisfaction is high. Demand for cloud, security, IoT and SAP solutions and business applications continued to grow. The decline in wholesale revenue by CHF 10 million (–1.9%) resulted in part from the loss of MVNO revenue due to the loss of a customer and in part from lower income for the termination of calls.

Operating expense fell by 5.9%. Direct costs dropped by CHF 31 million (–1.8%) due primarily to the decline in revenue from merchandise. The drop in indirect costs by CHF 250 million (–8.4%) was influenced by non-recurring items. In the year under review, provisions for legal proceedings amounting to CHF 64 million were reversed, whereas in the prior year, provisions amounting to CHF 157 million had been recognised. Provisions for termination benefits of CHF 6 million were also set up (previous year: reversal of CHF 5 million). Excluding these non-recurring items, indirect costs fell by CHF 40 million (–1.4%). In telecommunications, cost savings of CHF 60 million were realised through efficiency improvement measures and optimised network maintenance. By contrast, indirect costs in the solutions business rose by CHF 20 million due to the growth in business. Headcount in full-time equivalents increased by 434 full-time equivalents (+3.4%). In the Business Customers segment, the headcount increased due to business growth and the acquisition of Axept Business Software AG, whereas in Infrastructure & Support Functions, it rose due to additional resources and insourcing efforts in IT. Operating income before depreciation and amortisation (EBITDA) improved by 6.3%. After adjustments to reflect non-recurring items, EBITDA remained virtually stable (+0.2%).

Capital expenditure came to CHF 1,690 million in the reporting year, putting it at a high level yet again. A large part of the capital expenditure was once again directed towards the expansion and upgrading of transport networks, the aim being to improve network stability, reduce complexity and enable further cost savings in the future. Swisscom continued to expand the fibre-optic network. Thanks to FTTH technology, 46% of homes were connected to the fibre-optic network at the end of 2023. 83% of the population have 200 Mbit/s connections. The expansion of FTTS technology, which reaches 92% of the population with 80 Mbit/s was concluded in the prior year. Swisscom's mobile phone network covers 81% of the population thanks to the 5G+ expansion.

Fastweb

In EUR million, except where indicated	2023	2022	Change	in %
Revenue and operating income before depreciation and amortisation (EBITDA)				
Residential Customers	1,163	1,145	18	1.6%
Corporate customers	1,134	1,015	119	11.7%
Wholesale	330	315	15	4.8%
External revenue	**2,627**	**2,475**	**152**	**6.1%**
Intersegment revenue	6	7	(1)	–14.3%
Revenue	**2,633**	**2,482**	**151**	**6.1%**
Operating expense	(1,835)	(1,628)	(207)	12.7%
EBITDA	**798**	**854**	**(56)**	**–6.6%**
Margin as % of revenue	30.3	34.4		
Operating free cash flow proxy				
EBITDA	798	854	(56)	–6.6%
Lease expense	(55)	(57)	2	–3.5%
EBITDA after lease expense (EBITDAaL)	**743**	**797**	**(54)**	**–6.8%**
Capital expenditure	(623)	(616)	(7)	1.1%
Operating free cash flow proxy	**120**	**181**	**(61)**	**–33.7%**
Operational data in thousand and full-time equivalent employees				
Broadband access lines retail	2,601	2,683	(82)	–3.1%
Broadband access lines wholesale	648	458	190	41.5%
Mobile access lines	3,509	3,087	422	13.7%
Headcount	3,157	3,039	118	3.9%

Fastweb's revenue rose year-on-year by 6.1% or EUR 151 million to EUR 2,633 million. Competition remained fierce. The customer base in the fixed-network business (retail and wholesale) grew by 3.4% overall to 3.25 million. While the customer base in the retail segment fell by 3.1% to 2.60 million due to the challenging market environment, the number of ultra-fast broadband connections provided by Fastweb to other operators (wholesale business) rose by 41.5% to 648,000. Among end customers, the share of ultra-fast broadband connections increased by 3 percentage points to 89.5%. The number of mobile access lines increased by 422,000 (+13.7%) to 3.51 million, with bundled offerings continuing to play an important role here. 42,5% of broadband customers used a bundled offering combining fixed network and mobile. Revenue from residential customers increased by 1.6% or EUR 18 million to EUR 1,163 million as a result of the greater mobile customer base. Revenue from business customers increased by 11.7% or EUR 119 million to EUR 1,134 million driven by the strong market position in the area of public administration in particular. Revenue from wholesale business increased by 4.8% or EUR 15 million to EUR 330 million due to the higher number of subscribers.

Operating expense and operating income before depreciation and amortisation (EBITDA) were hit by the recognition of provisions for legal proceedings in the amount of EUR 13 million in 2023 and costs of EUR 61 million in connection with a change in the fixed wireless access (FWA) strategy. After adjustments to reflect this effect, operating expense increased by EUR 133 million (+8.2%) and EBITDA by EUR 18 million (+2.1%), largely due to revenue growth. Capital expenditure was once again at a high level in the reporting year. This was aimed primarily at further developing the company's own high-performance networks and at cloud and cybersecurity services. Headcount increased by 3.9% or 118 FTEs to 3,157 FTEs as the growth created a need for more personnel.

Other Operating Segments

In CHF million, except where indicated	2023	2022	Change	in %
Revenue and operating income before depreciation and amortisation (EBITDA)				
External revenue	430	417	13	3.1%
Intersegment revenue	645	621	24	3.9%
Revenue	**1,075**	**1,038**	**37**	**3.6%**
Operating expense	(922)	(878)	(44)	5.0%
EBITDA	**153**	**160**	**(7)**	**–4.4%**
Margin as % of revenue	14.2	15.4	(1)	–7.7%
Operating free cash flow proxy				
EBITDA	153	160	(7)	–4.4%
Lease expense	(11)	(10)	(1)	10.0%
EBITDA after lease expense (EBITDAaL)	**142**	**150**	**(8)**	**–5.3%**
Capital expenditure	(40)	(34)	(6)	17.6%
Operating free cash flow proxy	**102**	**116**	**(14)**	**–12.1%**
Full-time equivalent employees				
Headcount	3,316	3,296	20	0.6%

Revenue in Other Operating Segments was up by 3.6% or CHF 37 million year-on-year to CHF 1,075 million, due primarily to higher revenue for cablex construction services. Operating income before depreciation and amortisation (EBITDA) fell by 4.4% or CHF 7 million to CHF 153 million due to a lower earnings contribution made by localsearch (advertising and directory platform business for Swiss SMEs). Accordingly, the profit margin fell to 14.2% (prior year: 15.4%). Headcount was at 3,316 full-time equivalents, almost on a par with the previous year (+0.6%).

Reconciliation of pension cost and intersegment elimination

The reconciliation item for pension cost is the difference between employer contributions and the pension cost under IFRS. Intersegment elimination relates to intragroup profits on capitalised services of other Group companies. Because the interest rate relevant for IFRS measurement has increased, the reconciliation item for pension cost produced a positive EBITDA contribution of CHF 37 million in 2023 (prior year: CHF –53 million).

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2023	2022	Change	in %
Operating income before depreciation and amortisation (EBITDA)	**4,622**	**4,406**	**216**	**4.9%**
Depreciation and amortisation of property, plant and equipment and intangible assets	(2,126)	(2,104)	(22)	1.0%
Depreciation of right-of-use assets	(291)	(262)	(29)	11.1%
Operating income (EBIT)	**2,205**	**2,040**	**165**	**8.1%**
Net interest expense for financial assets and liabilities	(67)	(58)	(9)	15.5%
Interest expense on lease liabilities	(44)	(44)	–	0.0%
Other financial result	(19)	30	(49)	
Result of equity-accounted investees	–	(5)	5	–100.0%
Income before income taxes	**2,075**	**1,963**	**112**	**5.7%**
Income tax expense	(364)	(360)	(4)	1.1%
Net income	**1,711**	**1,603**	**108**	**6.7%**
Earnings per share (in CHF)	33.03	30.93	2.10	6.8%

Net income rose by CHF 108 million or 6.7% year-on-year to CHF 1,711 million. The higher operating income before depreciation and amortisation (EBITDA) (CHF +216 million) was partly offset by higher depreciation and amortisation (CHF –51 million) and a poorer financial result (CHF –58 million).

Income taxes

In CHF million, except where indicated	Switzerland	Italy	Other	Total
2023 financial year				
Income before income taxes	2,040	30	5	2,075
Income tax expense	346	19	(1)	364
Effective income tax rate	17.0%	63.3%	–20.0%	17.5%
Income taxes paid	226	57	30	313
2022 financial year				
Income before income taxes	1,779	168	16	1,963
Income tax expense	316	42	2	360
Effective income tax rate	17.8%	25.0%	12.5%	18.3%
Income taxes paid	361	17	–	378

The effective income tax rate is 17.5% (prior year: 18.3%). Swisscom anticipates a future effective consolidated tax rate of 19%. The CHF 65 million drop in income taxes paid to CHF 313 million was attributable to back payments made in the prior year for previous financial years.

Cash flows

In CHF million	2023	2022	Change
Operating income before depreciation and amortisation (EBITDA)	4,622	4,406	216
Lease expense	(288)	(286)	(2)
EBITDA after lease expense (EBITDAaL)	**4,334**	**4,120**	**214**
Capital expenditure	(2,292)	(2,309)	17
Operating free cash flow proxy	**2,042**	**1,811**	**231**
Change in net working capital	(133)	(64)	(69)
Change in defined benefit obligations	(31)	49	(80)
Net interest payments on financial assets and liabilities	(77)	(60)	(17)
Income taxes paid	(313)	(378)	65
Other operating cash flow	(8)	(9)	1
Free cash flow	**1,480**	**1,349**	**131**
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Net expenditures for company acquisitions and disposals	(63)	(69)	6
Other changes [1]	26	192	(166)
Decrease in net debt	**303**	**332**	**(29)**

1 Includes foreign currency effects, fair value adjustments and non-cash changes in net debt positions.

The operating free cash flow proxy rose by CHF 231 million year-on-year to CHF 2,042 million, mainly due to the improved operating income before depreciation and amortisation (EBITDA). Free cash flow rose by CHF 131 million, mainly due to the lower income taxes paid. The free cash flow of CHF 1,480 million financed the dividend totalling CHF 1,140 million, the business acquisitions and the reduction of net debt.

Capital expenditure

In CHF million, except where indicated	2023	2022	Change	in %
Fixed access and infrastructure	571	564	7	1.2%
Expansion of the fibre-optic network	466	475	(9)	–1.9%
Mobile network	271	277	(6)	–2.2%
Projects and others	382	382	–	0.0%
Swisscom Switzerland	**1,690**	**1,698**	**(8)**	**–0.5%**
Fastweb	606	619	(13)	–2.1%
Other Operating Segments	40	34	6	17.6%
Elimination (intermediate winnings)	(44)	(42)	(2)	4.8%
Total capital expenditure	**2,292**	**2,309**	**(17)**	**–0.7%**
Thereof Switzerland	1,685	1,688	(3)	–0.2%
Thereof other countries	607	621	(14)	–2.3%
Capital expenditure as % of revenue	20.7	20.8	(0.1)	

The capital expenditure of CHF 2,292 million or 21% of revenue once again reached a substantial amount in the reporting year. The share of investments in Switzerland came to 74% thanks to an amount of CHF 1,685 million.

Swisscom Switzerland's investments were virtually on a par with the previous year (–0.5%) at CHF 1,690 million. A large part was again used for neighbourhood connections and for the expansion and upgrade of transport networks. While investments in the expansion of the fibre-optic network remained virtually stable overall, their composition changed. The expansion of FTTH technology moved up a gear, meaning that more was invested in this area, whereas the expansion of FTTS technology had already been concluded in the prior year.

The investments made by Fastweb came to EUR 623 million in local currency terms and are therefore virtually at the same level as the previous year (+1.1%).

Net asset position

In CHF million	31.12.2023	31.12.2022	Change
Property, plant and equipment	11,059	10,811	248
Intangible assets	1,737	1,741	(4)
Goodwill	5,172	5,172	–
Right-of-use assets	1,972	1,992	(20)
Trade receivables	2,143	2,255	(112)
Receivables from finance leases	130	131	(1)
Trade payables	(1,611)	(1,674)	63
Provisions	(1,263)	(1,159)	(104)
Deferred gain on sale and leaseback of real estate	(81)	(85)	4
Other operating assets and liabilities, net	(141)	(218)	77
Net operating assets	**19,117**	**18,966**	**151**
Net debt	(7,071)	(7,374)	303
Defined benefit assets and obligations, net	(10)	(11)	1
Income tax assets and liabilities, net	(875)	(829)	(46)
Equity-accounted investees and other non-current financial assets	461	419	42
Equity	**11,622**	**11,171**	**451**
Equity ratio in %	47.0	45.4	1.6

Operating assets

Net operating assets were almost unchanged at CHF 19.1 billion (+0.8%). The lion's share of the goodwill totalling CHF 5.2 billion is attributable 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. The valuation risk of this goodwill item is very low. The carrying amount of goodwill for Fastweb is CHF 0.5 billion. In total, the carrying amount of Fastweb's net assets amounts to EUR 3.4 billion (CHF 3.1 billion).

Post-employment benefits

The net defined benefit obligations in accordance with IFRS provisions amount to CHF 10 million (previous year: CHF 11 million). According to Swiss accounting standards (Swiss GAAP FER), the Swisscom pension fund has a funding surplus of CHF 1.5 billion and a funding ratio of 114.5% as per the provisional financial statements for 2023 (previous year: 108.2%). Due to different assumptions and methods, the valuation according to IFRS results in a surplus of only CHF 0.4 billion. Due to specific IFRS regulations, most of the surplus was not capitalised.

The pension cost in accordance with IFRS in 2023 was CHF 36 million lower than regulatory employer contributions. Because the interest rate relevant for IFRS measurement has increased significantly, the IFRS provision expense in 2023 decreased by CHF 94 million compared with 2022.

Equity

Swisscom has equity of CHF 11.6 billion and an equity ratio of 47.0%. Equity increased year-on-year by CHF 0.5 billion, mainly due to retained earnings. The determination of distributable reserves is based on the financial statements of Swisscom Ltd (separate financial statements in accordance with the Swiss Code of Obligations) and not on the consolidated financial statements in accordance with IFRS. The equity of Swisscom Ltd in the 2023 financial statements is CHF 7.0 billion. The difference as compared to the equity reported in the consolidated balance sheet is largely due to earnings retained by subsidiaries and different accounting methods.

Net debt

In CHF million	31.12.2023	31.12.2022	Change
Debenture bonds	4,789	4,886	(97)
Bank loans	267	512	(245)
Private placements	322	322	–
Other financial liabilities	287	282	5
Lease liabilities	1,915	1,911	4
Total financial liabilities	**7,580**	**7,913**	**(333)**
Cash and cash equivalents	(148)	(121)	(27)
Listed debt instruments	(258)	(285)	27
Other financial assets	(103)	(133)	30
Net debt	**7,071**	**7,374**	**(303)**
Debt ratio			
Net debt	7,071	7,374	(303)
EBITDA	4,622	4,406	216
Ratio net debt/EBITDA	**1.5**	**1.7**	**(0.2)**

The ratio of net debt to EBITDA had improved to 1.5x at the end of 2023 (previous year: 1.7x). The ratio reflects the solid debt situation. In the year under review, Swisscom met its target of maintaining a single-A credit rating. It also complied with the limit on net debt set by the Federal Council in the financial targets of 2.4x EBITDA.

At the end of 2023, the proportion of fixed-interest-bearing financial liabilities was 82%, the average interest cost of all financial liabilities was 1.1% and the average remaining term to maturity was 5.0 years. Swisscom also has two lines of credit totalling CHF 2.2 billion, which have not been used. In 2024, bank loans and bonds totalling CHF 0.7 billion will become due for repayment.

Statement of added value

In CHF million	Switzer-land	Other countries	Total 2023	Switzer-land	Other countries	Total 2022
Added value						
Revenue	**8,516**	**2,556**	**11,072**	**8,566**	**2,485**	**11,051**
Capitalised self-constructed assets and other income	596	96	692	513	155	668
Direct costs	(1,730)	(995)	(2,725)	(1,753)	(873)	(2,626)
Other operating expense [1]	(1,005)	(709)	(1,714)	(1,144)	(679)	(1,823)
Lease expense	(234)	(54)	(288)	(229)	(57)	(286)
Depreciation and amortisation [2]	(1,486)	(585)	(2,071)	(1,483)	(594)	(2,077)
Intermediate inputs	**(3,859)**	**(2,247)**	**(6,106)**	**(4,096)**	**(2,048)**	**(6,144)**
Operating added value	**4,657**	**309**	**4,966**	**4,470**	**437**	**4,907**
Other non-operating result [3]			(181)			(218)
Total added value			**4,785**			**4,689**
Allocation of added value						
Employees [4]	2,411	306	2,717	2,396	256	2,652
Public sector [5]	283	47	330	290	69	359
Shareholders (dividends)			1,141			1,141
Third-party lenders (net interest expense)			67			58
Company (retained earnings) [6]			530			479
Total added value			**4,785**			**4,689**

1 Other operating expense: excl. taxes on capital and other taxes not based on income.
2 Depreciation and amortisation: excl. impairment losses and amortisation of acquisition-related intangible assets such as customer relations.
3 Other non-operating result: financial result excl. net interest expense, result of equity-accounted investees, impairment losses 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: including changes in deferred income taxes and defined benefit obligations.

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.

Of the consolidated operating added value of CHF 5.0 billion, Swisscom generated 94% or CHF 4.7 billion in Switzerland. Compared to the previous year, operating added value in Switzerland rose by CHF 0.2 billion or 4.2%. The added value per FTE in Switzerland was CHF 293,000 (previous year: CHF 271,000). Including capital expenditure, the purchasing volume in the Swiss business was around CHF 4.3 billion in the reporting year (previous year: CHF 4.5 billion). In addition to direct added value, purchases from suppliers created significant indirect added value for Switzerland's economy.

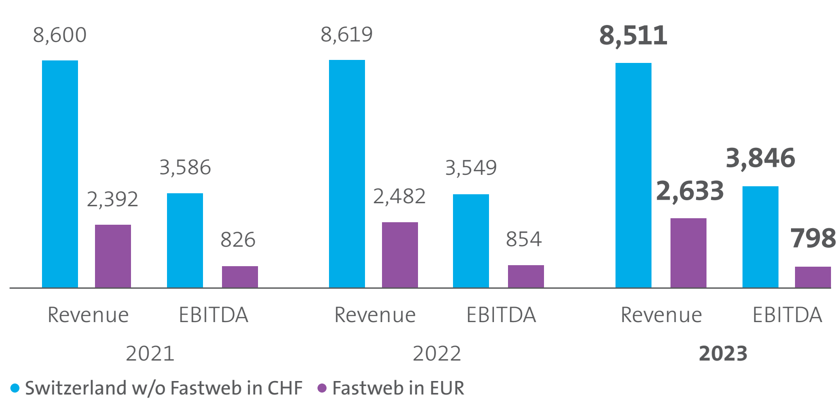
Financial outlook

Key figures or as noted	2023 reported	2024 outlook [3]
Revenue		
Swisscom Group	**CHF 11,072 million**	**~ CHF 11.0 billion**
Switzerland [2]	CHF 8,511 million	~ CHF 8.5 billion
Fastweb	EUR 2,633 million	EUR 2.6–2.7 billion
Operating income before depreciation and amortisation (EBITDA)		
Swisscom Group	**CHF 4,622 million**	**CHF 4.5–4.6 billion** [1]
Switzerland [2]	CHF 3,846 million	~ CHF 3.7 billion
Fastweb	EUR 798 million	~ EUR 0.9 billion
Capital expenditure		
Swisscom Group	**CHF 2,292 million**	**~ CHF 2.3 billion**
Switzerland [2]	CHF 1,686 million	~ CHF 1.7 billion
Fastweb	EUR 623 million	~ EUR 0.6 billion

1 EBITDA after lease expense (EBITDAaL) 2023: CHF 4,334 million; EBITDaL guidance 2024: CHF 4.2–4.3 billion.
2 Swisscom w/o Fastweb.
3 Exchange rate CHF/EUR 0.93 (2023: CHF/EUR 0.973).

Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2024 financial year at the 2025 Annual General Meeting.

Revenue and EBITDA Switzerland and Fastweb
In million



High-performing teams

Swisscom focuses on continuous development, fosters collaboration and creates an inspiring work environment so that employees can surpass themselves and perform to the best of their ability.

Capital market

Market value

CHF 26.2 billion

Swisscom market capitalisation at the end of 2023.

Total shareholder return

+4.2%

Total shareholder returns achieved by the Swisscom share in 2023.

Credit rating

Single-A rating

was confirmed by Standard & Poor's and Moody's.

Swisscom share

In CHF million, except where indicated		31.12.2023	31.12.2022
Number of issued shares		51.802	51.802
Closing price at end of period	CHF	506.00	506.60
Closing price highest	CHF	619.40	590.40
Closing price lowest	CHF	501.20	443.40
Market capitalisation		26,212	26,243
Dividend per share	CHF	22.00	22.00
Dividend return	%	4.3	4.3
Change in Swisscom share price	%	(0.1)	(1.6)
Change in SMI	%	3.8	(16.7)
Change in STOXX Europe Telco 600 (in EUR)	%	3.8	(17.7)
Total shareholder return Swisscom share	%	4.2	2.5
Total shareholder return on Swisscom shares over the last five years	%	32.9	21.7
Total shareholder return SMI	%	6.1	(14.3)
Total shareholder return SMI over the last five years	%	54.1	33.8
Total shareholder return STOXX Europe Telco 600 (in EUR)	%	8.9	(14.0)
Total shareholder return STOXX Europe Telco 600 (in EUR) over the last five years	%	1.1	(14.8)

At the end of 2023, the Swisscom share price was virtually unchanged against the closing price at the end of the previous year. The benchmark indices showed better performance in 2023. Both the SMI and the STOXX Europe Telco 600 (EUR) rose by 3.8%. The Swisscom share offers an attractive dividend yield of 4.3%. The total shareholder return (TSR) based on the increase in the share price and distributions over the last five years was also positive at 33%.

See www.swisscom.ch/shareprice

Dividend policy

Swisscom pursues a return policy with a stable dividend. Since 2006, the dividend per share has been CHF 22. For the financial year 2023, the Board of Directors will again propose a dividend of CHF 22 to the Annual General Meeting. The total dividend of CHF 1,140 million corresponds to 77% of the free cash flow for the reporting year. Since the initial public offering in 1998, the total amount distributed has equated to CHF 38 billion and the average annual total shareholder return (TSR) has equated to 6.2% (including reinvestment).

Credit ratings and financing

Swisscom has good credit ratings with rating agencies Standard & Poor's and Moody's. Moody's increased Swisscom's rating to 'A1' (previously 'A2') in 2023. Moody's referred to the company's conservative and reliable financial policy as the motivation for the upgrade. Standard & Poor's confirmed the previous 'A' rating in 2023. Swisscom aims to maintain its single-A credit ratings. Swisscom is widely diversifying its debt portfolio and paying particular attention to balancing maturities and diversification of financing instruments, markets and currencies. Swisscom's solid financing gave it unrestricted access to money and capital markets again in 2023.

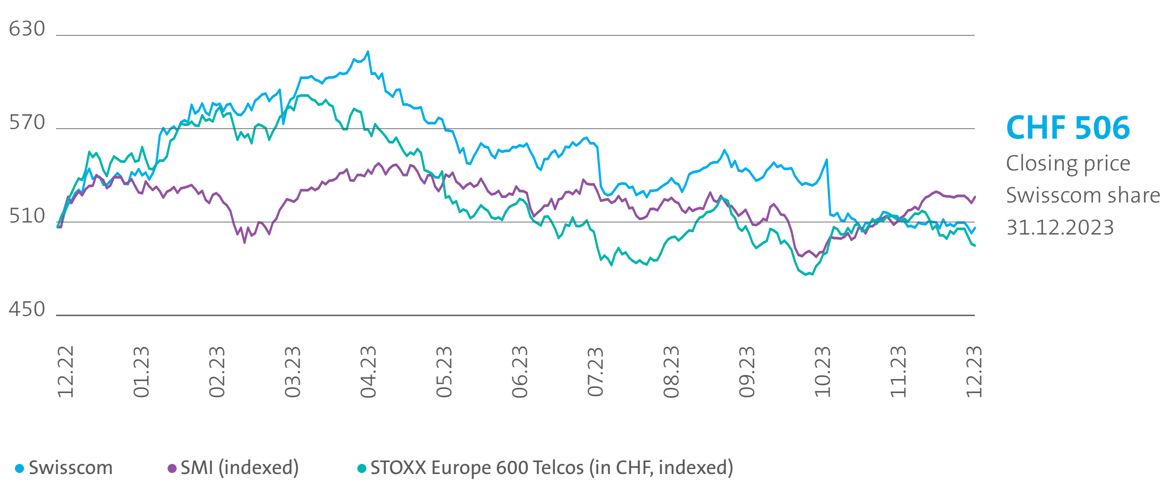
Value-oriented business management

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 permits comparison with the value of comparable companies (European telecommunications companies) and with its own figure for the prior year. The members of the Board of Directors and Group Executive Board are paid a portion of their remuneration in the form of Swisscom shares. 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	31.12.2023	31.12.2022	Change
Enterprise value			
Market capitalisation	26,212	26,243	(31)
Net debt	7,071	7,374	(303)
Defined benefit assets and obligations, net	10	11	(1)
Income tax assets and liabilities, net	875	829	46
Equity-accounted investees and other non-current financial assets	(461)	(419)	(42)
Non-controlling interests	3	3	–
Enterprise value (EV)	**33,710**	**34,041**	**(331)**
Operating income before depreciation and amortisation (EBITDA)	4,622	4,406	216
Ratio enterprise value/EBITDA	**7.3**	**7.7**	**(0.4)**

Swisscom's enterprise value fell by CHF 0.3 billion (–9.7%) to CHF 33.7 billion in 2023. Market capitalisation remained unchanged year-on-year and net debt fell by CHF 0.3 billion. The enterprise value/EBITDA ratio of 7.3x is lower than the prior-year figure of 7.7x. This is due to the increase in EBITDA. Measured against this ratio, Swisscom's relative valuation is well above the average for comparable companies in Europe's telecoms sector. This high relative valuation is supported by Swisscom's solid market position and attractive dividend. In addition, the lower interest rates and lower corporate income tax rates in Switzerland compared with other European countries have a positive effect on its enterprise value.

Share performance 2023
in CHF



Risks

Competitive dynamics

Revenue development in core business

Swisscom is countering the risk of disruptive megatrends through comprehensive environment analyses, fundamental transformation and increasing its own efficiency.

Politics

Regulation

Swisscom's wide range of business activities, coupled with the complexity of the applicable regulations, calls for an effective compliance management system.

Geopolitics

Inflation, supply bottlenecks and currencies

Swisscom takes steps on an ongoing basis to enable it to respond appropriately to geopolitical developments.

Risk situation

Sales in the core business of Swisscom are under pressure from intense competition. New offerings in the areas of digitalisation and IT services, such as cloud and IT security 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 both a profound transformation of Swisscom's own company, as well as greater efficiency. Some of the key risk factors are described below. Further information on risks can be found in the report on non-financial matters.

See report **pages 58–81**

Risk factors

Competitive dynamics in the telecoms 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 development of revenue from the traditional telecoms business by transforming the company, as well as through constant innovation. Megatrends such as increasing connectivity, customisation of customer needs, and demographic change are indelibly shaping and altering both 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. It uses the future trends and developments identified by the analysis in a targeted manner: 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 its 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 was redesigned in line with the ISO 37301 standard during the year under review.

Geopolitical development

Geopolitical developments pose the risk of sustained inflation, shortages of goods or delays in deliveries, as well as recession in general. Changes in the geopolitical situation have brought the need to protect critical infrastructure to policymakers' attention. A new motion is calling for the foundations to be laid for a potential ban on equipment from countries where the state exerts influence over industry. To enable it to respond appropriately to geopolitical developments, Swisscom reviews and implements measures on an ongoing basis. It also pursues a successful hedging strategy, thereby minimising the risk of losses that can arise as a result of fluctuating foreign exchange rates.

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 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 or market consolidation. 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 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), power outages, power shortages 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. As a systemically important company, Swisscom also wants to do its part to minimise the risk of a power shortage.

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, result in additional costs and impact Swisscom's competitiveness. The transformation is being closely monitored by the Group Executive Board. Changes and developments in technology, the economy and society interact to shape the area of internet security because continuous innovations and the opportunities they bring lead not only to opportunities, but also to new risks. Despite the fact that preventing cyber-attacks is becoming increasingly difficult due to the rise in the number of potential threats, the objective is to identify these 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 a precautionary principle and introduced limits for base stations in sensitive areas such as homes, schools, hospitals and permanent workplaces that are ten times stricter than those prescribed by the WHO. The public's wary attitude towards 5G, particularly if questions arise concerning locations for mobile communication antennas, is impeding Swisscom'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.

Report on Non-financial Matters

General information

About this report

Reporting on non-financial matters

In accordance with Article 964b of the Swiss Code of Obligations (CO), Swisscom has to report on non-financial matters for the first time in the 2023 financial year. This report contains information on environmental matters (especially the CO_2 targets), social matters, employee contributions, human rights and anti-corruption matters, which are required to understand business performance, operating results, the company's position and the impact that the company's activities has on these non-financial matters.

The Board of Directors of Swisscom Ltd approved this report on 7 February 2024. The report is subject to approval by the shareholders of Swisscom Ltd at its Annual General Meeting to be held on 27 March 2024. It is published electronically on the Swisscom website.

See www.swisscom.ch/report2023

The report on non-financial matters covers all controlled domestic and foreign companies. Its reporting includes the same fully consolidated companies as the consolidated financial statements in accordance with IFRS. The list of Group companies is shown in Note 5.4 of the notes to the consolidated financial statements.

See report pages 183–184

In addition to the report on non-financial matters, Swisscom's sustainability reporting also includes a Sustainability Impact Report on Swisscom's business activities in Switzerland. The Italian subsidiary Fastweb also prepares and publishes a sustainability report. Both sustainability reports have been prepared in accordance with the international GRI (Global Reporting Initiative) framework. The requirements set out by the Sustainability Accounting Standards Board (SASB) have also been applied to reporting in Switzerland. The two sustainability reports are verified by independent auditing companies.

See www.swisscom.ch/sir2023
See www.fastweb.it/corporate

Reporting on climate issues

The Swiss Ordinance on Climate Disclosures (Verordnung über die Berichterstattung über Klimabelange) entered into force on 1 January 2024. It provides for the implementation of the internationally recognised recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a binding requirement for major Swiss companies. The reporting covers the impact of climate change on the corporate sector and the impact of companies' activities on climate change.

Reporting on compliance with due diligence requirements regarding conflict minerals and child labour

In accordance with Article 964j of the Swiss Code of Obligations, companies have to report on compliance with due diligence requirements regarding conflict minerals and child labour for the first time in the 2023 financial year. The Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO), which came into force on 1 January 2022, governs the due diligence and reporting obligations to be met by the company. Swisscom does not import or process any conflict minerals or metals defined in the Act and the Ordinance and is therefore exempt from the reporting obligations regarding minerals and metals. Reporting on compliance with due diligence requirements regarding child labour is integrated into the 'Fair supply chain' chapter.

See report pages 76–79

Sustainability strategy

Swisscom has formulated its sustainability strategy for the period up to 2025, which is entitled 'Responsibility means moving forward – now not someday'. It wants to play a leading role as a sustainable company and address the challenges, however large and complex they may be, not only with a long-term strategy, but also directly. In addition to the expectations of stakeholders and Swiss legislation, the United Nations Agenda 2030 with its 17 Sustainable Development Goals (SDGs) defines the framework of the Swisscom Sustainability Strategy.

Governance

Swisscom relies on governance that is heavily based on the specifications of the Telecommunications Enterprises Act (TEA) and on its own ESG (Environmental, Social and Governance) strategy.

Corporate responsibility governance

Strategic goals of the Federal Council

Based on the Telecommunications Enterprise Act (TEA), the Federal Council defines the goals which the Confederation, as principal shareholder of Swisscom, aims to achieve in the next four years. During the current target period, which runs until 2025, the Confederation expects Swisscom to pursue a corporate strategy that is, to the extent economically possible, committed to sustainable and ethical principles. In this context, the reduction of greenhouse gas emissions is of particular importance. In addition, the strategy should take into account the concerns of the different parts of the country, where operationally appropriate.

See www.swisscom.ch/ziele_2022-2025

Incorporation in the Group strategy

The Articles of Incorporation set out the principle that Swisscom Ltd aims for sustainable value creation in its activities. As a result, the Board of Directors is committed to pursuing a Group strategy geared towards sustainability.

See www.swisscom.ch/basicprinciples

Organisation and responsibility

Board of Directors of Swisscom Ltd

The Board of Directors of Swisscom Ltd approves the ESG strategy (environmental, social and governance strategy) in accordance with the Organisational Rules and defines the material non-financial matters for the Group (which includes defining the performance indicators). It monitors the implementation of the measures and the risks. It is also responsible for the supply chain policy. The Board of Directors has delegated some reporting and monitoring duties to the Audit & ESG Reporting Committee. This committee 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. The Board of Directors and the Audit & ESG Reporting Committee are periodically informed about the key performance indicators from the focus areas of the sustainability strategy.

Details on the other activities and responsibilities of the Board of Directors and the Audit & ESG Reporting Committee relating to ESG matters are provided in the Organisational Rules and in Annex 1.2, the rules of procedure of the Audit & ESG Reporting Committee.

See www.swisscom.ch/basicprinciples

CEO of Swisscom Ltd

The Board of Directors of Swisscom Ltd has delegated responsibility for implementing the Group strategy to the CEO. The latter can delegate tasks and competences to subordinate bodies. The CEO defines the targets and measures for implementing the sustainability strategy. He is supported in this task by the members of the Group Executive Board, primarily by the Head of Group Communications & Responsibility. If necessary, a working group consisting of members of the Group Executive Board is convened for specific ESG issues. In the ethics working group, the CEO – together with the Head of Group Communications & Responsibility, as the individual responsible for ethics, and the Head of Group Human Resources – deals with corporate ethics issues as required.

Group Executive Board

Swisscom's Group Executive Board has defined the main goals for the company and sub-goals per division as part of the sustainability strategy. It also convenes at least twice a year to discuss the further development and implementation of the defined measures. Each November, the Group Executive Board adopts the roadmap and sub-goals (benchmarks) for the coming year. Members of the Group Executive Board, as well as the Head of Group Communications & Responsibility, are sponsors for the strategic action areas for their divisions. Together with their division management, they are responsible for implementing the sustainability strategy in the line units and for deciding on measures. This ensures that the action areas of the sustainability strategy are binding and firmly embedded in the company.

Business model

Swisscom is the market leader in the Swiss telecoms sector. It employs a total of around 19,700 employees in full-time positions and in 2023 generated revenue of CHF 11.1 billion, along with an operating income before depreciation and amortisation (EBITDA) of CHF 4.6 billion. Swisscom achieves over 75% of revenue through its business activities in Switzerland. Since the acquisition of Fastweb in 2007, Swisscom has had operations abroad, particularly in Italy. Fastweb is a leading alternative provider of broadband and mobile phone services for residential, business and wholesale customers in Italy. In Switzerland, Swisscom provides its customers with modern, convergent mobile communications and fixed telephone network infrastructure. For residential customers, Swisscom offers all products and services for mobile communications, internet, TV and fixed network telephony nationwide. On behalf of the Confederation, it also ensures basic service provision and provides all sections of the population across Switzerland with a basic range of telecommunications services. Swisscom offers its business customers a comprehensive range of IT services. The portfolio 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, data and AI consulting, and services tailored to the banking, insurance and healthcare industries. Further information on Swisscom's business activities can be found in the introduction.

See report **pages 1–11**

Identification of material non-financial matters

The material non-financial matters presented in the report are identified based on the principle of dual materiality. According to the outside-in perspective, matters considered to be material are those that are necessary to arrive at an understanding of the company's business performance, operating results and position (financial materiality). In accordance with the inside-out perspective, the report presents the material impact of business activities on the environment and people (impact matters). A large number of issues are considered material from both perspectives. The materiality analysis is carried out from a Group perspective. Fastweb's sustainability reporting for its business activities in Italy includes other non-financial matters identified as material that are not included in Swisscom's consolidated non-financial report.

When developing its sustainability strategy and sustainability reporting in accordance with the GRI framework, Swisscom conducts regular trend analyses, benchmarking comparisons and materiality analyses. It involves the relevant stakeholder groups in the process and engages in structured dialogue with them. Further information on the identification of material matters can be found in the sustainability reports of Swisscom in Switzerland and Fastweb.

See **www.swisscom.ch/sir2023**
See **www.fastweb.it/corporate**

The material topics for Swisscom and their allocation to the non-financial matters are as follows, divided into business activities in Switzerland and Italy:

Matter	Material topics	Switzerland	Italy
Environmental matters	Climate protection	x	x
	Energy efficiency	x	x
	Circular economy	x	
Employee matters	Labour market skills and training	x	
	Diversity and equal opportunities	x	x
Social matters	Data protection	x	
	Data security	x	
	Network access	x	
	Youth media protection and media skills	x	
Respect for human rights	Fair supply chain	x	x
Combating corruption and bribery	Ethical behaviour	x	x

Environmental matters

Climate protection

Concept including due diligence applied

Swisscom makes its contribution to help limit the global temperature increase to 1.5°C and to achieve the Paris climate targets. Swisscom is aiming for the net-zero target across the entire Group (including the Italian subsidiary Fastweb) by 2035 in accordance with the Science Based Targets initiative (SBTi). As an interim step, Swisscom wants to achieve full climate neutrality across the entire value chain of its Swiss business and in Italy by 2025.

To this end, Swisscom has defined an ambitious climate strategy and a comprehensive raft of measures covering the entire value chain. Swisscom's climate strategy is based on the reports published by the Intergovernmental Panel on Climate Change (IPCC), which call for a tightening of the Paris climate target and recommend adherence to a maximum temperature increase of 1.5°C.

Reducing its own emissions is a top priority for Swisscom. Swisscom pays attention not just to the quantity of energy consumed, but also to the way it is produced and therefore to its carbon footprint. Through the net-zero target in accordance with the SBTi Corporate Net-Zero Standard, Swisscom is committed to reducing its Scope 1, Scope 2 and Scope 3 emissions by 90% across the entire value chain compared to the base year of 2018. This includes the Italian subsidiary Fastweb. Residual emissions are offset through climate protection projects for CO_2 avoidance or removal. Swisscom bases its due diligence of the greenhouse gas inventory in 2023 around the current GHG standards (Greenhouse Gas Protocol standards) and verifies this annually through an independent audit in accordance with ISO 14064 'Greenhouse balance sheet'.

Key performance measures

	Start year	Target year	Target	2023
SBTi targets Swisscom Group				
Reduction of greenhouse gas emissions Scope 1 and 2	2018	2030 [1]	80%	35%
Reduction of greenhouse gas emissions Scope 3	2018	2030 [1]	60%	18%
Reduction of greenhouse gas emissions Scope 1–3	2018	2035 [1]	90% [2]	18%

1 Interim target 2030; final target 2035.

2 Residual emissions are offset through climate protection projects for CO_2 avoidance or removal.

According to the GHG Protocol (Greenhouse Gas Protocol), Scope 1 comprises direct emissions resulting from the consumption of fuel during operation, transportation and fugitive emissions (e.g. fuel for heating or vehicles). Scope 2 includes the indirect emissions that result from the use of purchased electricity, steam, heat or cooling (e.g. electrical energy consumption for operations). Scope 3 includes all other indirect emissions caused by a company's activities in its value chain (e.g. emissions from the supply chain).

Implementation of concept/ assessment of effectiveness

Swisscom in Switzerland

As an interim step towards the net-zero target, Swisscom wants to achieve full climate neutrality across the entire value chain of its Swiss business by 2025. To reach this goal, Swisscom is aiming to reduce its Scope 1, Scope 2 and Scope 3 emissions by 25% from 2020 to 2025. High-quality carbon credits from selected climate protection projects will be used in a complementary manner to offset the residual emissions that remain unavoidable despite intensive measures to reduce them. Swisscom is also taking measures to boost its energy efficiency (see 'Energy efficiency').

Scope 1

Energy consumption is the most important internal lever when it comes to reducing CO_2 emissions. Swisscom primarily requires electricity to operate its network infrastructure and, to a much lesser extent, requires fuel for operational mobility and to heat its buildings. The switch from fossil fuels to renewable energy sources is the main factor contributing to the reduction in Scope 1 emissions. Since 2016, Swisscom has been systematically switching from fossil fuel heating systems to heat pumps or using district heating and, where possible, heat recovery from its own operations to heat its buildings. It has also set itself the goal of electrifying its fleet by 2030. In doing so, it wants to reduce the direct emissions of the vehicle fleet by half between 2020 and 2025, and to zero by 2030.

Scope 2

The use of certified electricity and district heating reduces CO_2 emissions from electricity to the indirect emissions (provision of electricity and district heating). The efficiency measures for electrical energy consumption outlined in the 'Energy efficiency' chapter also prevent Scope 2 emissions from arising. In addition, further measures help to keep Scope 2 emissions to a minimum. for example, Swisscom covers 100% of its electricity needs with a mix of renewable energy sources, mostly hydroelectricity and a blend of other renewable sources, such as wind and solar power. It has also been purchasing renewable district heating since 2019 and looks into new connections to the local district heating network wherever possible. Swisscom is also having photovoltaic plants installed on its own properties. The electricity produced is consumed primarily by the company itself, with any surplus being channelled into the grid. In the reporting year, Swisscom made the decision to step up the construction of photovoltaic plants at its sites between now and 2026.

Scope 3

More than 95% of Swisscom's emissions are attributable to indirect emissions in the value chain. The reduction of emissions in the upstream and downstream value chain is an essential element of Swisscom's climate strategy. The main measures aimed at reducing indirect emissions can be split into three main areas: the supply chain, the company's own products and employee mobility.

More than three quarters of Swisscom's indirect emissions arise in the upstream value chain and relate to purchased network infrastructure, IT, purchased merchandise and services. Swisscom is pursuing various approaches to reduce these emissions. It is a member of the JAC (Joint Alliance for CSR) – an association of telecoms providers that monitors and promotes compliance with environmental and social standards among IT suppliers. Swisscom also requires its key strategic suppliers to document their carbon footprint via the Carbon Disclosure Project (CDP). It is also seeking to significantly reduce CO_2 emissions through intensive cooperation with suppliers and subcontractors as part of joint carbon reduction programmes. One example is the cooperation with Arcadyan Technology Corporation in the production of the new TV-Box 5. This box is the first Swisscom product whose product carbon footprint has been verified externally by the German technical inspection agency TÜV Rheinland. The TV-Box 5 requires 35% less energy and, due to the 53% reduction in volume, less material than its predecessor models. It also consists of 65% recycled plastic and uses completely plastic-free packaging.

Swisscom sells its own products such as boxes for TV, WLAN and internet (routers). It applies targeted circular economy practices to these products (see chapter on the circular economy) and reduces material consumption during production and electrical energy consumption during use. Swisscom is also reducing the need for new devices by recycling its own products and using devices that are no longer in use as replacements. Finally, the demand for smartphones is falling thanks to availability on the second-hand market and buyback and resale solutions.

Swisscom endeavours to avoid unnecessary commuting. It offers its employees the option of working from home and flexibility with regard to where they work. It also supports the use of public transport and is reducing the number of company car parking spaces. Swisscom has a stringent authorisation policy for flights.

CO_2 offsetting

Since 2020, Swisscom has been using offsetting as a complementary measure in its quest to reduce CO_2 emissions. It has been offsetting all residual emissions from its services since 2022. To offset its residual emissions, Swisscom uses CO_2 certificates from carefully selected climate protection projects that meet high quality and integrity standards in accordance with the Gold Standard, the Verified Carbon Standard (VCS) and the Plan Vivo Standard. To ensure the quality and integrity of the CO_2 certificates, Swisscom follows the current recommendations set out in the Oxford Principles for Net Zero Aligned Carbon Offsetting and the recommendations of the Integrity Council for the Voluntary Carbon Market (ICVCM). It has also defined clear criteria for certificate purchasing to ensure that each certificate most effectively avoids one tonne of CO_2eq or removes this amount from the atmosphere. When compiling its offsetting portfolio, Swisscom aims for geographical and methodological diversification and mainly supports offsetting projects in developing and emerging countries. In collaboration with the external partners myclimate, South Pole and First Climate, Swisscom has purchased CO_2 certificates from a total of seven offsetting projects that it will use to offset emissions over the coming years.

See **www.swisscom.ch/sir2023**

Swisscom in Italy
Fastweb has committed itself to a net-zero target by 2035 in accordance with the Science Based Targets initiative (SBTi). It has taken various measures to achieve this goal. This includes reducing direct and indirect emissions, improving the energy efficiency of network infrastructure and offsetting all remaining emissions. In addition, Fastweb is changing the composition of its vehicle fleet, replacing gas-driven heating systems and reducing detrimental effects on the respective locations when installing optical fibre lines. Supported by consulting company AzzeroCO_2, Fastweb is offsetting residual emissions by purchasing CO_2 certificates from environmental projects around the world.

Fastweb already achieved climate neutrality in 2022 with regard to direct (Scope 1) and indirect emissions (Scope 2), as well as upstream and downstream emissions (Scope 3). In September 2022, Fastweb began offsetting emissions accrued by its customers through the use of its services.

Direct emissions (Scope 1) amount to 1% of total emissions. Fastweb is endeavouring to achieve the targets for reducing Scope 1 emissions by replacing gas-powered heating systems and switching 75% of its vehicle fleet to hybrid/electric vehicles and 25% to diesel vehicles by 2025. By 2030, it aims to use 70% pure electric vehicles and 30% hybrid vehicles. The Scope 2 emissions recorded have been zero since 2021, as 100% of the electricity that Fastweb purchases comes directly from renewable sources. Indirect emissions (Scope 3), which account for 99% of total emissions, have fallen by 3% year-on-year from 219 to 213 thousand tonnes of CO_2eq as a result of the measures taken.

Risks
The following risks related to environmental issues could arise.

- **Supply chains:** Supply chains are not only the largest source of emissions, but also one of the most complex. Volatile CO_2 reporting from key suppliers or changes in procurement can have a negative impact on the indicators.
- **Climate change:** Ongoing climate change is accelerating the intensity and frequency of extreme weather events such as rising average temperatures and prolonged heatwaves. This can lead to natural disasters that could damage Swisscom's network infrastructure.

Energy efficiency

Concept including due diligence applied
In its role as a major consumer of energy, Swisscom has been working to increase its energy efficiency for years now. The company maintains considerable network and IT infrastructure in Switzerland and Italy. A broad range of measures are being implemented throughout the company to increase energy efficiency. Due diligence employs an energy management system in both Switzerland and Italy.

Swisscom in Switzerland
Swisscom operates one of the largest fleets of company and commercial vehicles in Switzerland. Added to this are office and operations buildings, shops and data centres. In order to boost its own energy efficiency, Swisscom has introduced an energy management system based on ISO 50001. This system serves as a key instrument for ensuring the transition to becoming a CO_2-free company and achieving the net-zero target.

Swisscom in Italy
Energy accounts for a significant proportion of telecoms companies' operating expenditure and has an impact on their carbon footprint. In addition to procuring 100% renewable energy, increasing the energy efficiency of the network and IT infrastructure is a top priority for Fastweb. A dedicated energy management team is responsible for identifying activities to improve and increase the energy efficiency of the network and IT infrastructure. Since 2015, the team has implemented numerous measures both in the data centres and at key operating sites. These include continuous monitoring, the generation of renewable energy on site, operational optimisation and the decommissioning of obsolete network elements.

Key performance measures

Energy targets of Swisscom in Switzerland

Reference	Targets and target agreements	Start year	Target year	Target	2023
Energy efficiency through savings measures over total energy consumption [1]					
Swisscom	Not weighted	2020	2025	+20%	+12%
Swisscom	Not weighted	2020	2030	+43%	+12%
EnAW [2]	Weighted	2013	2024	+36% [4]	+64%
EEC [3]	Not weighted	2020	2030	+18% [4]	+3%

1 The reference value and calculation of efficiency is based on guidelines from the Swiss Federal Office of Energy (SFOE), namely the 'Target agreement with the federal government to boost energy efficiency' dated 5 May 2022.

2 Energie-Agentur der Wirtschaft (EnAW); target path of 3% per year.

3 Exemplary Energy and Climate (EEC), an initiative of the Confederation.

4 Values from the previous year.

Energy targets of Swisscom in Italy

Measures energy savings	Target annual savings in KWh	Effective annual savings in KWh	In % target
Decommissioning of network and IT infrastructure	–	12,074,319	–
Own production of renewable energy	–	128,000	–
Operational and building optimisation	–	814,912	–
Total energy savings	**5,000,000**	**13,017,231**	**260%**

Implementation of concept/ assessment of effectiveness

Swisscom in Switzerland

The following measures make the greatest contribution to increasing Swisscom's energy efficiency in its Swiss business. The electrification of heating systems and vehicles is not included. While this also plays a part in boosting efficiency, it primarily serves to reduce CO_2 emissions. As a result, it is described in the chapter on climate protection.

Electricity

Optimising technology and replacing outdated network components and platforms allowed Swisscom to make further progress in the efficiency of telecoms networks and IT platforms in the reporting year. Its modernisation measures not only improved network service, but also reduced electrical energy consumption. The fixed and mobile networks consume the most electricity in Swisscom's operations. These two networks account for around two thirds of total electrical energy consumption. Despite reduction measures, Swisscom's electricity consumption increased slightly in the reporting year due to the constant expansion of its network infrastructure. Thanks to the measures implemented, around 15 GWh of electricity was saved in 2023.

Fuels

Despite efficiency measures, fuel consumption increased in the reporting year, as Swisscom had an increased contract volume and therefore travelled more kilometres, particularly with its commercial vehicles. Swisscom continues to focus on electric drives and energy-efficient vehicle models when procuring new vehicles and aims to electrify its entire fleet by 2030.

Heating fuel

In the year under review, Swisscom upgraded several heating systems in its operation buildings and installed modern heat pumps. Energy consumption was reduced significantly by replacing outdated heating systems such as oil or gas systems. As a result, thermal energy consumption was further reduced in the reporting year.

Swisscom in Italy

Fastweb's energy consumption is made up of electricity (96%) and, to a lesser extent, natural gas, petrol and diesel (4%). In 2023, Fastweb maintained its commitment to procure energy from renewable sources. 100% of the electricity purchased by Fastweb comes from renewable sources.

In recent years, Fastweb has concluded numerous longer-term contracts for renewable energy. In 2022, Fastweb signed an energy purchase agreement for the supply of electricity from renewable energy sources. The 12-year contract provides for the development of a new photovoltaic plant in the Lazio region, which will cover a portion of Fastweb's energy requirements with renewable energies. The new photovoltaic plant with a capacity of 11.25 megawatts will generate 19 GWh of electricity per year, which will be used exclusively by Fastweb. The plant will be in operation from 2023 and will cover around 13% of Fastweb's energy requirements. This measure is part of the decarbonisation path that Fastweb has been on since 2015 with the purchase of 100% renewable energy with certification of origin. In 2023, Fastweb signed a further location-independent energy purchase agreement for a photovoltaic plant in Piedmont with a production of 19 GWh, which will be commissioned in 2024. Thanks to the photovoltaic systems installed at Fastweb sites since 2016, a total of 182,639 KWh was produced and used for Fastweb's own consumption in 2023, an increase on the previous year.

Another measure is the decommissioning of obsolete network elements at each individual site in order to reduce energy consumption. Due to the energy crisis and higher procurement costs, Fastweb increased efficiency and reduced energy consumption in 2023. Projects such as the decommissioning of network elements and temperature optimisation in buildings were accelerated.

Risks

The implementation of energy efficiency measures gives rise to the following risks.

- **Measurability and monitoring:** The precise measurement and monitoring of energy efficiency is complex; it requires suitable systems and technologies.
- **Legal and regulatory risks:** Changes in environmental or energy regulations can have an impact on the profitability of energy efficiency measures.

Circular economy

Concept including due diligence applied

The resources used by Swisscom and its suppliers are finite and in some cases scarce. The longer a resource is used, the more environmentally friendly it is. Swisscom intends to reduce or stabilise consumption of resources in its operations. Its aim is to move gradually towards a circular economy spanning the entire value chain. The selection of materials and the manner in which they are used play a central role in procurement and operation, as well as in their use by customers.

Swisscom is not only a network operator, but also a retailer and supplier of merchandise (e.g. mobile phones) and self-developed devices (e.g. Internet- and TV-Boxes). In this capacity, it plays a relevant role in the circular economy on the Swiss market. Recycling programmes for communication devices support the implementation of its sustainability strategy. Swisscom is continuously developing its operational environmental compatibility and sustainable use of resources in accordance with ISO 14001 'Environmental management systems'. Swisscom performs due diligence in accordance with the ISO 14001 and ISO 14064 standards 'Greenhouse balance sheet'.

Key performance measures

KPI	2023	Target 2025
Number of devices collected	192,000	250,000

Implementation of concept/ assessment of effectiveness

A second life for smartphones

When it comes to smartphones, Swisscom, in its capacity as a retailer, can have a direct impact on the circular economy primarily by extending the useful life of these devices. Its efforts within this context focus on its buyback, repair and second-hand offers, and it aims to process a quarter of a million devices via these Swisscom programmes every year by 2025. As part of the Swisscom Mobile Aid programme, Swisscom donates the proceeds from the resale and recycling of donated mobile phones to the SOS Children's Villages organisation. It also offers the Mobile Bonus buy-back programme and repair options for smartphones, with the work being carried out by an external partner. Swisscom also sells 'refreshed smartphones', allowing it to extend the service life of existing devices.

Sustainable Swisscom products

Swisscom has enhanced potential to exert influence and faces corresponding challenges when it comes to designing its proprietary products such as Internet- and TV-Boxes to suit the circular economy. Together with its suppliers, it has set itself the goal of improving the material consumption, energy consumption and durability of the devices with each new product generation and of reducing their environmental impact.

Dismantling of network infrastructure

Swisscom not only creates new networks, but also takes down outdated networks. When dismantling networks, Swisscom looks into the options available for selling valuable, fully functional components to other network operators as spare parts. What can neither be reused nor sold is recycled. In 2023, a total of 1,373 tonnes of recyclable materials were recovered.

Risks

Having customers return devices they are no longer using is fundamental to a functioning circular economy. Ensuring that customers do their bit is a challenge. To increase customer participation, Swisscom is focusing on direct customer information throughout the year and on raising public awareness.

See www.swisscom.ch/rethink

Employee matters

Labour market skills and training

Concept including due diligence applied

To take advantage of the opportunities presented by the digital change and to master its challenges, it is essential that employees continuously expand their skills. With ‘Level Up’, Swisscom is shaping the transformation process, promoting the digital skills of its employees and fostering its culture of collaboration. Swisscom is establishing a skills management system that covers skills that will be relevant in the future. Its concept includes continuous professional development, the adaptation of training programmes to reflect the needs of the labour market and the promotion of lifelong learning. Its due diligence takes place via the skills management system.

Key performance measures

KPI	2023	Target 2025
Number of training days per employee	4.2	4.5

Implementation of concept/ assessment of effectiveness

Career starters

Swisscom trains apprentices in seven vocational disciplines using a progressive, skills-based training model. The apprentices arrange their apprenticeship as part of a modular system where they can apply for different practical placements within the company using an online marketplace. This enables them to quickly learn to take on responsibility. In the year under review, 20 apprentices started the newly created ‘Digital Business Developer Federal VET Diploma’ apprenticeship. This apprenticeship is a world first and is essential for the digital transformation in Switzerland. It strengthens the interface between technology and practice, and serves to make digital products and processes as practical as possible. Swisscom also enables young professionals to enter the world of work through its trainee programme and internships.

Training and education

Employees can take advantage of the five training and development days set out in the collective employment agreement (CEA) by choosing from a wide range of in-house training courses, on-the-job development opportunities and external training courses. The internal digital learning platform SKILLup offers time- and location-independent study and gives employees access to programmes based on their skills and interests. Swisscom aims to establish an inspiring learning culture where employees have plenty of freedom and assume personal responsibility for their professional training. In the year under review, an internal leadership training and development course was mandatory for all managers in order to establish a common understanding of leadership.

Talent development

Attracting, developing and retaining talent is one of Swisscom’s objectives in a highly competitive labour market. Participants of the internal talent programme are identified using clear criteria such as motivation and potential every year. They can choose from a range of further development modules tailored to suit their own situation and take advantage of coaching sessions. In the ‘Talent’ app, they can save their personal profile and aspired-to roles, making them visible to managers across the different divisions.

Risks

Measures to boost employability and provide further training to employees are associated with the following risks:

- **Lack of relevance:** If the further training programmes are not tailored to suit the needs of the labour market or the company, participants who complete them may find it difficult to gain a foothold in their occupational field.
- **Overqualification:** Intensive further training can result in employees being overqualified for their current position, which could affect their job satisfaction.
- **Technological change:** Rapid technological change can lead to certain skills becoming obsolete before training is completed.

Diversity and equal opportunities

Concept including due diligence applied

Swisscom in Switzerland

Swisscom represents a culture that values differences and has no room for discrimination and marginalisation. It promotes diversity with regard to gender, age, origin, language, sexual orientation and the inclusion of employees with a physical or intellectual disability. Diversity drives innovation and makes Swisscom successful as a company, which is why Swisscom makes sure its recruitment, development, talent management and leadership culture processes are designed in such a way that they counteract these stereotypes and enable equal opportunities. Swisscom performs due diligence by regularly measuring the Group-wide targets in the different dimensions of diversity.

Swisscom in Italy

Fastweb's principles for managing and remunerating employees emphasise equal conditions, non-discrimination, performance orientation and transparency. Fastweb aims to be a safe, inclusive place where people can proudly express their uniqueness. The inclusion@Fastweb strategy promotes diversity, equality and inclusion. It is monitored by the Corporate Culture & Inclusion department and is available on the Fastweb website and on the Agorà intranet, which is accessible to all Fastweb employees. The Inclusion@ Fastweb strategy covers the areas of gender diversity, disability, sexual orientation, multiculturalism and age discrimination. It emphasises intersectionality, the promotion of equal opportunities and connections and the intensification of internal and external initiatives in various areas: from gender equality to the development of women's STEM skills; from disabilities to support for caregivers; and from the intention to spread a culture of inclusive language to the focus on creating awareness of issues such as diversity, equality and inclusion in Fastweb's workforce.

Key performance measures

Swisscom in Switzerland

KPI	2023	Target 2025
Proportion of women in management	14.4%	15.7%
Proportion of employees under 40 years of age	43.9%	45.0%
Proportion of employees with health impairments (inclusion)	1.1%	1.0%

Swisscom in Italy

KPI	2023	Target 2023
Proportion of women in employment	59%	50%
Proportion of employees trained in diversity and inclusion	80%	50%

Implementation of concept/ assessment of effectiveness

Swisscom in Switzerland

To promote diversity, Swisscom focuses in its Swiss business on the factors of gender, inclusion, generations and language regions.

Gender

Swisscom relies on various programmes and initiatives to attract more women to IT professions and positions in management. Flexible working models give employees the support they need in different life situations. Swisscom therefore advertises the majority of its positions with workloads ranging from 60 to 100% and also offers job sharing, holiday purchasing, part-time work on a trial basis, contributions to extra-familial childcare and programmes such as Work & Care.

Inclusion

Swisscom is committed to making jobs available to people with physical or psychological impairments in order to (re)integrate them into the workforce. It tries to offer at least 1% of jobs for inclusion-related employment solutions. To achieve this, it is working with organisations such as Compasso and Powercoders.

Generations

In order to counteract the loss of knowledge and shortage of skilled workers that will come hand-in-hand with the upcoming, substantial wave of retirements, Swisscom promotes the transfer and build-up of know-how through measures such as mentoring and junior programmes.

Language regions

Swisscom attaches importance to ensuring that the different languages are appropriately represented throughout the company and therefore offers apprenticeships, internships and talent programmes in all language regions. Language course offerings support employees with learning the national languages and English or improving their language skills.

Swisscom in Italy

In October 2023, Fastweb received certification for gender equality (Prassi UNI/PdR125:2022). It received the certification thanks to its measures taken to close the gender gap. With the new certification, Fastweb will receive additional points in future public tenders and can thus increase its competitiveness in the corporate business segment. Fastweb has drawn up a medium- to long-term action plan for gender equality, which is reviewed annually by the certification body.

On 31 December 2023, women made up 40% of the workforce. The gender ratio among managers who report directly to the CEO has increased. 31% of those reporting directly to the CEO are women. Two out of six members of Fastweb's Board of Directors were women as of September 2023. The number of women responsible for the expenditure budgets has also been increased. They make up 29% of all budget managers. The internal programme to promote female talent, Your Evolution, was launched in July 2023 to identify internal female talent and accelerate the increased share of women in management positions. In accordance with the requirements of the gender equality certification, the gender pay gap analysis shows that the percentage pay gap for the same job by gender and for the same qualification level was less than or equal to 10% in September 2023. In 2023, new measures were introduced to better support women on maternity leave. These include a new objective policy, an accompaniment on return from maternity leave, an increase in funding for paternity leave and financial measures to facilitate voluntary maternity leave.

The diversity, equality and inclusion strategy needs to be spread not only as a driver of ethical values, but also because it is a factor in the company's performance. In 2023, diversity and inclusion training reached 80% of employees. 100 top managers took part in Break the Bias sessions to develop skills to understand and deal with unconscious bias, remove invisible barriers and promote inclusive leadership. A team of 30 Fastweb employees were formed as 'Inclusive Agents' to influence their network and those around them with the aim of accelerating and facilitating the spread of an inclusive culture within the company. In addition, Fastweb promotes the use of inclusive language throughout the organisation, both in internal and external communication.

Risks

Efforts to increase diversity and equal opportunities are associated with the following risks:

- **Resistance to change:** Some employees may resist diversity initiatives out of fear of change or uncertainty.
- **Discrimination and prejudice:** Discrimination and prejudice can persist in the workplace environment in spite of diversity efforts.

Social matters

Data protection and data security

Concept including due diligence applied

As ‘Innovators of Trust’, Swisscom ensures that data protection and data security are firmly established in its organisation, meaning that the trust customers place in it remains justified. As a result, data protection is a central component of Swisscom’s digital strategy and its responsibility towards society. The data protection and data security concept aims to protect personal and business data from unauthorised access, misuse and data breaches.

Key performance measures

KPI	2023	Target 2025
Percentage of employees trained in cybersecurity	87%	85%

Implementation of concept/ assessment of effectiveness

The new Federal Act on Data Protection (FADP) has been in force since 1 September 2023. Swisscom has implemented the necessary adjustments to protect personal data. When the revised FADP came into force, it also took the opportunity to introduce a new standard of customer information and expand the options available to customers. This means that Swisscom customers can not only opt out of specific types of data processing via My Swisscom – an option already available to them in the past – but can now automatically request information regarding how their data is used.

Swisscom attaches great importance to the legally compliant and responsible processing of personal data and protected information. As a result, Swisscom operates a management system for data protection and confidentiality, to which it applies internationally recognised standards and norms. Swisscom also maintains a data ethics framework that is designed to clarify ethical issues connected to the processing of data and the use of new technologies.

Among other things, Swisscom processes personal data in order to provide its customers with individualised, targeted advertising or offers that are even better suited to their needs. It creates customer segments or customer profiles to that end. Customers’ personal data is made available to advertising marketing companies in aggregated form for the purpose of target group-based advertising. Customers may object to the receipt of advertising and the processing of their personal data for marketing and advertising purposes. Swisscom has implemented technical and organisational measures in order to comply with applicable legal provisions.

In the year under review, Swisscom did not conduct any legal or administrative proceedings in the area of customer data protection or confidentiality. Swisscom complies with its legal obligations with regard to the surveillance of postal and telecommunications traffic.

See **www.swisscom.ch/dataprotection**

In addition to stringent compliance with data protection requirements, Swisscom strives in particular to ensure data security. It relies on secure, state-of-the-art infrastructure and highly qualified security experts to ensure the best possible protection for employees, customers, partners and the company as a whole. Swisscom’s security concept is based on the three pillars of prevention, detection and response.

In view of the increasing threats posed by cybercrime, Swisscom uses automation technologies and artificial intelligence (AI) to detect risks and attacks at an early stage and initiate appropriate countermeasures. The cyber specialists in the Swisscom Security Operation Center monitor the entire IT infrastructure around the clock. In addition to technical security solutions, Swisscom is taking measures to continuously enhance the security culture within the company. For example, targeted awareness measures are used to raise awareness among employees about the conscious and secure handling of data. The new security awareness campaign #bethestrongestlink is being used by Swisscom to motivate all employees to do their bit to ensure the company’s security.

Swisscom offers effective security solutions for residential and business customers. These range from call filters and virus protection to security assessments, managed security services and immediate assistance in the event of a hacker attack. Security is thus an integral part of Swisscom’s values and culture.

See **www.swisscom.ch/dataprotection**

Risks

Cyber attacks are increasing rapidly. The speed of digital transformation, machine learning and computing power is rising at an exponential rate. At the same time, attacks are becoming increasingly specific and efficient, and are always able to stay one step ahead of security optimisation measures. This inevitably increases the number of vulnerabilities within the company that are susceptible to cyberattacks. The corresponding risks can have the following effects.

- Swisscom may have weak points when it comes to protecting its infrastructure and customer data from cyberattacks.
- A lack of employee knowledge or overly complex infrastructure can make it more difficult to prevent cyberattacks, some of which are triggered by artificial intelligence.
- Compliance with increasingly complex statutory requirements for data storage and data protection can affect Swisscom's strategy or business models.
- Blackmail attempts, which are becoming increasingly common in connection with cyberattacks, can result in financial losses.

Network access

Concept including due diligence applied

High-performance network infrastructure is becoming more and more relevant. Mobile communications play a key role in new applications such as the Internet of Things (IoT). What is more, an increasing number of processes whereby security is critical will be carried out via mobile communications in the future. The continuous expansion and modernisation of networks is therefore a must in order to enable innovation. Swisscom is constantly developing its network infrastructure to keep pace with the increasing demand for broadband in the fixed and mobile networks. It is investing around CHF 1.7 billion per year in its infrastructure in Switzerland. Through the provision of high-performance networks and an optimal technology mix, Swisscom makes a significant contribution to the attractiveness of the Swiss business community. It also aims to provide its customers with the best network in Switzerland at all times, regardless of their location. Swisscom has set itself ambitious expansion targets. By the end of 2025, fibre-optic coverage (FTTH) in Switzerland is to increase to around 57%, and total between 75% and 80% by 2030. The fibre-optic network should be completed in all municipalities by 2030.

The 5G+ mobile generation is to cover around 90% of the population in Switzerland in the medium term. New mobile generations are more energy efficient, reduce exposure and make better use of the limited radio spectrum available than previous generations. This means that from Swisscom's perspective, it is in the general interest to focus on the latest mobile generation wherever possible and replace older generations. The Ordinance on Non-Ionising Radiation (ONIR) regulates exposure by mobile antennas. Swisscom takes education and providing information on mobile communications seriously. Its team of specialists answers enquiries from the public, and Swisscom also supports the Chance5G information platform established by the industry association asut.

Key performance measures

KPI	2023	Target 2025
Coverage of homes and businesses with fibre optics [1]	46%	57%
Coverage of the Swiss population with 5G+	81%	90%

1 Built access lines.

Implementation of concept/ assessment of effectiveness

Network expansion made further progress in the reporting year. At the end of 2023, optical fibre coverage came to 46% and 5G+ coverage to 81%. Total 5G coverage stands at 99%.

The Federal Supreme Court provided clarity in several judgements on 5G in 2023 and confirmed existing regulations regarding the precautionary principle, measurement recommendation and quality assurance system. However, the decisions are based on the legal basis prior to the ONIR revision (2022). They therefore do not offer any legal clarification regarding a correction factor for adaptive antennas. In the year under review, the NIR monitoring report from the Federal Office for the Environment (FOEN) attested to very low exposure values, some of which are well below the limit. The Confederation also launched an information platform for 5G and mobile communications in the reporting year: www.5g-info.ch.

In September 2023, Parliament submitted a motion to the Federal Council calling for the rapid expansion of the 5G network within the existing limits. The motion calls for measures to simplify and accelerate the expansion of the

5G network. Implementation of this motion would allow outdated regulations for calculating transmission power to be adapted to reflect developments and findings over the last 20 years and building permit procedures to be simplified. Around 3,000 applications for building permits for mobile communications systems are currently still pending with the relevant authorities.

Risks

The following risks related to network access could arise.

- **Authorisations and regulatory hurdles:** Obtaining authorisations and complying with regulatory requirements can be time-consuming and complex, delaying the expansion of the network.
- **Technological advances:** The rapid pace of technological advances may lead to investments that have already been made becoming obsolete.
- **Supply gaps:** Despite every effort to expand the network nationwide, some areas are still difficult to reach, which can leda to supply gaps.

Youth media protection and media skills

Concept including due diligence applied

Swisscom wants to help shape the information society within Switzerland. High levels of internet availability alone are not enough to ensure a functioning information society. Rather, use of the internet also has to add value and be autonomous. With this in mind, Swisscom takes targeted measures to promote youth media protection and competent media usage. Its services impart knowledge, classify the phenomena of digital transformation and promote reflection processes that lead to healthy media use. Swisscom performs due diligence by measuring the effectiveness of the measures or using the number of high-quality contacts with the population. Swisscom has set itself the goal of reaching around 2 million people with information, tips and support by 2025.

Key performance measures

KPI	2023	Target 2025
Promotion of media skills	653,618	350,000
Media usage training	1,100,148	1,273,000
Technical measures for youth media protection	144,185	158,000
Digital shift	131,140	230,000
Total number of contacts	**2,031,114**	**2,011,000**

Implementation of concept/ assessment of effectiveness

Different user groups with specific requirements

The challenges associated with meaningful, low-risk media usage change depending on age and form of use. Swisscom has summarised the challenges in three areas of action.

Digital inclusion

Swisscom makes the opportunities associated with the digital transformation accessible to everyone, supports equal opportunities in the labour market (employability), provides education and promotes social relationships in individuals' leisure time. These measures are primarily aimed at older people who are at risk of losing touch with the rapid pace of technological development.

Youth media protection

Swisscom is supporting children, young people, parents, legal guardians and teachers in the safe and responsible use of smartphones, the internet and television.

Data and internet security

Swisscom provides information about the dangers of the internet, promotes responsible and reflective work, and protects personal data. The focus is primarily on adults in the private and business environment.

Swisscom Campus

Swisscom Campus brings together the educational opportunities of Swisscom for all target groups under one umbrella. The opportunities are divided into the areas of home, school, work and leisure.

See www.swisscom.com/campus

In the year under review, Swisscom launched blue Kids Mobile, a mobile phone subscription for the under-16s. Swisscom provides parents with a wide range of content, tips, courses and technical aids to support and guide them in their parenting. Swisscom also offers teaching aids for various school levels.

Youth media protection

Swisscom considers the promotion of media competency to be the ideal way to enshrine the digital transformation in society. In addition, technical protective measures are designed to protect young people from inappropriate content such as pornographic and violent content. When developing new products and services, Swisscom checks whether the mechanisms for youth media protection are being used effectively. The parental control function or age verification makes certain content inaccessible to young people. blue TV also has a blocking function that enables content and commercial restrictions on video-on-demand content (VoD content). Swisscom also blocks all value-added services with erotic content (0906 numbers route and value-added services) for young people and gives parents the option of setting surfing times for their children via the Internet-Box.

Child protection

With regard to the use of its products and services, Swisscom goes beyond the law and protects children from debt, unsuitable content and the risks associated with the use of digital media (e.g. addiction, privacy, hate speech and cyberbullying). Swisscom ensures its products have parental control features and limits access to offerings with content that is potentially harmful to minors using suitable mechanisms. In order to actively protect the physical and mental innocence of children and young people, it is crucial that the measures are not restricted solely to the media interactions of children and young people. Even before the Telecommunications Act (TCA Article 46a) made it a legal obligation, Swisscom was already committed to blocking on its networks child pornography sites reported by the Swiss Federal Police as part of the industry Initiative of the Swiss Association of Telecommunications (asut) for improved Youth Media Protection and the Promotion of Media Skills in Society. An electric interface between the Swiss Federal Police and Swisscom automatically tracks all changes. Swisscom also supports the anonymous reporting centre www.clickandstop.ch and provides communication support.

See **www.clickandstop.ch**

Data and internet security

Swisscom offers information about the dangers of the internet, about responsible and reflective work, and the protection of personal data. Its measures focus primarily on adults in the private and business environment, for whom the Swisscom Campus offers the ‘Cyber security’ campus guide and includes online courses such as ‘Staying safe on the internet’ and ‘Privacy on the internet’.

Risks

The following risks related to the protection of minors and media protection could arise:

- **Excessive restrictions:** Excessively stringent measures for the protection of minors could restrict the free expression of opinion and creative development of young people.
- **Technological complexity:** The rapid development of digital media is making it more difficult for parents and teachers to keep up with the latest technologies and applications.
- **Lack of supervision:** In some cases, children and young people can access unsuitable content despite measures for the protection of minors if there is insufficient parental supervision.
- **Distorted perception:** Excessive media consumption can lead to a distorted perception of reality, especially among young people.
- **Mental health:** Uncontrolled media use can lead to mental health problems, such as addictive behaviour and depression.

Respect for human rights

Fair supply chain

Concept including due diligence applied

Due to the legal provisions on due diligence and reporting obligations in relation to conflict minerals and child labour (Article 964j of the Swiss Code of Obligations) and the associated ordinance (DDTrO) coming into force, starting from the year under review, Swisscom is obligated to conduct due diligence in relation to child labour, implement a comprehensive management system and issue an annual report. This obligation covers the entire upstream supply chain and includes the company's own business activities and all players – from the extraction of raw materials to the processing of the end product. Swisscom does not introduce or process any conflict minerals in Switzerland. The reporting obligation on compliance with due diligence requirements in relation to conflict minerals is waived.

Swisscom uses a large proportion of purchases of goods and services to operate and expand the network infrastructure. In addition, end devices such as mobile phones, routers and TV-Boxes account for a considerable proportion of the purchasing volume. When it comes to purchasing goods and services, respecting and protecting human rights are a key element of Swisscom's corporate responsibility. Swisscom focuses here on core human rights risks with a high probability of occurrence and a potentially significant impact on those affected and local communities.

These include:

- Child labour
- Forced labour, especially the exploitation and discrimination of ethnic minorities
- Insufficient working conditions in the manufacture of electronics devices, e.g. when handling hazardous substances
- Reasonable limits on working hours
- Fair remuneration

The aforementioned risks are often hidden in the lower levels of the value chain, in which Swisscom only has little insight and influence on the processes thereof. Swisscom therefore considers it essential for the performance of its corporate due diligence to collaborate in joint solutions within the ICT sector. It takes the relevant ILO, OECD and SA8000 standards as a basis. It also relies on a holistic risk management system, which it uses to systematically check its supplier relationships for risks. Swisscom attaches great importance here to maintaining a fair, effective partnership with suppliers who share its social and environmental goals and its values. Where risk hotspots are identified, Swisscom takes targeted development and corrective measures with suppliers. Swisscom's purchasing department handles all procurement transactions and ensures compliance with governance requirements. The main basis for purchasing transactions is the Code of Conduct for Procurement. It contains binding rules for Swisscom suppliers and employees.

Key performance measures

KPI	**2023**	Target 2025
Number of employees at suppliers in the audited factories in the year in question in the JAC network	194,000	150,000

Implementation of concept/ assessment of effectiveness

Swisscom in Switzerland

Risk management system

Swisscom's Supply Chain Risk Management follows a holistic approach in carrying out due diligence checks. The aim is to identify, assess, prioritise and reduce risks not only in ethical, social and environmental terms, but also with regard to finance, logistics, quality and security of supply. It also captures the overall purchasing volume in terms of human rights risks and their corresponding impact. Swisscom's measures have enabled it to achieve a fair procurement score of 90/100 on EcoVadis. The following instructions form the core pillars of Swisscom's due diligence on human rights.

Supply chain policy

As part of its due diligence, Swisscom takes a stand for children's rights. In doing so, Swisscom is guided by the International Labour Organization's (ILO) definition of abusive child labour. The ESG Supplier Code of Conduct attached to the purchasing contract sets out the ecological, social and ethical conditions in the supply chains. Swisscom commits to specific standards for child labour and conflict minerals and obliges its supply partners to report to it any suspected cases.

Risk and impact analysis

As part of its participation in the Business & Human Rights Accelerator of the United Nations Global Compact from February to August 2023, Swisscom conducted a risk analysis of its entire value chain with regard to compliance with human rights. It identified core risks according to their severity and probability of occurrence and created a plan of action for expanding the existing management system, which assigns each supply partner to a category on the risk traffic light (green to red). Suppliers are assigned in relation to the commodity group risk of the service or product provided (in accordance with the internationally recognised score system from the EcoVadis platform) and contract volume. Swisscom pays particular attention to suppliers who are involved in the supply chain of their proprietary products. Since 2023, Swisscom has implemented the risk concept in the procurement process via the SAP Ariba digital platform.

Transparency is the key to fair supply chains. Swisscom pays particular attention to monitoring purchasing transactions with elevated risks (around 30%) and procurements with its top 100 suppliers. As a result, it receives ongoing information about events in the supply chains relating to over 86% of its spend. Swisscom's risk assessment is conducted using the EcoVadis and sphera platforms, which specialise in sustainability ratings. Swisscom is now using sphera to monitor the country risk for child labour via the UNICEF Children's Rights in the Workplace Index. It is also working with suppliers of its own products on the gradual disclosure and presentation of the relevant supply chains within the tool. This helps Swisscom to better trace the origin of the materials and metals used.

Measures to prevent, eliminate or minimise negative impacts

Since 2023, Swisscom has been a member of the Global Child Forum non-profit organisation, which campaigns worldwide for the respect of children's rights by the private sector. It achieved a score of 8.2 in the Children's Rights Benchmark, putting it in the top 9% (or among the 'Leaders') of the companies evaluated. The industry average is 5.7 points.

Audit programme in the Joint Alliance for CSR (JAC)

Swisscom is a member of the Joint Alliance for CSR (JAC). JAC is an association of telecoms providers with global operations that join forces to monitor social responsibility in the production centres of major multinational ICT suppliers. By conducting on-site audits, Swisscom can identify poor corporate practices that pose a potential risk to people and the environment. It then helps its suppliers and sub-suppliers to implement prioritised and scheduled corrective measures. On-site audits examine the following risk categories.

- **Health and safety:** e.g. blocked emergency exits, emergency lighting, and the handling and storage of hazardous substances
- **Working hours:** working hours, overtime and rest days
- **Salaries and benefits:** social security, minimum wages and deductions
- **Environmental protection:** greenhouse gas emissions (measurement, reduction targets, involvement of suppliers/sub-suppliers), implementation of environmental issues along the supply chain
- **Child labour and young workers:** overtime, night shifts and no child labour
- **Forced labour:** lack of employment contracts

In the year under review, the JAC network carried out 149 (previous year: 83) audits. The audited suppliers included mostly Asian producers from the areas of IT hardware, software and services and network infrastructure. The audits uncovered a total of 883 (previous year: 549) vulnerabilities.

In the areas of its supply chain where Swisscom considers there to be an increased risk to people and the environment, it takes development measures with its strategically important suppliers/their sub-suppliers as part of the Supplier Development Programme (SDP).

Over the last few years, Swisscom has worked with suppliers participating in the SDP to develop solutions in relation to issues such as environmental protection, working time regulations and safety at work. The suppliers concerned continue developing their measures independently after the first year. After they have successfully completed the development programme over three years, they use their experience independently in their own supply chains.

Swisscom has been organising training sessions in the form of workshops and webinars for its strategic procurement department on the topic of ESG in supplier management since 2023. It will be gradually expanding these sessions further and specifically addressing the topics of child labour and conflict minerals. Beyond knowledge transfer and the development of internal capacities, the training and awareness-raising programme aims to even better enshrine the long-term ESG governance in the procurement departments and, at the same time, facilitate cross-divisional cooperation on human rights issues.

In addition to its existing whistle-blowing channel for the company's stakeholders, Swisscom established a complaints mechanism covering the supply chain and a remediation process in the year under review. Those affected should report human rights abuses and related complaints affecting procurement processes relevant for Swisscom directly to Swisscom. This should allow Swisscom to more directly identify and eliminate human rights abuses. This whistle-blowing channel is based on the UN Guiding Principles on Business and Human Rights (UNGP No. 29). It is a space that guarantees anonymous, transparent and legally compliant whistle-blowing in accordance with the principles of non-discrimination and non-retaliation. Swisscom categorises complaints according to the extent, resolvability and severity of the impact on those affected. Remediation and development measures are then taken in exchange and dialogue with relevant suppliers and the whistle-blowers. No reports have been submitted to Swisscom since the system was activated in October 2023.

Swisscom in Italy

Fastweb is committed to pursuing its objectives with transparency and integrity and to conducting itself in an ethical and responsible manner. The protection of human rights and labour rights is a guiding principle for Fastweb, one which is guaranteed by its SA8000 certification for social responsibility. It endeavours to ensure that its suppliers and business partners work with it according to the same principles. For this reason, Fastweb introduced a concept to ensure compliance with human rights in the supply chain long before the adoption of the European Commission's proposal for a directive on corporate due diligence in the area of sustainability (February 2022). The aim for 2023 is to implement the onboarding phase of the Sustainable Supply Chain Programme. The targets for 2024 were defined at the end of 2023 as part of the programme's onboarding phase.

Fastweb worked with around 1,500 suppliers in 2023 (including 232 suppliers newly registered during that year). 138 of these new suppliers were assessed according to social and environmental criteria. In addition, Fastweb sourced 95% of its goods purchases (by value) from Italian suppliers. The supplier qualification process is an integral part of the procurement model. In it, each supplier is assigned a risk level based on the supplier's product sector and on labour, safety, social and environmental factors.

In order to successfully complete the accreditation process, all suppliers must sign specific clauses on environmental and social responsibility issues, in which they undertake to comply with all applicable legislation, in particular Model 231, labour law, health and safety regulations, environmental regulations and the principles of social responsibility with regard to respect for human rights. Together with the Code of Ethics, Model 231 sets out rules of conduct and is updated at periodic intervals. All suppliers are also obliged to act in accordance with the principles set out in Fastweb's Code of Ethics. The documents submitted are checked by the procurement department and compliance is monitored annually. Safety and environmental checks are carried out on suppliers operating on site.

In July 2023, Fastweb launched its Sustainable Supply Chain Programme to develop a structured supplier assessment system based on ESG criteria that creates added value for the company and gradually expands the culture of sustainability throughout the chain. Fastweb began assessing the sustainability performance of its suppliers with the support of EcoVadis, a global provider of ESG risk assessments. In 2023, 145 suppliers were assessed on their ESG performance. The results of the assessment are gradually being integrated into the procurement processes and will increasingly be a decisive factor in partner selection.

Risks

Implementing a fair supply chain is essential in order to ensure that products are manufactured under ethical conditions. It involves the following risks.

- **Lack of transparency:** The greatest risks to people and the environment lies at lower levels of the supply chain. Swisscom often has no insight into these areas or the companies operating there or their production methods due to a lack of contractual relationships. Obtaining information and monitoring the relevant supply partners is particularly challenging due to legal obstacles, the large number of suppliers and practices such as outsourcing and subcontracting.
- **Reliance on suppliers:** Swisscom may become reliant on key suppliers, reducing its potential to influence fair production processes in the supply chain.
- **Complexity of the supply chain:** Electronic devices and other IT products, as well as Swisscom's own products, consist of a number of different subcomponents, each with their own supply and value chains. Monitoring and controlling ethical standards in complex global supply chains and manufacturing processes can prove difficult and require effective collaboration with a large number of different suppliers and partners.

Anti-corruption

Ethical behaviour

Concept including due diligence applied

Swisscom conducts its business fairly, honestly and transparently and is opposed to any form of corruption. In its Code of Conduct, it has set out clear rules for legally compliant behaviour in the spirit of integrity. The Group-wide anti-corruption directive specifies which behaviour is permissible or impermissible in the context of work-related activities. The directive includes a strict ban on all forms of bribery and corruption, as well as detailed regulations on conflicts of interest, lobbying, donations and sponsorship. This means that Swisscom's compliance management system is also geared towards preventing corruption. As a trustworthy partner, Swisscom meets stakeholders' high expectations in terms of its integrity. It works in line with values and ethical principles and trains its employees in lawful and value-oriented conduct.

Code of Conduct

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

Anti-corruption directive

Swisscom rejects corruption in all its forms. Swisscom's business is conducted fairly, honestly and transparently. Swisscom has put numerous organisational safeguards in place to avoid corruption. An anti-corruption directive and various guidelines define correct and incorrect behaviour. Exposed employees undergo special training in this regard. The central compliance unit (Group Compliance) monitors the implementation of the requirements.

Anonymous reporting channel (whistleblowing)

An anonymous reporting channel is available to all employees of Swisscom and Fastweb to report questionable events or practices, such as corruption, fraud, violations of laws and guidelines, or problematic accounting. A certified reporting system features technical mechanisms to ensure that the reports remain confidential. Reports are processed by Internal Audit in accordance with a defined process. As a unit assigned to the Board of Directors, Internal Audit guarantees the greatest possible levels of objectivity and impartiality. To simplify processing and receive a reply, the person submitting a report can set up a mailbox while remaining anonymous.

Swisscom in Italy

Fastweb pursues an ethical corporate culture based on anti-corruption guidelines, a Code of Ethics and Model 231. Together with the Code of Ethics, Model 231 sets out rules of conduct and is updated at periodic intervals. The subsidiaries Fastweb Air and 7Layers each have their own Model 231. Individuals acting on Fastweb's behalf must comply with the applicable regulations and prevent offences under the Italian Legislative Decree No. 231/2001. In 2023, Fastweb implemented the provisions of Swisscom's anti-corruption directive in an anti-corruption directive of its own. The fight against corruption is embedded in Fastweb's control, risk management and compliance management system. The anti-bribery system is designed in accordance with the standards of ISO 37001 'Compliance management systems (CMS)'. Compliance with ISO 37001 is reviewed and confirmed by an external auditor. The design and effectiveness of the system is monitored by Fastweb's Internal Control Committee (ICC).

Key performance measures

Swisscom aims to have all employees trained in ethics by 2024.

Implementation of concept/ assessment of effectiveness

Swisscom in Switzerland and Fastweb in Italy organise targeted training sessions on all areas of compliance (anti-corruption/bribery, conflicts of interest, anti-trust law, data protection and data security, capital market compliance and human rights) for employees every year in order to firmly anchor the concept of integrity in the company in the long term. There is an internal training cycle that starts with the trainer committee and reaches all employees via the management.

Risks

Ethical behaviour can give rise to the following risks.

- **Damage to reputation:** Unethical behaviour can lead to significant damage to Swisscom's reputation with a negative impact on the trust placed in the company by customers, business partners and the general public.
- **Lack of understanding or training:** A lack of training on, and awareness of, ethical principles can lead to unintentional violations.

Corporate Governance and Remuneration Report

Corporate Governance

Majority shareholder

51%

of the shares are held by the Swiss Confederation ('Confederation').

Organisation

Christoph Aeschlimann

has been Swisscom CEO since June 2022.

Board of Directors

33%

is the proportion of women at the end of 2023.

1 General principles

In performing their activities, the Board of Directors and Group Executive Board of Swisscom are guided by the objective of sustainable business management. They incorporate the interests of Swisscom shareholders, customers, employees and other interest groups into their decisions and strive to achieve economic, social and environmental objectives as part of a holistic approach. 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 endeavour, Swisscom is guided by the recommendations of the 2023 Swiss Code of Best Practice for Corporate Governance issued by economiesuisse, the umbrella organisation representing Swiss business.

The dialogue between investors, proxy advisors and other stakeholder groups with the respective specialist divisions at Swisscom 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 and Organisational Rules. The Annual General Meeting held on 28 March 2023 revised the Articles of Incorporation to bring them into line with the company law that entered into force on 1 January 2023. As a result of these changes, the Board of Directors made changes to a number of aspects of the Organisational Rules. The revised rules came into force on 1 April 2023. 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**

2 Group structure and shareholders

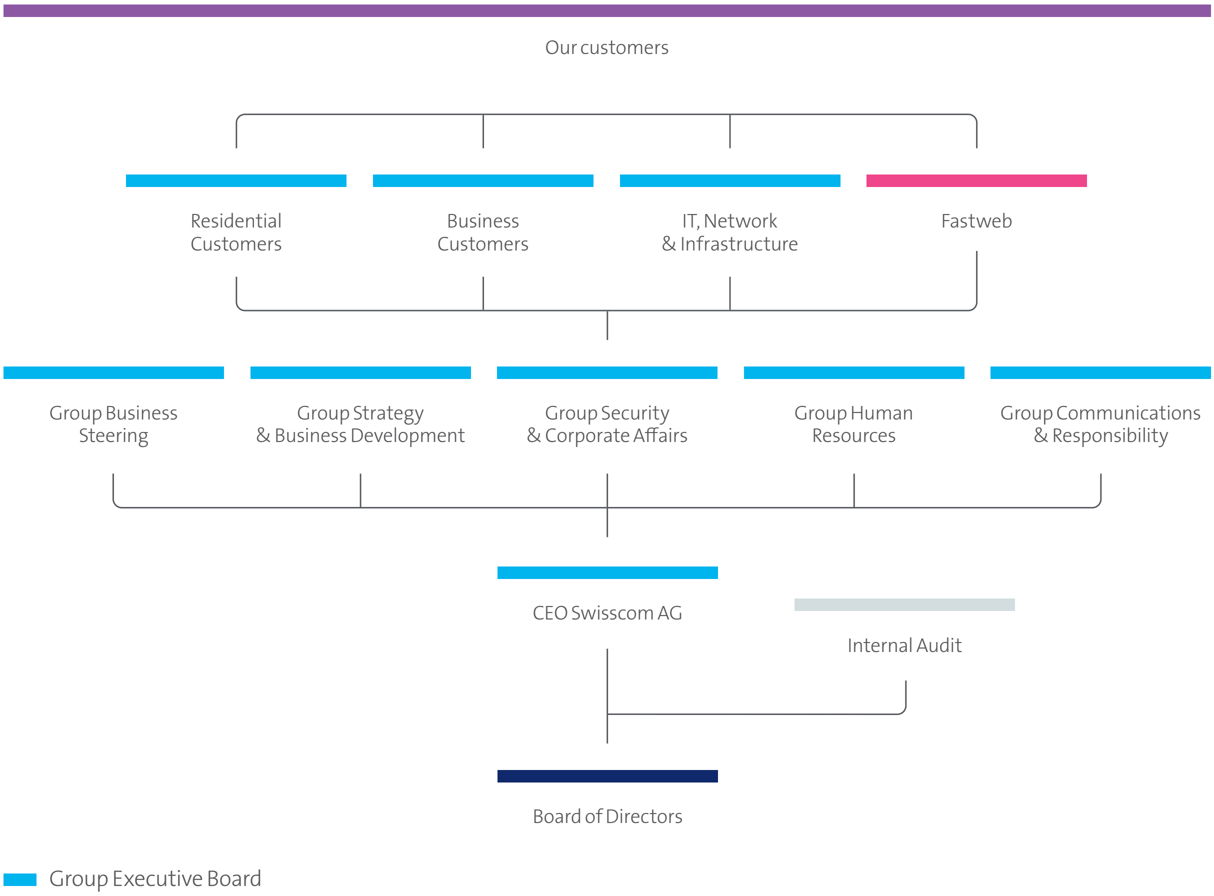
2.1 Group structure

Operational Group structure

Swisscom Ltd is a holding company and responsible for the overall management of the Swisscom Group. On 31 December 2023, the Group comprised the five Group divisions of Group Business Steering, Group Human Resources, Group Strategy & Business Development, Group Communications & Responsibility and Group Security & Corporate Affairs, which have staff functions, as well as the business divisions Residential Customers, Business Customers and IT, Network & Infrastructure. These are joined by several Group companies, including Fastweb S.p.A. Società in Italy.

The Board of Directors of Swisscom Ltd delegates day-to-day business management to the CEO of Swisscom Ltd. The Group Executive Board is comprised of the CEO of Swisscom Ltd together with the heads of the Group divisions and the heads of the business divisions.

The operational Group structure as at 31 December 2023 is shown in the organisational chart below.



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 and Head of Group Strategy & Business Development at Swisscom Ltd 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 183–184**

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 39**

Listed company
Swisscom Ltd is a company governed by Swiss law and has its registered office in Ittigen (Canton of Bern, 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 2023, the stock market capitalisation of Swisscom Ltd was CHF 26,212 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 the share of a person or group subject to the disclosure obligation reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, 331/3, 50 or 662/3 per cent of the voting rights of Swisscom Ltd, irrespective of whether or not the voting rights can be exercised. The detailed disclosure requirements are defined in the FINMA Financial Market Infrastructure Ordinance (FinMIO-FINMA). Under the FinMIO-FINMA, nominee companies unable to independently decide how voting rights are exercised are not subject to disclosure requirements. Since a notification requirement only exists if a shareholding reaches, falls below or exceeds 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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/. In the 2023 reporting year, no shareholdings subject to Article 120 FMIA were reported to Swisscom.

BlackRock, Inc., New York, reported a shareholding of 3.44% of the voting rights in Swisscom Ltd in 2017 and has not provided any notification indicating that it has exceeded or fallen below the thresholds subject to notification requirements (3% and 5%, respectively) since that time.

As majority shareholder, the Swiss Confederation ('Confederation') held 50.95% of the issued share capital of Swisscom Ltd on 31 December 2023, 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 the representative of the Swiss Confederation 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 (FDF) – led by the Head of DETEC. The CFO and the Head of Group Security & Corporate Affairs also take part. 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_2022-2025** (in German)

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 capital band and no authorised or conditional share capital. Information concerning equity can be found in the annual financial statements of Swisscom Ltd.

See report **page 201**

3.2 Shares, participation certificates 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 depositary, 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' and in the Management Report.

See report **pages 108–109**
See report **pages 54–55**

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 4.5.1 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**
See report **page 108**

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 4.6) 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 a majority of the voting shares represented 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**

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 147–149**

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

Barbara Frei left the Board of Directors on 28 March 2023. On the very same day, the Annual General Meeting appointed Monique Bourquin as a new member and re-elected all other members to be elected by the Annual General Meeting. The Federal Council has appointed Fritz Zurbrügg to the Board of Directors. He replaces the previous representative of the Confederation, Renzo Simoni. As of 31 December 2023, 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 [1]	Switzerland	1963	Chairman	2019
Roland Abt	Switzerland	1957	Member	2016
Monique Bourquin	Switzerland	1966	Member	2023
Alain Carrupt	Switzerland	1955	Member, representative of the employees	2016
Guus Dekkers	Netherlands	1965	Member	2021
Frank Esser	Germany	1958	Deputy Chairman	2014
Sandra Lathion-Zweifel	Switzerland	1976	Member, representative of the employees	2019
Anna Mossberg	Sweden	1972	Member	2018
Fritz Zurbrügg [2]	Switzerland	1960	Member, representative of the Confederation	2023

1 Chairman since 31 March 2021.

2 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. 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 about potential conflicts of interest. Awareness of dealing with affiliations is raised in the Board of Directors as part of the annual internal training session that focuses on stock exchange regulations, as well as in the annual further training sessions. Details on the regulation of external mandates, in particular the number of permissible external mandates and the definition of the term 'mandate', are set out in Article 9.3 of the Articles of Incorporation. On 28 March 2023, the Annual General Meeting consented to an increase in the number of permissible external mandates in listed companies from three to four. No member exceeds the limits set for external mandates.

See **www.swisscom.ch/basicprinciples**

The members of the Board of Directors are required to order their personal and business affairs to ensure that conflicts of interest are avoided as far as possible and to take whatever measures necessary. Should a matter that could potentially affect specific interests, or 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. If the member of the Board of Directors is subject to conflicting interests or has to safeguard such interests (conflict of interest), the Board of Directors makes a decision that is commensurate with the intensity of the conflict of interest in order to ensure that the interests of the company are safeguarded independently. It looks, first and foremost, at whether the member of the Board of Directors concerned has to abstain or whether a double resolution with and without the member affected by the conflict is sufficient. In the event of an abstention, the Board of Directors decides whether this abstention – depending on the intensity of the conflict – applies only to the resolution or also to the consultation session before the resolution is passed.

Michael Rechsteiner

Master of Science in Mechanical Engineering, ETH Zurich; Executive MBA, 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 COO, 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; April 2021–April 2022 external advisor to General Electric (Switzerland) GmbH; since March 2021 Chairman of the Board of Directors of Swisscom Ltd

Key competencies

Michael Rechsteiner heads up the Board of Directors and has broad international experience in business and management. In particular, he contributes his expertise and experience in the areas of innovation and technology, business customers, mergers & acquisitions, strategy, transformation, human resources, and environmental, social & governance (ESG) to the Board of Directors.

Mandates in companies

–

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

–

Mandates by order of Swisscom

Member of the Board of Directors and the Board Committee of economiesuisse

Other significant activities

–

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 CFO, GF Piping Systems, 1997–2004 CFO, Agie Charmilles Group (currently GF Machining Solutions), 2004–2016 CFO, Georg Fischer AG, and member of the Group Executive Board

Key competencies

Roland Abt is a financial expert with broad international experience in business and management. In particular, he contributes his expertise and experience in the areas of business customers, finance, mergers & acquisitions, strategy, transformation, law and human resources to the Board of Directors.

Mandates in listed companies

Member of the Board of Directors and chairman of the Audit Committee of Bystronic AG (formerly Conzzeta AG), Zurich

Mandates in non-listed companies

Mandates in Aargau Verkehr (AVA): Chairman of the Board of Directors of Aargau Verkehr AG, Aarau and Chairman of the Board of Directors of Limmat Bus AG, Dietikon; Chairman of the Board of Directors of Eisenbergwerk Gonzen AG, Sargans; member of the Board of Directors of Raiffeisenbank Zufikon; until June 2023 Chairman of the Board of Directors of Conzzeta Management AG, Zurich

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

President of the Board of Trustees of Fürsorgestiftung Conzzeta, Zurich; President of the Board of Trustees of Pensionskasse Conzzeta, Zurich

Other significant activities

–

Monique Bourquin

**Degree in Business Administration (lic. oec.)
University of St.Gallen (HSG)**

Career history

1990–1994 Strategy and Corporate Finance Consultant, PricewaterhouseCoopers Switzerland; 1994–1997 Marketing and Sales, Unilever AG (formerly Knorr Nährmittel AG); 1997–1999 Head of Key Account Management (Sales), Rivella AG; 1999–2002 Country Manager (Marketing & Sales), Mövenpick Schweiz AG; 2002–2007 Head of Sales, Executive Board Member, Unilever Schweiz GmbH; 2008–2012 CEO, Executive Board Member, Unilever Schweiz GmbH incl. Oswald GmbH; 2012–2016 CFO D-A-CH Region, Executive Board Member, Unilever Deutschland GmbH

Key competencies

Monique Bourquin has long-standing international experience in business and management in the private customer segment. In particular, she contributes expertise in matters relating to strategy, brand management, marketing, sales, finance and human resources to the Board of Directors.

Mandates in listed companies

Member of the Board of Directors, the Market Committee, the Compensation Committee and the Agricultural Council at Emmi AG, Lucerne; since April 2023, member of the Board of Directors and Chair of the Compensation Committee Chocoladefabriken Lindt & Sprüngli AG, Kilchberg

Mandates in non-listed companies

Member of the Board of Directors of Kambly Holding AG, Trubschachen; member of the Board of Directors of W. Kündig & Cie AG, Zurich; President of the Board of the Swiss branded goods association Promarca, Bern; until May 2023 member of the Board of Directors of Weleda AG; since May 2023 member of the Board of Directors of Rivella AG, Rothrist

Other significant activities

Member of the Advisory Board of Fondation Swiss Board Institute, Geneva; member of the Foundation Board of the Swiss Foundation for Technical Cooperation Swisscontact, Zurich

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 Central Secretary of the Telecommunications sector, PTT Union; 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

Key competencies

Thanks to his professional experience as well as the many years he spent in the leadership of a personnel association, Alain Carrupt brings his expertise particularly in the areas of telecommunications, transformation, finance, human resources and ESG to the Board of Directors.

Mandates in companies

–

Other significant activities

President of the association Opération Boule à Zéro, Martigny

Guus Dekkers

Master's degree in Computer Science, Radboud University Nijmegen; MBA, Rotterdam School of Management (RSM)

Career history

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

Key competencies

Guus Dekkers has gained broad international experience in business and management from various sectors. He especially contributes knowledge of the telecommunications and IT sectors to the Board of Directors. Furthermore, he complements the Board of Directors with his expertise and experience in the areas of innovation, technology and digitalisation as well as mergers & acquisitions, strategy, transformation and human resources, in both business and private customer segments.

Mandates in listed companies

CTO and member of the Executive Committee, Tesco PLC, London

Mandates in non-listed companies

–

Other significant activities

Member of the Advisory Board of the Fraunhofer Institute for Secure Information Technology SIT, Darmstadt; member of the Advisory Board of the National Research Center for Cybersecurity ATHENE, 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 COO, 2002–2012 CEO, in this function from 2005–2012 also a member of the Group Executive Board of the Vivendi Group

Key competencies
Frank Esser has international business, leadership and transformation experience in the telecommunications industry. In particular, he brings to the Board of Directors his expertise in the business and private customer segments, and his experience in the areas of technology, mergers & acquisitions, strategy and human resources.

Mandates in listed companies
Chairman of the Board of Directors of SES S.A., Luxembourg

Mandates in non-listed companies
–

Other significant activities
–

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 Mergers & acquisitions lawyer, Lenz & Staehelin law firm, Zurich; 2010–2014 Head of Legal & Compliance Financial Products, 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

Key competencies
Sandra Lathion-Zweifel brings her legal expertise to the Board of Directors as well as experience in the areas of mergers & acquisitions, banking and finance, asset management, strategy, human resources and ESG.

Mandates in listed companies
–

Mandates in non-listed companies
Member of the Board of Directors and the Audit Committee and president of the Nomination and Remuneration Committee of the Raiffeisen Switzerland cooperative, St. Gallen

Other significant activities
Member of the Advisory Board of the CMTA – The Capital Markets and Technology Association, Geneva; member of the Executive Board of swissVR, Rotkreuz; since June 2023, member of the Advisory Board of the association Lucerne Dialogue, Lucerne

Anna Mossberg

Executive MBA for Growing Companies, Stanford Business School, Palo Alto; Executive MBA, IE University, Madrid; Master of Science, 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 CEO, Bahnhof AB, Stockholm; 2012– 2014 Senior Vice President Strategy and Portfolio Management, Deutsche Telekom; 2015–2018 member of the Management Team, Google Ltd, Sweden; 2021–2022 Managing Director, Silo AI, Sweden

Key competencies

Anna Mossberg has international business and leadership experience in the telecommunications, media and entertainment sector. In particular, she brings to the Board of Directors her expertise and experience in the areas of telecommunications, innovation, digitalisation, finance, mergers & acquisitions, human resources and strategy in the private and business customer segments.

Mandates in listed companies

Member of the Board of Directors, Remuneration & Sustainability Committee and Audit Committee of Swedbank AB, Stockholm; member of the Board of Directors of Orkla ASA, Oslo; member of the Board of Directors of Volvo Cars AB, Gothenburg

Mandates in non-listed companies

Since March 2023, member of the Board of Directors, the Nomination and Compensation Committee and the AI Advisory Board of Ringier AG

Other significant activities

Member of the Advisory Board of Axcel Management A/S, Copenhagen; member of the Strategic Advisory Board of the Boards Impact Forum

Fritz Zurbrügg

Doctorate in Economics (Dr. rer. pol.)

Career history

1992–1994 Economist, International Monetary Fund (IMF); 1994–1998 Head of IMF and International Financing Section, Swiss Federal Finance Administration (FFA); 1998–2006 Senior Advisor and Executive Director of the Swiss Constituency, IMF Washington, D.C.; 2006–2012 FFA: 2006–2010 Head of the Fiscal Policy, Fiscal Equalisation and Financial Statistics Division, 2010–2012 Director of the FFA; 2012–2022 Swiss National Bank (SNB): 2012–2015 Member of the Governing Board, 2015-2022 Vice–Chair of the Governing Board, SNB

Key competencies

Fritz Zurbrügg contributes his broad international experience and expertise in the fields of finance and risk management, as well as his management experience, to the Board of Directors.

Mandates in listed companies

–

Mandates in non-listed companies

–

Other significant activities

–

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.

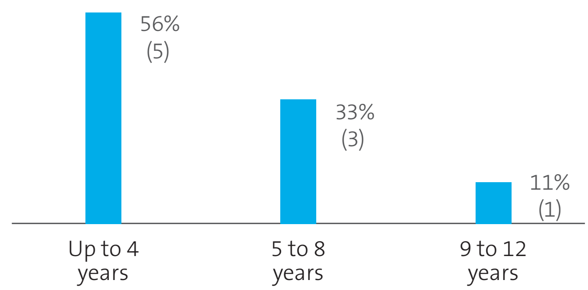
The following diagrams show breakdowns of the Board of Directors by competency, term of office and gender.

Board of Directors by career, experience, skills and knowledge

In % and (number of members) as of 31 December 2023

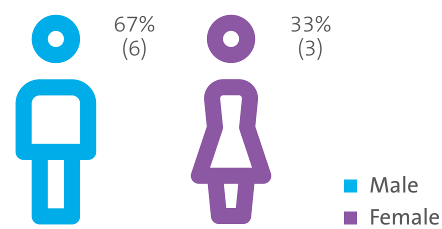
Board of Directors by length of term of office

In % and (number of members) as of 31 December 2023



Board of Directors by gender

In % and (number of members) as of 31 December 2023



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, who were never a member of the external audit team as auditor-in-charge or who have not been a member of the external audit team as auditor-in-charge for at least two years, or 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. All members of the Board of Directors are considered to be independent based on these criteria. The Swiss Confederation, represented on the Board by Fritz Zurbrügg, 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 188**

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.

The flexible arrangement makes it possible for shareholders to extend the maximum term of office in exceptional cases if special circumstances exist. Members retire from the Board of Directors when they reach the age of 70. 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 search for 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. In 2022, the Board of Directors had a comprehensive, externally led assessment carried out for the first time in order to obtain an outside view of the Board and compare it with its peers. It developed measures based on this assessment in January 2023 and then implemented them in the reporting year. The measures include expanding the authorities granted to the Compensation and Finance Committees (renamed Strategy & Investments), making the schedule more flexible (by convening brief ad-hoc meetings online and reducing the number of ordinary meetings from 2024 onwards) and further developing the members' competencies. 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 2023 and 2024. Occasional study trips are organised, allowing members of the Board of

Directors to familiarise themselves with a range of companies, up-and-coming new technologies, innovations and emerging business trends first hand. In October 2023, the Board of Directors organised a one-week study trip to South Korea and Japan. Three to 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 two-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 function-related induction and training courses.

4.8 Chairman of the Board of Directors

Michael Rechsteiner has held the office of Chairman since 31 March 2021. The tasks and responsibilities of this function 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.

See **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 May, July and November, as of 2024 also March and September) 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 documentation approximately ten days prior to the meetings, so that they can prepare. The CEO, the CFO and the Head of Group Security & Corporate Affairs always attend the Board meetings as well. At every ordinary meeting, the Chairman of the Board and the CEO report on particular events, on the general course of business and major business transactions, and on any measures that have been implemented. In addition, the Board of Directors can invite 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. This ensures appropriate reporting to the members of the Board of Directors. During the year under review, the Board of Directors did not call on any external consultants. The final meeting on the external assessment of the Board of Directors held in January 2023 was attended by the consultants called upon in 2022.

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**

The following table gives an overview of the Board of Directors' meetings and circular resolutions in 2023. Individual meetings were held by video conference.

	Meeting days	Ad-hoc meetings	Circular resolutions
Total	12	6	–
Average duration (in hours)	05:10	01:05	–
Participation:			
Michael Rechsteiner, Chairman	12	6	–
Roland Abt	12	6	–
Monique Bourquin [1]	8	6	–
Alain Carrupt	12	6	–
Guus Dekkers	12	5	–
Frank Esser, Deputy Chairman	12	6	–
Barbara Frei [2]	3	0	–
Sandra Lathion-Zweifel	12	6	–
Anna Mossberg	12	6	–
Renzo Simoni [2]	3	0	–
Fritz Zurbrügg [1]	9	6	–

1 Elected to the Board of Directors on 28 March 2023.

2 Left the Board of Directors on 28 March 2023.

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 2023.

Board of Directors

Strategy & Investments Committee	Audit & ESG Reporting Committee	Compensation Committee	Nomination Committee
Frank Esser [1]	Roland Abt [1]	Monique Bourquin [1]	Ad-hoc staffing
Alain Carrupt	Sandra Lathion-Zweifel	Roland Abt	
Guus Dekkers	Fritz Zurbrügg	Frank Esser	
Anna Mossberg	Michael Rechsteiner	Michael Rechsteiner [2]	
Michael Rechsteiner			

1 Chairman/chairwoman of the Board of Directors committee.
2 No voting rights.

The Board of Directors has three standing committees, Strategy & Investments (until 31 March 2023: Finance Committee), Audit & ESG Reporting and Compensation, as well as one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. It may appoint further ad hoc committees as required. In accordance with the rules governing the standing 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 Strategy & Investments Committee as well as the Audit & ESG Reporting Committee. The minutes of the Compensation Committee and the Nomination Committees are sent to the other members of the Board of Directors upon request.

Strategy & Investments Committee

The Finance Committee was renamed Strategy & Investments as of 1 April 2023 and has also been assigned a wider range of responsibilities. It prepares information relating to corporate policy, strategy and transactions for the Board of Directors. These matters include, by way of example, the Group strategy and the strategies pursued by key strategic Group companies, setting up or dissolving significant 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 Strategy & Investments 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 Strategy & Investments Committee rules of procedure.

See **www.swisscom.ch/basicprinciples**

The Strategy & Investments 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, the Head of Group Strategy & Business Development and the Head of Group Security & Corporate Affairs always participate in the committee meetings. In 2023, 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 Strategy & Investments Committee did not call on any external consultants during the reporting year.

The following table gives an overview of the Strategy & Investments Committee's (until 31 March 2023, Finance Committee's) meetings and circular resolutions in 2023.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	4	–	–
Average duration (in hours)	03:35	–	–
Participation:			
Frank Esser, Chairman	4	–	–
Alain Carrupt	4	–	–
Guus Dekkers	4	–	–
Anna Mossberg	4	–	–
Michael Rechsteiner	4	–	–

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, internal audit, data protection and security), external audit and both financial and non-financial reporting. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (dividend policy, for example) and performs ESG (Environmental, Social and Governance) monitoring tasks. The Committee is the Board of Directors' most important controlling instrument and is responsible for monitoring Group-wide assurance. 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**

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 Security & Corporate Affairs, Head of Accounting, Head of Internal Audit and the external auditors always attend the meetings. In 2023, 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 did not invite any external consultants to 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 2023.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	5	–	2
Average duration (in hours)	03:50	–	–
Participation:			
Roland Abt, Chairman [1]	5	–	2
Sandra Lathion-Zweifel	5	–	2
Renzo Simoni [2]	1	–	2
Michael Rechsteiner	5	–	2
Fritz Zurbrügg [3]	4	–	2

1 Financial expert.
2 Left the Board of Directors on 28 March 2023.
3 Elected to the Board of Directors on 28 March 2023.

Compensation Committee

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

See report **page 113**

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 2023 financial year, the topic of succession was addressed by two ad-hoc Nomination Committees, one each for the Executive Committee and for the Board of Directors.

The following four members of the ad-hoc Nomination Committee for the Executive Committee met once for two hours and five minutes:

- Michael Rechsteiner (Chair)
- Monique Bourquin
- Sandra Lathion-Zweifel
- Fritz Zurbrügg

The following members of the ad-hoc Nomination Committee for the Board of Directors met once for one hour:

- Michael Rechsteiner (Chair)
- Sandra Lathion-Zweifel
- Fritz Zurbrügg

All committee members attended the meetings.

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 and ESG strategies, 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. The Federal Council defined the goals for the period from 2022 to 2025 in 2021.

See **www.swisscom.ch/ziele_2022-2025** (in German)

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 with a financial exposure in excess of CHF 50 million. Since 2022, the Board of Directors has also assumed overall responsibility for ESG (environmental, social, governance) issues, approved the sustainability strategy as part of the corporate strategy and monitored its implementation. 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 Organisational Rules, 'Rules of Procedure and Accountability' (see function diagram). ESG governance is described in the Section Report on non-financial matters.

See **www.swisscom.ch/basicprinciples**

See report page 60

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 recusal of a member from Board deliberations or confidentiality obligations. The Board of Directors is also informed immediately of any events of an exceptional nature.

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

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 the Head of Group Security & Corporate Affairs, works closely with the Controlling and Strategy departments, 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 Board of Directors and the Audit & ESG Reporting Committee are provided with information in April and December on significant risks, the potential effects and the status of the corresponding measures. In urgent cases, the Chairman of the Audit & ESG Reporting Committee is informed without delay about any significant new risks. Once a year, the Head of Risk Management consults with the Audit & ESG Reporting Committee (without management involvement).

The risk factors are described in the Risks section of the Management Commentary.

See report **pages 56–57**

Internal control system for 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. Appropriate 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.

The internal control system for non-financial reporting is currently being set up. The 2023 Sustainability Impact Report was audited by SGS and compliance with the Global Reporting Initiative (GRI) was confirmed. In the reporting year, Internal Audit also conducted an audit in connection with the new statutory requirements.

Compliance management

The Group-wide central Compliance Management System (CMS) is designed to prevent compliance violations in order to protect the Swisscom Group, its executive bodies and employees from legal sanctions, financial losses and reputational damage.

The CMS covers the following legal areas:

- Anti-corruption
- Anti-money laundering
- Data protection and confidentiality
- Competition law
- Telecommunications law
- Stock exchange law

Swisscom enhanced its CMS in line with the ISO 37301 standard in 2023. The Group's central compliance functions as well as the compliance officers and managers of the business divisions and fully consolidated Group companies provide support to the line for the ongoing implementation of the CMS in specific legal areas.

External auditors will now review the CMS for adequacy and effectiveness every four years. Furthermore, external auditors will continue to conduct a specific audit in the area of money laundering law on an annual or biennial basis.

Twice a year, Group Compliance reports directly to the Board of Directors Audit & ESG Reporting Committee and to the Board of Directors on the function's activities, compliance risk assessment and target achievement. In the event of significant changes in the assessment of compliance risks and in the event of potentially serious compliance violations, a timely report is sent to the Chairman of the Audit & ESG Reporting Committee as well as the Chairman of the Board of Directors.

Further information on governance regarding the handling of data can be found in the 2023 Sustainability Impact Report.

See **www.swisscom.ch/basicprinciples**

See **www.swisscom.ch/sir2023**

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 opportunities for improving business processes and controls as well as 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 Security & Corporate Affairs. Once a year, the Head of Internal Audit consults with the Audit & ESG Reporting Committee (without management involvement).

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 – and do so based on information received on the whistleblowing 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 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 implementation status of the audit plan. The Head of Internal Audit took part in all five meetings of the Audit & ESG Reporting Committee in 2023.

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. On 1 March 2023, Gerd Niehage was appointed Head of IT, Network & Infrastructure, which had been managed on an interim basis by the CEO since 1 June 2022. The Board of Directors expanded the Group Executive Board from six to nine members as of 1 April 2023. The Head of Group Security & Corporate Affairs and the Head of Group Communications & Responsibility started in their new roles immediately, while the new Head of Group Strategy & Business Development appointed by the Board of Directors started on 1 June 2023. The Head of Group Communications & Responsibility, Stefan Nünlist, will be leaving the Group Executive Board on 31 May 2024. The Board of Directors appointed Myriam Käser as his successor effective 1 June 2024.

See report **page 84**

See **www.swisscom.ch/change_myriam_kaeser**

An overview of the composition of the Group Executive Board as at 31 December 2023 is given in the table below.

Name	Nationality	Year of birth	Function	Appointed to the Group Executive Board as of
Christoph Aeschlimann [1]	Switzerland	1977	CEO Swisscom Ltd	February 2019
Urs Lehner	Switzerland	1968	Head of Business Customers	June 2017
Isa Müller-Wegner	Switzerland, Germany	1977	Head of Group Strategy & Business Development	June 2023
Gerd Niehage	Germany	1970	Head of IT, Network & Infrastructure, CTIO	March 2023
Stefan Nünlist	Switzerland	1961	Head of Communications & Responsiblity	April 2023
Klementina Pejic	Germany	1974	Head of Group Human Resources, CPO	February 2021
Eugen Stermetz	Austria	1972	Head of Group Business Steering, CFO	March 2021
Martin Vögeli	Switzerland	1969	Head of Group Security & Corporate Affairs	April 2023
Dirk Wierzbitzki	Germany	1965	Head of Residential Customers	January 2016

1 Since June 2022 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. 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 number of permissible external mandates and the definition of the term 'mandate', are set out in Article 9.3 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 their other significant activities by order of Swisscom.

See **www.swisscom.ch/basicprinciples**

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 matter that could potentially affect specific interests, or a conflict of interest, nevertheless arise, the member concerned must inform the CEO and/or Chairman of the Board of Directors immediately. If the member of the Group Executive Board is subject to conflicting interests or has to safeguard such interests (conflict of interest), the CEO/Chairman of the Board makes a decision that is commensurate with the intensity of the conflict of interest in order to ensure that the interests of the company are safeguarded independently. The latter looks, first and foremost, at whether the member of the Group Executive Board concerned has to abstain or whether a double resolution with and without the member affected by the conflict is sufficient.

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.

Christoph Aeschlimann
Degree in Computer Science
MBA, McGill University, Canada

Career history

2001–2004 Software Development Manager, Odyssey Asset Management Systems; 2006–2007 Business Unit Manager, Zühlke Group; 2007–2011 Odyssey Financial Technologies: 2007–2008 Area Services Manager, 2008–2011 Senior Account Manager EMEA; 2011–2012 Head of Switzerland and General Manager D-A-CH & CIS, BSB; 2012–2018 ERNI Group: 2012–2014 Business Area Manager, 2014–2017 Managing Director Switzerland, 2017–2018 CEO; since February 2019 Swisscom Ltd: 2019–June 2023 Head of IT, Network & Infrastructure and member of the Swisscom Group Executive Board, since June 2022 CEO and Chairman of the Group Executive Board

Mandates by order of Swisscom

Member of the Executive Board, Association Suisse des Télécommunications (asut), Bern; member of the Board of Trustees of the Swiss Entrepreneurs Foundation, Bern; member of the international Advisory Committee of the ZHAW School of Management and Law, Winterthur; member of the Board of IMD Foundation, Lausanne

Other significant activities

Member of the Executive Board, Glasfasernetz Schweiz, Bern; member of the Steering Committee of digitalswitzerland Zurich; since May 2023 member of the Swiss Academy of Engineering Sciences (SATW), Zurich; since May 2023 member of the Advisory Board of the Geneva School of Economics and Management at the University of Geneva; since November 2023 member of the Board of the Economic Society of the Canton of Bern (VWG Bern); since June member of the Board of Directors of the Swiss-American Chamber of Commerce, Zurich

Urs Lehner
Degree in IT Engineering, Executive MBA in Business Engineering, University of St. Gallen (HSG)

Career history

1997–2013 Trivadis Group: 2004–2008 Solution Portfolio Manager, member of the Executive Board of Trivadis Group, 2008–2011 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 Swisscom Ltd: Head of Business Customers (called 'Enterprise Customers' until 2019) and member of the Swisscom Group Executive Board

Mandates by order of Swisscom

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Other significant activities

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Isa Müller-Wegner
MBA, Harvard Business School
MA PPE, Oxford University

Career history

1999–2002 Consultant, Arthur D. Little, London; 2002–2003 Business Strategist for Television, British Broadcasting Corporation, London; 2005–2007 Consultant, Bain & Company, London; 2007–2014 Principal, Bain & Company, Zurich; 2014–2019 ebay International Inc., Zurich: 2014–2015 Head of EMEA Strategy, 2015–2017 COO Emerging European Countries, 2017–2019 General Manager Emerging European Markets; 2019–2023 Executive Vice President, Bain Capital Private Equity, London; since June 2023 Swisscom Ltd: Head of Group Strategy & Business Development and member of the Group Executive Board

Mandates by order of Swisscom

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Other significant activities

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Gerd Niehage

Degree in Business Information Technology (Dipl.-Inform. (FH), focus on Information/ Communication Management; MBA, University of Mannheim/Tongji University, Shanghai; Doctor of Business Administration (DBA/Dr), Middlesex University, London

Career history

1994–2001 Managing Partner, Niehage Lippstädter Softwarehaus GmbH; 2001–2002 Senior Consultant and Project Manager, INFORA GmbH, IT consulting company for public administration; 2003–2016 Hella Group: 2003–2008 Project Manager IT & Logistics, 2008–2013 IT Director APAC, Shanghai, 2011–2012 IT Director North/ South America, 2013–2016 CIO, Lippstadt; 2017–2021 CIO, B. Braun Group, Melsungen; 2021–2022 ZF Group: Global Head of Data/AI, IT Innovation & EAM and Regional CIO APAC, Shanghai; since March 2023 Swisscom Ltd: CTIO and member of the Group Executive Board

Mandates by order of Swisscom

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Other significant activities

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Stefan Nünlist

Degree in law, lawyer and notary

Career history

1988–1991 lawyer and notary, office of Dr Rudolf Steiner; 1991–1996 Diplomat, FDFA; 1996–1998 Personal Assistant to Federal Councillors Delamuraz and Couchepin, FDEA; 1998–2000 Head of Communications and Energy Policy, Atel; 2001–2010 CCO and member of the Group Executive Board Swisscom Ltd; 2010–2012 CCO, SBB; 2012–2013 Head of Communications, UBS Switzerland; since 2013 Swisscom Ltd: Head of Group Communications & Responsibility, and since April 2023 member of the Group Executive Board

Mandates in non-listed companies

Since April 2023 member of the Board of Directors of TONET AG, Dulliken

Mandates by order of Swisscom

Member of the Board of Directors of Cargo sous terrain AG, Basel

Other significant activities

President of the Liberal Democrats (FDP) Canton Solothurn; Delegate at UNICEF Switzerland; President of the SGK Foundation; member of the Solothurn Cantonal Council

Klementina Pejic
Dortmund University of Applied Sciences; École Supérieure des Sciences Économique et Commerciales ESSEC, Cergy-Pontoise, International Business MA

Career history

2001–2002 Consultant, Watson Wyatt AG, Zurich; 2003–2020 Clariant International AG: 2003–2004 Divisional HR Manager, 2005–2007 Global HR Business Partner, 2008–2009 Head Management Development Europe, 2010–2011 Head Global Talent Management, 2012–2013 Head Senior Management Development, 2014–2017 Head SMD & People Excellence, 2018–January 2021 Head Human Resources; since February 2021 Swisscom Ltd: CPO and member of the Group Executive Board

Mandates by order of Swisscom

Member of the Board of Trustees of the comPlan pension fund, Bern

Other significant activities

Member of the Institute Council of the international institute of management in technology (iimt) at the University of Fribourg

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 CFO, Igeneon 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 Ltd: 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 CFO and member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Until December 2022 Vice President, since January 2023 President of the Board of Trustees of the comPlan pension fund, Bern

Other significant activities

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Martin Vögeli

Licentiate in Economics from the University of Bern/Master of Advanced Studies in Business Psychology from the University of Applied Sciences and Arts Northwestern Switzerland

Career history

Swisscom Ltd: 1998–2000 Head of Wholesale Regulatory, 2001–2005 Head of Risk Management, 2006 Head of the Related Business growth initiative project/designated Secretary of the Board of Directors, since 2007, Secretary of the Board of Directors, November 2013–2022 Head of Group Strategy & Board Services, since January 2023 Head of Group Security & Corporate Affairs, since April 2023 member of the Group Executive Board

Mandates by order of Swisscom

Member of the Board of Directors of Creaholic SA, Biel

Other significant activities

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Dirk Wierzbitzki

Degree in Electrical Engineering (Dipl. Ing.)

Career history

1994–2001 various management roles in the area of product management, Mannesmann (now Vodafone Germany); 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 the Management Board for 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

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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 113**

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 4.5.1 of the Articles of Incorporation.

See **www.swisscom.ch/basicprinciples**

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. Further information on voting right restrictions are set out in Article 4.5 of the Articles of Incorporation.

See **www.swisscom.ch/basicprinciples**

The restrictions on voting rights provided for in the Articles of Incorporation may be lifted by resolution of the Annual General Meeting, for which a majority of the votes represented 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 votes represented. 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
- 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 can order that the Annual General Meeting be held either with a meeting venue or electronically without any physical venue (virtual event). The Board of Directors can also allow shareholders who are not present at the venue to exercise their rights electronically (hybrid event).

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 letter or by way of an electronic notice to the shareholders registered in the share register. One or more shareholders who together represent at least 5% 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 6.4.3 of the Articles of Incorporation).

See **www.swisscom.ch/basicprinciples**

7.4 Representation at the Annual General Meeting

Shareholders may be represented at the Annual General Meeting by their legal representative, a representative of their choosing 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 2024.

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 the independent proxy may issue instructions for each agenda item and also for all unannounced agenda items and motions using the forms prepared by the Board of Directors and indicate whether they wish to vote for or against a motion in line with the Board of Directors, or to abstain. The independent proxy must cast the votes entrusted to it by shareholders according to the shareholders' instructions. If it does not receive instructions, it will abstain (Article 6.7.4 of the Articles of Incorporation).

See www.swisscom.ch/basicprinciples

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 23 March 2023 were entitled to vote at the Annual General Meeting of 28 March 2023. Shareholders entered in the share register with voting rights as of 5 p.m. on 21 March 2024 will be entitled to vote at the Annual General Meeting of 27 March 2024.

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 113

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. PricewaterhouseCoopers (PwC), Zurich, has performed the mandate since the 2019 financial year. The auditor-in-charge has been Petra Schwick since 2023.

9.2 Audit fees and supplementary fees

In CHF thousand	**2023**	2022
Audit fees	3,281	3,316
Additional fees	1,895	861
Fees to auditors	**5,176**	**4,177**
Additional fees in % of audit fees	58%	26%

The supplementary fees include services related to transaction consultancy, consultancy related to transformation, reviews related to IT outsourcing orders from business customers, review of the reporting on financial information, review of financial information compilations, equal pay analyses and mergers, reporting requirements for the outstanding green bonds and tax consultancy.

9.3 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. The Audit & ESG Reporting Committee 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. It 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 300,000. It 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 performance 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. Once a year, the auditor-in-charge consults with the Audit & ESG Reporting Committee (without management involvement). 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 meetings of the Audit & ESG Reporting Committee in 2023. The Head of Internal Audit was also present at all meetings. Neither the representatives of the statutory auditor nor the Head of Internal Audit attended the meetings of the full Board of Directors in 2023.

10 Information policy

Swisscom pursues an open, active information policy vis-à-vis shareholders, the general public and the capital markets. It uses the following media for this purpose:

Information	Rhythm	Source
Notifications to shareholders	If required	Swiss Official Gazette of Commerce www.shab.ch or by letter or electronically (at the discretion of the Board of Directors)
Website Swisscom	continuously	www.swisscom.ch
Interim reports and annual report (incl. management report, corporate Governance Report, Remuneration Report, Report on non-financial report, consolidated financial statements, condensed financial statements of Swisscom Ltd)	quarterly	www.swisscom.ch/adhoc
Complete financial statements Swisscom Ltd	yearly	www.swisscom.ch/adhoc
Sustainability Impact Report in accordance with the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB)	yearly	www.swisscom.ch/sir2023
Analyst presentations on financial statements	quarterly	www.swisscom.ch/adhoc
press releases	If required	www.swisscom.ch/adhoc
Ad-hoc press releases (push link)	If required	www.swisscom.ch/adhoc
Subscribe ad-hoc news (pull link)		www.swisscom.com/adhoc-subscribe
Minutes of the General Meetings	yearly	www.swisscom.ch/generalmeeting

Those employees at Swisscom responsible for investor relations can be contacted via the website or by email, telephone or post. The path to Swisscom's website, contact details and the address of its headquarters are listed in the publishing details.

See report **page 209**

11 Financial calendar

Event	Date
Annual General Meeting for the 2023 financial year in Zurich Oerlikon	27 March 2024
Publication of results and interim report 1st quarter 2024	2 May 2024
Publication of results and interim report 2nd quarter 2024	31 July 2024
Publication of results and interim report 3rd quarter 2024	31 October 2024
Publication of annual results and annual report 2024	6 February 2025
Annual results press conference 2024	6 February 2025

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

See **www.swisscom.ch/financialcalendar**

12 Trading blackout periods

Swisscom defines ordinary and, if need be, extraordinary trading blackout periods for trading in Swisscom securities by the Board of Directors, Group Executive Board and employees (hereinafter collectively referred to as 'employees'). This is the responsibility of the internal clearing unit, which is made up of the CFO, the Head of Investor Relations and a specialist from Group Legal Services. The four ordinary trading blackout periods prior to the announcement of the company's figures are aimed at all employees who become aware of the unpublished company figures. The clearing unit maintains a corresponding insider list. Unless the clearing unit issues instructions to the contrary, the ordinary blackout periods last around four weeks and end 24 hours after the company figures are made public. The clearing unit informs the individuals affected of upcoming trading blackout periods in an e-mail sent out every year before the start of each trading blackout period. The details are also available on the intranet.

Extraordinary trading blackout periods are imposed by the clearing unit on an ad-hoc basis if other unpublished price-sensitive information arises. These apply to individuals with the relevant insider knowledge. The clearing unit maintains corresponding insider lists. The trading blackout periods last for the period specified by the clearing unit. They end 24 hours after the price-sensitive information is made public or when specified by the clearing unit. The clearing unit informs employees of any trading blackout periods imposed by email.

The clearing unit makes decisions on any exceptions to the ordinary and extraordinary trading blackout periods on a case-by-case basis in the event of special circumstances. No exceptions were granted in the year under review.

Letter from the Chair of the Compensation Committee

Dear Shareholders

Swisscom posted solid financial results in the year under review, continued to hold a strong market position in Switzerland and had leading challenger status in Italy through Fastweb. This was achieved in a challenging year: 2023 was marred by uncertainties, such as the volatile economic environment with rising interest rates and inflation, as well as ongoing geopolitical risks. Revenue was down slightly in the Swiss core business and increased at Fastweb. The Group's financial development as presented in the financial reporting was characterised by non-recurring items and foreign currency translation. At constant exchange rates and after adjustment for non-recurring items, revenue and EBITDA increased. Net income also rose.

Swisscom once again came out on top in the relevant mobile and broadband tests during the year under review and impressed the juries of independent tests with the quality of services provided in shops, by the mobile hotline and digitally via the My Swisscom App. Despite inflation and, unlike its peers, Swisscom will not implement any general price increases and will maintain stable prices for mobile, internet, TV and fixed network subscriptions until the end of 2024 at the earliest. Independent market researchers also name Swisscom as a leading cybersecurity provider. With its new IT security services, Swisscom is also offering small and medium-sized enterprises even greater security and reliable protection against cyber risks. When it comes to sustainability, Swisscom has set itself ambitious goals for the environment and society. We are promoting media skills in schools and for the general public, and are making a key contribution as a pioneer in climate protection. Our focus is on reducing our CO_2 emissions. World Finance magazine once again rated Swisscom the world's most sustainable telecommunications company in 2023. In the year under review, the Compensation Committee reviewed the remuneration system of the Group Executive Board and proposed to the Board of Directors that it keep the variable remuneration model that had been revised in the previous year. In addition to financial performance, which is a key determinant of overall target achievement, this model also takes performance on issues related to business transformation into account. The variable performance-related salary component for members of the Group Executive Board will continue to be paid out in cash and blocked shares. This approach gears remuneration of the Group Executive Board towards strategy implementation and makes it possible to reward performance both appropriately and sustainably while taking into account Swisscom's responsibility to help promote society's positive development and to protect the environment.

Swisscom performed successfully in the year under review. Not only did it achieve a good financial result, it also performed exceptionally well in terms of customer satisfaction and sustainability. Within the scope of its overall assessment, the Board of Directors weighed these successes against the company's operational performance. This results in overall target achievement of between 105% and 110% for the members of the Group Executive Board, depending on their function. Overall, the total remuneration for the members of the Board of Directors and the Group Executive Board for the 2023 reporting year is within the range approved by the 2022 and 2023 Annual General Meetings (due to the increase in the number of members of the Group Executive Board in the reporting year).

Like every year, you, dear shareholders, will have an opportunity at the 2024 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, you will vote on the maximum total remuneration paid to the Board of Directors and the Group Executive Board for the 2025 financial year. The proposed amount for the Board of Directors remains unchanged over the prior year. Regarding the remuneration of the Group Executive Board in 2025, a proposal to keep the maximum amount unchanged at CHF 10.9 million will be submitted for approval. To meet our responsibilities, the Compensation Committee will conduct 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 both appropriately and sustainably. We look forward to your support and thank you for your trust.

Kind regards

Monique Bourquin, Chair of the Compensation Committee

Remuneration Report

Remuneration	Group Executive Board	Board of Directors
Incentive	**CHF 8.7 million**	**CHF 2.4 million**
for sustainable corporate success.	in remuneration for 2023.	in remuneration for 2023.

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 734–734f of the Federal Act on the Amendment of the Swiss Civil Code (Swiss Code of Obligations). Swisscom is also guided by 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'.

See **www.swisscom.ch/basicprinciples**

See **www.swisscom.com/amendment_cc**

As in previous years, the Remuneration Report will be put to a consultative vote at the Annual General Meeting on 27 March 2024.

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 6.7.13 and 6.7.14 of the Articles of Incorporation. Article 8.2.2 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 7.4 and 9.1)
- Compensation Committee (Article 7.5)
- Remuneration of the Group Executive Board (Articles 8.2 and 9.1)
- Contracts of the Board of Directors and the Group Executive Board (Article 9.2)
- Number of external mandates for the Board of Directors and Group Executive Board (Article 9.3)

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). In addition, it has addressed succession planning at the level of the Board of Directors, Group Executive Board and upper management, as well as talent management. 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.

See **www.swisscom.ch/basicprinciples**

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 [1]	A [2]	G [3]
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 [4]	–
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 [4]	–
General terms of employment of the Group Executive Board	V	G [4]	–
Definition of performance targets for the variable performance-related salary component	V	G [4]	–
Concept of remuneration to members of the Board of Directors	V	G [4]	–
Remuneration of the Board of Directors	V	G [5]	–
Remuneration of the CEO Swisscom Ltd	V	G [5]	–
Total remuneration of the Group Executive Board	V	G [5]	–
Remuneration of the members of the Group Executive Board (excl. CEO)	G [5,6]	–	–
Remuneration report	V	A	G [7]

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 Security & Corporate Affairs and Head of Rewards & Engagement 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, the CPO and the Head of Group Security & Corporate Affairs, the CEO and CPO may not be present. Other members of the Board of Directors, auditors or internal and external 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 7.5 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**

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 188**

The following table gives an overview of the composition of the Committee, the Committee meetings and circular resolutions in 2023.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	3	–	–
Average duration (in hours)	01:50	–	–
Participation:			
Monique Bourquin, Chairwoman [1]	2	–	–
Barbara Frei, Chairwoman [2]	1	–	–
Roland Abt	3	–	–
Frank Esser	3	–	–
Renzo Simoni [2]	1	–	–
Michael Rechsteiner [3]	3	–	–

1 Elected to the Board of Directors on 28 March 2023.
2 Left the Board of Directors on 28 March 2023.
3 Participation without voting rights.

2 Remuneration of the Board of Directors

2.1 General 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 7.4 and 9.1 of the Articles of Incorporation.

See **www.swisscom.ch/basicprinciples**

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. The Board of Directors bases its comparison on companies listed in the Swiss Market Index (SMI), but excluding companies with revenue in excess of CHF 20 billion and companies in the pharmaceuticals and financial sector. Consequently, in December 2022, the comparison was based on the remuneration paid by Compagnie Financière Richemont, Geberit, Givaudan, Logitech, Sonova and Sika. This revealed that the remuneration paid to the Chairman and members of the Board of Directors at Swisscom was in the lowest peer group quartile. 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	**2023 gross**	2022 gross
Base salary per member	146,000	146,000
Functional allowances [1]		
Presidium	308,000	308,000
Vice presidium	25,000	25,000
Representative of the Confederation [2]	–	48,000
Audit Committee & ESG Reporting, Chair	61,000	61,000
Audit Committee & ESG Reporting, Member	17,000	17,000
Audit Strategy & Investments, Chair	25,000	25,000
Audit Strategy & Investments, Member	17,000	17,000
Remuneration Committee, Chair	25,000	25,000
Remuneration Committee, Member	15,000	15,000

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

2 The function allowance of CHF 48 thousand was cancelled per 28 March 2023.

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 on a pro rata basis in March or April and in December 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 March and December 2023, a total of 1,446 shares were allocated to the members of the Board of Directors (prior year: 1,544 shares) with a tax value of CHF 495 (March) and CHF 428 (December) (prior year: CHF 468/December CHF 434), respectively, per share. Their market value was CHF 590 (March) and CHF 510 (December) (prior year: March CHF 557/December CHF 517), respectively, 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 for the regulations) and their functional allowances are covered as part of a 1e plan with VZ Joint Foundation. 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. 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.

2.3 Total remuneration (audited)

The total remuneration paid to the individual members of the Board of Directors for the 2022 and 2023 financial years is presented in the tables below, broken down into individual components. The lower total remuneration in 2023 is due primarily to the functional allowance for the representative of the Confederation being abolished effective 28 March 2023. Total remuneration paid is within the maximum total amount approved by the 2022 Annual General Meeting (AGM) for 2023 of CHF 2.5 million.

	Base salary and functional allowances				
2023, in CHF thousand	Cash remuneration	Share-based payment	Employer contributions to pension plan	Employer contributions to social security	**Total 2023**
Michael Rechsteiner, Chairman	335	200	64	28	627
Monique Bourquin [1]	93	57	21	9	180
Roland Abt	159	96	–	12	267
Alain Carrupt	109	65	–	8	182
Guus Dekkers [2]	109	65	–	21	195
Frank Esser [3]	152	91	–	–	243
Barbara Frei [4]	47	–	–	3	50
Sandra Lathion-Zweifel	109	65	22	10	206
Anna Mossberg [5]	109	65	–	44	218
Renzo Simoni [4]	57	–	8	3	68
Fritz Zurbrügg [1]	89	54	21	8	172
Total remuneration to members of the Board of Directors	**1,368**	**758**	**136**	**146**	**2,408**

1 Elected to the Board of Directors on 28 March 2023.
2 Guus Dekkers is subject to social security contributions in Great Britain since 2022.
3 Frank Esser is subject to social security contributions in Germany. No employer contributions are paid.
4 Left the Board of Directors on 28 March 2023. In the year of departure, the remuneration is paid out in full in cash.
5 Anna Mossberg is subject to social security contributions in Sweden. The employer contributions to SI include an additional payment for the years 2018 to 2022.

	Base salary and functional allowances				
2022, in CHF thousand	Cash remuneration	Share-based payment	Employer contributions to pension plan	Employer contributions to social security	Total 2022
Michael Rechsteiner, Chairman	335	200	63	30	628
Roland Abt	159	95	23	14	291
Alain Carrupt	109	65	–	8	182
Guus Dekkers [1]	109	65	–	23	197
Frank Esser [2]	152	91	–	–	243
Barbara Frei	124	75	–	12	211
Sandra Lathion-Zweifel	109	65	22	10	206
Anna Mossberg [3]	109	65	–	32	206
Renzo Simoni	151	91	33	14	289
Total remuneration to members of the Board of Directors	**1,357**	**812**	**141**	**143**	**2,453**

1 Guus Dekkers is subject to social security contributions in Great Britain since 2022.
2 Frank Esser is subject to social security contributions in Germany. No employer contributions are paid.
3 Anna Mossberg is subject to social security contributions in Sweden.

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 (audited)

Blocked and non-blocked shares held by members of the Board of Directors and/or related parties as at 31 December 2022 and 2023 are shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

Number	**31.12.2023**	31.12.2022
Michael Rechsteiner	1,324	945
Roland Abt	1,277	1,096
Monique Bourquin [1]	191	–
Alain Carrupt	940	816
Guus Dekkers	396	272
Frank Esser	1,498	1,325
Barbara Frei [2]	–	1,478
Sandra Lathion-Zweifel	615	491
Anna Mossberg	723	599
Renzo Simoni [2]	–	1,003
Fritz Zurbrügg [1]	106	–
Total shares held by the members of the Board of Directors	**7,070**	**8,025**

1 Elected to the Board of Directors on 28 March 2023.

2 Left the Board of Directors on 28 March 2023.

3 Remuneration of the Group Executive Board

3.1 General 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 9.1 of the Articles of Incorporation.

See **www.swisscom.ch/basicprinciples**

Remuneration system

Remuneration components and determining factors

	Remuneration		Assets
Instruments	**Fixed remuneration** Base salary Pension benefits Fringe benefits	**Variable remuneration** Performance-related component in cash and shares	**Minimum shareholding requirement** Requirement to hold a minimum amount of Swisscom shares
Influencing factors	Function, experience and qualifications, market	Achievement of annual performance targets	Long-term growth of enterprise value
Purpose	Employee recruitment, employee retention and protection	Focus on annual targets and sustainable corporate results	Alignment with shareholders interests

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 the market value of individual functions, Swisscom relies on cross-sector 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 an international comparative study conducted by the consultancy firm Willis Towers Watson (WTW). The national study conducted in 2022 covers 13 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 6 billion and employ 25,000 people. The international study from 2020 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. The studies show that the remuneration package for Group Executive Board functions is in the lowest quartile in a national comparison and is largely below the median value for the relevant peer groups in an international comparison, too. 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. Taking the comparative studies into account, the Board of Directors adjusted the salary paid to two members of the Group Executive Board in the year under review to reflect the experience and performance of these members and ensure remuneration in line with market standards.

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 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 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 the evaluation of performance in 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

1. Financial targets		2. Business transformation		3. Overall target achievement
Revenue		Operating performance		(Depending on the achievement of the 'EBITDA threshold') between 0% and 130%
EBITDA margin	+/-	Customers	=	
Operating free cash flow proxy		Growth		
Fastweb financial targets		Sustainability		

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 remain 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 revenue, operating income before interest, taxes, depreciation and amortisation as a percentage of 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 of CEO and CFO	Weighting of other members of Group Executive Board
Revenue	24%	30%
EBITDA margin	24%	30%
Operating free cash flow proxy	32%	40%
Fastweb financial targets	20%	0%

b) Business transformation
The topics relevant to Swisscom's long-term success are summarised under the term 'business transformation'. These topics strengthen the degree to which compensation is focused on shareholder interests, as they form the basis for comprehensively assessing Swisscom's performance, which is geared towards the long term. Operating performance is assessed based on indicators related to network and service stability, as well as reputation. Unlike in the previous year, market share is no longer taken into account. 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. The topic of 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, diversity and Swisscom's contribution toward protecting the environment (CO_2 reduction; ESG criterion). This therefore incorporates Swisscom's responsibility to help promote society's positive development and to 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 Impact Report 2023.

See report **page 34**
See **www.swisscom.ch/sir2023**

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

Business transformation topics

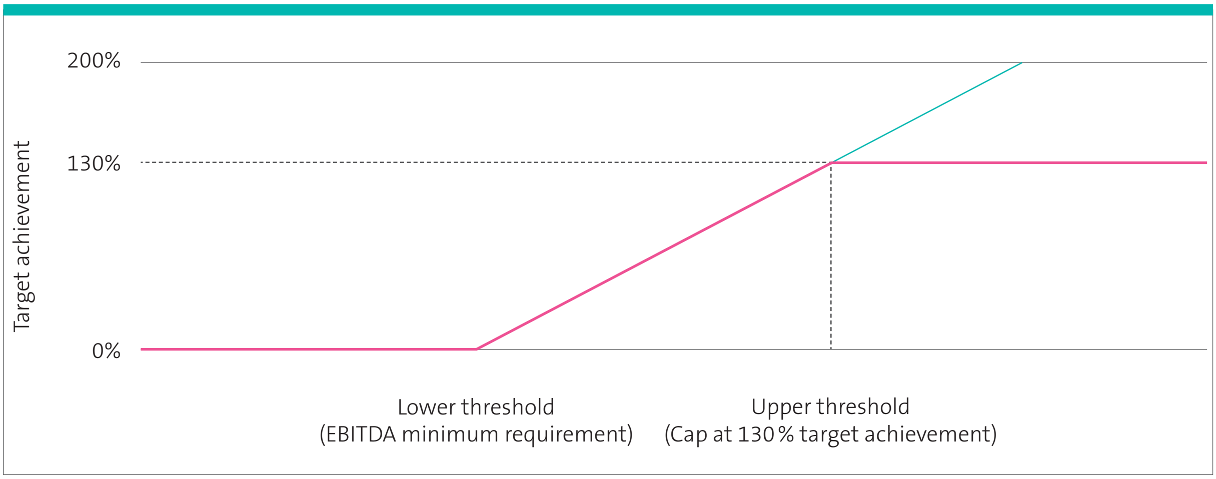
Securing long-term success

Business transformation	Topics	Assessment based among others on	
Operating performance	• Market share • Stability • Reputation	• Quantitative key figures per topic • Multi-year average • Previous year • Current year	**+/– 0 to 20 percentage points on financial target achievement**
Customers	• Customer satisfaction or net promoter score		
Growth	• Innovation or strategic projects		
Sustainability	• Employees • Environment		

c) Overall target achievement

Overall target achievement is calculated based on achievement of financial targets including or less 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 March or 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. 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 likewise 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 2024.

In March 2023, a total of 1,476 shares (prior year: 1,536 shares) with a tax value of CHF 495 (prior year: CHF 468) per share and a market value of CHF 590 (prior year: CHF 557) per share were allocated for the 2022 financial year to the five members of the Group Executive Board at that time.

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). 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 173–179**

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 (audited)

The following table shows the total remuneration paid to the members of the Group Executive Board for the 2022 and 2023 financial years, broken down into individual components and including the highest amount paid to one member. All in all, the Swisscom Group slightly exceeded its financial targets in the reporting year. Fastweb did not meet its financial target in full. Expectations in the context of the business transformation were exceeded overall, particularly with respect to customers and sustainability. The EBITDA threshold was reached. The resulting overall target achievement of the performance-related component is 105% for the CEO and between 105% and 110% for the other members of the Group Executive Board, depending on their function. In the year under review, the variable performance-related salary component for members of the Group Executive Board (CHF 3,067 thousand in total) was around 79% of the base salary (CHF 3,865 thousand in total). The highest remuneration amount is attributable to the CEO, Christoph Aeschlimann. It is 2.7% higher than the highest remuneration amount in the previous year due to the fact that 100% of the performance-related component for the previous CEO, Urs Schaeppi, was paid out, and payment effected entirely in cash due to his resignation. The increase in the total amount of remuneration paid to the Group Executive Board is mainly attributable to the increase in the number of members of the Group Executive Board from six to nine. What is more, the comparative figure for the previous year was lower because the role of Head of IT, Network & Infrastructure was vacant and was not filled until the reporting year. Total remuneration paid is within the maximum total amount approved by the 2023 Annual General Meeting (AGM) for 2023 of CHF 10.4 million.

Remuneration of the Group Executive Board

In CHF thousand	Total Group Executive Board 2023	Total Group Executive Board 2022	Thereof Christoph Aeschlimann 2023	Thereof Urs Schaeppi 2022
Fixed base salary paid in cash	3,865	2,878	882	368
Variable performance-related remuneration paid in cash	2,196	1,638	486	257
Variable performance-related remuneration paid in shares [1]	871	867	193	–
Service-related and non-cash benefits	190	121	24	7
Employer contributions to social security [2]	636	480	139	59
Retirement benefits	951	666	130	62
Total remuneration to members of the Group Executive Board	**8,709**	**6,650**	**1,854**	**753**
Benefits paid following retirement from Group Executive Board [3]	–	1,053	–	1,053
Total remuneration paid to Group Executive Board, incl. benefits paid following retirement from Board	**8,709**	**7,703**	**1,854**	**1,806**

1 The shares are reported at market value and are blocked from sale for three years.
2 Employer contributions to social security (OASI, DI, EO and FZ, 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 2022.

3.4 Minimum shareholding requirement

The members of the Group Executive Board are required to hold a minimum number 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 prescribed shareholding over four allocation periods The members of the Group Executive Board build up the prescribed 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 (audited)

Blocked and non-blocked shares held by members of the Group Executive Board and/or related parties as at 31 December 2022 and 2023 are shown in the table below. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

Number	31.12.2023	31.12.2022
Christoph Aeschlimann (CEO) [1]	1,318	713
Urs Lehner	1,431	1,231
Isa Müller-Wegner [2]	–	–
Gerd Niehage [3]	–	–
Stefan Nünlist [4]	346	–
Klementina Pejic	487	256
Eugen Stermetz	375	175
Martin Vögeli [4]	660	–
Dirk Wierzbitzki	1,775	1,535
Total shares held by the members of the Group Executive Board	**6,392**	**3,910**

1 CEO since June 2022.
2 Elected to the Group Executive Board on 1 June 2023.
3 Elected to the Group Executive Board on 1 March 2023.
4 Elected to the Group Executive Board on 1 April 2023.

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 Additional remuneration (audited)

Swisscom may pay remuneration to members of the Board of Directors for assignments in Group companies and assignments performed by order of Swisscom (Article 8.2 of the Articles of Incorporation). No such remuneration was paid in the year under review.

See **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 their related parties (audited)

In the year under review, no remuneration that was not at arm's length was paid to former members of the Board of Directors in connection with earlier activities as a member of a governing body of the company. 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 (audited)

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 2023 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.

5 Activities at other companies

The activities performed by the members of the Board of Directors and the Group Executive Board at other companies are listed in the Corporate Governance report.

See report pages 89–93 (Board of Directors)
See report pages 103–107 (Group Executive Board)

6 Gender representation

As at 31 December 2023, Swisscom complies with the legal requirements regarding the representation of both genders on the Board of Directors and the Group Executive Board.

Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of Swisscom Ltd (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables marked 'audited' (sections 2.3, 2.5, 3.3, 3.5 and 4.1 to 4.3) on pages 113 to 125 of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report (pages 113 to 125) complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO is 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 and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or

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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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judegment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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.

PricewaterhouseCoopers AG

Petra Schwick	Peter Kartscher
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 7 February 2024

Consolidated Financial Statements

Consolidated Financial Statements

Notes to the consolidated financial statements

Consolidated statement of comprehensive income

In CHF million, except for per share amounts	Note	2023	2022
Income statement			
Revenue	1.1	**11,072**	**11,051**
Direct costs	1.2	(2,725)	(2,626)
Personnel expense	1.2, 4.1	(2,680)	(2,705)
Other operating expense	1.2	(1,811)	(1,982)
Capitalised self-constructed assets and other income	1.2	766	668
Operating income before depreciation and amortisation		**4,622**	**4,406**
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	(2,126)	(2,104)
Depreciation of right-of-use assets	2.3	(291)	(262)
Operating income		**2,205**	**2,040**
Financial income	2.4	30	76
Financial expense	2.4	(160)	(148)
Result of equity-accounted investees	5.3	–	(5)
Income before income taxes		**2,075**	**1,963**
Income tax expense	6.1	(364)	(360)
Net income		**1,711**	**1,603**
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans	2.1	(28)	41
Change in fair value of equity instruments	2.1	43	(38)
Items that will not be reclassified to income statement		**15**	**3**
Foreign currency translation adjustments of foreign subsidiaries	2.1	(126)	(96)
Change in cash flow hedges	2.1	(10)	(4)
Items that may be reclassified to income statement		**(136)**	**(100)**
Other comprehensive income		**(121)**	**(97)**
Comprehensive income			
Net income		1,711	1,603
Other comprehensive income		(121)	(97)
Comprehensive income		**1,590**	**1,506**
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		1,711	1,602
Non-controlling interests		–	1
Net income		**1,711**	**1,603**
Equity holders of Swisscom Ltd		1,590	1,505
Non-controlling interests		–	1
Comprehensive income		**1,590**	**1,506**
Earnings per share			
Basic and diluted earnings per share (in CHF)	2.1	**33.03**	**30.93**

Consolidated balance sheet

In CHF million	Note	31.12.2023	31.12.2022
Assets			
Cash and cash equivalents		148	121
Trade receivables	3.1	2,143	2,255
Receivables from finance leases	2.3	46	53
Other operating assets	3.1	1,323	1,353
Other financial assets		50	64
Current income tax assets	6.1	1	2
Non-current assets held for sale		7	–
Total current assets		**3,718**	**3,848**
Property, plant and equipment	3.2	11,059	10,811
Intangible assets	3.3	1,737	1,741
Goodwill	3.4	5,172	5,172
Right-of-use assets	2.3	1,972	1,992
Equity-accounted investees	5.3	27	26
Receivables from finance leases	2.3	84	78
Other financial assets		745	747
Defined benefit assets	4.3	11	11
Deferred tax assets	6.1	225	194
Total non-current assets		**21,032**	**20,772**
Total assets		**24,750**	**24,620**
Liabilities and equity			
Financial liabilities	2.2	718	547
Lease liabilities	2.3	227	232
Trade payables	3.1	1,611	1,674
Other operating liabilities	3.1	1,471	1,571
Provisions	3.5	115	88
Current income tax liabilities	6.1	203	194
Total current liabilities		**4,345**	**4,306**
Financial liabilities	2.2	4,947	5,455
Lease liabilities	2.3	1,688	1,679
Defined benefit obligations	4.3	21	22
Provisions	3.5	1,148	1,071
Deferred gain on sale and leaseback of real estate	2.3	81	85
Deferred tax liabilities	6.1	898	831
Total non-current liabilities		**8,783**	**9,143**
Total liabilities		**13,128**	**13,449**
Share capital		52	52
Capital reserves		136	136
Retained earnings	2.1	13,529	12,942
Foreign currency translation adjustments	2.1	(2,086)	(1,960)
Hedging reserves	2.1	(12)	(2)
Equity attributable to equity-holders of Swisscom Ltd		**11,619**	**11,168**
Non-controlling interests		3	3
Total equity		**11,622**	**11,171**
Total liabilities and equity		**24,750**	**24,620**

Consolidated statement of cash flows

In CHF million	Note	2023	2022
Net income		1,711	1,603
Income tax expense	6.1	364	360
Result of equity-accounted investees	5.3	–	5
Financial income	2.4	(30)	(76)
Financial expense	2.4	160	148
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	2,126	2,104
Depreciation of right-of-use assets	2.3	291	262
Gain on sale of property, plant and equipment	1.2	(6)	(11)
Loss on disposal of property, plant and equipment		1	3
Expense for share-based payments		1	1
Revenue from finance leases		(108)	(134)
Proceeds from finance leases		108	106
Change in deferred gain from the sale and leaseback of real estate	2.3	(4)	(10)
Change in operating assets and liabilities	3.1	(5)	(85)
Change in provisions	3.5	(124)	31
Change in defined benefit obligations	4.3	(31)	49
Interest received		7	2
Dividends received	5.3	9	2
Interest payments on financial liabilities	2.2	(84)	(62)
Interest payments on lease liabilities	2.3	(44)	(44)
Income taxes paid	6.1	(313)	(378)
Cash flow from operating activities		**4,029**	**3,876**
Purchase of property, plant and equipment and intangible assets	3.2, 3.3	(2,272)	(2,289)
Proceeds from sale of property, plant and equipment and intangible assets		10	15
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5.2	(62)	(67)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	5.2	2	–
Acquisition of equity-accounted investees	5.2	(3)	(2)
Purchase of other financial assets		(13)	(142)
Proceeds from other financial assets		33	68
Other cash flows from investing activities		(17)	(13)
Cash flow used in investing activities		**(2,322)**	**(2,430)**
Issuance of financial liabilities	2.2	223	209
Repayment of financial liabilities	2.2	(471)	(535)
Repayment of lease liabilities	2.3	(270)	(240)
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	5.2	–	(14)
Other cash flows from financing activities		(12)	–
Cash flow used in financing activities		**(1,671)**	**(1,721)**
Net increase (net decrease) in cash and cash equivalents		**36**	**(275)**
Cash and cash equivalents at 1 January		121	401
Foreign currency translation adjustments in respect of cash and cash equivalents		(9)	(5)
Cash and cash equivalents at 31 December		**148**	**121**

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**
Balance at 1 January 2022	**52**	**136**	**12,485**	**(1,864)**	**2**	**10,811**	**2**	**10,813**
Net income	–	–	1,602	–	–	1,602	1	1,603
Other comprehensive income	–	–	3	(96)	(4)	(97)	–	(97)
Comprehensive income	**–**	**–**	**1,605**	**(96)**	**(4)**	**1,505**	**1**	**1,506**
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(8)	–	–	(8)	1	(7)
Balance at 31 December 2022	**52**	**136**	**12,942**	**(1,960)**	**(2)**	**11,168**	**3**	**11,171**
Net income	–	–	1,711	–	–	1,711	–	1,711
Other comprehensive income	–	–	15	(126)	(10)	(121)	–	(121)
Comprehensive income	**–**	**–**	**1,726**	**(126)**	**(10)**	**1,590**	**–**	**1,590**
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	1	–	–	1	1	2
Balance at 31 December 2023	**52**	**136**	**13,529**	**(2,086)**	**(12)**	**11,619**	**3**	**11,622**

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 disclosures

The Swisscom Group (hereinafter referred to as Swisscom) provides telecommunications services. It operates mainly in Switzerland and Italy. The consolidated financial statements for the year ended 31 December 2023 comprise Swisscom Ltd, as the holding 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 Tiefenaustrasse 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 7 February 2024. To date, no material events after the reporting date have occurred. The consolidated financial statements are subject to approval by the shareholders of Swisscom Ltd at its Annual General Meeting to be held on 27 March 2024.

Basis of preparation

The consolidated financial statements of Swisscom have been prepared in accordance with IFRS Accounting 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 IFRS Accounting Standards and Interpretations which are to be applied for the first time in the financial year

Standard	Name
IFRS 17	Insurance contracts
Amendments to IAS 1	Disclosure of accounting policies
Amendements to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction
Amendments to IAS 12	International tax reform – pillar 2 model rules

As of 1 January 2023, Swisscom adopted new IFRS Accounting Standards and Interpretations and amendments to existing ones, which have no material impact on the results or financial position of the Group. Further information regarding the changes to the IFRS Accounting Standards which must be applied in 2024 or later are set out in Note 6.3.

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.

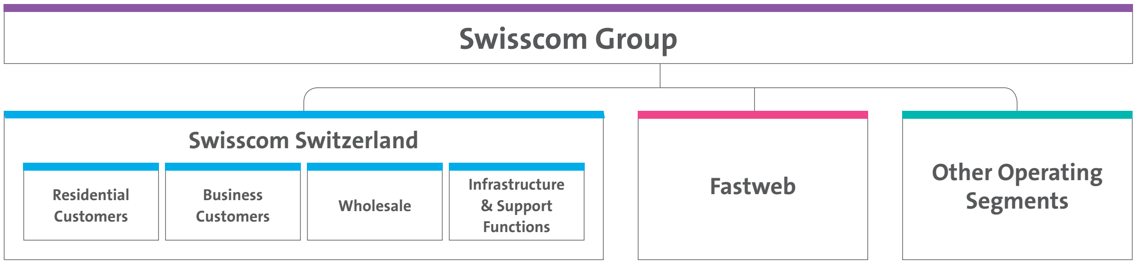
1.1 Segment information

Changes in segment reporting

Swisscom has simplified its internal allocation as of 1 January 2023. The costs of roaming calls and termination on the networks of other telecommunications providers are no longer charged to the Residential Customers and Business Customers segments and instead remain in the Wholesale segment. In return, revenue from termination on Swisscom's network is no longer credited to the Residential Customers and Business Customers segments and instead also remains in the Wholesale segment. In addition, Swisscom has reallocated certain areas within Swisscom Switzerland to the segments as of 1 January 2023. The prior year's figures have been restated as follows:

In CHF million	Reported	Adjustment	**Restated**
Operating income before depreciation and amortisation (EBITDA) Swisscom Switzerland			
2022 financial year			
Residential Customers	2,975	4	2,979
Business Customers	1,384	(3)	1,381
Wholesale	291	(2)	289
Infrastructure & Support Functions	(1,166)	1	(1,165)
Intersegment elimination	(1)	–	(1)
EBITDA Swisscom Switzerland	**3,483**	**–**	**3,483**

General disclosures



Segment	Activity
Residential Customers	The Residential Customers segment provides mobile and fixed-network services to residential customers in Switzerland, such as telephony, broadband, TV and mobile offerings. The segment also includes the sale of terminal equipment.
Business Customers	The Business Customers segment focuses on telecom services and overall communications solutions for business customers in Switzerland. Its offering in the area of business ICT infrastructure covers the entire range from individual products to complete solutions.
Wholesale	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
Infrastructure & Support Functions	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.
Fastweb	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.
Other Operating Segments	Other Operating Segments mainly comprises Swisscom Directories Ltd (localsearch), which operates in the field of online directories, cablex Ltd, which provides services in the building, maintenance and operation of of high-performing ICT and network infrastructure solutions, and Swisscom Broadcast Ltd, which is the leading provider in Switzerland of broadcast services, of cross-platform retail media services, and of security communications.

Reporting is divided into the following 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 whatsoever to other segments. The remaining 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 column in the segment result, which totals CHF –8 million (prior year: CHF –94 million), includes income of CHF 37 million (prior year: expense of CHF 53 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 excluding depreciation of prepaid indefeasible rights of use (IRU) of CHF 18 million (prior year: CHF 20 million), impairment losses on right-of-use assets of CHF 29 million (prior year: none) 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 2023 amounted to CHF 20 million (prior year: CHF 20 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. In addition, as of 2023, Swisscom will now also take into account other factors such as market conditions and other company-specific factors in addition to the contractually agreed prices when determining the fair value for the recognition of revenue and costs for individual roaming contracts that contain minimum guarantees. The change reduced sales and direct costs for 2023 by CHF 59 million each and for 2022 by CHF 61 million each. The previous year was adjusted accordingly.

Fastweb reviewed its strategy for the establishment of a fixed wireless access (FWA) network and made the decision to adjust it at the end of 2023. FWA expansion going forward will use the company's own 5G network infrastructure based on an agreement with WindTre. By contrast, the previous strategy of establishing a dedicated FWA network outside of those areas with optical fibre access (FTTH) is being abandoned. The strategic adjustment resulted in expenses of EUR 61 million (CHF 60 million) being recognised in Fastweb's operating income before depreciation and amortisation in 2023. Impairment losses were also recognised on property, plant and equipment and on right-of-use assets. See Notes 2.3 and 3.2.

Segment information 2023

2023, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimi-nation	Total
Residential customers	4,487	1,132	–	–	5,619
Corporate customers	3,069	1,103	430	–	4,602
Wholesale customers	530	321	–	–	851
External revenue	**8,086**	**2,556**	**430**	**–**	**11,072**
Intersegment revenue	60	5	645	(710)	–
Revenue	**8,146**	**2,561**	**1,075**	**(710)**	**11,072**
Direct costs	(1,707)	(1,002)	(84)	68	(2,725)
Indirect costs	(2,738)	(783)	(838)	634	(3,725)
Operating income before depreciation and amortisation (EBITDA)	**3,701**	**776**	**153**	**(8)**	**4,622**
Depreciation and amortisation of property, plant and equipment and intangible assets					(2,126)
Depreciation of right-of-use assets					(291)
Operating income (EBIT)					**2,205**
Financial income					30
Financial expense					(160)
Result of equity-accounted investees					–
Income before income taxes					**2,075**
Income tax expense					(364)
Net income					**1,711**
EBITDA	3,701	776	153	(8)	4,622
Lease expense	(225)	(54)	(11)	2	(288)
EBITDA after lease expense (EBITDAaL)	**3,476**	**722**	**142**	**(6)**	**4,334**
Capital expenditure	(1,690)	(606)	(40)	44	(2,292)
Operating free cash flow proxy	**1,786**	**116**	**102**	**38**	**2,042**

Segment information Swisscom Switzerland 2023

2023, in CHF million	Residential Customers	Business Customers	Whole-sale	Infrastructure & Support Functions	Elimi-nation	Total Swisscom Switzerland
Fixed-line	1,991	808	–	–	–	2,799
Mobile	1,852	726	–	–	–	2,578
Telecom services	**3,843**	**1,534**	**–**	**–**	**–**	**5,377**
IT services	–	1,184	–	–	–	1,184
Merchandise	503	332	–	–	–	835
Wholesale	–	–	530	–	–	530
Revenue other	141	4	–	15	–	160
External revenue	**4,487**	**3,054**	**530**	**15**	**–**	**8,086**
Intersegment revenue	15	44	12	58	(69)	60
Revenue	**4,502**	**3,098**	**542**	**73**	**(69)**	**8,146**
Direct costs	(877)	(742)	(239)	(8)	159	(1,707)
Indirect costs	(646)	(998)	23	(1,028)	(89)	(2,738)
Operating income before depreciation and amortisation (EBITDA)	**2,979**	**1,358**	**326**	**(963)**	**1**	**3,701**
Capital expenditure	(49)	(50)	–	(1,591)	–	(1,690)

Segment information 2022

2022, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimi-nation	Total
Residential customers	4,511	1,150	–	–	5,661
Corporate customers	3,098	1,019	417	–	4,534
Wholesale customers	540	316	–	–	856
External revenue	**8,149**	**2,485**	**417**	**–**	**11,051**
Intersegment revenue	60	8	621	(689)	–
Revenue	**8,209**	**2,493**	**1,038**	**(689)**	**11,051**
Direct costs	(1,738)	(879)	(76)	67	(2,626)
Indirect costs	(2,988)	(757)	(802)	528	(4,019)
Operating income before depreciation and amortisation (EBITDA)	**3,483**	**857**	**160**	**(94)**	**4,406**
Depreciation and amortisation of property, plant and equipment and intangible assets					(2,104)
Depreciation of right-of-use assets					(262)
Operating income (EBIT)					**2,040**
Financial income					76
Financial expense					(148)
Result of equity-accounted investees					(5)
Income before income taxes					**1,963**
Income tax expense					(360)
Net income					**1,603**
EBITDA	3,483	857	160	(94)	4,406
Lease expense	(218)	(57)	(10)	(1)	(286)
EBITDA after lease expense (EBITDAaL)	**3,265**	**800**	**150**	**(95)**	**4,120**
Capital expenditure	(1,698)	(619)	(34)	42	(2,309)
Operating free cash flow proxy	**1,567**	**181**	**116**	**(53)**	**1,811**

Segment information Swisscom Switzerland 2022

2022, in CHF million, restated	Residential Customers	Business Customers	Whole-sale	Infrastructure & Support Functions	Elimi-nation	Total Swisscom Switzerland
Fixed-line	2,006	841	–	–	–	2,847
Mobile	1,855	747	–	–	–	2,602
Telecom services	**3,861**	**1,588**	**–**	**–**	**–**	**5,449**
IT services	–	1,152	–	–	–	1,152
Merchandise	518	342	–	–	–	860
Wholesale	–	–	540	–	–	540
Revenue other	132	(1)	–	17	–	148
External revenue	**4,511**	**3,081**	**540**	**17**	**–**	**8,149**
Intersegment revenue	16	48	11	54	(69)	60
Revenue	**4,527**	**3,129**	**551**	**71**	**(69)**	**8,209**
Direct costs	(878)	(765)	(247)	(8)	160	(1,738)
Indirect costs	(670)	(983)	(15)	(1,228)	(92)	(2,988)
Operating income before depreciation and amortisation (EBITDA)	**2,979**	**1,381**	**289**	**(1,165)**	**(1)**	**3,483**
Capital expenditure	(55)	(47)	–	(1,596)	–	(1,698)

Disclosure by geographical regions

In CHF million	2023 Revenue	2023 Non-current assets	2022 Revenue	2022 Non-current assets
Switzerland	8,516	16,576	8,566	16,103
Italy	2,556	3,382	2,485	3,629
Other countries	–	9	–	10
Not allocated	–	1,065	–	1,030
Total	**11,072**	**21,032**	**11,051**	**20,772**

Disclosure by products and services

In CHF million	2023	2022
Telecom services	7,500	7,538
IT services	1,184	1,153
Merchandise	930	923
Wholesale	851	855
Revenue other	607	582
Total revenue	**11,072**	**11,051**

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 also 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 subscription, it is considered a multiple-element contract. Similar multiple-element contracts are grouped into portfolios for revenue accounting. The total transaction price for multiple-element contracts is allocated to each identified performance obligation on the basis of relative stand-alone selling prices. 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 business 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.

IT services

The service area of communications and IT solutions (IT services) 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 devices 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, taking market conditions and other entity-specific factors into account. Roaming services charged to other telecommunications service providers are reported on a gross basis.

1.2 Operating expense

Direct costs

In CHF million	2023	2022
Customer premises equipment and merchandise	1,007	977
Services purchased	732	705
Costs to obtain a contract	229	222
Costs to fulfil a contract	86	86
Network access costs of Swiss subsidiaries	240	247
Network access costs of foreign subsidiaries	431	389
Total direct costs	**2,725**	**2,626**

Indirect costs

In CHF million	2023	2022
Salary and social security expenses	2,613	2,637
Other personnel expense	67	68
Total personnel expense [1]	**2,680**	**2,705**
Information technology cost	269	267
Maintenance expense	277	303
Energy costs	157	152
Advertising and selling expenses	172	193
Consultancy expenses and freelance workforce	102	117
Call centre services purchased	117	129
Administration expense	42	49
Allowances for receivables and contract assets	70	42
Miscellaneous operating expenses	605	730
Total other operating expense	**1,811**	**1,982**
Capitalised self-constructed tangible and intangible assets	(541)	(485)
Own work for capitalised contract costs	(49)	(54)
Gain on sale of property, plant and equipment	(6)	(11)
Miscellaneous income	(170)	(118)
Total capitalised self-constructed assets and other income	**(766)**	**(668)**
Total indirect costs	**3,725**	**4,019**

1 See Note 4.1.

Other operating expenses and other income include, among other items, additions and releases of provisions for regulatory and competition law proceedings. See Note 3.5.

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

Accounting policies

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 can only be used 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 business 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

Debt

Swisscom's debt situation is aligned with the limit on net debt in relation to the operating result before depreciation and amortisation (EBITDA) as set by the Federal Council in its financial targets. The Federal Council has set the limit for net debt at 2.4x EBITDA. Swisscom also has an A credit rating with rating agency Standard & Poor's and an A1 credit rating with Moody's. It aims to keep its ratings in the single A range.

Net debt consists of financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments and derivative financial instruments. The net debt to EBITDA ratio is as follows:

In CHF million	31.12.2023	31.12.2022
Net debt	**7,071**	**7,374**
Operating income before depreciation and amortisation (EBITDA)	4,622	4,406
Ratio net debt/EBITDA	**1.5**	**1.7**

Equity ratio

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

In CHF million	31.12.2023	31.12.2022
Equity	11,622	11,171
Total assets	24,750	24,620
Equity ratio in %	**47.0**	**45.4**

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 2023, Swisscom Ltd's distributable reserves amounted to CHF 6,977 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 2022 and 2023.

In CHF million, except where indicated	2023	2022
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
Dividends paid	**1,140**	**1,140**

The Board of Directors will propose the payment of an unchanged dividend of CHF 22 per share for the 2023 financial year to the Annual General Meeting of Shareholders of Swisscom Ltd on 27 March 2024. This results in a total dividend payment of CHF 1,140 million. The dividend payment is scheduled for 4 April 2024.

Earnings per share

In CHF million, except where indicated	2023	2022
Share of net income attributable to equity holders of Swisscom Ltd	1,711	1,602
Weighted average number of shares outstanding (number)	51,801,652	51,800,968
Basic and diluted earnings per share (in CHF)	**33.03**	**30.93**

Supplementary information on equity

Development of retained earnings and other reserves as well as comprehensive income 2023

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
Balance at 1 January 2023	**12,942**	**(1,960)**	**(2)**	**10,980**	**3**	**10,983**
Net income	**1,711**	**–**	**–**	**1,711**	**–**	**1,711**
Actuarial gains and losses from defined benefit pension plans	(35)	–	–	(35)	–	(35)
Change in fair value of equity instruments	42	–	–	42	–	42
Income tax expense	8	–	–	8	–	8
Items that will not be reclassified to income statement	**15**	**–**	**–**	**15**	**–**	**15**
Foreign currency translation adjustments of foreign subsidiaries	–	(135)	–	(135)	–	(135)
Fair value losses of cash flow hedges transferred to income statement	–	–	(10)	(10)	–	(10)
Income tax expense	–	9	–	9	–	9
Items that may be reclassified to income statement	**–**	**(126)**	**(10)**	**(136)**	**–**	**(136)**
Other comprehensive income	**15**	**(126)**	**(10)**	**(121)**	**–**	**(121)**
Comprehensive income	**1,726**	**(126)**	**(10)**	**1,590**	**–**	**1,590**
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	1	–	–	1	1	2
Balance at 31 December 2023	**13,529**	**(2,086)**	**(12)**	**11,431**	**3**	**11,434**

Development of retained earnings and other reserves as well as comprehensive income 2022

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
Balance at 1 January 2022	**12,485**	**(1,864)**	**2**	**10,623**	**2**	**10,625**
Net income	**1,602**	**–**	**–**	**1,602**	**1**	**1,603**
Actuarial gains and losses from defined benefit pension plans	48	–	–	48	–	48
Change in fair value of equity instruments	(37)	–	–	(37)	–	(37)
Income tax expense	(8)	–	–	(8)	–	(8)
Items that will not be reclassified to income statement	**3**	**–**	**–**	**3**	**–**	**3**
Foreign currency translation adjustments of foreign subsidiaries	–	(103)	–	(103)	–	(103)
Fair value losses of cash flow hedges transferred to income statement	–	–	(5)	(5)	–	(5)
Income tax expense	–	7	1	8	–	8
Items that may be reclassified to income statement	**–**	**(96)**	**(4)**	**(100)**	**–**	**(100)**
Other comprehensive income	**3**	**(96)**	**(4)**	**(97)**	**–**	**(97)**
Comprehensive income	**1,605**	**(96)**	**(4)**	**1,505**	**1**	**1,506**
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	(8)	–	–	(8)	1	(7)
Balance at 31 December 2022	**12,942**	**(1,960)**	**(2)**	**10,980**	**3**	**10,983**

2.2 Financial liabilities

In CHF million	2023	2022
Balance at 1 January	**6,002**	**6,445**
Issuance of bank loans	12	38
Issuance of debenture bonds	200	–
Issuance of private placements	–	170
Issuance of other financial liabilities	11	1
Issuance of financial liabilities	**223**	**209**
Repayment of bank loans	(221)	–
Repayment of debenture bonds	(250)	(500)
Repayment of other financial liabilities	–	(35)
Repayment of financial liabilities	**(471)**	**(535)**
Interest expense	75	62
Interest payments	(84)	(62)
Foreign currency translation adjustments	(129)	(64)
Change in fair value	43	(38)
Accrual of deferred purchase price margins from business combinations	9	18
Expenses for deferred consideration arising on business combinations [1]	(13)	(2)
Other changes	10	(31)
Balance at 31 December	**5,665**	**6,002**
Bank loans	267	512
Debenture bonds	4,789	4,886
Private placements	322	322
Derivative financial instruments [2]	136	129
Other financial liabilities	151	153
Total financial liabilities	**5,665**	**6,002**
Thereof current financial liabilities	718	547
Thereof non-current financial liabilities	4,947	5,455

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

Credit lines

Swisscom has two confirmed lines of credit amounting to CHF 1,000 million maturing in 2028 and CHF 1,200 million maturing in 2028. The line of credit amounting to CHF 1,000 million is a sustainability linked loan. The amount of the credit margin is linked to the achievement of defined sustainability targets by Swisscom. As of 31 December 2023, neither of these lines of credit had been drawn down, as in the prior year.

Bank loans

					Carrying amount	
In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	31.12.2023	31.12.2022
Bank loans in EUR [1, 3]	2021–2023	200	Euribor +0.63%	2.47%	–	198
Bank loans in USD [1]	2022–2023	16	4.65%	–0.63%	–	15
Bank loans in USD [1]	2022–2023	25	4.75%	–0.94%	–	23
Bank loans in EUR [2, 3]	2017–2024	150	0.67%	0.67%	139	148
Bank loans in EUR [1]	2023–2024	12	4.27%	2.23%	12	–
Bank loans in USD [2]	2009–2028	58	8.30%	4.62%	62	69
Bank loans in USD [2]	2009–2028	51	7.65%	4.63%	54	59
Total bank loans					**267**	**512**

1 Variable interest-bearing.
2 Fixed interest-bearing.
3 Designated for hedge accounting of net investments in foreign operations.

As of 31 December 2023, Swisscom had taken out short-term bank loans on a weekly and monthly basis amounting to EUR 13 million or CHF 12 million (prior year: USD 41 million or CHF 38 million). In the third quarter of 2023, Swisscom repaid a bank loan of EUR 200 million (CHF 195 million) upon maturity. Bank loans to the value of EUR 150 million (CHF 139 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 31.12.2023	Carrying amount 31.12.2022
Debenture bond in CHF (ISIN: CH0268988174) [2]	2015–2023	250	0.25%	1.02% [3]	–	251
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%	2.36% [4]	450	465
Debenture bond in CHF (ISIN: CH0247776138)	2014–2026	200	1.50%	1.47%	202	201
Debenture bond in EUR (ISIN: XS1803247557) [1]	2018–2026	500	1.13%	1.25%	463	491
Debenture bond in CHF (ISIN: CH0344583783) [2]	2016–2027	200	0.38%	2.03% [3]	193	184
Debenture bond in CHF (ISIN: CH0362748359)	2017–2027	350	0.38%	0.39%	350	350
Debenture bond in CHF (ISIN: CH0317921663)	2016–2028	200	0.38%	0.30%	201	201
Debenture bond in CHF (ISIN: CH0437180935)	2018–2028	150	0.75%	0.72%	150	150
Debenture bond in EUR (ISIN: XS21692434791)	2020–2028	500	0.38%	0.53%	460	488
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: CH1248666930)	2023–2030	150	1.88%	1.91%	151	–
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%	300	300
Debenture bond in CHF (ISIN: CH0373476164)	2017/ 2019–2033	230	0.75%	0.66%	232	233
Debenture bond in CHF (ISIN: CH1112455766)	2021–2033	100	0.25%	0.27%	100	100
Debenture bond in CHF (ISIN: CH0580291968)	2020–2034	100	0.25%	0.27%	100	100
Debenture bond in CHF (ISIN: CH0268988182) [2]	2015/ 2018–2035	300	1.00%	1.47% [3]	296	281
Debenture bond in CHF (ISIN: CH0494734335)	2019–2044	125	0.00%	0.00%	125	125
Debenture bond in CHF (ISIN: CH1254751907)	2023–2053	50	2.19%	2.21%	50	–
Total debenture bonds					**4,789**	**4,886**

1 Designated for hedge accounting of net investments in foreign operations.
2 Thereof CHF 350 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 first quarter of 2023, Swisscom raised a green bond of CHF 150 million with a coupon of 1.875% and a maturity of 7.5 years. The funds raised were used within the Green Bond Framework. In addition, Swisscom raised a privately placed bond of CHF 50 million with a coupon of 2.19% and a maturity of 30 years in the first quarter of 2023. This was used to repay existing debt. Swisscom repaid a CHF 250 million bond upon maturity in the second quarter of 2023. Swisscom repaid a CHF 500 million bond upon maturity in the third quarter of 2022.

Private placements

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount 31.12.2023	Carrying amount 31.12.2022
Private placements in CHF	2022–2027	170	1.71%	1.71%	171	171
Private placements in CHF	2016–2031	150	0.56%	0.56%	151	151
Total private placements					**322**	**322**

Swisscom recorded a private placement of CHF 170 million in the third quarter of 2022 that matures in 2027. The funds received were used to repay existing debt. Apart from this, there is another outstanding private placement of CHF 150 million that matures in 2031. The private placements 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.

Other financial liabilities

As at 31 December 2023, the carrying amount of other financial liabilities was CHF 151 million (prior year: CHF 153 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 are recognised for these access services. The costs are 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 2023, the carrying amount of the deferred gains was CHF 81 million (prior year: CHF 85 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
At cost				
Balance at 1 January 2022	**2,341**	**1,038**	**18**	**3,397**
Additions	203	37	9	249
Disposals	(129)	(10)	(2)	(141)
Business combinations	7	–	–	7
Foreign currency translation adjustments	(12)	(44)	–	(56)
Balance at 31 December 2022	**2,410**	**1,021**	**25**	**3,456**
Additions	234	62	13	309
Disposals	(127)	(19)	(1)	(147)
Business combinations	4	–	–	4
Foreign currency translation adjustments	(12)	(58)	–	(70)
Balance at 31 December 2023	**2,509**	**1,006**	**37**	**3,552**
Accumulated depreciation and impairment losses				
Balance at 1 January 2022	**(751)**	**(505)**	**(7)**	**(1,263)**
Depreciation	(206)	(50)	(6)	(262)
Disposals	24	10	2	36
Foreign currency translation adjustments	3	22	–	25
Balance at 31 December 2022	**(930)**	**(523)**	**(11)**	**(1,464)**
Depreciation	(204)	(50)	(8)	(262)
Impairment losses	(29)	–	–	(29)
Disposals	121	19	1	141
Foreign currency translation adjustments	4	30	–	34
Balance at 31 December 2023	**(1,038)**	**(524)**	**(18)**	**(1,580)**
Net carrying amount				
Net carrying amount at 1 January 2022	**1,590**	**533**	**11**	**2,134**
Net carrying amount at 31 December 2022	**1,480**	**498**	**14**	**1,992**
Net carrying amount at 31 December 2023	**1,471**	**482**	**19**	**1,972**

Lease liabilities

In CHF million	2023	2022
Balance at 1 January	**1,911**	**2,017**
Additions	309	249
Interest expense	44	44
Payments	(314)	(284)
Disposals	(8)	(98)
Business combinations	4	7
Foreign currency translation adjustments	(31)	(24)
Balance at 31 December	**1,915**	**1,911**
Land and buildings	1,567	1,565
Technical installations	326	329
Other leases	22	17
Total lease liabilities [1]	**1,915**	**1,911**
Thereof current lease liabilities	227	232
Thereof non-current lease liabilities	1,688	1,679

1 Note 2.5 shows the maturity analysis for lease liabilities.

Income and expenses arising from leases

In CHF million	2023	2022
Revenue		
Income from leases excluding subleases	182	202
Income from subleases	3	3
Other income		
Deferred gain on sale and leaseback of real estate	4	10
Financial income		
Interest income on finance lease	1	1
Direct costs		
Expense from leases of low value assets	(88)	(94)
Depreciation and impairment losses		
Depreciation of right-of-use assets	(262)	(262)
Impairment losses on right-of-use assets	(29)	–
Financial expense		
Interest expense on lease liabilities	(44)	(44)

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 2022 and 2023 break down as follows:

In CHF million	31.12.2023	31.12.2022
Within 1 year	46	53
Between 1 and 2 years	28	29
Between 2 and 3 years	10	8
Between 3 and 4 years	7	6
Between 4 and 5 years	7	5
After 5 years	32	31
Total future payments from finance leases	**130**	**132**
Future interest income	–	(1)
Total receivables from finance leases	**130**	**131**
Thereof current receivables from finance leases	46	53
Thereof non-current receivables from finance leases	84	78

Future lease payments in respect of operating leases are as follows as at 31 December 2022 and 2023.

In CHF million	31.12.2023	31.12.2022
Within 1 year	48	45
Between 1 and 2 years	45	41
Between 2 and 3 years	45	40
Between 3 and 4 years	44	39
Between 4 and 5 years	43	38
After 5 years	44	39
Total future payments from operating leases	**269**	**242**

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 might 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

In particular, Swisscom leases comprise the rental of operation and office buildings, antenna sites, and 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 are recognised for these access services. The costs of access services continue to be reported as an 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	2023	2022
Interest income on financial assets	8	4
Interest income on defined benefit obligations [1]	5	1
Change in fair value of interest rate swaps [2]	–	66
Other financial income	17	5
Total financial income	**30**	**76**
Interest expense on financial liabilities	(75)	(62)
Interest expense on lease liabilities	(44)	(44)
Foreign exchange losses	(8)	(9)
Change in fair value of interest rate swaps [2]	(5)	–
Interest and present-value adjustments on provisions [3]	(12)	(18)
Other financial expense	(16)	(15)
Total financial expense	**(160)**	**(148)**
Financial income and financial expense, net	**(130)**	**(72)**
Interest expense on lease liabilities	(44)	(44)
Net interest expense on financial assets and liabilities	(67)	(58)

1 See Note 4.3.
2 See Note 2.5.
3 See Note 3.5.

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 limiting the potentially adverse effects thereof on the financial situation of Swisscom. The identified risks and measures to minimise them are presented below.

Risk	Source	Risk mitigation
Currency risks	Swisscom is exposed to foreign exchange changes which can impact the Group's cash flows, financial result and equity.	• Reduction in cash flow volatility by use of forward currency contracts/swaps and currency swaps and designation for hedge accounting (transaction risk) • Reduction in translation risk by foreign currency financing and designation for hedge accounting • Hedging of currency risk of foreign currency financing by use of currency swaps
Interest rate risk	Interest rate risks result from changes in interest rates which can negatively impact cash flows and the financial situation of Swisscom.	• Use of interest rate swaps to manage fixed/variable share and duration of financial debt
Credit risks from operating business activities and financial transactions	Through its operating business activities and derivative financial instruments and financial investments, Swisscom is exposed to the risk of default of a counterparty.	• Guideline establishing minimum requirements for counterparties • Designated counterparty limits • Employment of netting agreements foreseen under ISDA (International Swaps and Derivatives Association) • Use of collateral agreements
Liquidity risk	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.	• Procedures and principles to ensure adequate liquidity • Two guaranteed bank credit lines totalling CHF 2,200 million

Currency risks

As regards financial instruments, the following currency risks and hedging contracts existed for foreign currencies as of 31 December 2022 and 2023.

	31.12.2023		31.12.2022	
In CHF million	EUR	USD	EUR	USD
Cash and cash equivalents	24	9	32	8
Trade receivables	10	6	10	13
Other financial assets	10	397	16	425
Financial liabilities	(1,621)	(216)	(1,872)	(270)
Trade payables	(27)	(38)	(57)	(46)
Net exposure at carrying amounts	**(1,604)**	**158**	**(1,871)**	**130**
Net exposure to forecasted cash flows in the next 12 months	(143)	(259)	(210)	(242)
Net exposure before hedges	**(1,747)**	**(101)**	**(2,081)**	**(112)**
Forward currency contracts	240	248	314	242
Foreign currency swaps	78	(35)	103	(5)
Currency swaps	463	–	493	–
Hedges	**781**	**213**	**910**	**237**
Net exposure	**(966)**	**112**	**(1,171)**	**125**

As at 31 December 2023, Swisscom had outstanding financial liabilities with a nominal value totalling EUR 1,150 million (CHF 1,061 million, prior year: EUR 1,350 million, CHF 1,330 million), which are designated for hedge accounting of net investments in foreign operations. In 2023, income of CHF 70 million (prior year: CHF 64 million) arising from the measurement of financial liabilities was recognised in other comprehensive income in the foreign currency translation of foreign Group companies item. As at 31 December 2023, the cumulative positive amount of foreign currency translation differences in equity resulting from financial liabilities which are designated for hedge accounting of net investments in foreign operations totalled CHF 438 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 [1]	Planned cash flows	Hedges for planned cash flows
31.12.2023				
EUR volatility 5.90%	95	(46)	8	–
USD volatility 7.39%	(12)	3	19	(18)
31.12.2022				
EUR volatility 6.15%	115	(56)	13	–
USD volatility 8.12%	(11)	–	20	(20)

1 Without hedge accounting of net investments in foreign operations.

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	31.12.2023	31.12.2022
Fixed interest-bearing financial liabilities	5,482	5,648
Variable interest-bearing financial liabilities	12	235
Total interest-bearing financial liabilities	**5,494**	**5,883**
Fixed interest-bearing financial assets	(243)	(274)
Variable interest-bearing financial assets	(422)	(406)
Total interest-bearing financial assets	**(665)**	**(680)**
Total interest-bearing financial assets and liabilities, net	**4,829**	**5,203**
Variable interest-bearing	(410)	(171)
Variable through interest rate swaps	813	1,068
Variable interest-bearing, net	**403**	**897**
Fixed interest-bearing	5,239	5,374
Variable through interest rate swaps	(813)	(1,068)
Fixed interest-bearing, net	**4,426**	**4,306**
Total interest-bearing financial assets and liabilities, net	**4,829**	**5,203**

Interest rate sensitivity analysis

A shift in interest rates by 100 basis points has an impact of CHF 4 million on the income statement (prior year: CHF 9 million). It has no impact on equity as at 31 December 2022 and 2023.

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	31.12.2023	31.12.2022
Cash and cash equivalents	148	121
Financial assets at amortised cost	375	419
Derivative financial instruments	2	5
Other assets valued at fair value	2	4
Total carrying amount of financial assets	**527**	**549**

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

In CHF million	31.12.2023	31.12.2022
AAA	15	39
AA– to AA+	324	293
A– to A+	156	160
BBB– to BBB+	13	28
Without rating	19	29
Total	**527**	**549**

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. It reviews new customers for their creditworthiness and sets maximum payment terms for customer groups. As regards their creditworthiness, Swisscom divides customers into groups for the purposes of monitoring default risk. In the process it differentiates between individual and business customers, among other things. In addition, it takes into account the ageing structure of the receivables as well as 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	31.12.2023	31.12.2022
Notional amount		
Residential Customers	936	905
Business Customers	571	572
Wholesale	147	201
Infrastructure & Support Functions	5	22
Swisscom Switzerland	**1,659**	**1,700**
Fastweb	612	671
Other Operating Segments	169	182
Total notional amount	**2,440**	**2,553**
Allowances		
Residential Customers	(55)	(52)
Business Customers	(10)	(10)
Wholesale	(3)	(2)
Infrastructure & Support Functions	–	–
Swisscom Switzerland	**(68)**	**(64)**
Fastweb	(31)	(35)
Other Operating Segments	(25)	(23)
Total allowances for doubtful debts	**(124)**	**(122)**
Total notional amount less allowances for doubtful debts	**2,316**	**2,431**

As at 31 December 2023, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

			31.12.2023
In CHF million	Rate	Par value	Allowances
Not overdue	0.47%	1,691	(8)
Past due up to 3 months	4.63%	561	(26)
Past due 4 to 6 months	22.39%	67	(15)
Past due 7 to 12 months	44.90%	49	(22)
Past due over 1 year	73.61%	72	(53)
Total	**5.08%**	**2,440**	**(124)**

As at 31 December 2022, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

In CHF million	Rate	Par value	31.12.2022 Allowances
Not overdue	0.49%	1,627	(8)
Past due up to 3 months	3.71%	755	(28)
Past due 4 to 6 months	39.02%	41	(16)
Past due 7 to 12 months	27.16%	81	(22)
Past due over 1 year	97.96%	49	(48)
Total	**4.78%**	**2,553**	**(122)**

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

In CHF million	2023	2022
Balance at 1 January	**122**	**151**
Additions to allowances	80	63
Write-off of irrecoverable receivables subject to allowance	(66)	(69)
Release of unused allowances	(10)	(21)
Foreign currency translation adjustments	(2)	(2)
Balance at 31 December	**124**	**122**

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
31.12.2023						
Bank loans	267	288	157	5	126	–
Debenture bonds	4,789	5,018	544	498	2,089	1,887
Private placements	322	338	4	4	178	152
Derivative financial instruments	136	126	27	83	10	6
Other financial liabilities	151	151	22	33	14	82
Lease liabilities	1,915	2,504	273	241	581	1,409
Trade payables	1,611	1,611	1,517	14	80	–
Total	**9,191**	**10,036**	**2,544**	**878**	**3,078**	**3,536**

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
31.12.2022						
Bank loans	512	544	245	155	12	132
Debenture bonds	4,886	5,148	292	541	1,806	2,509
Private placements	322	342	4	4	181	153
Derivative financial instruments	129	112	12	8	75	17
Other financial liabilities	153	153	24	18	22	89
Lease liabilities	1,911	2,267	274	231	541	1,221
Trade payables	1,674	1,674	1,588	14	72	–
Total	**9,587**	**10,240**	**2,439**	**971**	**2,709**	**4,121**

Derivative financial instruments

In CHF million	Contract value 31.12.2023	Contract value 31.12.2022	Positive fair value 31.12.2023	Positive fair value 31.12.2022	Negative fair value 31.12.2023	Negative fair value 31.12.2022
Interest rate swaps in CHF	350	575	–	–	(14)	(39)
Currency swaps in EUR	463	493	–	–	(98)	(79)
Total fair value hedges	**813**	**1,068**	**–**	**–**	**(112)**	**(118)**
Forward currency contracts in USD	180	153	–	–	(8)	(7)
Forward currency contracts in EUR	178	247	–	1	(7)	–
Total cash flow hedges	**358**	**400**	**–**	**1**	**(15)**	**(7)**
Interest rate swaps in CHF	20	120	–	2	(2)	–
Currency swaps in USD	51	194	2	1	–	–
Currency swaps in EUR	153	111	–	–	(2)	–
Forward currency contracts in USD	68	89	–	–	(3)	(4)
Forward currency contracts in EUR	62	67	–	1	(2)	–
Total other derivative financial instruments	**354**	**581**	**2**	**4**	**(9)**	**(4)**
Total derivative financial instruments	**1,525**	**2,049**	**2**	**5**	**(136)**	**(129)**
Thereof current derivative financial instruments			2	3	(25)	(11)
Thereof non-current derivative financial instruments			–	2	(111)	(118)

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 contain forward contracts, designated as cash flow hedges, for hedging future purchases of goods and services in USD and EUR. 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 are not designated for hedge accounting purposes. Swisscom does not enter into derivative financial instruments for speculative purposes.

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.

			31.12.2023
In CHF million	Carrying amount	Fair value	Level
Other financial assets			
Listed debt instruments	258	227	1
Other financial assets	117	117	2
At amortised cost	**375**	**344**	
Equity instruments	8	8	1
Equity instruments	408	408	3
Fair value through other comprehensive income	**416**	**416**	
Loans	2	2	2
Derivative financial instruments	2	2	2
Fair value through profit or loss	**4**	**4**	
Total other financial assets	**795**	**764**	
Financial liabilities			
Bank loans	267	265	2
Debenture bonds	4,789	4,609	1
Private placements	322	317	2
Derivative financial instruments	136	136	2
Other financial liabilities	151	144	2
Total financial liabilities	**5,665**	**5,471**	

			31.12.2022
In CHF million	Carrying amount	Fair value	Level
Other financial assets			
Quoted debt instruments	285	245	1
Other financial assets	134	134	2
At amortised cost	**419**	**379**	
Equity instruments	4	4	1
Equity instruments	379	379	3
At fair value through other comprehensive income	**383**	**383**	
Loans	4	4	2
Derivative financial instruments	5	5	2
Fair value through profit or loss	**9**	**9**	
Total other financial assets	**811**	**771**	
Financial liabilities			
Bank loans	512	508	2
Debenture bonds	4,886	4,497	1
Private placements	322	300	2
Derivative financial instruments	129	129	2
Other financial liabilities	153	145	2
Total financial liabilities	**6,002**	**5,579**	

Financial assets amounting to CHF 263 million (prior year: CHF 291 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 are designated as hedging instruments for 'fair value hedges' are recognised in the income statement. Changes in the fair value of derivative financial instruments that are designated as hedging instruments for '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	01.01.2023	Operational changes	Other changes [1]	**31.12.2023**
2023 financial year				
Trade receivables	2,255	(79)	(33)	2,143
Other operating assets	1,353	(7)	(23)	1,323
Trade payables	(1,674)	16	47	(1,611)
Other operating liabilities	(1,571)	75	25	(1,471)
Total operating assets and liabilities, net	**363**	**5**	**16**	**384**

1 Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

In CHF million	01.01.2022	Operational changes	Other changes [1]	31.12.2022
2022 financial year				
Trade receivables	2,315	(33)	(27)	2,255
Other operating assets	1,179	187	(13)	1,353
Trade payables	(1,600)	(103)	29	(1,674)
Other operating liabilities	(1,617)	34	12	(1,571)
Total operating assets and liabilities, net	**277**	**85**	**1**	**363**

1 Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

Trade receivables

In CHF million	**31.12.2023**	31.12.2022
Billed revenue	2,173	2,236
Accrued revenue	93	139
Allowances	(123)	(120)
Total trade receivables [1]	**2,143**	**2,255**

1 Credit risks. See Note 2.5.

Other operating assets and liabilities

In CHF million	31.12.2023	31.12.2022
Other operating assets		
Contract assets	174	178
Contract costs	268	278
Other receivables	77	77
Inventories	161	162
Prepaid expenses	528	514
Advance payments made	13	83
Value-added taxes receivable	62	45
Other non-financial assets	40	16
Total other operating assets	**1,323**	**1,353**
Other operating liabilities		
Contract liabilities	961	1,084
Accruals for variable performance-related bonus	146	149
Value-added taxes payable	81	73
Accruals for annual holiday, overtime	45	44
Liabilities from collection activities	16	18
Miscellaneous liabilities	222	203
Total other operating liabilities	**1,471**	**1,571**

Contract assets and liabilities

In CHF million	31.12.2023	31.12.2022
Contract assets		
Swisscom Switzerland	132	119
Other	42	59
Total contract assets	**174**	**178**
Contract liabilities		
Swisscom Switzerland	570	650
Fastweb	323	358
Other	68	76
Total contract liabilities	**961**	**1,084**

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. The contractual liabilities mainly cover deferrals from payments for prepaid cards and prepaid Swisscom Switzerland subscription fees. In 2023, an amount of CHF 359 million was recorded as revenue which had been recognised as a contract liability as at 31 December 2022. With the disclosure of the performance obligations that are unsatisfied and the allocated transaction price, Swisscom avails itself of the rules of IFRS 15.121. 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 653 million (2024: CHF 502 million; 2025: 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	31.12.2023	31.12.2022
Costs to obtain a contract		
Swisscom Switzerland	33	35
Fastweb	81	75
Other	52	48
Total costs to obtain a contract	**166**	**158**
Costs to fulfil a contract		
Router and TV boxes	22	32
Initial costs from outsourcing contracts	80	88
Total costs to fulfil a contract	**102**	**120**
Total contract costs	**268**	**278**

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
Cost of acquisition					
Balance at 1 January 2022	**28,316**	**1,675**	**4,614**	**725**	**35,330**
Additions	1,017	5	205	424	1,651
Disposals	(1,370)	(8)	(219)	–	(1,597)
Adjustment to dismantlement and restoration costs	(23)	–	(16)	–	(39)
Reclassifications	170	5	70	(243)	2
Business combinations	–	–	4	–	4
Foreign currency translation adjustments	(259)	(4)	(1)	(3)	(267)
Balance at 31 December 2022	**27,851**	**1,673**	**4,657**	**903**	**35,084**
Additions	1,067	8	196	338	1,609
Disposals	(285)	(2)	(281)	–	(568)
Adjustment to dismantlement and restoration costs	185	–	34	–	219
Reclassifications to non-current assets held for sale	–	(19)	–	–	(19)
Reclassifications	150	11	107	(267)	1
Business combinations	–	–	1	–	1
Foreign currency translation adjustments	(350)	(5)	(2)	(4)	(361)
Balance at 31 December 2023	**28,618**	**1,666**	**4,712**	**970**	**35,966**
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	**(19,825)**	**(1,401)**	**(3,333)**	**–**	**(24,559)**
Depreciation	(1,138)	(16)	(293)	–	(1,447)
Impairment losses	(23)	–	(1)	–	(24)
Disposals	1,368	6	215	–	1,589
Foreign currency translation adjustments	166	2	–	–	168
Balance at 31 December 2022	**(19,452)**	**(1,409)**	**(3,412)**	**–**	**(24,273)**
Depreciation	(1,084)	(16)	(296)	–	(1,396)
Impairment losses	(49)	–	(1)	–	(50)
Disposals	285	2	275	–	562
Reclassifications to non-current assets held for sale	–	12	–	–	12
Reclassifications	4	(4)	–	–	–
Foreign currency translation adjustments	234	3	1	–	238
Balance at 31 December 2023	**(20,062)**	**(1,412)**	**(3,433)**	**–**	**(24,907)**
Net carrying amount					
Net carrying amount at 1 January 2022	**8,491**	**274**	**1,281**	**725**	**10,771**
Net carrying amount at 31 December 2022	**8,399**	**264**	**1,245**	**903**	**10,811**
Net carrying amount at 31 December 2023	**8,556**	**254**	**1,279**	**970**	**11,059**

Commitments for future capital expenditures

Firm contractual commitments for future capital investments in property, plant and equipment as at 31 December 2023 aggregated CHF 1,162 million (prior year: CHF 1,019 million).

Non-cash investing and financing transactions

As a result of changes in the assumptions made in estimating dismantling and restoration costs, an increase in the corresponding provisions of CHF 219 million (prior year: decrease of CHF 39 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 the purchase or manufacturing cost 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 as follows:

Category	Years
Ducts [1]	40
Cables [1]	12 to 30
Transmission and switching equipment [1]	4 to 15
Other technical installations [1]	3 to 15
Buildings and leasehold improvements	10 to 40
Other installations	3 to 15

1 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 expected 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	Licences	Brands and customer relations	Other intangible assets	Total
Cost of acquisition						
Balance at 1 January 2022	**2,465**	**1,782**	**1,052**	**409**	**219**	**5,927**
Additions	214	184	128	–	117	643
Disposals	(21)	(11)	(64)	(21)	(40)	(157)
Reclassifications	31	48	1	–	(82)	(2)
Business combinations	–	–	–	45	–	45
Sales of subsidiaries	(1)	–	–	–	–	(1)
Foreign currency translation adjustments	(84)	(9)	(12)	(13)	(1)	(119)
Balance at 31 December 2022	**2,604**	**1,994**	**1,105**	**420**	**213**	**6,336**
Additions	251	251	136	–	31	669
Disposals	(62)	(66)	(22)	(4)	–	(154)
Reclassifications	46	81	–	–	(128)	(1)
Business combinations	–	–	–	33	–	33
Sales of subsidiaries	–	(2)	–	–	–	(2)
Foreign currency translation adjustments	(113)	(11)	(15)	(14)	(1)	(154)
Balance at 31 December 2023	**2,726**	**2,247**	**1,204**	**435**	**115**	**6,727**
Accumulated amortisation and impairment losses						
Balance at 1 January 2022	**(2,035)**	**(1,301)**	**(426)**	**(357)**	**(94)**	**(4,213)**
Amortisation	(231)	(237)	(130)	(25)	(9)	(632)
Impairment losses	(1)	–	–	–	–	(1)
Disposals	21	11	64	21	37	154
Reclassifications	1	(1)	–	–	–	–
Foreign currency translation adjustments	74	6	4	12	1	97
Balance at 31 December 2022	**(2,171)**	**(1,522)**	**(488)**	**(349)**	**(65)**	**(4,595)**
Amortisation	(241)	(252)	(154)	(22)	(10)	(679)
Impairment losses	(1)	–	–	–	–	(1)
Disposals	61	65	22	4	–	152
Foreign currency translation adjustments	101	12	4	15	1	133
Balance at 31 December 2023	**(2,251)**	**(1,697)**	**(616)**	**(352)**	**(74)**	**(4,990)**
Net carrying amount						
Net carrying amount at 1 January 2022	**430**	**481**	**626**	**52**	**125**	**1,714**
Net carrying amount at 31 December 2022	**433**	**472**	**617**	**71**	**148**	**1,741**
Net carrying amount at 31 December 2023	**475**	**550**	**588**	**83**	**41**	**1,737**

As at 31 December 2023, other intangible assets include advance payments made and uncompleted development projects of CHF 32 million (prior year: CHF 133 million).

Commitments for future capital expenditures

As at 31 December 2023, firm contractual commitments for future capital investments in intangible assets aggregated CHF 55 million (prior year: CHF 76 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
Licences	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 [1]	Total
At cost					
Balance at 1 January 2022	**2,769**	**1,462**	**1,832**	**412**	**6,475**
Additions	–	39	2	–	41
Foreign currency translation adjustments	(2)	–	(85)	–	(87)
Balance at 31 December 2022	**2,767**	**1,501**	**1,749**	**412**	**6,429**
Additions	–	29	1	1	31
Foreign currency translation adjustments	(2)	–	(106)	–	(108)
Balance at 31 December 2023	**2,765**	**1,530**	**1,644**	**413**	**6,352**
Accumulated impairment losses					
Balance at 1 January 2022	**–**	**–**	**(1,318)**	**–**	**(1,318)**
Foreign currency translation adjustments	–	–	61	–	61
Balance at 31 December 2022	**–**	**–**	**(1,257)**	**–**	**(1,257)**
Foreign currency translation adjustments	–	–	77	–	77
Balance at 31 December 2023	**–**	**–**	**(1,180)**	**–**	**(1,180)**
Net carrying amount					
Net carrying amount at 1 January 2022	**2,769**	**1,462**	**514**	**412**	**5,157**
Net carrying amount at 31 December 2022	**2,767**	**1,501**	**492**	**412**	**5,172**
Net carrying amount at 31 December 2023	**2,765**	**1,530**	**464**	**413**	**5,172**

1 Comprises the cash-generating units Wholesale Swisscom Switzerland and Swisscom Directories.

Impairment testing

In the fourth quarter of 2023 and after the conclusion of business planning, individual goodwill amounts were subjected to impairment tests. 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 were 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

	2023			2022		
Cash-generating unit	**WACC pre-tax**	**WACC post-tax**	**Long-term growth rate**	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	4.95%	4.06%	0%	5.13%	4.20%	0%
Business Customers Swisscom Switzerland	4.94%	4.06%	0%	5.13%	4.20%	0%
Fastweb	7.90%	6.24%	2.0%	7.42%	5.90%	2.0%
Other cash-generating units	4.95–9.69%	4.06–8.53%	0–1.0%	5.14–9.66%	4.20–8.56%	0–1.0%

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 627 million (CHF 603 million). In the prior year, the difference amounted to EUR 1,028 million (CHF 1,021 million). The following changes in material assumptions would lead to a situation where the value in use would equate to the net carrying amount.

	2023		2022	
	Assumptions	**Sensitivity**	Assumptions	Sensitivity
Average annual revenue growth until 2028 (2027) with EBITDA margin unchanged compared to business plan	5.4%	4.5%	7.2%	5.9%
Normalised EBITDA margin	28%	27%	28%	26%
Normalised capital expenditure rate	19%	20%	20%	22%
WACC post-tax	6.24%	7.07%	5.90%	7.17%
Long-term growth rate	2.0%	1.0%	2.0%	0.5%

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 as well as 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	Other	Total
Balance at 1 January 2023	**658**	**283**	**218**	**1,159**
Additions to provisions	1	15	73	89
Adjustments recorded under property, plant and equipment	219	–	–	219
Interest and present-value adjustments	13	(2)	1	12
Release of unused provisions	–	(78)	(30)	(108)
Use of provisions	(25)	(18)	(62)	(105)
Foreign currency translation adjustments	–	–	(3)	(3)
Balance at 31 December 2023	**866**	**200**	**197**	**1,263**
Thereof current provisions	2	37	76	115
Thereof non-current provisions	864	163	121	1,148

Provisions for dismantlement 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 1.08% (prior year: 2.02%). Adjustments as a result of reassessments in the amount of CHF 219 million were recognised under property, plant and equipment with no impact on the income statement in 2023. Of this amount, CHF 135 million resulted from the use of different interest rates and CHF 84 million from the adjustment of the cost index and the other assumptions used to calculate dismantling costs. An increase of estimated costs by 10% would result in an increase of CHF 83 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 59 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. ComCom set the access charges for 2013 to 2016 on 11 April 2023. Swisscom has filed an appeal against this decision with the Federal Administrative Court. The procedures for setting access prices for 2017 onwards are still pending before ComCom.

The Competition Commission (COMCO) has launched various investigations against Swisscom in the past. In April 2013, COMCO opened an investigation against Swisscom under the Federal Cartel Act concerning the broadcasting of sporting events on pay TV. In May 2016, COMCO imposed a penalty of CHF 72 million on Swisscom in these proceedings. Swisscom filed an appeal against this ruling with the Federal Administrative Court. In June 2022, the Federal Administrative Court largely confirmed COMCO's ruling and ordered Swisscom to pay a fine of CHF 72 million. Swisscom paid the fine in the third quarter of 2022. Swisscom has lodged an appeal with the Federal Court against the Federal Administrative Court's decision. 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 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. COMCO imposed a penalty of CHF 8 million on grounds of conduct which was judged to be unlawful under competition law. Swisscom challenged COMCO's ruling 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.

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 2 November 2022, the Federal Court found that the precautionary measures ordered by the Competition Commission (which had previously been confirmed by the Federal Administrative Court) were not arbitrary and confirmed them as well. The principal proceedings are still pending.

On 25 August 2020, COMCO launched an investigation against Swisscom into allegations that it abused its market-dominant position for broadband connections that served to interconnect company sites. 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 the past, Swisscom recognised provisions for regulatory and antitrust proceedings on the basis of legal assessments. As a result of the reassessment of these proceedings, provisions of CHF 15 million were recognised in 2023 and provisions of CHF 78 million were reversed. Payments of CHF 18 million were made for these proceedings in 2023. 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 and termination benefits. 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 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 this liability is probable, and the amount of the liability can be estimated reliably. Provisions are discounted if the effect is material.

Provisions for dismantlement 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 must not exceed its net carrying amount. Any excess is taken directly to income.

4 Employees

Swisscom currently has over 19,700 full-time equivalent employees, of whom around 16,000 are in Switzerland. This chapter contains information on employee headcount and personnel expense, the compensation paid to key management personnel and retirement benefit obligations.

4.1 Employee headcount and personnel expense

Employee headcount

In full-time equivalent	31.12.2023	31.12.2022	Change
Residential Customers	2,572	2,622	–1.9%
Business Customers	5,446	5,219	4.3%
Wholesale	83	79	5.1%
Infrastructure & Support Functions	5,155	4,902	5.2%
Swisscom Switzerland	**13,256**	**12,822**	**3.4%**
Fastweb	3,157	3,039	3.9%
Other Operating Segments	3,316	3,296	0.6%
Total headcount	**19,729**	**19,157**	**3.0%**
Thereof Switzerland	16,050	15,750	1.9%
Thereof other countries	3,679	3,407	8.0%
Average number of employees	19,461	19,046	2.2%

Personnel expense

In CHF million	2023	2022
Salary and wage costs	2,105	2,049
Social security expenses	260	250
Expense of defined benefit plans [1]	236	326
Expense of defined contribution plans	11	11
Expense for share-based payments	1	1
Termination benefits	7	(5)
Other personnel expense	60	73
Total personnel expense	**2,680**	**2,705**
Thereof Switzerland	2,420	2,449
Thereof other countries	260	256

1 See Note 4.3.

4.2 Key management compensation

In CHF thousand	2023	2022
Current compensation	1,368	1,357
Share-based payments	758	812
Pension contributions	136	141
Social security contributions	146	143
Total compensation to members of the Board of Directors	**2,408**	**2,453**
Current compensation	6,251	4,637
Share-based payments	871	867
Benefits paid following retirement from Group Executive Board	–	1,053
Pension contributions	951	666
Social security contributions	636	480
Total compensation to members of the Group Executive Board	**8,709**	**7,703**
Total compensation to members of the Board of Directors and of the Group Executive Board	**11,117**	**10,156**

Swisscom's key management personnel are the members of the Board of Directors and Group Executive Board 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 disclosure pursuant to Articles 734- 734f of the Swiss Code of Obligations is set out in the Remuneration Report chapter. 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 separate financial statements of Swisscom Ltd.

4.3 Defined benefit plans

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 all insured persons. Amounts are credited to these individual savings accounts on an annual basis and interest is accrued. 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 that vary based on salary and age. 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 employees 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 interest-induced insufficient current 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 in accordance with IAS 19.87(c) is assumed to be at the level of the de facto obligation.

As a result of the OASI 21 reform, the comPlan Foundation Council amended the pension fund rules in the fourth quarter of 2023. The OASI reform standardised the retirement age at 65 for OASI and occupational pensions. comPlan was already applying a standard retirement age of 65 for all genders. There was one exception for the OASI bridging pension with regard to women, and this was adjusted with the amendment to the pension fund rules. The plan amendment resulted in recognition of CHF 7 million as past service cost in the income statement. 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 relevant Swiss accounting standards (Swiss GAAP FER 26), comPlan's estimated funding ratio amounted to 114.5% as at 31 December 2023 (prior year: 108.2%). The main reasons for the difference compared with IFRS are the use of a different discount rate as well as a different actuarial measurement method with the deferred recognition of the costs of future retirement benefits.

Other 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 3.17% (prior year: 3.77%).

Pension cost

In CHF million	comPlan	Other plans	2023	comPlan	Other plans	2022
Current service cost	219	6	225	316	6	322
Plan amendments	7	–	7	–	–	–
Administration expense	3	1	4	3	1	4
Total recognised in personnel expense	**229**	**7**	**236**	**319**	**7**	**326**
Interest expense on net defined benefit obligations	(5)	–	(5)	(1)	–	(1)
Total recognised in financial income	**(5)**	**–**	**(5)**	**(1)**	**–**	**(1)**
Total expense of defined benefit plans recognised in income statement	**224**	**7**	**231**	**318**	**7**	**325**

In CHF million	comPlan	Other plans	2023	comPlan	Other plans	2022
Actuarial gains and losses from						
Change of the demographical assumptions	3	–	3	(39)	–	(39)
Change of the financial assumptions	853	–	853	(2,504)	–	(2,504)
Experience adjustments to defined benefit obligations	21	(1)	20	80	(4)	76
Change in share of employee contribution (risk sharing)	(307)	–	(307)	628	–	628
Return on plan assets excluding the part recognised in financial result	(228)	–	(228)	1,161	2	1,163
Asset ceiling	(306)	–	(306)	628	–	628
Total (income) expense of defined benefit plans recognised in other comprehensive income	**36**	**(1)**	**35**	**(46)**	**(2)**	**(48)**

Status of pension plans

In CHF million	comPlan	Other plans	2023	comPlan	Other plans	2022
Defined benefit obligations						
Balance at 1 January	**11,136**	**48**	**11,184**	**13,053**	**47**	**13,100**
Current service cost	219	6	225	316	6	322
Interest cost on defined benefit obligations	234	–	234	38	–	38
Employee contributions	181	–	181	174	–	174
Benefits paid	(559)	(1)	(560)	(610)	1	(609)
Actuarial losses (gains)	570	(1)	569	(1,835)	(4)	(1,839)
Change in scope of consolidation	–		–	–	(1)	(1)
Plan amendments	7	–	7	–	–	–
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Balance at 31 December	**11,788**	**52**	**11,840**	**11,136**	**48**	**11,184**
Plan assets						
Balance at 1 January	**11,805**	**26**	**11,831**	**13,094**	**23**	**13,117**
Interest income on plan assets	253	–	253	39	–	39
Employer contributions	260	6	266	272	6	278
Employee contributions	181	–	181	174	–	174
Benefits paid	(559)	–	(559)	(610)	–	(610)
Return (expense) on plan assets excluding the part recognised in financial result	228	–	228	(1,161)	(2)	(1,163)
Administration expense	(3)	(1)	(4)	(3)	(1)	(4)
Balance at 31 December	**12,165**	**31**	**12,196**	**11,805**	**26**	**11,831**
Net defined benefit obligations (assets)						
Net defined benefit obligations (assets) before asset ceiling	(377)	21	(356)	(669)	22	(647)
Asset ceiling	366	–	366	658	–	658
Net defined benefit obligations (assets) recognised at 31 December	**(11)**	**21**	**10**	**(11)**	**22**	**11**
Thereof defined benefit asset	(11)	–	(11)	(11)	–	(11)
Thereof defined benefit obligations	–	21	21	–	22	22

Movements in recognised defined benefit obligations (assets) are to be analysed as follows:

In CHF million	comPlan	Other plans	2023	comPlan	Other plans	2022
Balance at 1 January	**(11)**	**22**	**11**	**(11)**	**24**	**13**
Pension cost, net	224	7	231	318	7	325
Employer contributions and benefits paid	(260)	(7)	(267)	(272)	(5)	(277)
Change in scope of consolidation	–	–	–	–	(1)	(1)
(Income) expense of defined benefit plans, recognised in other comprehensive income	36	(1)	35	(46)	(2)	(48)
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Balance at 31 December	**(11)**	**21**	**10**	**(11)**	**22**	**11**

The weighted average duration of the cash value of the defined benefit obligations for comPlan is 13 years (prior year: 13 years).

Breakdown of comPlan pension plan assets

Category	Investment strategy	31.12.2023 Quoted	Not quoted	Total	31.12.2022 Quoted	Not quoted	Total
Government bonds Switzerland	5.0%	1.9%	3.3%	5.2%	2.0%	2.6%	4.6%
Corporate bonds Switzerland	7.0%	7.1%	0.0%	7.1%	7.1%	0.0%	7.1%
Government bonds developed markets, World	5.0%	3.8%	0.0%	3.8%	4.0%	0.0%	4.0%
Corporate bonds developed markets, World	9.0%	9.0%	0.0%	9.0%	9.5%	0.0%	9.5%
Government bonds emerging markets, World	7.0%	7.5%	0.0%	7.5%	7.8%	0.0%	7.8%
Private debt	5.0%	0.0%	4.5%	4.5%	0.0%	5.3%	5.3%
Third-party debt instruments	**38.0%**	**29.3%**	**7.8%**	**37.1%**	**30.4%**	**7.9%**	**38.3%**
Equity shares Switzerland	7.0%	7.1%	0.0%	7.1%	6.7%	0.0%	6.7%
Equity shares World	18.0%	18.9%	0.0%	18.9%	17.5%	0.0%	17.5%
Equity instruments	**25.0%**	**26.0%**	**0.0%**	**26.0%**	**24.2%**	**0.0%**	**24.2%**
Real estate Switzerland	16.0%	5.2%	11.3%	16.5%	5.9%	10.1%	16.0%
Real estate World	9.0%	0.0%	7.8%	7.8%	0.0%	8.8%	8.8%
Real estate	**25.0%**	**5.2%**	**19.1%**	**24.3%**	**5.9%**	**18.9%**	**24.8%**
Gold	2.0%	0.0%	2.1%	2.1%	0.0%	2.0%	2.0%
Private markets	9.0%	0.0%	10.1%	10.1%	0.0%	10.6%	10.6%
Cash and cash equivalents and other investments	1.0%	0.0%	0.4%	0.4%	0.0%	0.1%	0.1%
Cash and cash equivalents and alternative investments	**12.0%**	**0.0%**	**12.6%**	**12.6%**	**0.0%**	**12.7%**	**12.7%**
Total plan assets	**100.0%**	**60.5%**	**39.5%**	**100.0%**	**60.5%**	**39.5%**	**100.0%**

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: 7.2 years), and the average rating of these assets is A- (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 16% (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 15.8% of total assets.

Additional information on plan assets

As at 31 December 2023, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 15 million (prior year: CHF 11 million). The effective income from plan assets was CHF 481 million in 2023 (prior year: income of minus CHF 1,123 million). In 2024, Swisscom expects to make payments to the pension funds for statutory employer contributions totalling CHF 263 million.

Assumptions underlying comPlan actuarial computations

Assumptions	2023	2022
Discount rate	1.51%	2.19%
Expected rate of salary increases	1.83%	1.83%
Expected rate of pension increases	–%	–%
Capital withdrawal ratio	30%	26%
Interest on old age savings accounts up to 5 years	2.89%	2.19%
Interest on old age savings accounts after 5 years	1.51%	2.19%
Share of employee contribution to funding shortfall	40%	40%
Share of employee contribution to surplus	50%	50%
Life expectancy at age of 65 – men (number of years)	22.24	22.16
Life expectancy at age of 65 – women (number of years)	24.02	23.92

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 assumption regarding the rate of salary increases is based on past values from recent years and takes long-term inflation expectations into account. 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 has been 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 are based on improvements in mortality actually observed in Switzerland in the past. The computations are made with a future long-term rate of mortality improvement of 1.75%. The change of the financial estimates resulted in an actuarial net loss of CHF 853 million in 2023. The drop in the discount rate resulted in a loss of CHF 851 million whereas adjustments to other financial assumptions, in particular the rate of salary increases and the rate of interest to be applied to the retirement savings accounts resulted in a loss of CHF 2 million.

For the event of an interest-induced funding shortfall, the risk-sharing attributes contained in the formal regulatory framework relating to the handling of funding shortfalls are taken into account in the financial assumptions in two steps. As a first step, it is assumed that a gradual lowering of future pensions over a period of ten years will take place in order to close the 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 current legal conversion rate is applied for the mandatory portion. In the extra-mandatory portion, the conversion rate is computed using the discount rate applied for the valuation. 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. 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%.

There was no interest-induced funding shortfall as at 31 December 2023, meaning that there is no assumption that pensions will be reduced. Gross surpluses arose as at 31 December 2022 and 31 December 2023. These have been reduced by the employee contribution of CHF 366 million (prior year: CHF 679 million). The change in the share of the employee contribution to the surplus is recognised in other comprehensive income.

Sensitivity analysis comPlan

Sensitivity analysis 2023

In CHF million	Defined benefit obligations		Current service cost	
	Increase assumption	Decrease assumption	Increase assumption	Decrease assumption
Discount rate (change +/–0.5%)	(640)	725	(23)	27
Expected rate of salary increases (change +/–0.5%)	35	(34)	4	(4)
Pension changes (change +0.5%; –0.0%)	578	–	16	–
Capital withdrawal ratio (change +/–5.0%)	(18)	18	(1)	1
Interest on old age savings accounts (change +/–0.5%)	77	(74)	6	(6)
Share of employee contribution to funding shortfall (change +/–10%)	–	–	–	–
Share of employee contribution to surplus (change +/–10%)	73	(73)	–	–
Life expectancy at age of 65 (change +/–0.5 year)	153	(154)	3	(3)

Sensitivity analysis 2022

In CHF million	Defined benefit obligations		Current service cost	
	Increase assumption	Decrease assumption	Increase assumption	Decrease assumption
Discount rate (change +/–0.5%)	(555)	627	(19)	23
Expected rate of salary increases (change +/–0.5%)	29	(28)	3	(3)
Pension changes (change +0.5%; –0.0%)	506	–	14	–
Capital withdrawal ratio (change +/–5.0%)	2	(2)	–	–
Interest on old age savings accounts (change +/–0.5%)	66	(63)	5	(5)
Share of employee contribution to funding shortfall (change +/–10%)	–	–	–	–
Share of employee contribution to surplus (Change +/–10%)	136	(136)	–	–
Life expectancy at age of 65 (change +/–0.5 year)	129	(131)	2	(2)

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.

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 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

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 holding 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 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	**2023**	2022
Expenses for business combinations net of cash and cash equivalents acquired	(49)	(65)
Expenses for deferred consideration arising on business combinations	(13)	(2)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	2	–
Expenses for shareholdings accounted for using the equity method	(3)	(2)
Acquisition of non-controlling interests	–	(14)
Total cash flow from the purchase and sale of shareholdings, net	**(63)**	**(83)**

Acquisitions and disposals of subsidiaries in 2023 are not individually material. Business combinations in 2023 include the acquisition of 100% of Axept Business Software AG and easypsim AG. Swisscom also sold all of its shares in AdUnit AG in 2023.

The business combinations in 2022 include the full acquisition of MTF Solutions AG and Audio Video G + M AG. Swisscom also acquired the remaining 25% share in Swisscom Digital Technology AG in 2022.

Accounting policies

Consolidation

Subsidiaries are all companies in respect of 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. Intragroup 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	**2023**	2022
Balance at 1 January	**26**	**30**
Additions	3	5
Disposals	–	(3)
Dividends	(3)	(2)
Share of net results	–	(3)
Share of other comprehensive income	–	1
Impairment losses	–	(2)
Dilution gain	1	–
Balance at 31 December	**27**	**26**

Selected key performance indicators for equity-accounted investees

In CHF million	2023	2022
Income statement		
Revenue	212	197
Operating expense	(200)	(191)
Operating income	12	6
Net income	**10**	**2**
Other comprehensive income	**–**	**8**
Balance sheet at 31 December		
Current assets	146	146
Non-current assets	20	20
Current liabilities	(66)	(53)
Non-current liabilities	(26)	(30)
Equity	**74**	**83**

5.4 Group companies

Group companies in Switzerland

Registered name	Registered office	31.12.2023 Capital and voting rights share in %	31.12.2022 Capital and voting rights share in %	Share capital in million	Currency	Segment [4]
Switzerland						
adapt solutions Ltd [2]	Lindau	100	–	0.1	CHF	SCS
AdUnit Ltd [2]	Zurich	–	100	0.1	CHF	OTH
Ajila Ltd [2]	Sursee	60	60	0.1	CHF	OTH
Artificialy Ltd [2,3]	Lugano	18	18	1.1	CHF	OTH
Audio-Video G+M Ltd [1]	Saint-Gall	100	100	0.1	CHF	OTH
autoSense Ltd [2,3]	Zurich	33	33	0.3	CHF	OTH
Axept Business Software Ltd [1]	Saint-Gall	100	–	0.3	CHF	SCS
Axept Business Software Ltd (St. Gallen) [2]	Saint-Gall	100	–	0.3	CHF	SCS
Blue Entertainment Ltd [1]	Zurich	100	100	0.5	CHF	SCS
cablex Ltd [2]	Muri near Berne	100	100	5.0	CHF	OTH
Credit Exchange Ltd [2,3]	Zurich	15	25	0.2	CHF	OTH
daura Ltd [2,3]	Zurich	–	26	0.4	CHF	OTH
easypsim Ltd [1]	Zurich	100	–	0.1	CHF	OTH
ecmt Ltd [2,3]	Embrach	20	20	0.1	CHF	OTH
Entertainment Programm Ltd [2,3]	Volketswil	33	33	0.6	CHF	SCS
finnova ltd bankware [2,3]	Lenzburg	9	9	0.5	CHF	SCS
Global IP Action Ltd [2]	Freienbach	33	68	0.2	CHF	OTH
Innovative Government Ltd [1]	Freienbach	90	90	0.1	CHF	OTH
Innovative Web Ltd [1]	Freienbach	90	90	0.1	CHF	OTH
Innovative We Marketing & Service Ltd [1]	Zurich	–	90	0.1	CHF	OTH
itnetX (Switzerland) Ltd [2]	Rümlang	100	100	0.1	CHF	SCS
JLS Digital Ltd [2]	Lucerne	100	100	1.3	CHF	SCS
MTF Solutions Ltd [1]	Ittigen	100	100	0.2	CHF	SCS
Provis Ltd [2]	Lindau	100	–	0.4	CHF	SCS
SportPass (Switzerland) Ltd [2,3]	Zurich	25	25	0.1	CHF	OTH
Swisscom Broadcast Ltd [1]	Ittigen	100	100	25.0	CHF	OTH
Swisscom Digital Technology Ltd [1]	Lausanne	100	100	0.1	CHF	SCS
Swisscom Directories Ltd [1]	Zurich	100	100	2.2	CHF	OTH
Swisscom Real Estate Ltd [1]	Ittigen	100	100	100.0	CHF	SCS
Swisscom IT Services Finance Custom Solutions Ltd [2]	Olten	100	100	0.1	CHF	SCS
Swisscom RE Ltd [1]	Ittigen	100	100	10.0	CHF	SCS
Swisscom (Switzerland) Ltd [1]	Ittigen	100	100	1,000.0	CHF	SCS
Swisscom Services Ltd [2]	Ittigen	100	100	0.1	CHF	SCS
Swisscom Trust Services Ltd [2]	Zurich	100	100	1.0	CHF	OTH
Swisscom Ventures Ltd [2]	Ittigen	100	100	2.0	CHF	OTH
United Security Provider Ltd [2]	Bern	100	100	0.5	CHF	SCS
Worklink Ltd [1]	Bern	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	**31.12.2023 Capital and voting rights share in %**	31.12.2022 Capital and voting rights share in %	Share capital in million	Currency	Segment [4]
Germany						
Swisscom Telco LLC [2]	Leipzig	100	100	–	EUR	OTH
France						
SoftAtHome Ltd [2,3]	Colombes	10	10	6.5	EUR	SCS
Great Britain						
Ajila UK Ltd [2]	London	–	60	–	GBP	OTH
Italy						
7Layers S.r.l. [2]	Florence	70	70	0.2	EUR	FWB
Fastweb S.p.A. [2]	Milan	100	100	41.3	EUR	FWB
Fastweb Air S.r.l. [2]	Milan	100	100	–	EUR	FWB
Swisscom Italia S.r.l. [2]	Milan	100	100	505.8	EUR	OTH
Latvia						
Swisscom DevOps Latvia SIA [2]	Riga	100	100	–	EUR	SCS
Liechtenstein						
Swisscom Re Ltd [1]	Vaduz	–	100	5.0	CHF	SCS
Luxembourg						
DTF GP S.A.R.L [2]	Luxembourg	100	100	–	EUR	OTH
DTF GP II S.A.R.L. [2]	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Carried Partner SCSp [2]	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Initial Limited Partner SCSp [2]	Luxembourg	100	100	–	EUR	OTH
Netherlands						
NGT International B.V. [2]	Capelle a/d IJssel	100	100	–	EUR	SCS
Swisscom Finance B.V. [1]	Rotterdam	100	100	0.1	EUR	OTH
Austria						
Swisscom IT Services Finance SE [2]	Vienna	100	100	3.3	EUR	OTH
Spain						
Webtiser Spain Ltd [2]	Madrid	100	100	0.1	EUR	SCS
USA						
Swisscom Cloud Lab Ltd [2]	Delaware	100	100	–	USD	OTH

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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

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	2023	2022
Current income tax expense	346	365
Adjustments recognised for current tax of prior periods	(14)	(14)
Deferred income tax expense	32	9
Total income tax expense recognised in income statement	**364**	**360**
Thereof Switzerland	346	316
Thereof other countries	18	44

In addition, other comprehensive income includes current and deferred income taxes, which may be analysed as follows:

In CHF million	2023	2022
Foreign currency translation adjustments of foreign subsidiaries	(9)	(7)
Actuarial gains and losses from defined benefit pension plans	(7)	7
Change to the fair value of equity instruments	(1)	1
Change in cash flow hedges	–	(1)
Total income tax expense recognised in other comprehensive income	**(17)**	**–**

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 17.8% (prior year: 18.0%). 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	2023	2022
Income before income taxes in Switzerland	2,040	1,779
Income before income taxes other countries	35	184
Income before income taxes	**2,075**	**1,963**
Applicable income tax rate	17.8%	18.0%
Income tax expense at the applicable income tax rate	**369**	**353**
Reconciliation to reported income tax expense		
Effect of changes in tax law in Switzerland	–	(7)
Effect of use of different income tax rates in Switzerland	8	3
Effect of use of different income tax rates in other countries	15	11
Effect of non-recognition of tax loss carry-forwards	1	1
Effect of subsequent recognition of tax loss carry-forwards	(2)	–
Effect of exclusively tax-deductible expenses and income	(15)	(14)
Effect of exclusively non-tax-deductible expenses and income	–	27
Effect of income tax of prior periods	(12)	(14)
Total income tax expense	**364**	**360**
Effective income tax rate	17.5%	18.3%

Current income tax assets and liabilities

In CHF million	2023	2022
Current income tax liabilities at 1 January, net	**192**	**228**
Recognised in income statement	332	351
Recognised in other comprehensive income	(9)	(9)
Income taxes paid in Switzerland	(226)	(361)
Income taxes paid in other countries	(87)	(17)
Current income tax liabilities at 31 December, net	**202**	**192**
Thereof current income tax assets	(1)	(2)
Thereof current income tax liabilities	203	194
Thereof Switzerland	189	140
Thereof other countries	13	52

Deferred income tax assets and liabilities

			31.12.2023			31.12.2022
In CHF million	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Property, plant and equipment	56	(620)	(564)	54	(597)	(543)
Intangible assets	1	(132)	(131)	5	(100)	(95)
Right-of-use assets	–	(98)	(98)	–	(91)	(91)
Lease liabilities	109	–	109	101	–	101
Provisions	106	(81)	25	85	(73)	12
Other	50	(64)	(14)	44	(65)	(21)
Total tax assets (tax liabilities)	**322**	**(995)**	**(673)**	**289**	**(926)**	**(637)**
Thereof deferred tax assets			225			194
Thereof deferred tax liabilities			(898)			(831)
Thereof Switzerland			(738)			(675)
Thereof other countries			65			38

Tax loss carry-forwards for which no deferred tax assets were recognised expire as follows:

In CHF million	31.12.2023	31.12.2022
Expiring within 1 year	–	–
Expiring within 2 to 7 years	14	19
No expiration	–	7
Total unrecognised tax loss carry-forwards	**14**	**26**
Thereof Switzerland	14	20
Thereof other countries	–	6

Global minimum tax

Swisscom falls under the scope of application of the OECD minimum tax. The global minimum tax regulations provide for payment of an additional tax to account for the difference between the effective GloBE (Global Anti Base Erosion) tax rate per country and the minimum rate of 15%. Switzerland adopted new legislation introducing the global minimum tax in December 2023 that entered into force on 1 January 2024. Swisscom does not expect the minimum tax to have any impact on its activities in Switzerland, as the effective tax rate is more than 15%. The same applies to the other countries in which Swisscom operates. Swisscom is keeping an eye on developments in the minimum tax regulations and is assessing their impact on Swisscom on an ongoing basis. Swisscom applies the exception to recognising and disclosing information about deferred income tax assets and liabilities in connection with income taxes related to minimum tax, as provided in the amendments to IAS 12 published in May 2023.

Other disclosures

Deferred tax liabilities of CHF 6 million were recognised on the undistributed earnings of subsidiaries as at 31 December 2023 (prior year: none). Temporary differences of subsidiaries and equity-accounted investees for which no deferred tax liabilities are recognised as at 31 December 2023 amounted to CHF 3,556 million (prior year: CHF 3,211 million).

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 2023, the Confederation, as majority shareholder, continued to hold 51% of the issued shares. 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 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 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**
2023 financial year				
Confederation	198	64	41	328
Equity-accounted investees	2	43	7	2
Total 2023 / balance at 31 December 2023	**200**	**107**	**48**	**330**

In CHF million	Income	Expense	Receivables	Liabilities
2022 financial year				
Confederation	185	80	32	329
Equity-accounted investees	2	41	7	2
Total 2022 / balance at 31 December 2022	**187**	**121**	**39**	**331**

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 on 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

		Closing rate		Average rate	
Currency	**31.12.2023**	31.12.2022	31.12.2021	**2023**	2022
1 EUR	0.926	0.985	1.033	0.973	1.004
1 USD	0.838	0.923	0.912	0.900	0.952

Amendments to IFRS Accounting Standards and Interpretations, whose application is not yet mandatory

The following IFRS Accounting Standards and Interpretations published up to the end of 2023 are mandatory from the 2024 financial year onwards.

Standard	Name	Effective from
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	1 January 2024
Amendments to IAS 1	Classifying liabilities as current or non-current	1 January 2024
Amendements to IAS 7	Supplier finance arrangements	1 January 2024

Swisscom will review its financial reporting for the impact of those new and amended standards which take effect on or after 1 January 2024 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 2023, the consolidated balance sheet as at 31 December 2023, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended as well as notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 130 to 189) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). 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) issued by 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 Group materiality: CHF 90 Mio.

We conducted full scope audit work at three 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 – IT Services 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.

Overall Group materiality	CHF 90 Mio.
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	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 & ESG Reporting Committee that we would report to them misstatements with impacts on the income statement above CHF 4,5 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 and 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. 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	How our audit addressed the 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 2023, the goodwill relating to the Fastweb operating segment amounted to CHF 464 million (2022: CHF 492 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 167) in the notes to the consolidated financial statements.	During our audit, we assessed the design of the controls implemented to assess the recoverability of the Fastweb goodwill. 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 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 – IT Services with Business Customers

Key audit matter	How our audit addressed the key audit matter
For the 2023 financial year, Swisscom reports revenue of CHF 11,072 million (2022: CHF 11,112 million). Of this amount, CHF 1,184 million (2022: CHF 1,152 million) is generated by the IT Services with Business Customers. The IT Services with Business Customers comprises integrated communications solutions (e.g. IT outsourcing) for large enterprises in Switzerland. We consider revenue recognition in the IT Services with Business Customers to be a key audit matter for the following reasons: • The specific projects within the IT Services 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 139) in the notes to the consolidated financial statements.	During our audit, we assessed the design and effectiveness of the controls implemented to ensure the correct recognition of revenue in the IT Services with Business Customers and evaluated whether management's estimates are reasonable. 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 2023 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 IT Services 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 IT Services 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 IT Services with Business Customers to be appropriate.

Recoverability of technical installations and intangible assets

Key audit matter	How our audit addressed the 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 2023 technical installations with a net book value of CHF 8,556 million (2022: CHF 8,399 million) and intangible as-sets with a net book value of CHF 1,737 million (2022: CHF 1,741 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 164) and note 3.3 ‘Intangible assets’ (page 166) in the notes to the consolidated financial statements.	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 2023 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	How our audit addressed the key audit matter
Swisscom recorded as at 31 December 2023 provisions amounting to CHF1,263 million (2022: CHF 1,159 million). Of this amount, CHF 200 million (2022: CHF 283 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 169) in the notes to the consolidated financial statements.	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

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 SA-CH 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 SA-CH, we exercise professional judgement 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 regarding 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 para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Petra Schwick	Peter Kartscher
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 7 February 2024

Further Information

Further Information

Financial statements of Swisscom Ltd

Financial statements of Swisscom Ltd

General disclosures

This is a condensed version of the financial statements of Swisscom Ltd. The full version and the report of the statutory auditor can be viewed on the Swisscom website.

See www.swisscom.ch/financialstatements2023

Swisscom Ltd is a holding company under Swiss law. As at 31 December 2023, 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. Equity totalled CHF 7,040 million in the 2023 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 2023, Swisscom Ltd held distributable reserves of CHF 6,977 million. The dividend is proposed by the Board of Directors and must be approved by Swisscom Ltd's Annual General Meeting of Shareholders on 27 March 2024. Treasury shares are not entitled to a dividend.

Income statement

In CHF million	**2023**	2022
Other income	1	5
Total operating income	**1**	**5**
Personnel expense	(10)	(10)
Other operating expense	(6)	(5)
Total operating expenses	**(16)**	**(15)**
Operating income	**(15)**	**(10)**
Financial expense	(107)	(1)
Financial income	132	37
Income from participations	263	4,281
Income before taxes	**273**	**4,307**
Income tax expense	(2)	(12)
Annual profit	**271**	**4,295**

Balance sheet

In CHF million	31.12.2023	31.12.2022
Assets		
Cash and cash equivalents	81	55
Financial assets	5,497	3,092
Participations	8,416	8,356
Accrued dividends receivable from subsidiaries	–	3,700
Other assets	39	29
Total assets	**14,033**	**15,232**
Liabilities and equity		
Interest-bearing liabilities	6,820	7,190
Other liabilities	174	134
Total liabilities	**6,994**	**7,324**
Share capital	52	52
Legal capital reserves/capital surplus reserves	21	21
Profit carried forward	6,695	3,540
Annual profit	271	4,295
Total equity	**7,039**	**7,908**
Total liabilities and equity	**14,033**	**15,232**

Further disclosures

Information on the participation rights held by the members of the Board of Directors and the Group Executive Board is disclosed in the Remuneration Report (sections 2.5 and 3.5).

As at 31 December 2023, guarantee obligations existed for Group companies in favour of third parties totalling CHF 250 million (prior year: CHF 340 million). In addition, financial assets totalling CHF 134 million (prior year: CHF 153 million) were not freely available. These assets serve to secure commitments arising from bank loans.

Proposed appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 27 March 2024 that the available retained earnings of CHF 6,966 million for the financial year ending on 31 December 2023 be appropriated as follows:

In CHF million	31.12.2023
Appropriation of retained earnings	
Retained earnings from previous year	**7,835**
Ordinary dividend	(1,140)
Balance carried forward from prior year	**6,695**
Annual profit	271
Retained earnings available to the Annual General Meeting	**6,966**
Ordinary dividend of CHF 22.00 per share	(1,140)
Balance to be carried forward	**5,826**

If the proposal is approved, a dividend of CHF 22 per share will be paid to shareholders on 4 April 2024.

Glossary

3G: 3G is the third generation of mobile technology with a transfer rate of up to 42 Mbit/s. Swisscom intends to decommission 3G by the end of 2025 and use the freed-up resources for more modern and efficient technologies.

4G: 4G is the fourth generation of mobile technology. It enables theoretical broadband data speeds of up to 700 Mbit/s via the mobile network. To do so, it bundles 4G frequencies to achieve the required capacity.

5G and 5G+: 5G is the latest generation of mobile technology. Compared to 3G and 4G, it provides even more capacity, very short response times, and higher bandwidths. 5G technology plays a major role in supporting the digitalisation of the Swiss economy and industry. Swisscom differentiates between 5G-fast (narrower coverage up to 2 Gbit/s and more) and 5G-wide (Switzerland-wide 5G coverage with up to 1 Gbit/s). 5G-fast is also known as 5G+. Both variants are more efficient than their predecessor technologies with respect to energy consumption and use of electromagnetic fields.

asut: Swiss Telecommunications Association (asut). asut represents the telecoms industry. The association is committed to ensuring optimal general conditions for users and providers of services and products.

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, Mbit/s or Gbit/s.

CDP: The CDP (formerly Carbon Disclosure Project) is a non-profit organisation whose goal is for companies, communities and countries to disclose and publish their environmental data, such as climate-damaging greenhouse gas emissions. Swisscom joined the CDP's Supply Chain Programme in 2013 to create more transparency about the greenhouse gas emissions of its suppliers.

Circular economy: The circular economy is characterised by the fact that raw materials are used efficiently and for as long as possible. If we succeed in closing material and product cycles, raw materials can be used again and again.

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.

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.

Competition Commission (COMCO): The Competition Commission (COMCO) applies the Federal Act on Cartels and other Restraints of Competition (CartA). The aim of the CartA is to protect against the harmful economic or social impact of cartels and other constraints on competition and by so doing foster competition. COMCO combats harmful cartels and monitors market-dominant companies for signs of anti-competitive conduct. It is also responsible for examining mergers and issuing statements on official decrees that affect competition.

Connectivity: Connectivity is the generic term used in IP services to denote the connection to the internet and the ability to exchange data with any partner on the network.

Container as a Service (CaaS): Container as a Service is a cloud-based service with usage-based payment. It offers companies a way to manage their virtualised applications, clusters and containers, thereby simplifying and speeding up deployments.

Containerisation: Containerisation is the packaging of software code into packages. These packages contain all the necessary components such as libraries, frameworks and other dependencies, and are isolated in their own container.

Convergence (bonding technology): In the telecoms sector, the term convergence usually denotes an interplay of mobile and fixed-network technologies or products that include both mobile and fixed-network services.

CSR: Corporate social responsibility refers to corporate responsibility for people, society and the environment.

Delivery as a Service (DaaS): Delivery as a Service is a service-orientated logistics business model that gives companies access to on-demand deliveries without having to hire and manage their own fleet.

EcoVadis: The EcoVadis online platform supports the enforcement of environmental and social standards in global supply chains through uniform sustainability rankings of suppliers. As part of its risk management system, Swisscom bases its purchasing activities on the declarations made with EcoVadis by its suppliers.

ESG: ESG refers to the consideration of environmental, social and governance issues.

Footprint: The term 'footprint', also called carbon footprint or CO_2 footprint, is the result of an emission calculation. It indicates the amount of greenhouse gas emissions released by an activity or a product. In the case of products, for example, the carbon footprint includes the total emissions caused by production, use and disposal.

FTEs: Throughout this report, FTEs is used to denote the number of full-time equivalent positions.

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.

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.

FTTx: FTTx refers to 'Fibre to the x'. The placeholder 'x' denotes the expansion depth, i.e. the end point of the fibre-optic connection.

FWA (Fixed Wireless Access): FWA is a broadband technology based on 5G. With FWA, data is received via the mobile network, which means that no fixed-line connections are required. The user only needs a receiving device, a mobile router and a WLAN access point.

Hyperscaler: A hyperscaler provides IT resources based on cloud computing. Cloud computing resources can be scaled largely horizontally, often with thousands of servers and storage systems interconnected via high-performance networks. Currently, the most significant hyperscalers include Amazon Web Services (AWS), Microsoft Azure, Google Cloud Platform (GCP) and IBM.

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).

Infrastructure as a Service (IaaS): Infrastructure as a Service enables quick on-demand provision of centrally managed cloud, computing, data storage and network resources in a virtualised environment.

Interconnection: Interconnection means linking up the systems and services of two TSPs so as to enable the logical interaction of the connected telecommunications 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.

IoT (Internet of Things): The IoT connects things, devices and machines to enable recording of status and environmental data. This data provides the basis for optimising processes, such as early identification of failing machine components. IoT facilitates new business models based on this data or opens up new opportunities for interacting with customers.

IPv6: The successor to IPv4, IPv6 is the sixth generation of the Internet Protocol. An IPv6 address is a unique, logical address assigned to a host within the network.

JAC: Joint Alliance for CSR. The elimination of any vulnerabilities identified is reviewed on a regular basis to ensure compliance with the environmental and social standards we expect. Within the framework of JAC, an international alliance of telecoms companies plans and conducts CSR audits of suppliers. Swisscom has been a member of JAC since 2012.

LAN (local area network): A LAN is a local network for interconnecting computers, usually based on Ethernet.

MPLS (Multiprotocol Label Switching): MPLS is a technology that optimises the speed and efficiency of data forwarding within large networks and/or at the network edge.

MVNO (mobile virtual network operator): MVNO denotes a business model for mobile communications. In this case, the corresponding provider (the MVNO) has either a limited network infrastructure or no network infrastructure at all. It therefore uses the infrastructure of other mobile communications providers.

myclimate: The myclimate foundation supports Swisscom with the environmental assessment of its smartphone range, comparisons of sustainable ICT solutions and reviews of climate balances.

Net promoter score (NPS): The NPS is a key figure that indirectly indicates customer satisfaction and directly indicates the willingness of customers to make a recommendation to others. It therefore serves as an analytical tool to determine customer satisfaction.

Net zero: Net zero means that all greenhouse gas emissions caused by humans must be removed from the atmosphere again through reduction measures and thus the climate balance is net, or zero.

NIRO: The Swiss Ordinance on Protection against Non-Ionising Radiation (NIRO) defines the maximum permissible electrical, magnetic and electromagnetic radiation from fixed installations in the frequency range from 0 Hz to 300 GHz. A two-stage protection concept was applied. At all accessible places, the exposure limit value, which corresponds to the recommendations of the WHO, must be observed. In order to take account of the precautionary principle required by the Environmental Protection Act, values which are ten times stricter were set as a precautionary measure for places which are heavily used where people stay for long periods of time, based on technical feasibility and economic viability.

OFCOM (Federal Office of Communications): OFCOM deals with issues related to telecommunications and broadcasting (radio and television) and performs official and regulatory tasks in these areas. It also 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).

Optical fibre: Optical fibre cable (or fibre-optic cable) 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.

Platform as a Service (PaaS): Platform as a Service refers to cloud-based solutions for the development of applications. It allows developers to work on apps and other software solutions without having to provide their own hardware or infrastructure.

Radiation: Radiation is a form of energy that propagates as electromagnetic waves. A distinction is made between ionising and non-ionising radiation. Ionising radiation can change the building blocks of matter such as molecules or atoms, non-ionising radiation has too little energy for this. Therefore, non-ionising radiation cannot change atoms or molecules. Mobile networks use non-ionising radiation.

Roaming: Roaming is when a mobile user makes calls, uses other mobile services or participates in data traffic outside their home network, i.e. usually abroad. This requires that the mobile device in question is compatible with the roaming network.

Router: Routers are devices for connecting or separating several computer networks. They analyse incoming data packets according to their destination address and either block them or forward them accordingly (routing). Routers come in different types, ranging from large machines in a network to the small devices used by residential customers.

SBTi and SBT: The goal of the Science Based Target initiative (SBTi) is to encourage companies to increase their efforts to combat climate change by setting science-based targets. These targets focus on the quantity of emissions that must be reduced to meet the goals of the Paris Agreement – to limit global warming to 1.5°C.

Scope 1: Direct GHG emissions resulting from own activities (e.g. from the combustion of fossil fuels for heating and mobility or from refrigerants).

Scope 2: Indirect GHG emissions resulting from purchased energy.

Scope 3: All other GHG emissions resulting from upstream and downstream activities (e.g. in the supply chain).

Secure Access Service Edge (SASE): Secure Access Service Edge is a technology that combines software-defined network functions with network security.

Software-defined Wide Area Network (SD-WAN): Software-defined wide area networking is an automated, programmatic approach to managing enterprise network connectivity and circuit costs. It extends software-defined networking (SDN) into an application that enables companies to quickly set up an intelligent hybrid WAN.

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.

Ultra-fast broadband: Ultra-fast broadband denotes broadband speeds of more than 50 Mbit/s – on both the fixed-line and mobile networks.

Zero Trust Network Access (ZTNA): Zero Trust Network Access is a product or service that creates an identity- and context-based, logical access boundary around an application or set of applications.

Five-year review

In CHF million, except where indicated		2019	2020	2021	2022	2023
Revenue and results						
Revenue		11,453	11,100	11,183	11,051	11,072
Operating income before depreciation and amortisation (EBITDA)		4,358	4,382	4,478	4,406	4,622
EBITDA as % of revenue	%	38.1	39.5	40.0	39.9	41.7
EBITDA after lease expense (EBITDAaL)		4,064	4,082	4,177	4,120	4,334
Operating income (EBIT)		1,910	1,947	2,066	2,040	2,205
Net income		1,669	1,528	1,833	1,603	1,711
Earnings per share	CHF	32.28	29.54	35.37	30.93	33.03
Balance sheet and cash flows						
Equity		8,875	9,491	10,813	11,171	11,622
Equity ratio	%	36.6	39.1	43.6	45.4	47.0
Capital expenditure		2,438	2,229	2,286	2,309	2,292
Operating free cash flow		1,626	1,853	1,891	1,811	2,042
Free cash flow		1,345	1,706	1,513	1,349	1,480
Net debt		8,785	8,206	7,706	7,374	7,071
Employees						
Full-time equivalent employees	number	19,317	19,062	18,905	19,157	19,729
Average number of full-time equivalent employees	number	19,561	19,095	19,099	19,046	19,461
Operational data						
Fixed telephony access lines in Switzerland	in thousand	1,594	1,523	1,424	1,322	1,226
Broadband access lines retail in Switzerland	in thousand	2,058	2,043	2,037	2,027	2,006
TV access lines in Switzerland	in thousand	1,555	1,588	1,592	1,571	1,537
Mobile access lines in Switzerland	in thousand	6,333	6,224	6,177	6,173	6,202
Access lines wholesale Switzerland	in thousand	585	611	698	679	692
Broadband access lines retail in Italy	in thousand	2,637	2,747	2,750	2,683	2,601
Broadband access lines wholesale in Italy	in thousand	117	158	306	458	648
Mobile access lines in Italy	in thousand	1,746	1,961	2,472	3,087	3,509
Swisscom share						
Number of issued shares	in million of shares	51.802	51.802	51.802	51.802	51.802
Market capitalisation		26,554	24,715	26,657	26,243	26,212
Closing price at end of period	CHF	512.60	477.10	514.60	506.60	506.00
Closing price highest	CHF	523.40	577.80	562.40	590.40	619.40
Closing price lowest	CHF	441.10	446.70	456.30	443.40	501.20
Dividend per share	CHF	22.00	22.00	22.00	22.00	22.00 [1]
Ratio payout/earnings per share	%	68.16	74.48	62.20	71.13	66.61
Information Switzerland						
Revenue		8,969	8,614	8,579	8,566	8,516
Operating income before depreciation and amortisation (EBITDA)		3,508	3,522	3,569	3,534	3,842
Capital expenditure		1,770	1,596	1,634	1,688	1,685
Full-time equivalent employees	number	16,628	16,048	15,882	15,750	16,050

1 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

- **8 February 2024**
  2023 Annual Results and Annual Report
- **27 March 2024**
  Annual General Meeting
- **2 April 2024**
  Ex dividend date
- **4 April 2024**
  Dividend payment date
- **2 May 2024**
  2024 First-Quarter Results
- **31 July 2024**
  2024 Second-Quarter Results
- **31 October 2024**
  2024 Third-Quarter Results
- **6 February 2025**
  2024 Annual Results and Annual Report

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