

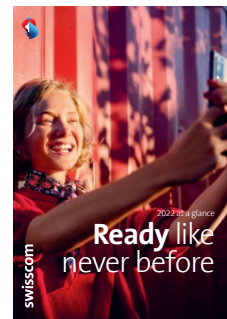


Annual Report 2022

Ready like never before

swisscom

Annual Report publications



The Annual Report, Sustainability Report and '2022 at a glance' together make up Swisscom's reporting on 2022. The three publications are available online at: [swisscom.ch/report2022](https://www.swisscom.ch/report2022).

'Ready like never before' concept

As part of its 'Ready like never before' concept, Swisscom points out that, thanks to Swisscom products and services, its customers are more ready than ever to take advantage of the opportunities offered by the connected world – simply, securely, anywhere and at any time. Swisscom also offers its employees and apprentices training and development opportunities so that they are prepared to use the skills they have acquired to improve Swisscom's competitiveness and their own employability.

The majority of the images on the cover pages and in the report are taken from the various Swisscom campaigns conducted during the 2022 reporting year. The images of the Board of Directors and the Group Executive Board were taken by Alida Ruf, an apprentice in the Swisscom photo and film team.

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2022 in review

Net revenue

billion CHF

11.1

▼ 0.6%

EBITDA

billion CHF

4.4

▼ 1.6%

Capital expenditure

billion CHF

2.3

▲ 1.0%

Net income

billion CHF

1.6

▼ 12.5%

Net debt to EBITDA
ratio

1.7



Equity ratio

%

45.4

▲ 1.8 PP

Employees
(full-time equivalent)

19,157

▲ 1.3%

Dividend per share

CHF

22

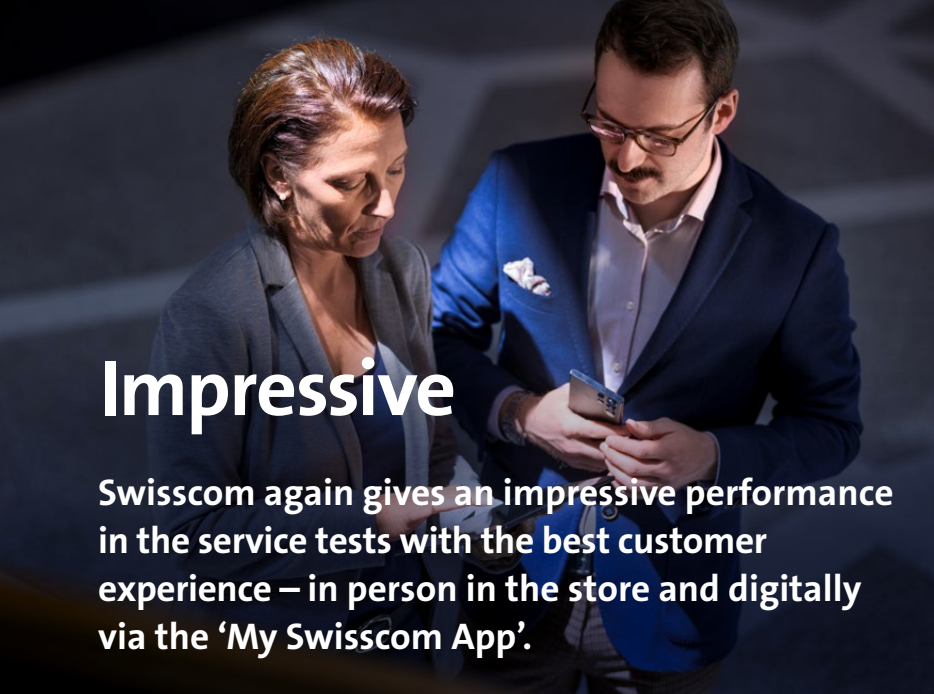


Total shareholder
return Swisscom share

%

2.5

▼ 10.4 PP



Impressive

Swisscom again gives an impressive performance in the service tests with the best customer experience – in person in the store and digitally via the ‘My Swisscom App’.

World first

Successful field test of a GPON fibre optic performance of 50 Gbit/s.



Climate-neutral

Swisscom is the first provider to offer all its services as climate-neutral – automatically and at no extra charge.

Successful

More than 10 years of Fastweb – more sales, more customers and higher earnings in Italy.



blue

With blue, Swisscom is launching the next generation change for subscriptions – simpler, more attractive, more digital and more individual.



Outstanding

Swisscom again wins all mobile network tests in Switzerland and impresses with the fastest fibre-optic networks – each with the rating ‘outstanding’.

KPIs

In CHF million, except where indicated		2022	2021	Change
Net revenue and results¹				
Net revenue		11,112	11,183	-0.6%
Operating income before depreciation and amortisation (EBITDA)		4,406	4,478	-1.6%
EBITDA as % of net revenue	%	39.7	40.0	
EBITDA after lease expense (EBITDA AL)		4,120	4,177	-1.4%
Operating income (EBIT)		2,040	2,066	-1.3%
Net income		1,603	1,833	-12.5%
Earnings per share	CHF	30.93	35.37	-12.6%
Balance sheet and cash flows¹				
Equity		11,171	10,813	3.3%
Equity ratio	%	45.4	43.6	
Capital expenditure		2,309	2,286	1.0%
Operating free cash flow proxy		1,811	1,891	-4.2%
Free cash flow		1,349	1,513	-10.8%
Net debt		7,374	7,706	-4.3%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,322	1,424	-7.2%
Broadband access lines retail in Switzerland	in thousand	2,027	2,037	-0.5%
TV access lines in Switzerland	in thousand	1,571	1,592	-1.3%
Mobile access lines in Switzerland	in thousand	6,173	6,177	-0.1%
Access lines wholesale Switzerland	in thousand	679	698	-2.7%
Broadband access lines retail in Italy	in thousand	2,683	2,750	-2.4%
Broadband access lines wholesale in Italy	in thousand	458	306	49.7%
Mobile access lines in Italy	in thousand	3,087	2,472	24.9%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	-
Market capitalisation		26,243	26,657	-1.6%
Closing price at end of period	CHF	506.60	514.60	-1.6%
Closing price highest	CHF	590.40	562.40	
Closing price lowest	CHF	443.40	456.30	
Dividend per share	CHF	22.00 ²	22.00	-
Employees				
Full-time equivalent employees	number	19,157	18,905	1.3%
Average number of full-time equivalent employees	number	19,046	19,099	-0.3%

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

Wholesale

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

Infrastructure & Support Functions

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

Fastweb

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

Other Operating Segments

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

Revenues

CHF 8.3 bn

EBITDA

CHF 3.5 bn

Revenues

EUR 2.5 bn

EBITDA

EUR 0.9 bn

Revenues

CHF 1.0 bn

EBITDA

CHF 0.2 bn

Ready like never before



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

Dear Shareholders

2022 was a challenging year for us. Swisscom has long positioned itself to cope in a crowded-out market with fierce price pressure. This was further compounded by supply chain bottlenecks, the war in Ukraine, rising inflation and unresolved issues surrounding energy supply. Our employees successfully rose to these challenges. Swisscom achieved yet another stable set of financial results, demonstrated its ability to innovate in networks and services, and was once again rated the world's most sustainable telecommunications company. We are on track with our Group targets for 2025 of clear market leadership in Switzerland, leading challenger status in Italy through Fastweb, healthy financial results, a reputation for responsibility towards society, and innovative products and services on secure, resilient networks.

Number 1 in Switzerland

In Switzerland, Swisscom seeks to be inspirational, with the best networks, the best service and the most innovative products and services.

We once again lived up to this claim, as numerous tests in the year under review bore out: for example, we won the most relevant mobile network tests, had the fastest fibre-optic networks and came across as significantly more service-oriented than our competitors in Switzerland. Our employees in the Swisscom shops impressed in independent tests, as did our customer app, which received the best rating of all service apps in the German-speaking region of Europe.

Swisscom has further digitised and personalised its offering through the new 'blue' portfolio. Our customers enjoy even faster network speeds, more content and recording capacity on blue TV, and greater online security thanks to the new Internet Guard – all automatically and at no extra charge. And customers who opt to use our digital assistant 'Sam' as their first point of contact for support can also save on costs.

Independent market researchers also name Swisscom as a leading cybersecurity provider. We now offer Swiss companies and authorities professional emergency assistance from experienced security specialists in the event of a cyberattack. This service is available around the clock and regardless of whether or not the victims are Swisscom customers.

Regulatory resistance

Switzerland's mobile communications and fibre-optic networks make it one of the top performers internationally in terms of infrastructure. Despite this, Swisscom is facing regulatory challenges, for example with regard to the construction of adaptive antennas for mobile communications. Although the process for the construction and renewal of these antennas has been laid down in an ordinance since January 2022 and the recommendations of the Conference of Building, Planning and Environment Directors (BPUK) allow cantons to approve adaptive antennas without new building permits, Swiss mobile operators are not able to expand and upgrade their networks fast enough. Customers complain about gaps in coverage, but at the same time Swisscom alone has more than 2,000 outstanding objections to building applications for 5G masts.

This is all the more regrettable given that a study commissioned by FOEN in 2022 found that 'the population as a whole has modest exposure to radiation', and that thanks to modern technology radiation exposure has actually been on a downward trajectory since 2014. The more modern the technology, the lower the radiation exposure. That is why Swisscom is switching off its 3G technology – which is now 20 years old – at the end of 2025 to make way for more modern, efficient and effective technologies such as 5G.

Due to the ongoing proceedings of the Competition Commission in relation to network expansion, Swisscom is unable to market nearly 500,000 fibre-optic connections built using point-to-multipoint architecture (P2MP) to the home (FTTH). In order to offer customers the option of using the fast FTTH connections, Swisscom has decided to create new connections, largely using point-to-point (P2P) architecture, and to convert some existing P2MP connections to P2P. The annual budget for fibre optic investments of CHF 500 to 600 million remains unchanged, but the expansion is now taking place somewhat more slowly than originally planned. This means it will only be possible to achieve 50–55% of connections on FTTH by 2025. Swisscom will continue to invest in rolling out FTTH beyond 2025, however, with the intention of expanding FTTH coverage to 70–80% of connections by 2030.

Fastweb – our ace card in Italy

Fastweb has been building its position as a high-quality provider in Italy for years and is now the leading challenger in Europe's fourth-largest broadband market. In 2022, Fastweb once again increased its revenue across all segments. Its revenue was EUR 2,482 million (+3.8%) and its operating income before depreciation and amortisation (EBITDA) was EUR 854 million (+3.4%).

Healthy finances create confidence

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

Swisscom recorded another solid set of financial results in 2022. With net revenue of CHF 11,112 million (–0.6%) and operating income before depreciation and amortisation (EBITDA) of CHF 4,406 million (–1.6%), net income was below the previous year. Revenue (+1.0%) and EBITDA (+3.1%) were both up on a like-for-like basis and at constant exchange rates.

We generate healthy financial results thanks to the outstanding work of our employees and a highly attractive range of products and services. Quite simply, this means delighting our customers every day through future-proof, secure products and services, combined with the best quality of service and the best networks. But that's not all: to safeguard our long-term profitability, we need to continuously optimise our cost base in our core business and develop new business activities. Via our transformation efforts, we are promoting collaboration within Swisscom, working on our agility and efficiency, and systematically driving forward digitisation. For example, we reduced our cost base in Swiss telecommunications by around a further CHF 100 million in 2022.

Taking responsibility – now, not someday

We firmly believe that digitisation creates opportunities and drives sustainability. As the Swiss market leader, Swisscom therefore has a special responsibility. There was further independent confirmation of its role as a pioneer in sustainability during the year under review, with World Finance magazine once again rating Swisscom the world's most sustainable telecommunications company. This encourages us to continue down our chosen path with courage and rigour.

Sustainability is not something that can be deferred. We took another step forward on this front in 2022: we now offer our customers climate-neutral access to subscriptions, equipment and our network – automatically and at no extra charge under the banner 'Now, not someday'. We offset the production, transport and use of devices via recognised climate protection projects in Switzerland and abroad.

To help achieve our goal of saving one million tonnes of CO₂ per year by 2025 in cooperation with our customers, we offer residential and business customers ICT solutions that massively reduce our carbon footprint. For example, our portfolio for business customers includes a carbon accounting platform.

We also contribute to society through our activities to promote media literacy, our support for Ukrainian war refugees in Switzerland and our efforts to save electricity as part of the energy saving alliance of the Swiss Confederation.



‘ We are delighted that World Finance has once again named us the world’s most sustainable telecommunications company. Above all, this spurs us on to continue down our chosen path with courage and rigour! ’

Innovation stimulates growth

In a global market where new technologies are constantly emerging and customer needs are always evolving, Swisscom needs to keep its finger on the pulse of innovation. To safeguard our company's long-term success, we work closely with the pacesetters of digitisation, be they universities, start-ups or established technology companies.

For example, Swisscom agreed a strategic collaboration in the cloud space with Amazon Web Services in 2022.

A highlight of our innovation efforts was the successful field test using the latest generation of fibre-optic technology carried out in 2022, in which we were the first in the world to achieve a maximum data transmission speed of 50 Gbps. More important, however, are the reduced latency and stable bandwidths.

It is through innovations like this that we strive for growth – primarily in our core business, in the IT market and in new areas of business.



Independent tests once again proved in 2022 that our networks and customer service are among the best in Switzerland. This shows that our employees give their best every day, for which I thank them from the bottom of my heart.

Shareholder return and outlook

Swisscom's share price fell by 1.6% to CHF 506.60 during the year under review. The Swisscom stock outperformed the European telecommunications sector index.

Swisscom expects net revenue of between CHF 11.1 and 11.2 billion, EBITDA of between CHF 4.6 and 4.7 billion and capital expenditure of around CHF 2.3 billion (around CHF 1.7 billion of which will be in Switzerland) for 2023. Subject to achieving its targets, Swisscom plans to propose payment of an unchanged dividend of CHF 22 per share for the 2023 financial year at the 2024 Annual General Meeting.

Many thanks

The highly challenging environment demanded a lot from our employees, who once again proved that they are eager to deliver the best for our customers, day in and day out. We are very grateful to them for this.

We would also like to thank you, our valued shareholders, for the trust and confidence you have placed in us. We have set ourselves ambitious goals to be achieved by 2025 and want to embark on a successful future with you.

Kind regards

Handwritten signature of Michael Rechsteiner in black ink.

Michael Rechsteiner
Chairman of the Board of Directors
Swisscom Ltd

Handwritten signature of Christoph Aeschlimann in black ink.

Christoph Aeschlimann
CEO Swisscom Ltd

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Strategy and environment

Telecommunications market

Number 1

Swisscom is number 1 in Switzerland.

Net revenue

CHF 11.1 billion

in revenue was generated by Swisscom in 2022, 78% of which in Switzerland and 22% in Italy.

Responsibility

Climate-neutral

Swisscom aims to become climate-neutral across its entire value chain by 2025.

Financial targets and achievement of targets in 2022

		Targets 2022	Achievement of targets in 2022
Financial targets			
Net revenue ¹		Net revenue for the year 2022 of around CHF 11.1 billion	CHF 11,112 million
Operating income before depreciation and amortisation (EBITDA)		EBITDA for the year 2022 of around CHF 4.4 billion	CHF 4,406 million
Capital expenditure		Capital expenditure for the year 2022 of around CHF 2.3 billion	CHF 2,309 million
Operational Excellence	Reduction of cost base 2022 in the Swiss telecommunications business	by CHF 100 million	CHF 104 million

¹ As already communicated during the course of 2022, the financial 2022 financial targets have been adjusted as follows as a result of the strong Swiss franc: net revenue from CHF 11.1–11.2 billion to around CHF 11.1 billion.

General conditions and market environment

Swisscom operates in a dynamic environment. Changes continue to occur at a swift pace. Megatrends such as demographic change, new working models and the growing importance of ecological and social sustainability are shaping and altering society and the economy and also impact the activities of Swisscom. By the same token, technology trends such as the expansion of ultra-fast broadband, the increasing penetration of cloud computing and advances made in the field of artificial intelligence also influence Swisscom's business in the short to medium term. Swisscom's economic environment is currently characterised by global uncertainties. Causes include the supply chain bottlenecks, rising inflation and heightened geopolitical risks such as trade relations between the US and China or the war in Ukraine.

Digitisation is taking hold of more and more areas of our lives, and customer behaviour is undergoing a lasting change, as indicated by, among other things, the increased use of online channels for shopping and making contact as well as the rise of contactless payment. Customers' expectations regarding customer-centric offerings, high-performance and stable networks, a seamless and personalised customer experience and transparent sustainability efforts will continue to rise.

Digitisation is leading to new, rapidly developing business models. Swisscom's core business is characterised by competition with strong price pressure. Another slight contraction was observed in the overall market for connectivity services in Switzerland and Italy. By contrast, the market for IT services in Switzerland continues to grow moderately.

Market environment

Macroeconomic factors such as the economy, interest rates and exchange rates can have a significant impact

on Swisscom's net assets, financial position, results of operations and financial reporting.

	Unit	2018	2019	2020	2021	2022
Change GDP Switzerland	in %	2.8	0.9	(2.5)	3.5	2.0 ¹
Change GDP Italy	in %	0.1	0.2	(9.6)	6.3	3.9 ²
Inflation rate Switzerland	in %	0.7	0.2	(0.8)	1.5	2.8
Inflation rate Italy	in %	1.1	0.5	(0.2)	3.9	11.6
Yield on government bonds (10 years)	in %	(0.24)	(0.46)	(0.53)	(0.13)	1.57
Closing rate CHF/EUR	in CHF	1.13	1.09	1.08	1.03	0.99
Closing rate CHF/USD	in CHF	0.99	0.97	0.88	0.91	0.92

1 Forecast SECO.

2 Forecast Istat.

Economy

In the 2022 reporting year, economic development was dominated by global delivery problems and an increase in inflation. This was mainly due to the rise in energy prices (electricity, oil and natural gas). Swisscom's energy costs amounted to CHF 152 million in 2022 (previous year: CHF 120 million) and mainly included electricity costs.

Interest rates

The interest rate level has an impact on funding costs and, in the consolidated financial statements, the balance sheet value of individual items such as non-current provisions and pension obligations, as well as the impairment assessment of goodwill. Short- and long-term interest rates rose significantly in 2022. Swisscom's average interest expense (excluding leasing) amounts to 1.05% at the end of 2022. The financing structure with a 82% share of fixed-interest financial debt offers considerable protection against further interest rate increases.

Exchange rates

Currency effects impact the consolidated financial statements both through transactions made in foreign currencies and the translation 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 2022. Currency translation differences are recognised directly in equity. A portion of the financial liabilities in EUR is classified as a currency hedge of Fastweb's net assets.

Legal environment

Swisscom's legal framework

Swisscom is a public limited company with special status under Swiss law. Corporate governance is governed by company law and, in particular, the Telecommunications Enterprise Act (TEA). 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 with their relevant regulatory provisions and requirements, which Swisscom adheres to by taking precautionary measures to ensure compliance.

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 network access regulation is limited to fixed-link 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

The Federal Communications Commission (ComCom) awarded Swisscom the universal service licence until 2022 and, in 2021, subsequently extended it until 2023. The basic service provision mandate includes fixed-network telephony and broadband Internet access with transmission rates of at least 10 Mbps (downloads) and 1 Mbps (uploads). From 2024 onward, basic service provision will include a new transmission rate of 80 Mbps.

Swisscom pursues an open Internet policy

Open Internet

Swisscom pursues an open Internet policy. It is convinced of its customers' desire to be able 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 immissions and thus the transmission power of mobile antennas. Swiss precautionary values as defined by the Environmental Protection Act (installation limit value) are 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.

Since 2022, the ordinance (ONIR) regulates the operation of adaptive antennas that apply a correction factor. This allows operators to take full advantage of this generation of antennas with their increased capacity and range. At the same time, adaptive antennas have the advantage of reducing the exposure to people in the vicinity of the antenna installation.

In March 2022, the Conference of Building, Planning and Environment Directors (BPUK) published new recommendations for mobile communications. These recommendations regulate the cases in which building permits for mobile communication antennas are granted using a simplified procedure. They provide for two options: Option 1 primarily covers the replacement of a conventional antenna with another conventional antenna, meaning it only permits maintenance as part of a minor modification procedure. Option 2, on the other hand, allows a conventional antenna to be replaced by an adaptive antenna, thereby making it possible to modernise the mobile network by means of a minor modification procedure. This is important in part because, under the conventional procedure, it often takes years for building applications to be approved and once they have been, the type of antenna originally entered might no longer be available. So far, just under half of the cantons have come out in favour of Option 2. One question remains unanswered, namely how adjustments made to antennas that do not have any impact on immissions can be regulated in a legally binding manner. To that end, the Federal Office for the Environment has started preparations for a revision of the ONIR, which could at best enter into force at the beginning of 2025. Since operational adjustments have to be made to mobile communications systems approximately every 18 months, a timely regulation of the matter is essential.

Federal Cartel Act (CartA)

Competition law (Federal Cartel Act) is highly relevant to various Swisscom products and services, 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 various compliance measures and 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 page 145

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).

The Federal Radio and Television Act (FRTA)

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

Federal Act on Data Protection (FADP)

The Swiss Federal Act on Data Protection regulates the treatment of personal data. After several years of preparatory work, Parliament adopted the revised version of the Federal Act on Data Protection in 2020. The revised act enters into effect on 1 September 2023

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. The actions required to comply with the GDPR's requirements, in so far as it impacts Swisscom's operations, were taken by Swisscom within the specified time period.

Legal and regulatory environment in Italy

The legal framework for Fastweb's business activities is determined primarily by Italy's telecommunications legislation and the EU. In July 2021, an EU Commission

ordinance entered into force that sets uniform limits on fixed and mobile termination charges for voice services within the EU.

Data protection and confidentiality

Swisscom attaches great importance to the legally compliant and responsible processing of personal data and confidential information. Swisscom operates a management system for data protection and confidentiality that applies internationally recognised standards and norms. It also maintains a data ethics framework that clarifies ethical issues connected to the processing of data or the use of new technologies.

Swisscom complied with the legal provisions related to customer data and confidentiality in 2022.

In view of the new Federal Act on Data Protection, Swisscom is reviewing existing personal data protection measures to ensure that they comply with the new requirements. It will make any adjustments necessary.

Swisscom processes personal data, in part to provide customers with individualised, targeted advertising and offers that are even better tailored to their needs. Swisscom creates customer segments or customer profiles to that end. It also makes customers' personal data 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.

Swisscom complied with the legal provisions related to customer data and confidentiality in the year under review. Swisscom complies with its legal obligations with regard to the Surveillance of Postal and Telecommunications Traffic.

© See www.swisscom.ch/dataprotection

Swiss market trends in telecoms and IT services

The Swiss telecommunications market is characterised by a wide range of products and services for data and voice communications. In addition to the established regional and national telecommunications companies, internationally active companies are entering the Swiss telecommunications market, offering both free and paid-for Internet-based services around the world,

including telephony, messaging and streaming services. Competitive pressure remains high. A previously supra-regional Swiss company announced in the second half of 2022 that, going forward, it intends to operate nationwide as a full-service provider of mobile, Internet, TV, and fixed-network services. All major Swiss full-service providers have also adjusted their product portfolios over the course of 2022. Swisscom has driven the digitisation of its offerings through its new blue product portfolio and brought all its previous subscriptions and services together under a single roof. Swisscom customers now manage and individually customise their various products via the My Swisscom app. A digital assistant named Sam provides support on any questions that arise. 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 modern, highly effective network infrastructures providing the foundations. 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 network once again earned top rankings in independent network tests.

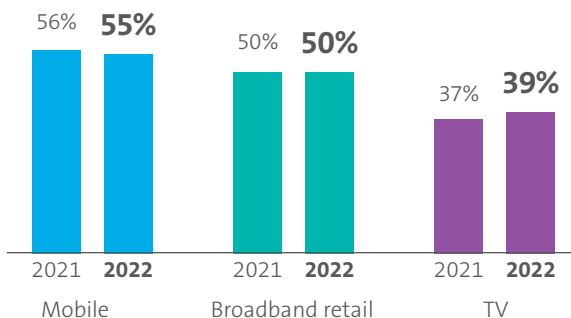
Swisscom continuously invests in the quality, coverage and performance of its network infrastructure.

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



Market share Swisscom

Swiss telecommunications market



Mobile communications market

Switzerland has three separate, wide-area mobile networks on which the operators of those networks market their own products and services. Other market players also offer their own mobile services as MVNOs (mobile virtual network operators) on these networks. Swisscom makes its mobile communications network available to selected third-party providers so that they can offer proprietary products and services to their customers via the Swisscom network. The number of mobile lines (SIM cards) has increased by 2% within the year and stands at 11 million. Mobile access line penetration in Switzerland is estimated at 129%. As in the previous year, the number of postpaid subscriptions taken out increased, while the number of prepaid customers fell. The proportion of mobile users with postpaid subscriptions stands at 83% (prior year: 81%). Swisscom's postpaid market share is 55%. This represents a decrease of one percentage point compared to the previous year, which is due to the continuing competitive pressure.

Fixed-line market

Close to 100% of Switzerland is covered by fixed broadband networks. Alongside the fixed-line networks of telecoms companies, there are also networks provided by cable network operators. Moreover, market players such as utilities operating in particular cities and municipalities are building and operating fibre-optic networks on their own initiative at a regional level. For the most part, their network infrastructures are available to other market participants for product offerings and the provision of services. Broadband connections lay the basis for a rich product offering from both national and global competitors. Swisscom is building state-of-the-art fibre-optic networks, partly in cooperation with other companies, based on the principle of open networks. Due to COMCO's investigation into network expansion, Swisscom is now largely relying on point-to-point architecture for its expansion.

Broadband market

The most widespread access technologies for fixed broadband connections in Switzerland are infrastructures based on the networks of telecommunications providers and cable network operators. The broadband market grew by around 2% year over year. There were around 4 million retail broadband access lines in Switzerland at the end of 2022. Swisscom's market share remains stable year-on-year at 50%.

TV market

In Switzerland, TV signals are transmitted via cable, broadband, satellite and mobile. The large majority of TV connections is provided via cable or broadband networks. The Swiss TV market features a diverse range of

offerings from established national market participants. Offerings from other national and international companies are also available on the market, including TV and streaming services that can be used over an existing broadband connection, regardless of the Internet provider. The competitive dynamics in the saturated TV market remain high, driven by the large number of different offerings. Swisscom defended its market share against the competition in 2022 and remains the market leader with a market share of 39%.

Swisscom is the leader in the TV market with a share of 39%.

Fixed-line telephony market

Fixed-line telephony is mainly based on lines running over the fixed networks of the telecoms service providers and the cable networks. As fixed-line telephony continues to be replaced by mobile communications and Internet-based services, its use is steadily declining.

IT services market in Switzerland

In 2022, the IT services market (IT services and software) generated revenue of just under CHF 20 billion. This represented a continuation of the market's prior-year growth trend on the heels of a slight contraction in 2020. For the coming years, Swisscom assumes that the market will continue to grow slightly due to increasing digitisation. The areas in which Swisscom expects the most growth are the cloud, workspace & collaboration, security, the Internet of Things (IoT) and business applications. This growth is a result of the increasing number of business-driven ICT projects as well as the rising demand for digital business models and new working models. Swisscom has noticed companies' growing willingness to procure more external services in order to cope with a high level of complexity as well as the accelerating transformation into a hybrid cloud. 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.

In a fiercely competitive, changing market environment, Swisscom increased its revenue slightly year-on-year and held on to its market position. This was mainly due to positive trends in the growth areas of security, cloud and business applications. Market revenues increased in each of those areas, although certain revenues shifted to the big global cloud providers (hyperscalers).

Italian market trends in telecoms services

Italian broadband market

Generating revenue of around EUR 15 billion including wholesale, Italy is the fourth-largest fixed-line market in Europe. The broadband market for homes and businesses has grown steadily in past years. It comprises some 18 million access lines operated by the four major competitors (Fastweb, TIM, Vodafone, WindTre), two new market players (Iliad, Sky) and other smaller providers. Fastweb is one of the largest fixed-network broadband providers with unchanged market shares of 16% in the residential customer segment and 34% in the business customer segment.

Italian mobile communications market

The Italian mobile communications market has a volume of around 107 million SIM cards and generates revenue of just under EUR 13 billion. Competitive and price pressure are considerable and have intensified even further following the market entry of Iliad and the launch of mobile communications providers' secondary brands. Fastweb's mobile customer base rose by 25% year-on-year to around 3.1 million customers in 2022. It has a market share of 4% (prior year 3%).

Swisscom Group Goals

In order to ensure its long-term success in a dynamic environment, Swisscom has defined five Group targets ('Swisscom Group Goals 2025'). The Group Goals apply to all Group companies. Swisscom has enshrined one common denominator: its new purpose of 'Empowering the Digital Future'. Swisscom also defined its Vision 2030 for the long-term orientation of the Group during the year under review: 'Innovators of Trust: The most trusted Swiss tech innovator creating unique customer experiences with positive impact for society.' Innovative strength and trust are core values of Swisscom and central to successful technological and social development. Swisscom is already addressing relevant and promising future topics.

Swisscom has set itself the goal of consolidating its position even further, both as a market leader in Switzerland and as a key provider in the market for IT services, and therefore living up to its status as 'No. 1 in Switzerland'.

Swisscom's infrastructure forms Switzerland's digital backbone and sets itself apart by offering the best customer experience.

Swisscom's Fastweb subsidiary is a leading alternative provider for residential and business customers in Italy. Its goal is to be the 'Leading challenger in Italy'. Fastweb continues to expand its own convergent ultra-broadband network through ongoing investments. The best customer experience it provides is based on impressive quality of service and on offers that are characterised by transparency, fairness and simplicity. Fastweb contributes significantly to Swisscom's growth.

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.

Swisscom Group goals 2025



Swisscom is committed to fulfilling its corporate responsibility towards society. This responsibility is gaining importance in the eyes of shareholders, the capital market and customers. As a trustworthy company, Swisscom is focused on sustainability and pursues the goal of being 'committed to corporate responsibility'. This is expressed by the Group's climate-neutral value chain, a positive carbon footprint and a portfolio of sustainability services in the Swiss business, among other things. Swisscom aspires to be climate-neutral along its entire value chain by 2025. It also promotes diversity and inclusion within its own company. Diversity stands for a balanced mix of

generations, gender equality and variety in terms of language and origin. Inclusion refers to the targeted integration of employees with physical or psychological impairments as well as the integration of refugees.

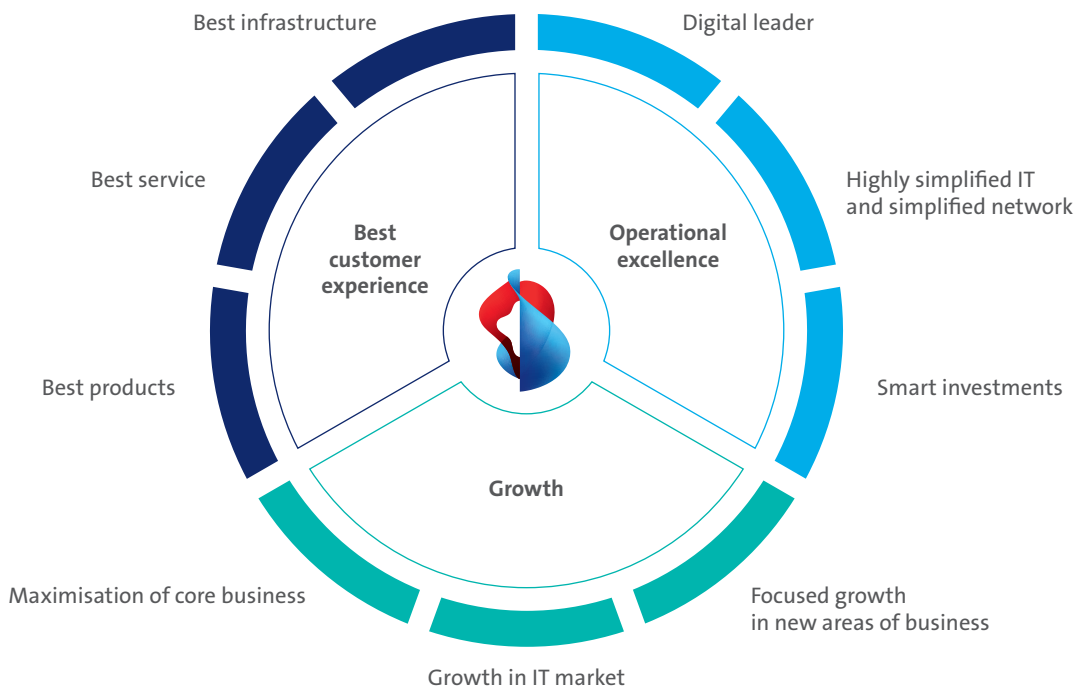
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As a leading digital company, Swisscom launches innovative products and services based on resilient, secure networks and that meet up to the goal of being 'outstanding in innovation & reliability'. It develops growth areas in its Digital Business division, such as trust services, in a targeted manner.

Strategy for Switzerland

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

Swisscom is committed and trustworthy in its actions, consistently seeks to learn new things and develop and systematically pursues its goals. What matters most to Swisscom is its customers' trust in it. That trust is strengthened by Swisscom's reliability and sustainability in everything it undertakes. In order to safeguard its market position in the long term, Swisscom has set out three strategic aspirations:



Strategic aspirations of Swisscom

Best customer experience

Swisscom wants to inspire its customers by providing them with the best service at all times, regardless of their location. Since the customer experience is based on a high-performance infrastructure, Swisscom offers its customers the latest IT and communications infrastructure and develops these on an ongoing basis. Customer requirements for networks are constantly growing. As a result, Swisscom sets up and operates high-performance networks that are top-notch in terms of security, availability and coverage. In the year under review, the Swisscom network once again dominated numerous tests conducted by leading technical journals. Swisscom sets itself ambitious goals for the expansion of its fibre-optic network. By the end of 2025, for example, fibre-optic coverage in homes and businesses will increase to between 50 and 55%.

Swisscom is pushing ahead with the expansion of 5G. Some portions of the population still have concerns about and are resistant to the expansion of 5G; additionally, Switzerland's strict legal limits mean that networks' full capacity cannot be exploited. That hinders efforts to create urgently needed capacity on the mobile network.

By the end of 2025, fibre-optic coverage in homes and businesses (FTTH – Fibre to the Home) is expected to increase to between 50 and 55%.

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

The relationship with customers is at the heart of Swisscom's success. Swisscom's top priorities are providing the best service and inspirational experiences across the board. Swisscom provides customers with expert guidance and they get flexible, personalised on-site service and enjoy a simple user experience across all online offerings. Swisscom is also streamlining its offering and provides relevant, advanced products.

The launch of the new blue product portfolio for residential customers has enabled Swisscom to push ahead with the digitisation of its offerings. With it, customers can conveniently adjust their subscriptions via the My

Swisscom app or book additional offers directly. Support is provided by a digital assistant named Sam. These offerings are geared specifically toward the needs of the digital native generation. In addition to its main brand, Swisscom offers second- and third-party brands to address more digitally savvy or price-sensitive target groups.

Swisscom provides small and medium-sized enterprises (SMEs) with in-depth, personal, local support thanks to a nationwide network of SME specialists and certified partners. As part of this, Swisscom provides SMEs with complete Smart ICT solutions for outsourcing IT. Both standardised products and customised customer solutions are in demand in the business customer segment. Swisscom offers its business customers an integrated customer experience from a single source. Swisscom expands its ICT portfolio on an ongoing basis – such as in the area of security, through new workplace or UCC offerings as well as through the further development of strategic cloud partnerships.

Operational excellence

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

New growth

The market for telecommunications in Switzerland is saturated. Swisscom anticipates moderate volume growth, both in the postpaid segment of mobile communications as well as in the broadband segment, where it expects the rising number of homes and businesses in Switzerland, among other factors, to result in an increase

in the number of subscribers. Price pressure will remain high in all markets, and Swisscom therefore expects revenue to decline slightly in the telecommunications market as a whole. Market experts believe that the market for IT services, on the other hand, will enjoy moderate growth over the next few years, driven by increasing digitisation and the related increase in the use of ICT in numerous industries.

Swisscom is targeting growth in the following three areas in particular: in its core business, in the IT market and in new business areas. By developing its core business further, it intends to exploit growth opportunities, e.g. in the Internet of Things (for both residential and business customers), in blue Entertainment with advanced value-added services and in respect of secondary and third-party brands.

In the IT sector, Swisscom's focus is on security and cloud services, vertical IT offerings (e.g. banking) and applications. It aims to generate growth in new business areas through digital services tailored to SMEs provided by localsearch (Swisscom Directories Ltd) and trust services. It manages growth areas using clearly defined success criteria. When selecting growth areas, it is guided by future customer requirements, focuses on future-oriented business models offering strong growth and makes increased use of partnerships. Swisscom is pooling forces in the new Group Strategy & Business Development department as of January 2023 in order to improve the efficiency of growth in new, adjacent business areas and to drive the topic of innovation across the Group.

'Level Up' transformation

In order to achieve the Group goals ('Swisscom Group Goals 2025') in a changing environment and to help shape the future, Swisscom must break new ground and adjust its Code of Conduct. With clear targets in the three dimensions of 'Performing together', 'Thinking digital first' and 'Acting lean & agile', Swisscom intends to develop its corporate culture and employees' skills and, in keeping with the 'Level Up' concept, take them up to the next level. To that end, Swisscom is committed to both Group-wide goals and the continuous development of all employees and teams who take on responsibility and deliver an impressive performance. Decisions at Swisscom are always made based on data. In this context, digitisation plays a central role, which is why Swisscom is systematically digitising its internal business processes. Likewise, all employees need digital skills to provide their customers with the best experience and to offer significant added value through lean, iteratively developed solutions. To that end, Swisscom promotes the continuous development of its employees.

'Performing together', 'Thinking digital first', and 'Acting lean & agile' enable Swisscom to develop its corporate culture.

Strategy in Italy

Fastweb is an infrastructure-based, alternative telecommunications provider for residential, business and wholesale customers in Italy. It has its own ultra-broadband infrastructure and offers fixed network and mobile communications services for residential customers and business customers. Fastweb positions itself as a high-quality provider and pursues a strategy in line with its role as an infrastructure-based OTT provider. Its network infrastructure (mobile communications and fixed network) offers customers connectivity at gigabit speed. Fastweb continues to expand its own convergent ultra-broadband network through ongoing investments. In the broadband market, its good market position is based on its own optical fibre-based infrastructure. Fastweb also holds a (4.5%) stake in FiberCop S.p.A., a network company majority owned by TIM. By acquiring a stake in FiberCop, Fastweb will benefit from the planned further FTTH roll-out in Italy. Fastweb additionally relies on the use of fixed wireless access (FWA). FWA allows surfing speeds similar to those offered by fibre to achieve a better customer experience at lower costs and with less time required for network expansion. The roll-out of the nationwide 5G mobile network will be enabled by the acquisition of Spektrum and the partnership with WindTre.

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

In order to improve its brand positioning even further, Fastweb has additionally incorporated its purpose of 'Tu sei futuro'. In doing so, it intends to expand its positioning, which had been heavily based on speed and performance in the past, to include future topics such as digitisation and sustainability. Swisscom expects Fastweb to

further expand its market position in the future and to make a rising value contribution.

Sustainability

Sustainability strategy

Swisscom assumes responsibility towards society and the environment. As Switzerland's leading ICT company, it wants to seize the opportunities of the digital transformation for the prosperity of Switzerland and help shape the future. To that end, Swisscom promotes people's digital skills, protects the climate, supports fair and climate-friendly supply chains, and builds and maintains its reliable, high-performance ICT infrastructure. All these measures are part of its Sustainability Strategy and are aligned with the UN's Global Sustainable Development Goals. Swisscom has formulated three strategic priorities with corresponding objectives to address these essential fields of activity: 'Responsibility for people', 'Responsibility for the environment' and 'Responsibility in action'. Further information can be found in the separate Sustainability Report.

☎ See www.swisscom.ch/cr-report2022

'Responsibility for people',
'Responsibility for the environment'
and 'Responsibility in action'
express Swisscom's commitment
to corporate responsibility.

Responsibility for people

Swisscom wants to enable people in Switzerland to make use of the opportunities presented by a networked world. By no later than 2025, Swisscom will help two million people every year to improve their skills in the digital world. New educational opportunities for schools, the people, SMEs and their employees are bringing it closer to this goal. Its teams in the call centres and shops are available to answer customers' questions. Responsibility for people also stands for the company's commitment to being a responsible employer, evidenced by how it trains around 900 apprentices, offers training and development opportunities to employees, and through the variety of offers relating to health, language diversity and volunteering. What's more, Swisscom is committed to barrier-free access to all its services.

Responsibility for the environment

As a pioneer in climate protection, Swisscom makes a contribution to help limit the global temperature increase to 1.5 °C. In its Swiss business, Swisscom will be

climate-neutral across the entire value chain by 2025. By then, it aims to avoid 90% of direct emissions (Scope 1 and 2) compared to 1990 as well as 50% of indirect emissions (Scope 3) compared to 2013. To achieve that goal, it will rely on 100% renewable energy, heat pumps as well as innovative data centres and is gradually electrifying its vehicle fleet. Swisscom relies on scientific evidence using the SBTi (Science Based Targets initiative) methodology and the entire Swisscom Group has also made a commitment to achieving net zero in accordance with the SBTi. It is also working with its customers to reduce net CO₂ emissions by 1 million tonnes per year by 2025. This corresponds to around 2% of Switzerland's greenhouse gas emissions. Ultimately, Swisscom wants to reduce its electrical energy consumption by 30% by 2030 compared to 2020.

Responsibility in actions

As a trustworthy partner, Swisscom is committed to meeting the highest demands of external stakeholders. That makes corporate ethics as well as data protection and security an important part of its sustainability strategy. It provides individuals and businesses nationwide with reliable ultra-fast broadband. Swisscom uses the best networks and progressive solutions to create added value for its customers, employees, shareholders and suppliers as well as for all of Switzerland. By doing this, it makes the country more competitive and a better place to live. Swisscom ensures fair and safe working conditions in the supply chain. It takes a systematic approach towards ensuring that its supply partners comply with social and environmental standards. It pays special attention to monitoring the origin of conflict minerals and the fight against child labour.

Climate protection and energy efficiency

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

The regulatory environment has become more challenging. In Switzerland, as in Europe, there is a noticeable trend towards more stringent requirements. Regulatory efforts are aimed at accelerating the transition to a zero-emissions economy by 2050 (net zero emissions). The 2022 reporting year saw Swisscom step its CO₂ reduction targets up even further and put them in line with a reduction path to well below 1.5 °C. It plans to reach its target of becoming climate-neutral in Switzer-

land by 2025. In 2023 it will also submit a new net zero target for 2035 at Group level that is compliant with the revised SBTi standard.

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

The goal of climate neutrality not only requires that emissions be reduced to an enormous degree, but also that responsibility be taken for the unavoidable residual emissions. To that end, Swisscom intends to promote projects that either avoid CO₂ emissions or actively remove CO₂ from the atmosphere and store it. Recent years have already seen it make reductions to its CO₂ emissions in recent years and use high-quality CO₂ certificates to offset unavoidable residual emissions. All Swisscom subscriptions were already climate-neutral in the year under review as a result. Swisscom will continue to focus on making further reductions to its own CO₂ emissions going forward.

Swisscom offers a range of services that help customers reduce their own CO₂ footprint. These include telecommunication services, which significantly reduce travel and therefore greenhouse gas emissions, as well. These services proved useful during the Covid-19 pandemic

since they were able to preserve and even increase the economy's productivity and competitiveness. One prerequisite for their use is comprehensive coverage with high-speed connectivity. An estimate of the emissions prevented by Swisscom customers through the use of sustainable services can be found in Swisscom's annual climate report.

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

Swisscom offers a range of services that help customers reduce their own CO₂ footprint.

Swisscom issued two green bonds in 2020 and 2021 in accordance with the Green Bond Principles of the International Capital Market Association (ICMA). Since 2021, it has also had credit facilities with costs that are linked to the ESG objectives (environmental, social and governance). The portfolio of sustainable services makes a relevant contribution to sales and is expected to grow further. Corresponding information can be found in the sustainability report and in the climate report.

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Infrastructure

Investments

CHF 2.3 billion

was invested by Swisscom in 2022, CHF 1.7 billion of which in Switzerland and CHF 0.6 billion in Italy.

Optical fibre expansion

50 to 55%

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 ultrabroadband in Italy – and the company aims to cover 90% of homes and businesses by 2025.

Infrastructure in Switzerland

Network infrastructure

Swisscom aims to provide its customers with the best network 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 constant 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, almost two thirds of which is financed by Swisscom. 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 Mbps in rural regions of Switzerland is 96%, well above the EU average of 68%.

The Broadband Network Test Switzerland 2022, conducted by the trade magazine connect, awarded first place to Swisscom's fixed network, with it winning in both the 1 Gbps and 10 Gbps speed classes. Swisscom's fixed network was also rated 'outstanding' at the same time. 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 infrastructure.

Broadband coverage

Coverage >80 Mbps	91%
Coverage >200 Mbps	79%
Coverage with 10 Gbps	34%

Due to the ongoing proceedings of the Competition Commission, Swisscom cannot market nearly 500,000 fibre-optic connections built using point-to-multipoint architecture (P2MP) to the home (FTTH) for the time being. In view of this situation, Swisscom has decided to create new connections – largely using point-to-point (P2P) architecture and to convert some existing P2MP connections to P2P – in order to offer customers the option of using the fast FTTH connections. The annual budget for fibre optic investments of CHF 500 to 600 million remains unchanged, but the expansion is taking place somewhat more slowly than originally planned. Only 50 to 55% of the connections can be connected via FTTH by 2025, for example. Swisscom will continue to invest in FTTH roll-out after 2025 with the intention of expanding FTTH coverage to 70 to 80% by 2030. At the same time, Swisscom will continue to modernise its existing network. Bonding technology will be used to combine the performance of the fixed network with that of the mobile network in selected regions, for example.

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 9,800 antenna sites with them. At the end of 2022, Swisscom had around 6,600 exterior units and 3,700 mobile communication antennas in buildings. With around 7,500 hotspots in Switzerland, it is also the country's leading provider of public wireless local area networks (WLAN).

The 5G mobile communication standard not only enables new functions, but also brings a much-needed reduction in the load on the network, increases capacity and maintains the accustomed quality of the 4G network. Because of this, and owing to the stringent legal framework conditions that apply, the mobile network has to be expanded by the addition of new mobile telephony sites. Progress continues to be made on expanding 4G and 5G. Swisscom announced in the reporting year that it would decommission its 3G technology, now 20 years old, at the end of 2025 in order to use the freed-up capacity for more 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 74% with 5G+. According to the industry association asut, 4.5 million 5G-enabled devices were already in operation in Switzerland by the end of 2022. 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 CHANCE 5G established by the industry association asut.

☉ See www.chance5g.ch

The Internet of Things (IoT)

International cloud providers have become more interested in the IoT market, which has given new impetus to the integration and scaling of IoT. 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' rounds off Swisscom's portfolio and, thanks to plug-and-play, makes it even easier for many 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 in sensitive areas such as homes, schools, hospitals and permanent workplaces.

IT infrastructure and platforms

Swisscom operates six major data centres in Switzerland. The IT infrastructure comprises over 80,000 virtual machines and around 6,000 servers. The central telecommunications 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 these 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. 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. Since the quality and security culture is a central aspect of Swisscom, the company takes every possible precaution to reduce the likelihood that major disruptions will occur. Swisscom positions itself as a reliable IT partner with a broad range of services. On the basis of an extended cloud strategy, it is expanding its cloud offering with hybrid ICT services. These services support Swisscom customers in setting up hybrid and multi-cloud environments and operating them efficiently. Swisscom responds quickly and individually to the numerous needs of its customers using a flexible system of modular services. As part of its strategy, it is strengthening its partnerships with the major public cloud providers such as Amazon Web Services and Microsoft Azure. In addition to its extensive public cloud service offering for business customers, Swisscom will be relying on Amazon Web Services to operate a growing number of internal applications over the next few years.

Swisscom uses its cloud platforms to provide both internal and external communication services. It operates these platforms in its own geographically redundant data centres, which thus enables efficient, automated use and improves the customer experience in a targeted manner. Swisscom is continuously expanding its connectivity offering with an advanced software-defined Wide Area Network (SD-WAN), Managed Security and Managed LAN, while paying special attention to the

combination of modern and established services. State-of-the-art approaches such as a secure access service edge (SASE) and zero trust network access (ZTNA) are being used with growing frequency. The constant state of change on the market backs up Swisscom’s efforts to use the latest technologies both internally and externally for the benefit of its customers. Instead of developing its own infrastructure, Swisscom is increasingly making use of the standardised systems created by its partners. The focus on the development of market-specific, value-adding services based on established infrastructure has proven sound.

The industrialisation of IT continues to make headway, as does the development of modern applications that benefit from the opportunities offered by the platforms, cut costs and ensure maximum stability. Here Swisscom is establishing its role in the digital transformation through specific services such as the ‘Journey to the Cloud’ portfolio. By combining different generations of technology to meet its needs, Swisscom is building upon its experience and expertise to provide the best possible support to its customers as they make their way into the digital world.

Infrastructure in Italy

Network infrastructure

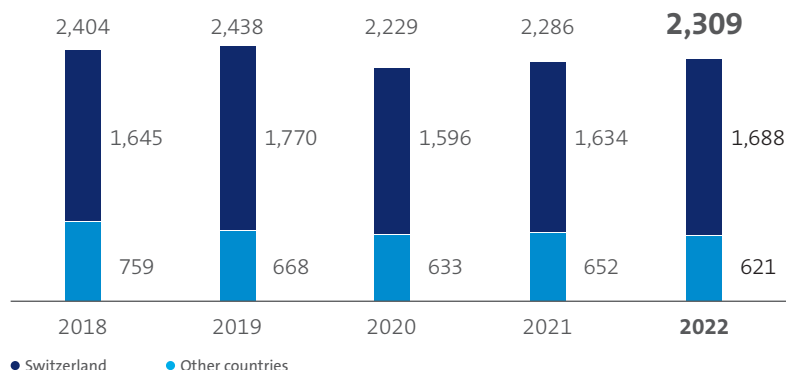
In Italy, government subsidies have accelerated the roll-out of optical fibre even further. The ‘Italia 1Gbps’ plan, for example, aims to provide gigabit-level coverage for all of Italy by 2026. Fastweb has always played an important role in the development of ultra-broadband (UBB) infrastructures. Accordingly, it has invested in its own infrastructure and holds a 4.5% stake in FiberCop. Fastweb’s goal is to use FTTx (Fiber to the Home/Street) and 5G FWA (Fixed Wireless Access) to provide UBB to 90% of homes and businesses by 2025. By the end of 2022, 8.3 million homes and businesses will benefit from UBB coverage with FTTx from Fastweb. On top of that, the roll-out of 5G FWA enables Fastweb to reach a total of 4.5 million homes and businesses in collaboration with Linkem.

IT infrastructure

Fastweb currently uses five large data centres, four in the Milan area and one in Rome. Two of the data centres are owned by a technology partner that manages and develops the data centre and handles all operational tasks connected to Fastweb’s IT infrastructure. 2022 saw Fastweb open a new data centre in Milan that is operated by a technology partner as part of a whitespace solution. Fastweb mainly uses two other data centres for the business customer segment, including for housing, cloud services and other ICT-managed services. The fifth is specifically dedicated to internal operations.



Capital expenditure
in CHF million





Making learning more innovative than ever before

Swisscom offers an individual apprenticeship model with new vocational training and innovative approaches to applications and training.

Employees

Employees

19,157

employees (FTEs) work at Swisscom, 15,750 (82%) of which in Switzerland and 3,039 (16%) in Italy.

Part-time

21%

employees work part-time at Swisscom.

Women

24%

of the company's workforce is comprised of women; the figure for management is 14%.

Employees in Switzerland

Digitisation presents numerous opportunities as well as great challenges for employees and companies. As a result, Swisscom helps its 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 2022, Swisscom employees spent an average of 3.8 days per person on learning, training and development.

Overview employees

Employees (FTE)	15,750
Subordination to CEA	80%
Permanent work contracts	99%
Part-time employees	21%
Fluctuation rate	5%

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, while the other employees are subject to Swisscom's Collective Employment Agreement (CEA).

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Swisscom plays a pioneering role in flexible working throughout Switzerland and is expanding the availability of this type of working model. Employees appreciate the flexibility it offers, not having to commute to work and 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. Subsidiaries adopt the CEA, possibly with adaptations for specific sectors or lines of business, by means of an affiliation agreement. The subsidiaries cablex Ltd and Swisscom Directories Ltd (localsearch) negotiate their own CEA with the social partners. Under the Telecommunications Enterprise Act (TEA), Swisscom is obliged to draw up a collective employment agreement in consultation with the employee associations. In the event of any controversial issues, an arbitration commission must be convened which will support the social partners by providing suggestions for solutions.

Progressive employment conditions

Education days per year	5
Purchase of holiday days	10
Weeks of maternity leave	18
Weeks of paternity leave	3

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 2022, 88% of those affected by personnel reduction measures had found a new job before the social plan programme ended (prior year: 93%). 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 metrics that fall into the areas of operating performance, customers, growth and sustainability. Details on remuneration paid to members of the Group Executive Board are provided in the Remuneration Report.

With effect from April 2022, Swisscom and its social partners agreed to increase salaries for employees subject to the CEA by 0.9% 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. An additional 0.9 per cent of the total payroll was 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 354 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 895 apprentices in a variety of professions in Switzerland; more than 526 ICT apprentices make it 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, Swisscom does not request school reports or certificates in connection with apprenticeship applications.

526

ICT apprentices are trained by Swisscom, making it the largest provider of ICT apprenticeships in Switzerland.

Furthermore, Swisscom launched the 'Learnvolution' project with the Baden Vocational School to make the training concept of vocational schools more flexible. This project was distinguished with the ICT Education & Training Award. Through it, the graduates of technical colleges and universities are able 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 71% in 2022 (previous year: 68%). 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

To promote diversity, Swisscom focuses in its activities 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. At the end of 2022, around 24% of Swisscom's employees were women (prior year: 24%), and the proportion of women in management was around 14%.

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. The proportion of these jobs increased from 1.11% to 1.17% versus the previous year. Swisscom tries to earmark at least 1% of jobs for inclusion-related employment solutions.

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.

Languages: Swisscom attaches importance to ensuring that the different languages are appropriately repre-

sented throughout the company and offers apprenticeships, internships and talent programmes in all language regions as a result. The Swisscom Lingua language initiative supports efforts to learn both the national languages and English or improve the corresponding language skills.

Employees in Italy

The statutory working conditions in Italy are based on the collective employment agreement. It sets out the working conditions for employees and also contains provisions governing relations between Fastweb and the unions. Fastweb engages in dialogue with the unions and the employee representatives and, in the event of major operational changes, involves them at an early stage.

The collective employment agreement regulates, among other things, weekly working hours, holiday entitlement as well as maternity and paternity leave.

General terms of employment

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

In the event of incapacity for work due to illness or accident, Fastweb guarantees full payment of salary for 180 days and payment of half the salary for a further 185 days. The terms and conditions of employment enable employees to achieve a healthy balance between their work demands and personal life. This is largely due to the following measures: flexible office working hours, smart working and working from home, and for mothers the choice of shifts or temporary part-time jobs.

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



Now climate neutral

Climate-neutral subscriptions for all of Swisscom's customers – immediately, automatically and at no extra charge.

Fastweb employees have full flexibility and autonomy in their choice of working model.

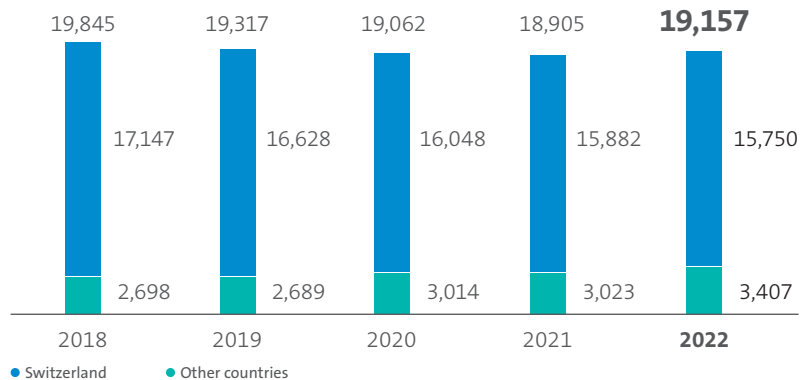
A Smart Working agreement was introduced at Fastweb in 2020. It provides full flexibility and autonomy in the choice of working model for all employees of the company, including customer advisors. It gives Fastweb employees the option of using the smart working model on all business days or deciding each day, in consultation with their supervisor, whether to do their work in the

office or remotely. This guarantees performance-based management that does not view success as being contingent upon employees' on-site work.

Fastweb is always interested in attracting new talent, as well. To that end, it offers young people an opportunity to complete internships at the company throughout the entire year and participates in a programme in which it takes on interns from schools as a way of introducing them to the world of work. Furthermore, Fastweb participates in career days and presentation/recruitment events organised by universities and educational institutions in order to meet young candidates.



Development of headcount
in full-time equivalents





As individual as you are

With 'blue', Swisscom offers its customers a tailored service – better, simpler and more attractive.

Brands, products and services

Swisscom brand

CHF 5.6 billion

is the value of the Swisscom brand.

Swisscom blue

4.6 million

new subscriptions were taken out by customers.

Fastweb

34%

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

Vision, values and the Swisscom promise determine the positioning of the Swisscom brand. Swisscom expects its employees to demonstrate trustworthiness, commitment and curiosity in everything they do. Swisscom is preparing its customers so they can make even easier use of the networked future. The 'ready' brand platform expresses this positioning to the outside world, which has a positive effect on the brand perception.

The 'Swisscom blue' product family, which combines all of Swisscom's entertainment offerings, was upgraded and expanded in the year under review. In addition to the existing offerings Swisscom blue TV, blue Cinema and blue News, it now includes connectivity offerings on the mass market. It ensures high visibility and recognition and rejuvenates the Swisscom brand.

Main brand



Product family



Secondary brand and tertiary brands



Other brands (excerpt)



Swisscom brand portfolio

This is in line with Swisscom's one-brand strategy. With respect to 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 and service remain important factors in confirming to existing customers that they made the right decision in opting for Swisscom and in winning new customers, while also helping to emphasise the

importance of Swisscom for Switzerland. Swisscom is part of a modern Switzerland, is always recognisable as a Swiss company and positions itself clearly and credibly through its stance on responsibility. 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 telecommunications sector by global standards.

According to the Telecoms 150 report, Swisscom is the second-strongest telecommunications brand worldwide.

The 'Brand Finance Switzerland 50 2022' report rated Swisscom as the year's strongest brand in Switzerland – ahead of Lindt and last year's winner Rolex. Swisscom increased its brand value by 16% to CHF 5.6 billion, making it one of the ten most valuable Swiss brands.

Products and services in Switzerland

Residential Customers

Swisscom launched its new, comprehensive blue portfolio during the year under review. It makes the subscription more flexible and attractive for new and existing customers, offering them a range with even more benefits.

Simply digital: Customers who use Sam – the digital assistant – as their first point of contact for support will benefit from a monthly discount of CHF 10 per subscription. Of course, all Swisscom customers will still be able to access the traditional hotline and in-shop advice.

Loyalty benefit: Customers who combine subscriptions for mobile telephony and Internet access now benefit from a monthly loyalty discount of CHF 20 at even the lowest subscription level, or a whole CHF 30 for each additional mobile subscription in the same household (up to four).

Giga speed: Swisscom customers with the most popular subscriptions now surf at up to 1 Gbps, automatically and at no extra charge, instead of 200 Mbps or 300 Mbps. This benefits around 1.9 million customers.

blue TV: blue TV now offers up to 2,000 hours of recording capacity. Depending on the language region, the blue Play media library now includes up to 10,000 films and series episodes and is free of charge for customers with the blue M subscription level or higher.

The easiest way to control Swisscom blue is via the new 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 Swisscom app as the best telecommunications app in the German-speaking region (Germany, Austria and Switzerland).

Swisscom blue offers a comprehensive entertainment experience with TV, streaming and cinema, along with the freedom of being able to access this content from anywhere. blue TV is available both via the Swisscom Box and via a smartphone and tablet app, a web player on blue.ch and a smart TV app on Samsung and LG devices. The app is also available with the complete blue+ offering on the TV boxes of UPC TV, Quickline, Wingo, Net+ and Apple TV. Apple TV 4K has also been available as an alternative to Swisscom Box 21 since 2022. Owners of Apple devices can now use the blue TV app on Apple TV 4K to access their blue TV subscription, making blue TV not only accessible to Swisscom customers, but also to customers of other operators.

Swisscom blue: better, simpler, more attractive

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

In addition to the standard communications channels such as hotlines, chats and contact forms, customers get in touch with Swisscom via WhatsApp, Facebook, 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 115 Swisscom shops – many of which already feature the new 'Retina' design, whose nationwide roll-out began in the year under review. Swisscom earned top scores to win the connect shop test for the second time in a row in 2022. Customers can also have damaged mobile devices repaired on site in eleven Swisscom Repair Centers. Swisscom offers its customers a Swiss solution via myCloud for securely managing and sharing their personal data such as photos, videos and documents.

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

Business Customers

Swisscom makes use of its many years of experience as an integrated telecommunications and IT company to support its business customers with their digitisation efforts and works together with them to develop forward-looking solutions. Swisscom's 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 and services tailored to the banking industry.

In the year under review, Swisscom entered into a strategic cloud collaboration with Amazon Web Services to offer its customers advanced products and services. Swisscom also helps drive the digitisation of the health-care sector. It helps make 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.

As a leading provider of cybersecurity, Swisscom now offers immediate professional assistance to Swiss companies and authorities from experienced security specialists if they become the victim of a cyber attack – all of this around the clock and regardless of whether the victims are Swisscom customers.

Swisscom has standardised and customisable ICT solutions in its portfolio for SME customers. inOne SME office covers basic Internet and telephony needs. 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, IoT solutions, a cloud-based register system, cloud-based software for mobile working as well as web services round off Swisscom's SME portfolio.

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. Swisscom's brand portfolio also includes renovero, the largest Swiss platform for craftsmen; Localcities, a platform for communities and associations; as well as anbieter-vergleich.ch, an industry comparison service.

The subsidiary Swisscom Broadcast AG provides radio networks for broadcasting, security and professional mobile radio and makes around 450 transmitter sites available for co-use. Its offering also includes numerous services related to video surveillance and analysis, perimeter protection as well as drones and robot applications. It is complemented by services from the fields of telecommunications, IT, streaming and event management. Furthermore, Swisscom takes over the planning, construction, maintenance and operation of high-performance ICT and network infrastructure solutions as well as promising smart infrastructure projects through cablex Ltd, Switzerland's leading network infrastructure and service company.

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.



More security than ever

In the event of a cyber attack, Swisscom specialists support companies and authorities – quickly, professionally, for customers and non-customers alike.

Products and services in Italy

In the residential customer segment, Fastweb defended its premium positioning in 2022 despite intense price competition. The high quality of services and, increasingly, sustainability efforts have contributed to the company's successful market positioning. Fastweb defended its premium positioning in the fixed-network segment as well. It introduced a three-tier offer, launched an Internet box with several different versions and expanded the offer with additional services. In the area of mobile communications, Fastweb expanded coverage even further with the 5G network. That enabled Fastweb to attract new customers by offering the best value for money on the market. At the same time, Fastweb contributed to climate protection by offering the first 'emission-free' subscriptions in Italy. Finally, it incorporated the Fastweb Digital Academy into its offering in order to intensify its commitment to strengthening digital skills within the country and fostering talent.

In the business customers segment, Fastweb confirmed its leading position again in 2022. A market share of 34% gives the company a strong market position, especially in fixed network and ICT services for corporate customers. In the area of public administration, its market share rose to 47% thanks to the conclusion of national framework agreements for fixed-network and ICT services. In this customer segment, Fastweb secured contracts for cybersecurity projects worth a total of EUR 135 million through cyber security tenders. Fastweb was also awarded a number of projects to network schools and healthcare institutions as part of the EU-funded National Recovery and Resilience Plan (NRRP). Fastweb gained additional corporate customers during the year under review through its 'Fastweb 5G Mobile' service for businesses, which was successfully launched at the end of 2021. It also continued efforts to develop its portfolio of cloud and IT security offerings through Cutaway and 7Layers, which had been acquired in 2020. With respect to the public cloud, Fastweb offered its customers a more comprehensive multi-cloud service as part of the partnership with Amazon Web Services (AWS) that was established in 2021.

In the wholesale market, Fastweb has achieved excellent results thanks to partnerships with Sky, WindTre, Tiscali and other companies with more than 400,000 connections (residential and business customers), and customers benefit from ultra-fast broadband services.

Customer satisfaction

Swisscom measures the satisfaction of residential and business customers twice a year, and that of wholesale customers once a year. The metric used is 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 tougher competitive environment, 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

Trendscouting

Since 1998

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

Innovation activities

7 areas of innovation

that help the Group achieve its goals.

Swisscom Ventures

More than 80 investments

in technology companies made by Swisscom.

Innovation as a key driver of business performance

Innovation is central to Swisscom's business performance and helps the company achieve its strategic goals. Even the best customer experience can be improved even further through upgrades to existing products and services. With the help of analytical tools, artificial intelligence and automation, Swisscom designs processes to be even more efficient. It creates growth by developing new products and services. Innovation also helps Swisscom position itself as the best ICT employer, attract the best talent and retain it. Swisscom works closely with partners, universities, start-ups and established technology companies.

Swisscom supports the internal innovation process through its Kickbox intrapreneurship programme.

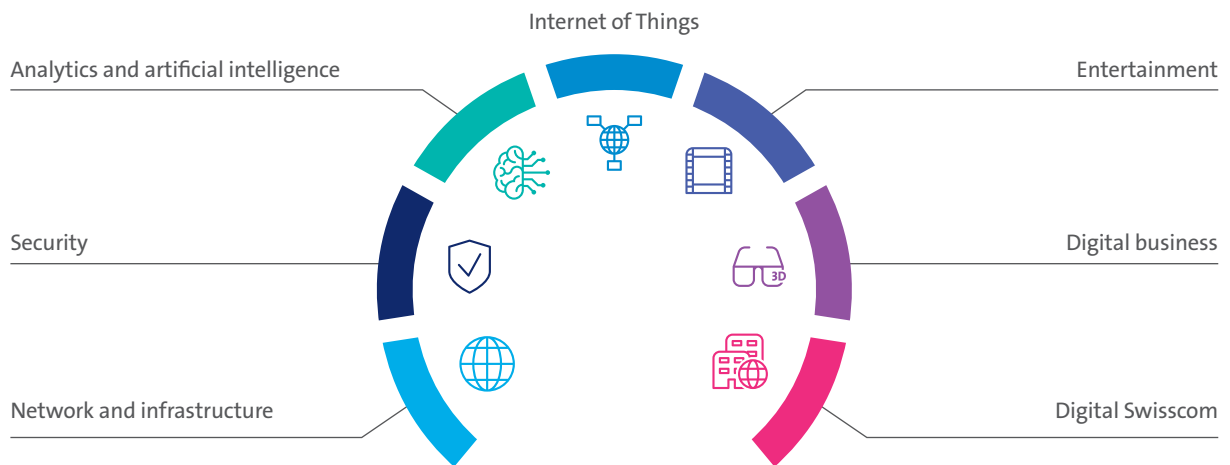
In its Silicon Valley office, Swisscom has been engaged in trend and technology scouting since 1998. At the same time, Swisscom Outpost is an integral part of the Silicon Valley ecosystem. It establishes local partnerships with advanced technology companies whose products and business models are subsequently transferred to Switzerland.

The Swisscom Ventures division 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 tenth Swisscom Start-up Challenge, which was all about climate protection and sustainability. Over 200 start-ups from 30 countries applied for the funding programme. The five winners of the Start-up Challenge secured spots to participate in a one-week exploration programme with sustainability and ICT experts from Swisscom while also gaining access to the Swisscom ecosystem. They now have access to workshops, coaching and a network that includes companies from the areas of climate protection and energy efficiency as well as investors. They also get the chance to partner with Swisscom. Swisscom strengthens the internal innovation process through the intrapreneurship programme Kickbox, which provides employees with tools, a clear process and resources for innovation projects. The programme is also available to other companies via the spin-off rready AG.

© See www.swisscom.ch/innovation

Innovation focused on specific topics



Network and infrastructure

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

Fixed network

Broadband demand will continue to grow going forward, making it important for Swisscom to continuously invest in the network, expand it and implement the latest technologies. The year under review saw Swisscom become the first company in the world to successfully test the latest generation of fibre-optic technology (50G PON) in a Zurich metropolitan area. In addition to offering a bandwidth of up to 50 Gbps, this technology offers valuable security services, lower latency and guaranteed bandwidth thanks to network slicing.

Mobile communications

Swisscom is continuously improving its mobile network through the fine-tuning of a variety of parameters (antenna alignment, etc.). In the past, parameter adjustments had been performed manually. Swisscom is currently developing a machine learning-based recommendation system for mobile communications configurations that evaluates a large number of possible parameter combinations. Going forward, Swisscom plans to use this system for making automatic adjustments to the mobile network. Swisscom is working on a hyperloop project together with the Swiss Federal Institute of Technology in Lausanne (EPFL): a 600-kilometre-per-hour ground-based transport system. Swisscom controls the hyperloop using its own 5G mobile radio cell.

Internet of Things (IoT)

The Internet of Things (IoT) enables lucrative business models, automated processes, and novel customer interactions through smart products. Swisscom supports companies to successfully enter the IoT and to develop their systems further. Swisscom partnered with Microsoft to develop an advanced IoT solution for the Rhomberg Sersa Rail Group, a leading international full-service provider of railway technology. The solution collects position and operating data from the equipment, analyses this data with the help of artificial intelligence and evaluates it. This approach to digitised railway construction is already enabling faster and more economical work processes in several countries.

Analytics and artificial intelligence (AI)

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. Forecasting algorithms, for example, can be used to analyse past visitor flows and predict future ones. Last year, Swisscom successfully launched a service for Switzerland Tourism that forecasts visitor density around tourist attractions. It plans to extend its movement forecasts to other industries, such as retail and transportation, to provide data-driven support to customers making expansion-related decisions or for marketing planning, for example.

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 two years already. 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 is improving the service continuously, so that certain customer enquiries can be resolved entirely via automated voice dialogue. The same AI foundation is used in the Swisscom chatbot via webchat, AppChat, Apple Business Chat (ABC), SMS and WhatsApp.

Security

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

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

Entertainment

Swisscom expanded the Swisscom blue offering even further during the year under review. Customers can now use Apple TV as a TV-Box. The Sport Player on the television gives customers with sports subscriptions direct access to the highlights of a sporting event. 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 Energy to organise the first virtual live concerts in the metaverse in the year under review.

Digital Swisscom

Swisscom took further steps to digitise its network, jobs and processes in 2022. The new My Swisscom app once again passed the test carried out by trade magazine connect and came in first place with the highest score among all service apps operated by German-speaking telecommunications companies. Swisscom uses innovations from the field of digitisation on the customer channels it serves (such as in shops and call centres). Following a successful pilot last year, Swisscom is enabling self-checkout in its stores using the My Swisscom app. The app will also display waiting times and free appointment slots in the future. The shops stopped printing out cash register receipts this year; they will be stored digitally in the respective customer's My Swisscom app going forward.

Digital business

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

Digital trust

Swisscom has positioned itself in Switzerland as a pioneer and market leader for trust services such as electronic signatures and digital certificates. Swisscom subsidiary Ajila AG is already providing major support to numerous Swiss companies and administrations to help them completely digitise their document-based business processes. Customer identification and onboarding as well as contract signings often pose bottlenecks in the customer journey. However, fully digital processes call for tools that avoid media discontinuity and integrate seamlessly into companies' offerings. This is ensured by two subsidiaries: i-web, the leading provider of eGovernment services to municipalities and cities in Switzerland, and Swisscom Trust Services AG, which is a leading provider in Switzerland and Europe of legally valid electronic signature and identity solutions in accordance with the EU's eIDAS Regulation and the Swiss Signatures Act ZertES.

Financial review

Alternative performance measures

Swisscom uses key indicators defined in the International Financial Reporting Standards (IFRS) throughout its entire financial reporting, as well as selected alternative performance measures (APMs). These alternative measures provide useful information on the Group's financial situation and are used for financial management and control

purposes. As these measures are not defined under IFRS, the calculation may differ from the published APMs of other companies. For this reason, comparability across companies may be limited.

The key alternative performance measures used at Swisscom for 2022 financial reporting are defined as follows.

Key performance measure	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 2022 are translated at the 2021 exchange rate to calculate the currency effect).
Operating income before depreciation and amortisation (EBITDA)	Operating income before depreciation, amortisation and impairment losses of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
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) minus capital expenditure in property, plant and equipment, intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense includes interest expenses on lease liabilities and depreciation of rights of use excluding depreciation of indefeasible rights of use (IRU) and impairment losses on right-of-use assets.
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, financial assets in connection with financing and other current financial assets.

Reconciliation of alternative performance measures

in million CHF	2022	2021	Change reported	Change at constant currencies
Net revenue				
Net revenue	11,112	11,183	-0.6%	1.0%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	4,406	4,478	-1.6%	-0.2%
Termination benefits	(5)	14		
Gain from change in pension plan	-	(60)		
Additions to provisions for legal proceedings in Switzerland	157	52		
EBITDA adjusted	4,558	4,484	1.7%	3.1%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	2,289	2,270	0.8%	2.9%
Payments for indefeasible rights of use (IRU)	20	16	25.0%	
Capital expenditure	2,309	2,286	1.0%	3.0%

In CHF million	2022	2021	Change
Operating free cash flow proxy			
Cash inflow from operating activities	3,876	4,044	(168)
Capital expenditure	(2,309)	(2,286)	(23)
Depreciation of right-of-use assets	(262)	(281)	19
Depreciation of indefeasible rights of use (IRU)	20	23	(3)
Impairment losses on right-of-use assets	-	1	(1)
Proceeds from finance leases	(106)	(112)	6
Change in deferred gain from the sale and leaseback of real estate	10	11	(1)
Change in operating assets and liabilities	85	(65)	150
Change in provisions	(31)	73	(104)
Change in defined benefit obligations	(49)	9	(58)
Gain on sale of property, plant and equipment	11	10	1
Loss on disposal of property, plant and equipment	(3)	-	(3)
Expense for share-based payments	(1)	(1)	-
Revenue from finance leases	134	120	14
Interest received	(2)	(14)	12
Interest paid on financial liabilities	62	81	(19)
Dividends received	(2)	(1)	(1)
Income taxes paid	378	279	99
Operating free cash flow proxy	1,811	1,891	(80)
Free cash flow			
Cash inflow from operating activities	3,876	4,044	(168)
Cash flow used in investing activities	(2,430)	(2,120)	(310)
Repayment of lease liabilities	(240)	(259)	19
Acquisition of subsidiaries, net of cash and cash equivalents acquired	67	42	25
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	-	(1)	1
Purchase of equity-accounted investees	2	3	(1)
Proceeds from equity-accounted investees	-	(149)	149
Purchase of other financial assets	142	73	69
Proceeds from other financial assets	(68)	(120)	52
Free cash flow	1,349	1,513	(164)

Summary

In CHF million, except where indicated

	2022	2021	Change	in %
Net revenue	11,112	11,183	(71)	-0.6%
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478	(72)	-1.6%
EBITDA as % of net revenue	39.7	40.0	(0.3)	
Operating income (EBIT)	2,040	2,066	(26)	-1.3%
Net income	1,603	1,833	(230)	-12.5%
Operating free cash flow proxy	1,811	1,891	(80)	-4.2%
Free cash flow	1,349	1,513	(164)	-10.8%
Capital expenditure	2,309	2,286	23	1.0%
Net debt	7,374	7,706	(332)	-4.3%
Equity	11,171	10,813	358	3.3%
Equity ratio	45.4	43.6	1.8	
Full-time equivalent employees	19,157	18,905	252	1.3%

The main contributors to Group net revenue for 2022 of CHF 11.1 billion are the Swisscom Switzerland (74%) and Fastweb (22%) segments.

Compared with the previous year, Group net revenue decreased by 0.6% and operating income before depreciation and amortisation (EBITDA) by 1.6%. The reported revenue and EBITDA development was significantly influenced by the performance of the euro (EUR) as a result of the substantial share held by Fastweb. The average EUR exchange rate decreased by 7.0% year-on-year in 2022. This resulted in negative exchange differences on Group net revenue of CHF 187 million and on EBITDA of CHF 65 million. Based on a constant EUR exchange rate, revenue in 2022 rose by 1.0% or CHF 116 million. Revenue remained largely stable for Swisscom Switzerland (+0.4%), and Fastweb achieved an increase in revenue of 3.8% (in EUR). In the other segments, revenue saw a marginal increase of 0.5%.

In addition to exchange rate effects, EBITDA development was also influenced by various non-recurring items. In 2022, provisions for legal proceedings of CHF 157 million were recognised with an effect on EBITDA (prior year: CHF 52 million). In addition, provisions for termination benefits of CHF 5 million were reversed with an effect on EBITDA in the reporting year (in the previous year, provisions of CHF 14 million were recognised). In 2021, there was also a positive non-recurring item of CHF 60 million in connection with change in pension plan. These non-recurring items negatively impact the comparison of EBITDA year-on-year by a total of CHF 146 million. Without these items and with a constant EUR exchange rate, this resulted in an increase in EBITDA of CHF 139 million (+3.1%). Swisscom Switzerland and Fastweb both contributed to this, with CHF 121 million and CHF 30 million respectively.

The development of the financial result and income tax expense was also influenced by non-recurring items. In 2021, gains from two shareholding transactions of CHF 207 million combined were incurred and income tax expense positively impacted by CHF 57 million due to a change in Italian tax laws.

Net income decreased by 12.5% year-on-year to CHF 1,603 million. The main reasons for the CHF 230 million decline in profit are the non-recurring items in EBITDA (CHF 146 million), in the financial result (CHF 207 million) and in income tax expense (CHF 57 million). Adjusted for these items, net income increased by CHF 180 million.

Capital expenditure was again substantial at CHF 2.3 billion. This was 1.0% higher than in the previous year and related primarily to network infrastructure in the Swiss core business and at the Italian subsidiary Fastweb. The generated free cash flow of CHF 1,349 million can be used to finance the total dividend of CHF 1,140 million and further reduce net debt. Net debt remained unchanged in relation to EBITDA at 1.7x. The single-A credit rating confirmed by both major rating agencies and the further increase in the equity ratio to 45% underline the solid financing.

Swisscom expects net revenue of CHF 11.1 to 11.2 billion, EBITDA of CHF 4.6 to 4.7 billion and capital expenditure of around CHF 2.3 billion for 2023. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2023 financial year at the 2024 Annual General Meeting.

Segment results

In CHF million, except where indicated

	2022	2021	Change	in %
Net revenue¹				
Residential Customers	4,527	4,545	(18)	-0.4%
Business Customers	3,129	3,031	98	3.2%
Wholesale	612	654	(42)	-6.4%
Infrastructure & Support Functions	71	76	(5)	-6.6%
Intersegment elimination	(69)	(73)	4	-5.5%
Swisscom Switzerland	8,270	8,233	37	0.4%
Fastweb	2,493	2,583	(90)	-3.5%
Other Operating Segments	1,038	1,033	5	0.5%
Intersegment elimination	(689)	(666)	(23)	3.5%
Revenue from external customers	11,112	11,183	(71)	-0.6%
Operating income before depreciation and amortisation (EBITDA)¹				
Residential Customers	2,975	2,916	59	2.0%
Business Customers	1,384	1,375	9	0.7%
Wholesale	291	298	(7)	-2.3%
Infrastructure & Support Functions	(1,166)	(1,137)	(29)	2.6%
Intersegment elimination	(1)	1	(2)	
Swisscom Switzerland	3,483	3,453	30	0.9%
Fastweb	857	892	(35)	-3.9%
Other Operating Segments	160	166	(6)	-3.6%
Reconciliation pension cost ²	(53)	14	(67)	
Intersegment elimination	(41)	(47)	6	-12.8%
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478	(72)	-1.6%

¹ Swisscom has made adjustments to its financial management as of 1 January 2022 and has restated the previous year's figures accordingly. For further information, see note 1.1 to the consolidated 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 the Digital Business division, Swisscom Broadcast Ltd (radio transmitters) and calex Ltd (network construction and maintenance).

Swisscom Switzerland

In CHF million, except where indicated

	2022	2021	Change	in %
Net revenue and results				
Telecom services	5,449	5,498	(49)	-0.9%
Solution business	1,181	1,111	70	6.3%
Merchandise	831	772	59	7.6%
Wholesale	601	644	(43)	-6.7%
Revenue other	148	152	(4)	-2.6%
Revenue from external customers	8,210	8,177	33	0.4%
Intersegment revenue	60	56	4	7.1%
Net revenue	8,270	8,233	37	0.4%
Direct costs	(1,799)	(1,826)	27	-1.5%
Indirect costs	(2,988)	(2,954)	(34)	1.2%
Segment expenses	(4,787)	(4,780)	(7)	0.1%
Segment result before depreciation and amortisation (EBITDA)	3,483	3,453	30	0.9%
Margin as % of net revenue	42.1	41.9		
Lease expense	(218)	(232)	14	-6.0%
Depreciation and amortisation	(1,489)	(1,475)	(14)	0.9%
Segment result	1,776	1,746	30	1.7%
Operating free cash flow proxy				
Segment result before depreciation and amortisation (EBITDA)	3,483	3,453	30	0.9%
Lease expense	(218)	(232)	14	-6.0%
EBITDA after lease expense (EBITDA AL)	3,265	3,221	44	1.4%
Capital expenditure	(1,698)	(1,642)	(56)	3.4%
Operating free cash flow proxy	1,567	1,579	(12)	-0.8%
Operational data in thousand and full-time equivalent employees				
Fixed telephony access lines	1,322	1,424	(102)	-7.2%
Broadband access lines retail	2,027	2,037	(10)	-0.5%
TV access lines	1,571	1,592	(21)	-1.3%
Mobile access lines	6,173	6,177	(4)	-0.1%
Access lines wholesale	679	698	(19)	-2.7%
Headcount	12,822	12,889	(67)	-0.5%

Swisscom Switzerland's net revenue remained largely stable (+0.4%). Telecoms services account for the largest share of revenue (66%). The other main revenue items are solutions business (14%), merchandise (10%) and wholesale business (7%).

In telecoms services, the long-standing trend of declining revenues slowed significantly in 2022 with a year-on-year decrease of CHF 49 million (-0.9%), in spite of continued high competition and price pressure. In the Residential Customers segment (+0.2%), this trend was even stopped altogether, mainly due to the following factors: the successful launch of a new product portfolio (Swisscom blue), fewer promotions, a decline in willingness among customers to switch (churn rate) and strong customer growth at secondary brand Wingo. Market saturation is reflected in fewer connections and declining

subscriber bases for fixed-network telephony (-7.2%), broadband retail (-0.5%), TV (-1.3%) and mobile communications (-0.1%). In mobile communications, the customer structure changed due to a decline in prepaid lines (-170,000) and an almost equal increase in postpaid lines (+166,000). The share of secondary and third-party brands rose from 23% to 28%.

Revenue from the solutions business increased by CHF 70 million (+6.3%). Around half of this is attributable to the acquisition of the MTF Group. Swisscom has a strong position as a full-service provider and customer satisfaction is high. Demand for cloud, security, IoT and SAP solutions as well as business applications continued to grow.

The decline in wholesale revenue by CHF 43 million (–6.7%) resulted in part from the loss of MVNO revenue with UPC following the acquisition of Sunrise and in part from a decrease in inbound roaming revenues.

Segment expenses remained largely stable in 2022 (+0.1%). Direct costs fell by CHF 27 million (–1.5%). Lower costs for subscriber acquisition and retention and for termination on other providers' networks were offset by higher costs for merchandise. The increase in indirect costs by CHF 34 million (+1.2%) was influenced by non-recurring items. In the year under review, provisions for legal proceedings amounting to CHF 157 million were recognised (prior year: CHF 52 million) and provisions for termination benefits amounting to CHF 5 million reversed. In the previous year, termination benefits amounted to CHF 9 million. Indirect costs excluding these non-recurring items fell by CHF 57 million (–2.0%). In telecommunications, cost savings of CHF 104 million were realised through efficiency improvement measures and optimised network maintenance. In contrast, indirect costs in the solutions business increased by CHF 47 million as a result of business growth. Headcount in full-time equivalents fell by 67 full-time equivalent employees (–0.5%). Headcount saw a decline in customer sup-

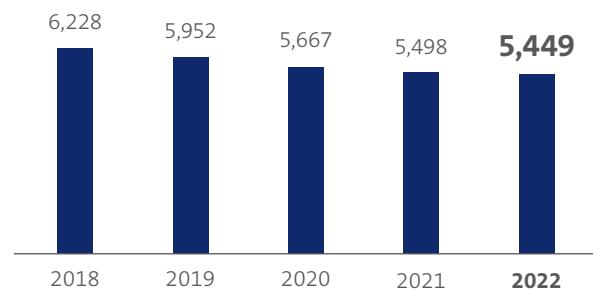
port and a rise in the area of IT. There was also an increase here as a result of the acquisition of the MTF Group (+154 full-time equivalent employees).

The segment result before depreciation and amortisation improved by 0.9%; when adjusted for the above-mentioned non-recurring item, this figure rises to 3.4%.

Investments rose by CHF 56 million (+3.4%). Investment in transport networks and backbone infrastructure in particular saw an increase, while spending on the expansion of the broadband and mobile networks shrank.

Revenue telecom services

in CHF million



Fastweb

In EUR million, except where indicated

	2022	2021	Change	in %
Net revenue and results				
Residential Customers	1,145	1,142	3	0.3%
Corporate Business	1,015	979	36	3.7%
Wholesale	315	263	52	19.8%
Revenue from external customers	2,475	2,384	91	3.8%
Intersegment revenue	7	8	(1)	-12.5%
Net revenue	2,482	2,392	90	3.8%
Segment expenses	(1,628)	(1,566)	(62)	4.0%
Segment result before depreciation and amortisation (EBITDA)	854	826	28	3.4%
Margin as % of net revenue	34.4	34.5		
Lease expense	(57)	(54)	(3)	5.6%
Depreciation and amortisation	(600)	(590)	(10)	1.7%
Segment result	197	182	15	8.2%
Operating free cash flow proxy				
Segment result before depreciation and amortisation (EBITDA)	854	826	28	3.4%
Lease expense	(57)	(54)	(3)	5.6%
EBITDA after lease expense (EBITDA AL)	797	772	25	3.2%
Capital expenditure	(616)	(601)	(15)	2.5%
Operating free cash flow proxy	181	171	10	5.8%
Operational data in thousand and full-time equivalent employees				
Broadband access lines retail	2,683	2,750	(67)	-2.4%
Broadband access lines wholesale	458	306	152	49.7%
Mobile access lines	3,087	2,472	615	24.9%
Headcount	3,039	2,753	286	10.4%

Fastweb's net revenue rose by 3.8% to EUR 2,482 million. Competition remained fierce. In view of the very challenging market conditions and the pursued value strategy, its broadband customer base contracted year-on-year by 67,000 customers (-2.4%). The proportion of ultra-fast broadband connections increased by 4 percentage points to 86%. The number of mobile access lines increased by 615,000 (+25%) to 3.1 million, with bundled offerings continuing to play an important role here. 41% of broadband customers used a bundled offering combining fixed network and mobile. Revenue from residential customers remained largely stable (+0.3%). By contrast, revenue from business customers increased by 3.7%, driven by the strong market position, particu-

larly in the area of public administration. Wholesale revenues increased by 19.8% or EUR 52 million to EUR 315 million. Key drivers here were growth in the number of wholesale broadband connections (+50%) as well as the sale of long-term right-of-use assets (IRU).

Segment expenses increased by EUR 62 million (+4.0%). Driven by sales growth, the segment result before depreciation and amortisation increased by EUR 28 million (+3.4%). Capital expenditure increased by 2.5% to EUR 616 million due to an increase in customer-driven investment. Headcount increased by 10.4% or 286 FTEs to 3,039 FTEs as the company took on external staff and the growth created a need for more personnel.

Other Operating Segments

In CHF million, except where indicated

	2022	2021	Change	in %
Net revenue and results				
Revenue from external customers	417	431	(14)	-3.2%
Intersegment revenue	621	602	19	3.2%
Net revenue	1,038	1,033	5	0.5%
Segment expenses	(878)	(867)	(11)	1.3%
Segment result before depreciation and amortisation (EBITDA)	160	166	(6)	-3.6%
Margin as % of net revenue	15.4	16.1	(1)	-4.1%
Lease expense	(10)	(11)	1	-9.1%
Depreciation and amortisation	(49)	(56)	7	-12.5%
Segment result	101	99	2	2.0%
Operating free cash flow proxy				
Segment result before depreciation and amortisation (EBITDA)	160	166	(6)	-3.6%
Lease expense	(10)	(11)	1	-9.1%
EBITDA after lease expense (EBITDA AL)	150	155	(5)	-3.2%
Capital expenditure	(34)	(41)	7	-17.1%
Operating free cash flow proxy	116	114	2	1.8%
Full-time equivalent employees				
Headcount	3,296	3,263	33	1.0%

Net revenue for the Other operating segments rose slightly by 0.5% or CHF 5 million to CHF 1,038 million. The segment result before depreciation and amortisation shrank by 3.6% or CHF 6 million to CHF 160 million as a consequence of lower profitability at cablex, which saw the profit margin narrow to 15.4% (prior year: 16.1%). Headcount was at 3,296 full-time equivalents, and was therefore almost on a par with the previous year (+1.0%).

Reconciliation of pension cost and intersegment elimination

Reconciliation of pension cost and intersegment elimination are not allocated to the operating segments. 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. 2021 includes an extraordinary reduction in pension cost of CHF 60 million due to a plan amendment. For this reason, a higher negative EBITDA resulted in the reconciliation item in 2022 (CHF -94 million) than in the prior year (CHF -33 million).

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2022	2021	Change	in %
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478	(72)	-1.6%
Depreciation and amortisation of property, plant and equipment and intangible assets	(2,104)	(2,131)	27	-1.3%
Depreciation of right-of-use assets	(262)	(281)	19	-6.8%
Operating income (EBIT)	2,040	2,066	(26)	-1.3%
Net interest expense for financial assets and liabilities	(57)	(60)	3	-5.0%
Interest expense on lease liabilities	(44)	(44)	–	0.0%
Other financial result	29	200	(171)	-85.5%
Result of equity-accounted investees	(5)	(10)	5	-50.0%
Income before income taxes	1,963	2,152	(189)	-8.8%
Income tax expense	(360)	(319)	(41)	12.9%
Net income	1,603	1,833	(230)	-12.5%
Earnings per share (in CHF)	30.93	35.37	(4.44)	-12.6%

Net income decreased by 12.5% year-on-year to CHF 1,603 million. The main reasons for the CHF 230 million decline in profit are the non-recurring items in EBITDA (CHF 146 million), in the financial result (CHF 207 million) and in income tax expense (CHF 57 million). Adjusted for these items, net income increased by CHF 180 million. The non-recurring effects in EBITDA relate to provisions for legal proceedings and termination benefits as well as, in the previous year, a positive effect from the adjustment to the pension plan. Depreciation and amortisation of property, plant and equipment, intangible assets and

rights of use decreased by CHF 46 million year-on-year, mainly as a result of currency effects. The currency translation of Fastweb resulted in a decrease of CHF 57 million. The non-recurring items of CHF 207 million in the financial result were incurred in the previous year in connection with the transfer of a Fastweb stake in Flash Fiber to FiberCop (CHF 169 million) and from the sale of its stake in Belgacom International Carrier Services (CHF 38 million). The non-recurring item in the tax expense for 2021 relates to the capitalisation of deferred tax assets of CHF 57 million at Fastweb.

Income taxes

In CHF million, except where indicated	Switzerland	Italy	Other countries	Total
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
2021 financial year				
Income before income taxes	1,827	306	19	2,152
Income tax expense	339	(22)	2	319
Effective income tax rate	18.6%	-7.2%	10.5%	14.8%
Income taxes paid	264	15	–	279

The effective income tax rate is 18.3% (prior year: 14.8%). The 2021 expense was positively influenced by the low rate of tax on income from participations and a capitalisation of deferred tax assets of CHF 57 million in connection with a change in Italian tax laws. Swisscom anti-

pates a future effective consolidated tax rate of 19%. The CHF 99 million increase in income taxes paid to CHF 378 million was attributable to back-payments for previous financial years.

Cash flows

In CHF million	2022	2021	Change
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478	(72)
Lease expense	(286)	(301)	15
EBITDA after lease expense (EBITDA AL)	4,120	4,177	(57)
Capital expenditure	(2,309)	(2,286)	(23)
Operating free cash flow proxy	1,811	1,891	(80)
Change in net working capital	(64)	(19)	(45)
Change in defined benefit obligations	49	(9)	58
Net interest payments on financial assets and liabilities	(60)	(67)	7
Income taxes paid	(378)	(279)	(99)
Other operating cash flow	(9)	(4)	(5)
Free cash flow	1,349	1,513	(164)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
(Acquisition) disposal of companies	(69)	105	(174)
Other changes ¹	192	22	170
Decrease in net debt	332	500	(168)

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

The operating free cash flow proxy decreased by CHF 80 million year-on-year, mainly due to lower EBITDA. The lower operating free cash flow proxy and higher income tax payments led to a decrease in free cash flow of

CHF 164 million. The free cash flow of CHF 1,349 million was used to finance the dividend of CHF 1,140 million, the business acquisitions and a reduction of net debt.

Capital expenditure

In CHF million, except where indicated	2022	2021	Change	in %
Fixed access and infrastructure	555	428	127	29.7%
Expansion of the fibre-optic network	480	555	(75)	–13.5%
Mobile network	282	324	(42)	–13.0%
Projects and others	381	335	46	13.7%
Swisscom Switzerland	1,698	1,642	56	3.4%
Fastweb	619	649	(30)	–4.6%
Other Operating Segments	34	41	(7)	–17.1%
Elimination (intermediate winnings)	(42)	(46)	4	–8.7%
Total capital expenditure	2,309	2,286	23	1.0%
Thereof Switzerland	1,688	1,634	54	3.3%
Thereof other countries	621	652	(31)	–4.8%
Capital expenditure as % of net revenue	20.8	20.4	0.4	

Capital expenditure continued to be substantial in 2022 at CHF 2,309 million or 20.8% of net revenue. The share of investments in Switzerland is 73% or CHF 1,688 million. Swisscom Switzerland's investments were 3.4% higher than in the previous year. Investment in transport

networks and backbone infrastructure increased, while spending on expansion of the broadband and mobile networks shrank. Fastweb's investments increased by 2.5% in local currency to EUR 616 million due to higher customer-driven investments.

Net asset position

In CHF million	31.12.2022	31.12.2021	Change
Property, plant and equipment	10,811	10,771	40
Intangible assets	1,741	1,714	27
Goodwill	5,172	5,157	15
Right-of-use assets	1,992	2,134	(142)
Trade receivables	2,255	2,315	(60)
Receivables from finance leases	131	99	32
Trade payables	(1,674)	(1,600)	(74)
Provisions	(1,159)	(1,149)	(10)
Deferred gain on sale and leaseback of real estate	(85)	(95)	10
Other operating assets and liabilities, net	(218)	(438)	220
Net operating assets	18,966	18,908	58
Net debt	(7,374)	(7,706)	332
Defined benefit assets and obligations, net	(11)	(13)	2
Income tax assets and liabilities, net	(829)	(835)	6
Equity-accounted investees and other non-current financial assets	419	459	(40)
Equity	11,171	10,813	358
Equity ratio	45.4	43.6	1.8

Operating assets

Net operating assets were virtually unchanged at CHF 19.0 billion, Goodwill was at CHF 5.2 billion, the bulk of which relates to Swisscom Switzerland (CHF 4.3 billion). This goodwill arose primarily in 2007 in connection with the repurchase of the 25% stake in Swisscom Mobile Ltd sold to Vodafone in 2001. 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 3.4 billion).

Post-employment benefits

The net defined benefit obligations in accordance with IFRS provisions amount to CHF 11 million (prior year: CHF 13 million). According to Swiss accounting standards (Swiss GAAP FER), the Swisscom pension fund has a funding surplus of CHF 1.1 billion and an estimated funding ratio of 108% as per the provisional financial statements for 2022. Due to different assumptions and methods, the valuation according to IFRS results in a surplus of only CHF 0.6 billion. Due to specific IFRS regulations, most of the surplus was not capitalised.

The pension cost in accordance with IFRS was CHF 53 million higher than regulatory employer contributions in 2022. In the previous year, a positive EBITDA effect of CHF 60 million was incurred in connection with a plan amendment. Because the interest rate relevant for IFRS measurement has increased significantly, the IFRS provision expense in 2023 is expected to decrease by approximately CHF 90 million compared with 2022.

Equity

Swisscom has equity of CHF 11.2 billion and an equity ratio of 45.4%. Equity increased year-on-year by CHF 0.4 billion, mainly due to retained earnings. The determination of distributable reserves is based on the financial statements of Swisscom Ltd (separate financial statements according to Swiss Code of Obligations) and not on the consolidated financial statements according to IFRS. The equity of Swisscom Ltd in the 2022 financial statement is CHF 7.9 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

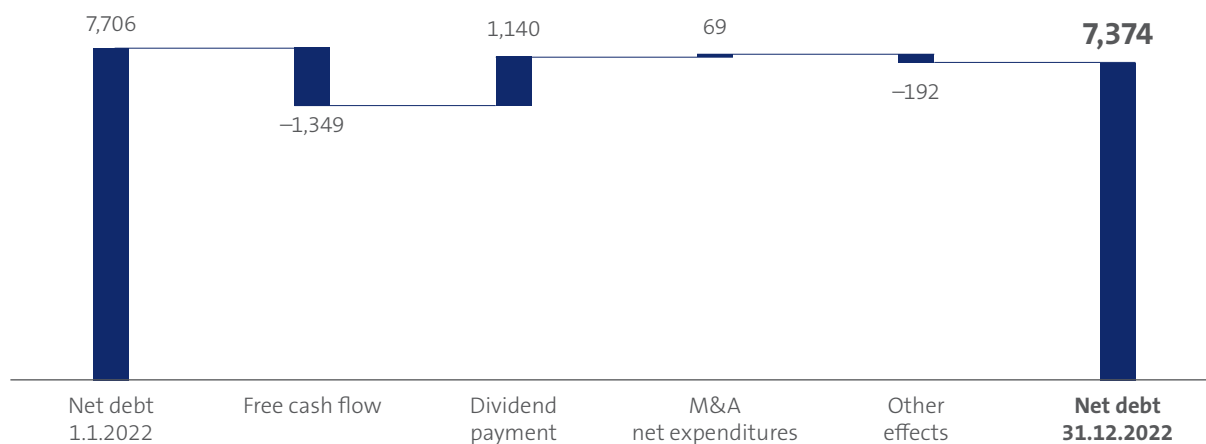
In CHF million	31.12.2022	31.12.2021	Change
Net debt			
Debenture bonds	4,886	5,564	(678)
Bank loans	512	488	24
Private placements	322	151	171
Other financial liabilities	282	242	40
Lease liabilities	1,911	2,017	(106)
Financial liabilities and lease liabilities	7,913	8,462	(549)
Cash and cash equivalents	(121)	(401)	280
Listed debt instruments	(285)	(278)	(7)
Other financial assets	(133)	(77)	(56)
Net debt	7,374	7,706	(332)
Debt ratio			
Net debt	7,374	7,706	(332)
EBITDA	4,406	4,478	(72)
Ratio net debt/EBITDA	1.7	1.7	-

The ratio of net debt to EBITDA at the end of 2022 remained unchanged at 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 2022, the proportion of fixed-interest-bearing financial liabilities was 82%, the average interest cost of all financial liabilities was 1.05% and the average remaining term to maturity was 5.4 years. Swisscom also has two lines of credit totalling CHF 2.2 billion, which have not been used. In 2023, bank loans and bonds totalling CHF 0.5 billion will become due for repayment.

Development of net debt

in CHF million



Statement of added value

In CHF million	2022			2021		
	Switzer-land	Other countries	Total	Switzer-land	Other countries	Total
Added value						
Net revenue	8,627	2,485	11,112	8,579	2,604	11,183
Capitalised self-constructed assets and other income	513	155	668	459	139	598
Direct costs	(1,814)	(873)	(2,687)	(1,840)	(939)	(2,779)
Other operating expense ¹	(1,296)	(679)	(1,975)	(1,184)	(661)	(1,845)
Lease expense	(229)	(57)	(286)	(243)	(58)	(301)
Depreciation and amortisation ²	(1,501)	(601)	(2,102)	(1,500)	(635)	(2,135)
Intermediate inputs	(4,327)	(2,055)	(6,382)	(4,308)	(2,154)	(6,462)
Operating added value	4,300	430	4,730	4,271	450	4,721
Other non-operating result ³			(41)			126
Total added value			4,689			4,847
Allocation of added value						
Employees ⁴	2,396	256	2,652	2,412	269	2,681
Public sector ⁵	290	59	349	320	17	337
Shareholders (dividends)			1,141			1,141
Third-party lenders (net interest expense)			58			60
Company (retained earnings) ⁶			489			628
Total added value			4,689			4,847

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

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

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

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

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

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

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 4.7 billion, Swisscom generated 91% or CHF 4.3 billion in Switzerland. Operating added value in Switzerland

remained stable year-on-year. The added value per FTE in Switzerland was CHF 271,000 (prior year: CHF 267,000). Including capital expenditure, the purchasing volume in the Swiss business was around CHF 4.5 billion in 2022 (prior year: CHF 4.4 billion). In addition to direct added value, purchases from suppliers provided significant indirect added value for Switzerland's economy.

Financial outlook

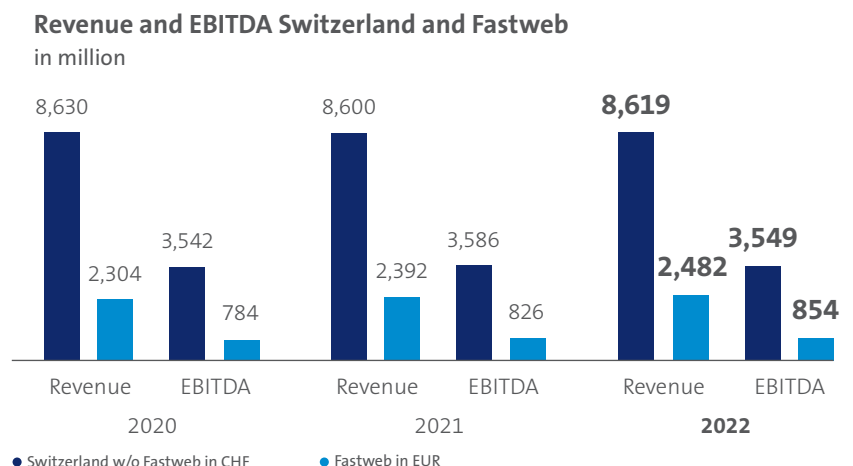
Key figures or as noted	2022 reported	2023 outlook ³
Net revenue		
Swisscom Group	CHF 11,112 million	CHF 11.1–11.2 billion
Switzerland ²	CHF 8,619 million	~ CHF 8.6 billion
Fastweb	EUR 2,482 million	EUR 2.5–2.6 billion
Operating income before depreciation and amortisation (EBITDA)		
Swisscom Group	CHF 4,406 million	CHF 4,6–4,7 billion ¹
Switzerland ²	CHF 3,549 million	CHF 3.7–3.8 billion
Fastweb	EUR 854 million	~ EUR 0.9 billion
Capital expenditure		
Swisscom Group	CHF 2,309 million	~ CHF 2.3 billion
Switzerland ²	CHF 1,690 million	~ CHF 1.7 billion
Fastweb	EUR 616 million	~ EUR 0.6 billion

¹ EBITDA after lease expense (EBITDA AL) 2022: CHF 4,120 million; EBITDA AL guidance 2023: ~ CHF 4.3-4.4 billion.

² Swisscom w/o Fastweb.

³ Exchange rate CHF/EUR 1.00 (2022: CHF/EUR 1.00).

Subject to achieving its targets, Swisscom plans to propose payment of an attractive unchanged dividend of CHF 22 per share for the 2023 financial year at the 2024 Annual General Meeting.



Capital market

Market value

CHF 26.2 billion

Swisscom market capitalisation at the end of 2022.

Total shareholder return

+2.5%

Total shareholder returns achieved by the Swisscom share for 2022.

Credit rating

Single A

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

Swisscom share

In CHF million, except where indicated

		31.12.2022	31.12.2021
Number of issued shares		51,802	51,802
Closing price at end of period	CHF	506.60	514.60
Closing price highest	CHF	590.40	562.40
Closing price lowest	CHF	443.40	456.30
Market capitalisation		26,243	26,657
Dividend per share	CHF	22.00	22.00
Total dividend		1,140	1,140
Dividend return	%	4.3	4.6
Change in Swisscom share price	%	(1.6)	7.9
Change in SMI	%	(16.7)	20.3
Change in STOXX Europe Telco 600 (in EUR)	%	(17.7)	11.3
Total shareholder return Swisscom share	%	2.5	11.5
Total shareholder return SMI	%	(14.3)	23.7
Total shareholder return STOXX Europe Telco 600 (in EUR)	%	(14.0)	16.1

In an extremely difficult market environment, the Swisscom share fell by 1.6% in 2022, which was significantly less than the SMI (-16.7%) or the index of European telecommunications providers (-17.7%). The Swisscom share offers an attractive dividend yield of 4.3%. At +2.5%, it achieved a significantly better total shareholder return (TSR) in 2022 than either the SMI (-14.3%) or the STOXX Europe 600 Telecommunications Index (-14.0%).

☞ 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 2022, 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 85% of the free cash flow for 2022. Since the initial public offering in 1998, the total amount distributed has equated to CHF 36 billion and the average

annual total shareholder return has equated to 4.5% (excluding reinvestment).

Credit ratings and financing

Swisscom enjoys good credit ratings from the Standard & Poor's and Moody's rating agencies, at A (stable) and A2 (stable) respectively. Swisscom aims to maintain the single-A credit ratings. To avoid structural downgrading, Swisscom endeavours to raise financing at the level of Swisscom Ltd. 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 2022.

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 Execu-

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

In CHF million, except where indicated

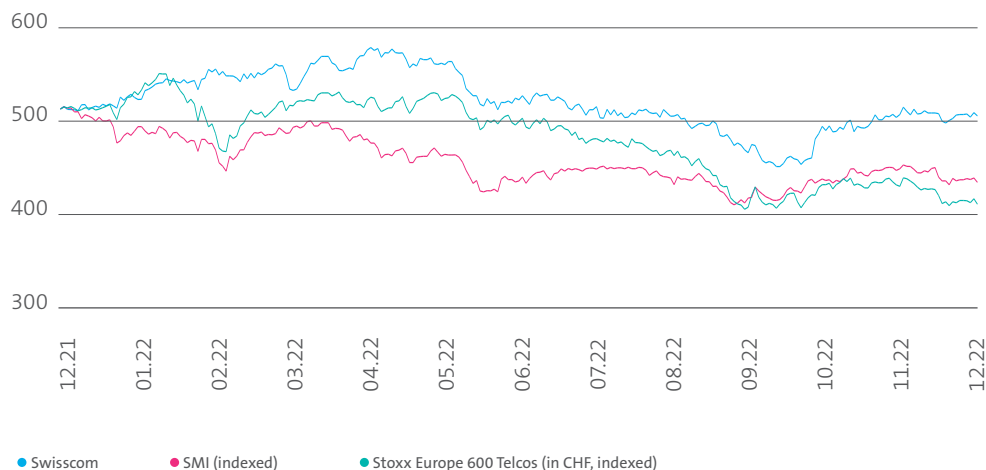
	31.12.2022	31.12.2021	Change
Enterprise value			
Market capitalisation	26,243	26,657	(414)
Net debt	7,374	7,706	(332)
Defined benefit assets and obligations, net	11	13	(2)
Income tax assets and liabilities, net	829	835	(6)
Equity-accounted investees and other non-current financial assets	(419)	(459)	40
Non-controlling interests	3	2	1
Enterprise value (EV)	34,041	34,754	(713)
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478	(72)
Ratio enterprise value/EBITDA	7.7	7.8	(0.1)

Swisscom's enterprise value fell by CHF 0.7 billion (–2.0%) to CHF 34 billion in 2022. The main reasons were, on the one hand, a decrease in market capitalisation (CHF –0.4 billion) and, on the other hand, a decrease in net debt (CHF –0.3 billion). The enterprise value/EBITDA ratio of 7.7x is slightly lower than the prior-year figure. Measured against this ratio, Swisscom's relative valuation is well

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

Share performance 2022

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 digitisation and IT services, such as cloud services, IT security and IoT solutions, are intended to compensate at least in part for sagging revenue from the core business. Market developments result in changes to the business model and demand both a profound transformation of Swisscom's own company as well as greater efficiency. Some of the key risk factors are described below. The risk factors arising in the supply chain are described in the Sustainability Report.

© See www.swisscom.ch/cr-report2022

Risk factors

Competitive dynamics in the telecommunications market

Competitive dynamics are currently being driven by infrastructure providers and service providers without their own network infrastructure. Swisscom is countering this pressure and the development of revenue from the traditional telecommunications 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 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 or stagflation in general. The limited availability of goods and the shortage of various components can lead to increased costs, delivery delays and reduced deliveries. To enable it to respond appropriately to geopolitical developments, Swisscom reviews and implements measures on an ongoing basis. It also pur-

sues 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. 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 interdepend-

ence 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 that are ten times stricter than both those prescribed by the WHO and the legal provisions in neighbouring countries and that apply to all mobile frequencies (including 5G). The public's wary attitude towards 5G, particularly if questions arise concerning locations for mobile communication antennas, is impeding Swisscom Switzerland's network expansion. Even without stricter legislation, public concerns about the effects of electromagnetic radiation on the environment and health could further hamper the construction of wireless networks in the future and drive up costs.

Corporate Governance and Remuneration Report

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Corporate Governance

Majority shareholder

51%

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

Organisation

Christoph Aeschlimann

has been the new Swisscom CEO since June 2022.

Board of Directors by gender

33%

is the proportion of women on the Board of Directors at the end of 2022.

1 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. To this end, the Board of Directors practises effective, transparent corporate governance, which is characterised by clearly assigned responsibilities and based on recognised standards. In this regard, Swisscom complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance 2014 issued by *economiesuisse*, the umbrella organisation representing Swiss business, and the requirements of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC), which have been carried over to the Federal Act on the Amendment of the Swiss Civil Code (Swiss Code of Obligations) as of 1 January 2023.

☺ See www.swisscom.com/amendment_cc

The interaction of 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, 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

2 Group structure and shareholders

2.1 Group structure

Operational Group structure

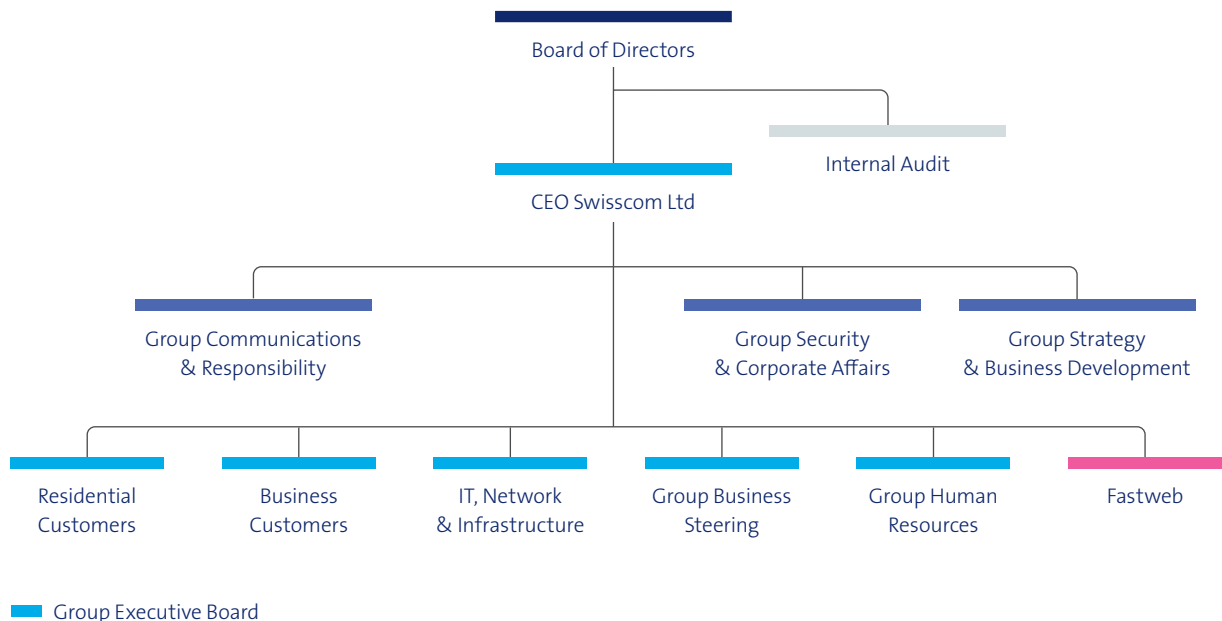
Swisscom Ltd is a holding company and responsible for the overall management of the Swisscom Group. On 31 December 2022, the Group comprised the five Group divisions of Group Business Steering, Group Human Resources, Group Strategy & Board Services, Group Communications & Responsibility, and Group Security, which have staff functions, as well as the business divisions Residential Customers, Business Customers, IT Network & Infrastructure, and Digital Business. 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 and the heads of the Group divisions Group Business Steering (CFO) and Group Human Resources (CPO), plus the heads of the business divisions Residential Customers, Business Customers, and IT Network & Infrastructure.

Selective changes will be made to the Group divisions as of 1 January 2023.

© The operational Group structure as at 1 January 2023 is shown in the organisational chart below. The new Group Strategy & Development division is responsible for identifying and developing new growth areas in Switzerland and abroad. The Group Security & Corporate Affairs division, which was also newly created,

combines and develops all the Group's assurance functions. The existing Group divisions Group Strategy & Board Services and Group Security as well as the business division Digital Business have been integrated into the two new Group divisions on a topic-specific basis.



The business activities are carried out by Swisscom Group companies. Strategic and financial management is assured through the rules governing the assignment of powers and responsibilities set by the Board of Directors of Swisscom Ltd. The Group companies are divided into three categories: strategic, important and other. Swisscom Ltd, Swisscom (Switzerland) Ltd and Fastweb S.p.A. are classified as strategic companies. The members of the Board of Directors and the managing directors of the strategic companies are appointed by the Board of Directors of Swisscom Ltd and elected via the competent statutory bodies. The Board of Directors of Swisscom (Switzerland) Ltd comprises the CEO of Swisscom Ltd as Chairman, the CFO of Swisscom Ltd and the Head of Business Customers. The CEO of Swisscom Ltd is responsible for the executive management of Swisscom (Switzerland) Ltd. Seats on the Board of Directors of Fastweb S.p.A. are held by the CEO of Swisscom Ltd, who acts as Chair, together with the CFO of Swisscom Ltd 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 159–160

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 42

Listed company

Swisscom Ltd is a company governed by Swiss law and has its registered office in Ittigen (Canton of Berne, Switzerland). It is listed in the Standard for Equity Securities, Sub-Standard International Reporting, of the SIX Swiss Exchange (Securities No.: 874251; ISIN: CH0008742519; ticker symbol SCMN).

Trading in the United States is conducted over the counter (OTC) as a Level 1 programme (ticker symbol: SCMWY; ISIN: CH008742519; CUSIP for ADR: 871013108). Within the framework of the programme, the Bank of New York

Mellon Corporation issues the American Depositary Shares (ADS). ADS are American securities that represent Swisscom shares. Ten ADS correspond to one share. The ADS are evidenced by American Depositary Receipts (ADR).

As at 31 December 2022, the stock market capitalisation of Swisscom Ltd was CHF 26,243 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 and the calculation method 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.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>. In the 2022 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. According to the Swisscom share register, Chase Nominees Ltd, London, held 3.5% of the voting rights in Swisscom Ltd on 31 December 2022.

As majority shareholder, the Swiss Confederation ('Confederation') held 50.95% of the issued share capital of Swisscom Ltd on 31 December 2022, 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 Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onwards) 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.

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2.3 Cross-shareholdings

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

3 Capital structure

3.1 Capital

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

□ See report page 176

3.2 Shares, participation and profit-sharing certificates

All of the shares issued by Swisscom Ltd are fully paid-up registered shares with a par value of CHF 1. Each share entitles the holder to one vote. Shareholders may only exercise their voting rights, however, if their shares have been entered with voting rights in the share register of Swisscom Ltd. All registered shares with the exception of treasury shares held by Swisscom are eligible for a dividend. There are no preferential rights.

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

The holder of an ADR possesses the rights listed in the Deposit Agreement (e.g. the right to issue instructions for the exercise of voting rights and the right to dividends). The Bank of New York Mellon Corporation, which

acts as the ADR depository, is listed as the shareholder in the share register. ADR holders are therefore unable to directly enforce or exercise shareholder rights. The Bank of New York Mellon Corporation exercises the voting rights in accordance with the instructions it receives from the ADR holders. If it does not receive instructions, it does not exercise the voting rights.

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

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

▫ See report page 84

▫ See report page 56

3.3 Limitations on transferability and nominee registrations

Swisscom shares are freely transferable, and the voting rights of the shares registered in the share register in accordance with the Articles of Incorporation are not subject to restrictions of any kind. In accordance with Article 3.5.1 of the Articles of Incorporation, the Board of Directors may refuse to recognise an acquirer of shares as a shareholder if the total holding, when the new shares are added to any voting shares already registered in its name, exceeds the limit of 5% of all registered shares entered in the commercial register. For the shares in excess of the limit, the acquirer is entered in the share register as a shareholder or beneficial holder without voting rights. The other statutory provisions on restricted transferability are described in Section 7.1 of this Corporate Governance Report, 'Voting right restrictions and proxies'.

Ⓞ See www.swisscom.ch/basicprinciples

▫ See report page 84

Swisscom has issued special regulations governing the registration of trustees and nominees in the share register. To facilitate the tradability of the company's shares on the stock exchange, the Articles of Incorporation (Article 3.6) allow the Board of Directors, by means of regulations or agreements, to permit the fiduciary entry of registered shares with voting rights for trustees and nominees in excess of the 5% threshold, provided they disclose their trustee capacity. In addition, they must be subject to supervision by a banking or financial market supervisory authority or otherwise provide the necessary assurance that they are acting for the account of one or more unrelated parties. They must also be able to provide evidence of the names, addresses and holdings of the beneficial owners of the shares. This provision of the Articles of Incorporation may be changed by resolution of the Annual General Meeting, for which an absolute majority of valid votes cast is required. In accordance with this provision, the Board of Directors has issued regulations governing the entry of trustees and nominees in the Swisscom Ltd share register.

Ⓞ See www.swisscom.ch/basicprinciples

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 122–125

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

The Annual General Meeting of Shareholders re-elected all current members of the Board of Directors on 30 March 2022. The Federal Council also appointed the current representative of the Swiss Confederation to the

Board of Directors for another year. As of 31 December 2022, 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
Alain Carrupt	Switzerland	1955	Member, representative of the employees	2016
Guus Dekkers	Netherlands	1965	Member	2021
Frank Esser	Germany	1958	Deputy Chairman	2014
Barbara Frei	Switzerland	1970	Member	2012
Sandra Lathion-Zweifel	Switzerland	1976	Member, representative of the employees	2019
Anna Mossberg	Sweden	1972	Member	2018
Renzo Simoni ²	Switzerland	1961	Member, representative of the Confederation	2017

¹ Chairman since 31 March 2021.

² Designated by the Swiss Confederation.

Barbara Frei will not stand for re-election at the Annual General Meeting on 28 March 2023. The Board of Directors proposes that Monique Bourquin be elected to

replace her. Similarly, the Federal Council has announced that it will send a new representative as of the 2023 Annual General Meeting.

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. The issue of affiliations is addressed with the Board of Directors as part of an annual internal training session that focuses on stock exchange regulations. Details on the regulation of external mandates, in particular the number of permissible external mandates and the definition of the term 'mandate', are set out in Article 8.3 of the Articles of Incorporation. No member exceeds the limits set for external mandates.

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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 conflict of interest nevertheless arise, the member concerned must inform the Chairman of the Board of Directors and/or the Deputy Chairman immediately, for the attention of the Board of Directors. The members of the Board of Directors and the Chairman are obliged to abstain from negotiations in business which conflict with their own interests or with the interests of natural or legal persons closely associated with them.



Michael Rechsteiner

Master of Science in Mechanical Engineering, Zurich Federal Institute of Technology (ETH); 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 Chief Operating Officer, Sultex; 2007–2015 various roles at Alstom Power, most recently CEO and Senior Vice President Power Service; 2015–2017 General Electric (GE) Officer and Vice President of Global Product Lines at GE Power Services; April 2017–March 2021 managerial responsibility for GE Power Services Europe and CEO of GE Gas Power Europe; since April 2021 external advisor to General Electric (Switzerland) GmbH; since March 2021 Chairman of the Board of Directors of Swisscom Ltd

Key competencies

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

Mandates in companies

–

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

Member of the Board of Trustees of General Electric Switzerland Pension Fund until March 2022

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

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, legal 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; Chairman of the Board of Directors of Conzzeta Management AG, Zurich

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

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

Other significant activities

–



Alain Carrupt

Swiss school-leaving certificate in economics

Career history

1978–1994 PTT companies, most recently as Head of Administration at the telecoms directorate in Sion; 1994–2000 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, Belfaux



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 Chief Information Officer and Vice President, Siemens VDO Automotive AG, Germany; 2008–2016 Chief Information Officer, Airbus Group, France; since April 2018 Chief Technology Officer, Tesco PLC, London

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 digitisation as well as mergers & acquisitions, strategy, transformation and human resources, in both business and residential customer segments.

Mandates in companies

–

Other significant activities

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



Frank Esser

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

Career history

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

Key competencies

Frank Esser has international business, leadership and transformation experience from within the telecommunications industry. In particular, he brings to the Board of Directors his expertise in the business and residential customer segments as well as 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

–



Barbara Frei
Degree in Mechanical Engineering, ETH;
Doctorate (Dr. sc. techn.), ETH Zurich;
MBA, IMD Lausanne

Career history

1998–2016 ABB Group in various managerial positions, including 2008–2010 Country Manager, ABB s.r.o., Prague; 2010–2013 Country Manager and Regional Manager Mediterranean, ABB S.p.A., Sesto San Giovanni (Italy); 2013–2015 Managing Director, Drives and Control Unit; 2016 Head of Strategic Portfolio Reviews for the Power Grids division; since December 2016 Schneider Electric, Paris: Chair of the Executive Committee of Schneider Electric GmbH, Germany, in which capacity she was also Zone President Germany until June 2017; July 2017–December 2018 Zone President Germany, Austria and Switzerland, January 2019–April 2021 Executive Vice President Europe Operations, since May 2021 Executive Vice President Industrial Automation

Key competencies

Barbara Frei has broad, international experience in business and management. In particular, she brings to the Board of Directors her expertise and experience in the areas of innovation, technology, digitisation, finance, strategy, human resources and ESG, as well as in the business customer segment.

Mandates in listed companies

Until May 2022, member of the Board of Directors, Swiss Prime Site, Olten

Mandates in non-listed companies

Since December 2022, member of the Board of Directors and of the People Committee of Northvolt AB, Stockholm

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

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, president of the Nomination and Remuneration Committee and member of the Audit Committee of the Raiffeisen Switzerland cooperative, St. Gallen

Other significant activities

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



Anna Mossberg

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

Career history

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

Key competencies

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

Mandates in listed companies

Member of the Board of Directors, Remuneration Committee and Audit Committee, Swedbank AB, Stockholm; until April 2022 member of the Board of Directors, Schibsted ASA, Oslo; member of the Board of Directors, Orkla ASA, Oslo; until May 2022 member of the Board of Directors, Bygghälsa AB, Stockholm; since April 2022 member of the Board of Directors of Volvo Cars AB, Göteborg

Mandates in non-listed companies

–

Other significant activities

–



Renzo Simoni

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

Career history

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

Key competencies

Renzo Simoni has broad business and management experience in large projects as well as knowledge of the political environment. In particular, he brings to the Board of Directors his expertise and experience in the areas of finance, risk management, human resources and transformation as well as in the corporate business segment.

Mandates in listed companies

–

Mandates in non-listed companies

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

Other significant activities

–

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.

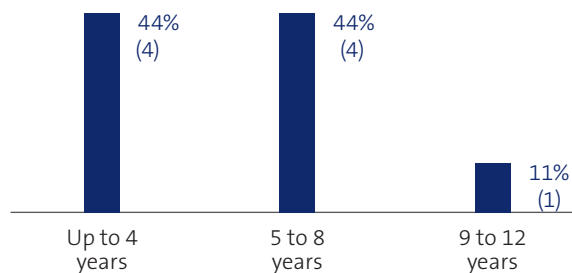
Board of Directors by career, experience, skills and knowledge

In % and (number of members) as of 31 December 2022



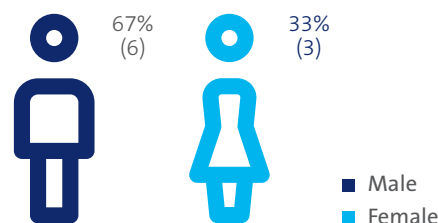
Board of Directors by length of term of office

In % and (number of members) as of 31 December 2022



Board of Directors by gender

In % and (number of members) as of 31 December 2022



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

4.4 Independence

To establish the independence of its members, the Board of Directors applies the criteria set out in the Swiss Code of Best Practice for Corporate Governance published by economiesuisse. Independent members are thus understood to mean non-executive members of the Board of Directors who were never a member of the executive management or who have not been a member of the executive management for at least three years and who have no or only comparatively minor business relations with the company. The term of office of a member of the Board of Directors is not a criterion that can be used to assess independence. No members of the Board of Directors hold an executive role within the Swisscom Group or have held such a role in any of the three business years prior to the reporting year. The Board members have no significant commercial links with Swisscom Ltd or the Swisscom Group. The Swiss Confederation, represented on the Board by Renzo Simoni, holds the majority of the capital and voting rights in Swisscom in accordance with the Telecommunications Enterprise Act (TEA). Customer and supplier relationships exist between the Swiss Confederation and Swisscom. Details of these are provided in Note 6.2 to the consolidated financial statements.

See report page 164

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 the 2022 reporting year, 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. 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 2022 and 2023. At least four times per year, the members of the Board of Directors also have the opportunity to explore in depth the upcoming challenges facing the Group and business divisions as well as the subsidiaries as part of 'company experience days'. The majority of the Board members regularly take advantage of these opportunities. In addition, all the members of the Board of Directors attend the Swisscom Group's annual management meeting whenever possible. New Board members are given a task-specific introduction to their duties. At a one-day

introduction, they are provided with an overview of Group management, the business and the current operational challenges. In addition, they are introduced to topics related to the Italian subsidiary Fastweb S.p.A. and attend function-related 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.

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4.9 Internal organisation and modus operandi

The Board of Directors is responsible for the strategic and financial management of Swisscom and for monitoring the company's executive management. As the supreme governing body of the company, it has decision-making authority unless such authority is granted to the Annual General Meeting by virtue of law.

The Board of Directors is usually convened once per month by the Chairman (except in July and November) for a one-to-two-day meeting. Further meetings are convened as business requires (ad-hoc meetings). In the event that the Chairman is hindered, the meeting is convened by the Vice-Chairman. The Chairman sets the agenda. Any Board

member may request the inclusion of further items on the agenda. The Board members receive the agenda and supporting documentation approximately ten days prior to the meetings, so that they can prepare. The CEO, the CFO and the Head of Group Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onward) always attend the Board meetings as well. At every Board meeting, the Chairman of the Board, the CEO and the Chief Personnel Officer report on particular events, on the general course of business and major business transactions, as well as on any measures that have been implemented. To further ensure appropriate reporting to the attention of the members of the Board, the Board of Directors invites members of the Group Executive Board and senior employees of Swisscom as well as auditors and other internal and external experts, as necessary, to all its meetings as dictated by the specific issues being addressed. In the year under review, the Board of Directors brought in external consultants solely for the purpose of conducting the external assessment of the Board of Directors.

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.

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© The following table gives an overview of the Board of Directors' meetings and circular resolutions in 2022. Individual meetings were held by videoconference.

	Meeting days	Ad-hoc meetings	Circular resolutions
Total	12	3	1
Average duration (in hours)	06:35	01:25	–
Participation:			
Michael Rechsteiner, Chairman	12	3	1
Roland Abt	12	3	1
Alain Carrupt	12	3	1
Guus Dekkers	12	3	1
Frank Esser, Deputy Chairman	12	3	1
Barbara Frei	12	2	1
Sandra Lathion-Zweifel	12	3	1
Anna Mossberg	12	3	1
Renzo Simoni	12	3	1

4.10 Committees of the Board of Directors

The Board of Directors has delegated individual tasks to committees. The committees of the Board of Directors of

Swisscom Ltd were constituted as follows as at 31 December 2022.



¹ Chairman/chairwoman of the Board of Directors committee

² No voting rights

The Board of Directors has three standing committees (Finance, Audit & ESG Reporting and Compensation) and one ad-hoc committee (Nomination) tasked with carrying out detailed examinations of matters of importance. In accordance with the rules governing the committees, they usually each consist of three to six members. As a rule, each member of the Board of Directors sits on at least one of the standing committees. Subject to being appointed to the Compensation Committee (without voting rights), the Chairman of the Board of Directors is a member of all the standing committees. The standing committees are chaired by other members, however. The chairs of the committees report verbally on the latest committee meetings at the next meeting of the Board of Directors. All members of the Board of Directors also receive copies of all meeting minutes from the Finance Committee 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.

Finance Committee

The Finance Committee prepares information for the Board of Directors on corporate transactions, for example, in connection with 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 Finance Committee has the ultimate decision-making authority when it comes to issuing rules of procedure and directives in the areas of Mergers & Acquisitions and Corporate Venturing. Details of the Committee's activities and responsibilities are set out in the Finance Committee rules of procedure.

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The Finance Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but as a rule once per quarter within the framework of a half-day meeting. The CEO, the CFO and the Head of Group Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onwards) always participate in the Board meetings. In 2022, all the meetings were also attended by other members of the Group Executive Board, members of the Management Boards of strategic Group companies or project managers, depending on the agenda items. The Finance Committee did not call on any external consultants during the reporting year.

☉ The following table gives an overview of the Finance Committee's meetings and circular resolutions in 2022. Individual meetings were held by videoconference.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	5	2	–
Average duration (in hours)	02:47	01:20	–
Participation:			
Frank Esser, Chairman	5	2	–
Alain Carrupt	5	2	–
Guus Dekkers	4	1	–
Anna Mossberg	4	2	–
Michael Rechsteiner	5	2	–

Audit & ESG Reporting Committee

The Audit & ESG Reporting Committee handles all business relating to financial management (for example, accounting, financial controlling, financial planning, tax strategy and financing), assurance (risk management, the internal control system, compliance and internal audit), data protection and security as well as external audit. It also handles matters dealt with by the Board of Directors that call for specific financial expertise (dividend policy, for example). The Committee has also been involved in environment, social and governance (ESG) reporting since 2022 and performs monitoring tasks. The Committee is the Board of Directors' most important controlling instrument and is responsible for monitoring the Group-wide assurance functions. It formulates positions on business matters which lie within the decision-making authority of the Board of Directors and has the final say on those business matters for which it has the decision-making authority. Details of the Committee's activities and responsibilities are set out in the rules of procedure of the Audit & ESG Reporting Committee.

☉ See www.swisscom.ch/basicprinciples

The Audit & ESG Reporting Committee is composed of four independent members. The Chairman of the Committee is an expert in the financial field, and the majority of the members are experienced in finance and accounting. The Audit & ESG Reporting Committee is convened by the Chairman or at the request of a Committee member as often as business requires, but at least once per quarter and one additional time in December. The meetings usually last between three and six hours. The CEO, CFO, Head of Group Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onward), Head of Accounting, Head of Internal Audit and the external auditors always attend the meetings. In 2022, 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 2022.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	5	–	–
Average duration (in hours)	04:00	–	–
Participation:			
Roland Abt, Chairman ¹	5	–	–
Sandra Lathion-Zweifel	5	–	–
Renzo Simoni	5	–	–
Michael Rechsteiner	5	–	–

¹ Financial expert.

Compensation Committee

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

☐ See report [page 89](#)

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 2022 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 four hours:

- Michael Rechsteiner (Chair)
- Frank Esser
- Guus Dekkers
- Sandra Lathion-Zweifel

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

- Michael Rechsteiner (Chair)
- Sandra Lathion-Zweifel
- Frank Esser
- Anna Mossberg

All 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

The Board of Directors has delegated day-to-day business management to the CEO in accordance with the TEA and the Articles of Incorporation. In addition to the duties reserved for it under the law, the Board of Directors decides on business transactions of major importance to the Group, including, for example, the acquisition or disposal of companies with a financial exposure in excess of CHF 20 million and capital investments or divestments thereof with a financial exposure in excess of CHF 50 million. Since the year under review, 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). The ESG governance is described in the Sustainability Report.

📄 See www.swisscom.ch/basicprinciples

📄 See www.swisscom.ch/cr-report2022

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

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

The CEO also provides the Board of Directors at every ordinary meeting with detailed information on the course of business, major projects and events, and any measures adopted. Every month, the Board of Directors receives a report containing all key performance indicators relating to the Group and the segments. In addition, the Board of Directors receives a quarterly report on the course of business, financial position, results of operations and risk position of the Group and the segments. It also receives projections for operational and financial developments for the current financial year. The management reporting is carried out in accordance with the same financial statement reporting policies as for external financial reporting. It also includes key non-financial information that is important for controlling and steering purposes. The Board of Directors is informed in writing about other current or material issues on an ongoing and timely basis. Every member of the Board of Directors is entitled to request information on all matters relating to the Group at any time, provided this does not conflict with the provisions regarding the reclusion of a member from Board deliberations or confidentiality obligations. The Board of Directors is 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 both the CFO and Controlling or, from 2023 onwards, to the Head of Security and 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, their potential effects and the status of remedial measures. In urgent cases, the Chairman of the Audit & ESG Reporting Committee is informed without delay about any significant new risks. The risk factors are described in the Risks section of the Management Commentary.

📄 See report page 58

Internal control system and financial reporting

The internal control system (ICS) ensures the reliability of financial reporting with an appropriate degree of assurance. It acts to prevent, uncover and correct substantial errors in the consolidated financial statements, the financial statements of the Group companies and the Remuneration Report. The ICS encompasses the following internal control components: control environment, assessment of accounting risks, control activities, monitoring controls, information and communication. The Accounting unit, which reports to the CFO, manages and monitors the ICS. Internal Audit periodically reviews the functioning and effectiveness of the ICS. Significant shortcomings in the ICS identified during these monitoring and review activities are reported together with the corrective measures in a status report to the Audit & ESG Reporting Committee twice a year and to the Board of Directors on an annual basis. Should the ICS risk assessment change significantly, the Chairman of the

Audit & ESG Reporting Committee is informed without delay. Corrective measures to remedy the shortcomings are monitored by the Accounting unit. The Audit & ESG Reporting Committee assesses the performance and effectiveness of the ICS on the basis of the periodic reporting.

Compliance management

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

It covers the following legal areas

- Anti-corruption
- Money laundering
- Data protection and confidentiality
- Antitrust law
- Telecommunications law
- Stock exchange law

Swisscom redesigned its CMS in line with the ISO-37301 standard during the financial year. The new Compliance Management Framework makes even more targeted improvements possible. The Group's central compliance functions as well as the compliance officers and managers of the Group 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.

Once a year, Group Compliance reports directly to the Audit & ESG Reporting Board of Director's 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.

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Internal auditing

Internal auditing is carried out by the Internal Audit unit. Internal Audit supports the Swisscom Ltd Board of Directors and its Audit & ESG Reporting Committee in fulfilling their statutory and regulatory supervisory and controlling obligations. Internal Audit also supports management by highlighting 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 Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onwards).

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 whistle-blowing platform operated by Internal Audit. This reporting procedure, which has been approved by the Audit & ESG Reporting Committee, allows complaints relating to external reporting and financial reporting, among other things, to be submitted anonymously to Internal Audit, which 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 and corresponding measures. The Head of Internal Audit took part in all five meetings of the Audit & ESG Reporting Committee in 2022. He reported on audit findings at one meeting of the full Board of Directors.



5 Group Executive Board

5.1 Members of the Group Executive Board

In accordance with the Articles of Incorporation, the Executive Board comprises one or more members, who must not be members of the Board of Directors of Swisscom Ltd at the same time. Temporary exceptions are only permitted in exceptional cases. The Board of Directors has delegated responsibility for the overall executive management of Swisscom Ltd to the CEO. The CEO is entitled to delegate his powers to subordinates, mainly to other members of the Group Executive Board. The members of the Group Executive Board are appointed by the Board of Directors. The Board of Directors appointed Christoph Aeschlimann, previously Head of IT, Network & Infrastructure (INI), to become the Chief Executive Officer (CEO) and Chairman of the Group Executive

Board from 1 June 2022. The previous CEO, Urs Schaeppi, stepped down from his post with effect from 31 May 2022. Christoph Aeschlimann will continue to manage the INI business area on an ad interim basis until his successor Gerd Niehage, who was appointed by the Board of Directors on 26 October 2022, takes up his duties on 1 March 2023. The 2021 Corporate Governance Report contains further information on Urs Schaeppi.

📄 See www.swisscom.ch/report2021

📄 See report page 62

📄 An overview of the composition of the Group Executive Board as at 31 December 2022 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 AG a.i. Head of IT, Network & Infrastructure	February 2019
Eugen Stermetz	Austria	1972	CFO Swisscom Ltd	March 2021
Klementina Pejc	Germany	1974	CPO Swisscom Ltd	February 2021
Urs Lehner	Switzerland	1968	Head of Business Customers	June 2017
Dirk Wierzbitzki	Germany	1965	Head of Residential Customers	January 2016

¹ Since June 2022 CEO.

The Group Executive Board will be expanded from six to nine members as of 1 April 2023. The new members are Martin Vögeli, Head of Group Security & Corporate Affairs, Stefan Nünlist, Head of Group Communications & Responsibility, and Isa Mueller-Wegner, the newly appointed Head of Group Strategy & Business Development as of 1 June 2023.

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 mandates and the definition of the term 'mandate', are set out in Article 8.3 of the Articles of Incorporation. None of the members of the Group Executive Board exceeds the set limits for mandates. The members of the Group Executive Board also perform their other significant activities by order of Swisscom.

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

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 (Dipl. Ing.),
École polytechnique fédérale de Lausanne (EPFL);
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: Head of IT, Network & Infrastructure and member of the Swisscom Group Executive Board, since June 2022 Chief Executive Officer (CEO) and Chairman of the Group Executive Board

Mandates by order of Swisscom

Since May 2022 member of the Executive Board, Association Suisse des Télécommunications (asut), Berne; since June 2022 member of the Board of Trustees of the Swiss Entrepreneurs Foundation, Berne; since June 2022 member of the international Advisory Committee of the ZHAW School of Management and Law, Winterthur; since January 2023 member of the Board of IMD Foundation, Lausanne

Other significant activities

Until March 2022 member of Dell's CIO Advisory Board; until October 2022 member of the Cisco Global Customer Advisory Board, San José; since June 2022 member of the Executive Board, Glasfasernetz Schweiz, Berne; since June 2022 member of the Steering Committee of digitalswitzerland



Eugen Stermetz

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

Career history

1996–2000 Boston Consulting Group, Munich and Vienna; 2001–2005 Chief Financial Officer (CFO), Ige-neon 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 Chief Financial Officer (CFO) and member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Vice President of the Board of Trustees of the comPlan pension fund, Berne

Other significant activities

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Klementina Pejic

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

Career history

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

Mandates by order of Swisscom

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

Other significant activities

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



Urs Lehner

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

Career history

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

Until December 2022 member of the Advisory Board of BKW Innovation GmbH, Berlin



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 Management Residential Customers, 2010–2012 Head of Customer Experience Design for Residential Customers, 2013–2015 Head of Fixed-network Business & TV for Residential Customers; since January 2016 Swisscom Ltd: until 2019 Head of Products & Marketing and since 2020 Head of Residential Customers; since 2016 member of the Swisscom Group Executive Board

Mandates by order of Swisscom

Member of the Board of Directors of SoftAtHome, Paris

Other significant activities

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Gerd Niehage (CTO from 1 March 2023)
Degree in Business Information Technology (Dipl.-Inform.; UAS, University of Applied Sciences), 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 Niehage Lippstädter Softwarehaus GmbH: Managing Partner; 2001–2002 INFORA GmbH, IT consulting company for public administration: Senior Consultant and Project Manager; 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 B. Braun Group CIO, Melsungen; 2021–2022 ZF Group: Global Head of Data/AI, IT Innovation & EAM and Regional CIO APAC, Shanghai

Mandates by order of Swisscom

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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 89](#)

7 Shareholders' participation rights

7.1 Voting right restrictions and proxies

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

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The 5% voting right restriction does not apply to the Swiss Confederation, which, under the terms of the Telecommunications Enterprise Act (TEA), holds the majority of the capital and voting rights in Swisscom Ltd. Further information on voting right restrictions are set out in Section 3.5 of the Articles of Incorporation.

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The restrictions on voting rights provided for in the Articles of Incorporation may be lifted by resolution of the Annual General Meeting, for which an absolute majority of valid votes cast is required.

During the year under review, the Board of Directors did not recognise any acquirers of shares with more than 5% of all registered shares as a shareholder or beneficial holder with voting rights, did not reject any requests for recognition or registration and did not remove any shareholders with voting rights from the share register due to the provision of false data.

7.2 Statutory quorum requirements

The Annual General Meeting of Shareholders of Swisscom Ltd adopts its resolutions and decides its elections by the absolute majority of valid votes cast. Abstentions are not deemed to be votes cast. In addition to the special quorum requirements under the Swiss Code of Obligations, a two-thirds majority of the voting shares represented is required in the following cases:

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

7.3 Convocation of the Annual General Meeting and agenda items

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

The Board of Directors is responsible for defining the agenda. Shareholders representing shares with a par value of at least CHF 40,000 may request that an item be placed on the agenda. This request must be submitted in writing to the Board of Directors at least 45 days prior to the Annual General Meeting, stating the agenda item and the proposal (Article 5.4.3 of the Articles of Incorporation).

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7.4 Representation at the Annual General Meeting

Shareholders may be represented at the Annual General Meeting by another shareholder with voting rights or by the independent proxy elected by the Annual General Meeting. The law firm Reber Rechtsanwälte, Zurich, was appointed as independent proxy for the period up until the conclusion of the Annual General Meeting in March 2023. Partnerships and legal entities may be represented by authorised signatories, while minors and wards may be represented by their legal representative, even if the representative is not a shareholder.

A power of attorney may be granted in writing or electronically via the shareholder portal operated by Computershare Switzerland Ltd. Shareholders who are represented by a proxy may issue instructions for each agenda item and also for all unannounced agenda items and

motions, stating whether they wish to vote for or against the motion or abstain. The independent proxy must cast the votes entrusted to him by shareholders according to their instructions. If the independent proxy receives no instructions, he shall abstain. Abstentions are not deemed to be votes cast (Article 5.7.4 of the Articles of Incorporation).

In accordance with the measures prescribed by the Federal Council to combat the coronavirus (Covid-19 Ordinance 3), the Annual General Meeting of 30 March 2022 took place without the physical participation of shareholders. Shareholders were able to authorise the independent proxy to cast their votes and execute their instructions on their behalf. The independent proxy cast the votes in person at the Annual General Meeting.

7.5 Entries in the share register

Shareholders entered in the share register with voting rights are entitled to vote at the Annual General Meeting. To ensure due procedure, the Board of Directors defines a cut-off date at its own discretion for determining voting entitlements, which is normally three business days before the respective Annual General Meeting. Entries in and deletions from the share register can be made at any time, regardless of the cut-off date. The cut-off date is announced with the invitation to the Annual General Meeting and also published in the financial calendar on the Swisscom website. Shareholders entered in the share register with voting rights as of 5 p.m. on 25 March 2022 were entitled to vote at the Annual General Meeting of 30 March 2022. Shareholders entered in the share register with voting rights as of 5 p.m. on 23 March 2023 will be entitled to vote at the Annual General Meeting of 28 March 2023.

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 89

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 maxi-

mum of seven years. PricewaterhouseCoopers (PwC), Zurich, has performed the mandate since the 2019 financial year. The auditor-in-charge is Peter Kartscher.

9.2 Audit fees and supplementary fees

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

⊙ The table shows the fees paid to the statutory auditor in the 2021 and 2022 financial years.

In CHF thousand	2022	2021
Audit fees	3,147	3,084
Audit-related services	704	701
Other services	279	120
Fees to auditors	4,130	3,905

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. It is also responsible for observing the statutory rotation principle for the auditor-in-charge and for reviewing and issuing the new invitations to tender for the audit mandate. The Audit & ESG Reporting Committee approves the integrated strategic audit plan, which includes the annual audit plan of both the internal and external auditors, and the annual fee for the auditing services provided to the Group and Group companies. To help ensure independence, the Audit & ESG Reporting Committee has laid down principles for awarding additional services to the auditors, including a list of prohibited services. In order to ensure the independence of the auditors, additional service mandates must be approved by the Audit & ESG Reporting Committee where the fee exceeds CHF 300 thousand. The Audit & ESG Reporting Committee requires that the CFO reports to it quarterly and the auditors annually on current mandates being performed by the auditors, broken down according to audit services, audit-related services and non-audit services, and on their independence.

Reporting Committee meetings. They inform the Committee in detail on the performance and results of their work, in particular regarding the annual financial statement audit. They further submit a written report annually to the Board of Directors and the Audit & ESG Reporting Committee on the conduct and results of the audit of the annual financial statements, as well as on their findings with regard to accounting and the internal control system. Finally, the Chairman of the Audit & ESG Reporting Committee liaises closely with the auditor-in-charge beyond the meetings of the Committee and regularly reports to the Board of Directors. Representatives of PwC, the statutory auditors, attended all meetings of the Audit & ESG Reporting Committee in 2022. 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 2022.

The statutory auditors, represented by the auditor-in-charge and his deputy, usually attend all Audit & ESG

10 Information policy

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

☉ See www.swisscom.ch/basicprinciples

☉ See www.swisscom.ch/financialreports

☉ See www.swisscom.ch/cr-report2022

Swisscom meets investors regularly throughout the year, presents its financial results at analysts' meetings and road shows, attends selected conferences for financial analysts and investors, and keeps its shareholders and other interested parties continuously informed about its business through press releases.

Related presentations and the ad-hoc press releases published by Swisscom are available on the Swisscom website under 'Investors'.

☉ See www.swisscom.ch/adhoc

It is possible to subscribe online to the ad-hoc press releases published by Swisscom.

☉ See www.swisscom.com/adhoc-subscribe

The minutes of the Annual General Meeting of 30 March 2022 and minutes from past meetings are available on the Swisscom website.

☉ See www.swisscom.ch/generalmeeting

Those 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 183](#)

11 Financial calendar

- Annual General Meeting for the 2022 financial year: 28 March 2023, in Zurich Oerlikon
- 1st Quarter Interim Report: 4 May 2023
- Half-Year Interim Report: 3 August 2023
- 3rd Quarter Interim Report: 2 November 2023
- Annual Report 2023: 8 February 2024
- Annual results press conference: 8 February 2024

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

☉ See www.swisscom.ch/financialcalendar

Letter from the Chair of the Compensation Committee

Dear Shareholders

Swisscom achieved a stable set of 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. In addition to strong price pressure, 2022 presented new major challenges in the form of supply bottlenecks, the Ukraine war, rising inflation and the tense energy supply situation. Nevertheless, revenue was stabilised in the Swiss core business and boosted at Fastweb. The Group's financial development as presented in the financial reporting is characterised by non-recurring items and foreign currency translation. At constant exchange rates and after adjustment for non-recurring items, revenue, EBITDA and net income increased.

Swisscom 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 and digitally via the 'My Swisscom App'. It launched a modern and innovative offering in 2022 with its new blue portfolio. Swisscom is also on track in terms of sustainability: The goal is to save one million tonnes of CO₂ per year by 2025 in cooperation with customers. To that end, Swisscom offers residential and business customers ICT solutions that can massively reduce their collective carbon footprint. In addition, Swisscom offers customers their subscriptions, devices and our network on a climate-neutral basis.

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, which was not satisfactory in every respect (keyword: network disruptions). This results in overall target achievement of 120% for the members of the Executive Committee. Overall, the total remuneration for the members of the Board of Directors and the Group Executive Board for the 2022 reporting year is within the range approved by the 2021 Annual General Meeting.

Like every year, you, dear shareholders, will have an opportunity at the 2023 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 again on the maximum total remuneration paid to the Board of Directors and the Group Executive Board for the 2024 financial year. The proposed amount for the Board of Directors remains unchanged over the prior year. Due to the expansion of the Group Executive Board from six to nine members as of 1 April 2023, a maximum amount of CHF 10.9 million is proposed for the remuneration of the Group Executive Board in 2024. In addition, a proposal to increase the already approved amount for the remuneration of the Group Executive Board in 2023 from CHF 8.7 million to CHF 10.4 million will be submitted to the Annual General Meeting 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



Barbara Frei
Chair of the Compensation Committee

Remuneration Report

Remuneration

Incentive

for sustainable corporate success.

Group Executive Board

CHF 7.70 million

Remuneration for 2022.

Board of Directors

CHF 2.45 million

Remuneration for 2022.

1 Governance

1.1 General principles

The Remuneration Report is based on sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by the SIX Swiss Exchange and Articles 13 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC), which have been carried over to the Federal Act on the Amendment of the Swiss Civil Code (Swiss Code of Obligations; Art. 734-734f) as of 1 January 2023. Swisscom implements the requirements of the OaEC and complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse*, the umbrella organisation representing Swiss business.

Swisscom's internal principles for determining the level of remuneration are primarily set out in the Articles of Incorporation, the Organisational Rules and the Regulations of the Compensation Committee. The latest versions of these documents as well as their earlier, unamended and superseded versions can be viewed online on the Swisscom website under 'Basic principles'.

☉ 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 28 March 2023.

1.2 Division of responsibilities between the Annual General Meeting, the Board of Directors and the Compensation Committee

The Annual General Meeting approves the maximum total remuneration amounts payable to the Board of Directors and the Group Executive Board for the following financial year upon the motion proposed by the Board of Directors. Details of the relevant regulation and the consequences of a negative decision by the Annual General Meeting are set out in Articles 5.7.7 and 5.7.8 of the Articles of Incorporation. Article 7.2.2 of the Articles of Incorporation also defines the requirements for and the maximum level of the additional amount that can be

paid to a member of the Group Executive Board who is newly appointed during a period for which the Annual General Meeting has already approved the remuneration. In addition, the Articles of Incorporation contain the following provisions relating to the remuneration policy:

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

The Board of Directors approves, *inter alia*, the personnel and remuneration policy for the entire Group, as well as the general terms and conditions of employment for members of the Group Executive Board. It sets the remuneration of the Board of Directors and decides on the remuneration of the CEO as well as the total remuneration for the Group Executive Board. In doing so, it takes into account the maximum total amounts approved by the Annual General Meeting for the remuneration to be paid to the Board of Directors and the Group Executive Board for the financial year in question.

The Compensation Committee handles all business matters of the Board of Directors concerning remuneration, submits proposals to the Board of Directors in this context, and, within the framework of the approved total remuneration, is empowered to decide upon the remuneration of the individual Group Executive Board members (with the exception of the CEO). Neither the CEO nor the other members of the Group Executive Board participate in meetings at which any change to their remuneration is discussed or decided.

The decision-making powers are governed by the Articles of Incorporation, the Organisational Rules of the Board of Directors and the Regulations of the Compensation Committee.

☉ 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 Strategy & Board Services (Head of Security & Corporate Affairs from 2023 onwards) 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 and CPO, the CEO and CPO may not be present. Other members of the Board of Directors, auditors or experts may be called upon to attend the meetings in an advisory capacity.

Minutes are kept of the meetings, which are provided to the members of the Committee and to other members of the Board of Directors on request. The Chairman of the Compensation Committee reports verbally on the activities of the Committee at the next meeting of the Board of Directors. The meetings of the Compensation Committee are generally held in February, June and December. Further meetings can be convened as and when required. The Compensation Committee did not call on any external consultants during the reporting year.

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

☉ See www.swisscom.ch/basicprinciples

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 164

☉ The following table gives an overview of the composition of the Committee, the Committee meetings and circular resolutions in 2022.

	Meetings	Ad-hoc meetings	Circular resolutions
Total	3	1	1
Average duration (in hours)	01:00	00:10	–
Participation:			
Barbara Frei, Chairwoman	3	1	1
Roland Abt	3	1	1
Frank Esser	3	1	1
Renzo Simoni ¹	3	1	1
Michael Rechsteiner ²	3	1	1

1 Representative of the Confederation.

2 Participation without voting rights.

2 Remuneration of the Board of Directors

2.1 Principles

The remuneration system for the members of the Board of Directors is designed to attract and retain experienced and motivated individuals for the Board of Directors' function. It also seeks to align the interests of the members of the Board of Directors with those of the shareholders. The remuneration is commensurate with the activities and level of responsibility of each member. The basic principles regarding the remuneration of the Board of Directors and the allocation of equity shares are set out in Articles 6.4 and 8.1 of the Articles of Incorporation.

☉ 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. In December 2021, the Board of Directors reviewed the remuneration and deemed it appropriate as part of a discretionary decision. The Board of Directors compared Swisscom's remuneration with that of other listed companies domiciled in Switzerland, which, like Swisscom, must fulfil Swiss and foreign legal requirements, including full personal liability. The Board of Directors used as a comparison the remuneration paid by Compagnie Financière Richemont, Geberit, Givaudan, Logitech, Lonza, SGS and Sika. 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	2022 gross	2021 gross
Base salary per member	146,000	146,000
Functional allowances¹		
Presidium	308,000	308,000
Vice presidium	25,000	25,000
Representative of the Confederation	48,000	48,000
Audit Committee & ESG Reporting, Chair	61,000	61,000
Audit Committee & ESG Reporting, Member	17,000	17,000
Finance Committee, Chair	25,000	25,000
Finance Committee, Member	17,000	17,000
Remuneration Committee, Chair	25,000	25,000
Remuneration Committee, Member	15,000	15,000

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

Under the Management Incentive Plan, the members of the Board of Directors are obligated to draw one third of their Director's fee in the form of shares. For members who resign from the Board of Directors at the Annual General Meeting, the fee is paid fully in cash on a pro rata basis. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares. Shares are blocked from sale for three years. This restriction on disposal also applies if members leave the company during the blocking period. The shares, which are allocated 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 2022, a total of 1,544 shares were allocated to the members of the Board of Directors (prior year: 1,512 shares) with a tax value of CHF 468 (March) and CHF 434 (December) (prior year: CHF 423), respectively, per share. Their market value was CHF 557 (March) and CHF 517 (December) (prior year: CHF 504), 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 Sammelstiftung. The reported pension benefits cover all savings, guarantee and risk contributions paid by the employer to the pension plan.

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

2.3 Total remuneration (audited)

The total remuneration paid to the individual members of the Board of Directors for the 2021 and 2022 financial years is presented in the tables below, broken down into individual components. The higher total remuneration

in 2022 is primarily due to higher contributions to the occupational pension plan and social security. Total remuneration paid is within the maximum total amount approved by the 2021 Annual General Meeting (AGM) for 2022 of CHF 2.5 million.

2022, in CHF thousand	Base salary and functional allowances				Total 2022
	Cash remuneration	Share-based payment	Employer contributions to pension plan	Employer contributions to social security	
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 UK 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.

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

1 Elected as chairman on 31 March 2021.

2 Left the Board of Directors on 31 March 2021.

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

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

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

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 2021 and 2022 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	31.12.2022	31.12.2021
Michael Rechsteiner	945	565
Roland Abt	1,096	915
Alain Carrupt	816	692
Guus Dekkers	272	148
Frank Esser	1,325	1,152
Barbara Frei	1,478	1,336
Sandra Lathion-Zweifel	491	367
Anna Mossberg	599	475
Renzo Simoni	1,003	831
Total shares held by the members of the Board of Directors	8,025	6,481

3 Remuneration of the Group Executive Board

3.1 Principles

The remuneration policy of Swisscom applicable to the Group Executive Board is designed to attract and retain highly skilled and motivated specialists and executive staff over the long term and provide an incentive to achieve a lasting increase in the enterprise value. It is systematic, transparent and long-term-oriented, and is predicated on the following principles:

- Total remuneration is competitive and is in an appropriate relation to the market as well as the internal salary structure.
- Remuneration is based on performance in line with the results achieved by Swisscom.
- Through direct financial participation in the performance of the Swisscom share, the interests of management are aligned with the interests of shareholders.

The remuneration of the Group Executive Board is a balanced combination of fixed and variable salary components. The fixed component is made up of a base salary, fringe benefits (mainly a car allowance) and retirement benefits. The variable remuneration includes a performance-related component settled partly in cash and partly in shares.

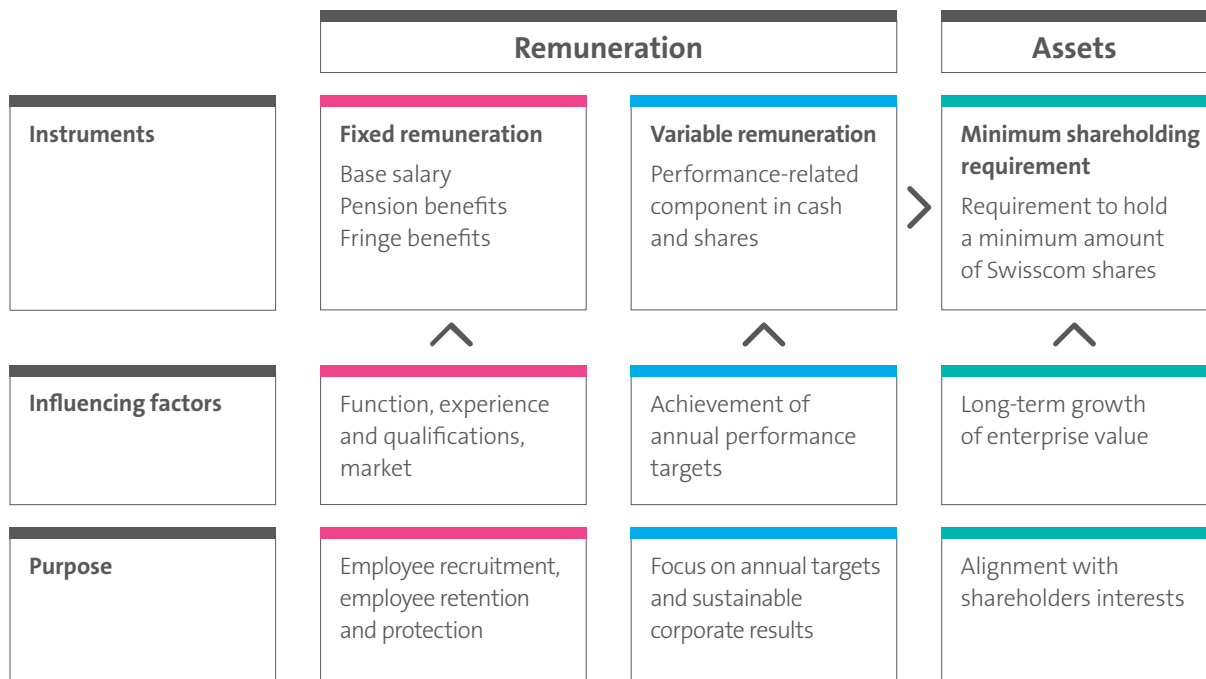
The members of the Group Executive Board are required to hold a minimum shareholding, which strengthens their direct financial participation in the medium-term performance of the Swisscom share and thus aligns their interests with those of shareholders. To facilitate compliance with the minimum shareholding requirement, Group Executive Board members have the possibility of drawing up to 50% of the variable performance-related component of their salary in shares.

The basic principles regarding the performance-related remuneration and the profit and equity participation plans of the Group Executive Board are set out in Article 8.1 of the Articles of Incorporation.

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Remuneration system

Remuneration components and determining factors



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

For the purpose of assessing market values, Swisscom relies on cross-sector market comparisons with Swiss companies as well as international sector comparisons. These two comparative perspectives allow Swisscom to form an optimal overview of the relevant employment market for managerial positions. In the year under review, Swisscom consulted a national and an international comparative study conducted by Willis Towers Watson. The comparison conducted in the year under review with the Swiss market 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 sector comparison 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 Compensation Committee did not call on any external consultants during the reporting year.

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

3.2 Remuneration components

Base salary

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

the salary structure for the Group's executive management. The base salary is paid in cash.

Variable performance-related salary component

The members of the Group Executive Board are entitled to a variable performance-related salary component which represents 70% of the base salary if objectives are achieved in full (performance-related bonus). The amount of the performance-related component paid out depends on the extent to which the targets are achieved, as set by the Compensation Committee, taking into account the performance evaluation by the CEO. If targets are exceeded, the performance-related bonus may amount to no more than 130% of the target bonus. The maximum performance-related salary component is thus limited to 91% of the base salary. This ensures that the performance-related salary component does not exceed the annual base salary, even taking account of the market value of the component paid in shares.

Targets and achievement of targets for the variable performance-related salary component

The 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 also anchors long-term, strategic considerations such as strengthening the core business by offering the best customer experiences and the best infrastructure, realising new growth opportunities, and continuously developing operational excellence.

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

Determination of target achievement

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



a) Financial targets

The financial targets underlying the variable performance-related salary component are adopted annually in December for the following year by the Board of Directors following a proposal submitted by the Compensation Committee. The targets relevant to the reporting year 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 net revenue, operating income before interest, taxes, depreciation and amortisation as a percentage of net revenue (EBITDA margin), and operating free cash

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

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

Weighting of financial targets

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

b) Business transformation

The topics relevant to Swisscom's long-term success are summarised under the term 'business transformation'. These topics 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. As a result, indicators on market share, network and service stability and reputation have been included in the assessment of operating performance. The topic of customers includes customer satisfaction as measured by the Net Promoter Score for residential and business customers; this is a recognised indicator of customer loyalty. 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 and Swisscom's contribution toward protecting

the environment (CO₂ 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 Report.

▫ See report page 38

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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	<ul style="list-style-type: none"> Market share Stability Reputation 	<ul style="list-style-type: none"> Quantitative key figures per topic Multi-year average Previous year Current year
Customers	<ul style="list-style-type: none"> Customer satisfaction or net promoter score 	
Growth	<ul style="list-style-type: none"> Innovation or strategic projects 	
Sustainability	<ul style="list-style-type: none"> Employees Environment 	

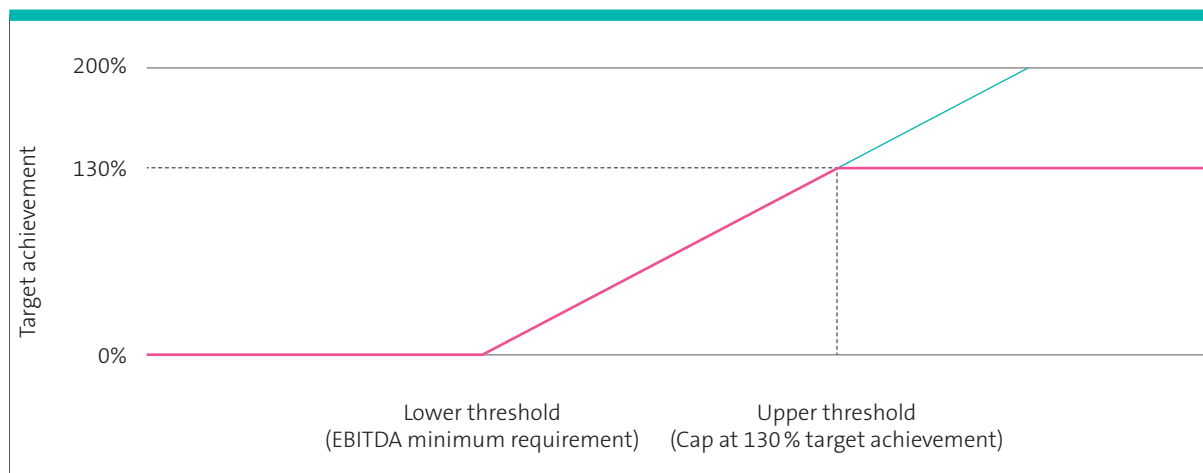
+/- 0 to 20 percentage points on financial target achievement

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 deci-

sion as to what percentage of the variable performance-related salary component is to be drawn in the form of shares must be communicated prior to the end of the reporting year, but no later than in November following the publication of the third-quarter results. In the year under review, three members of the Group Executive Board opted for a higher share component. The shares are allocated on the basis of their tax value, rounded up to whole numbers of shares. Shares are blocked from sale for three years. This restriction on disposal 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 2023.

In March 2022, a total of 1,536 shares (prior year: 1,454 shares) with a tax value of CHF 468 (prior year: CHF 423) per share and a market value of CHF 557 (prior year: CHF 504) per share were allocated for the 2021 financial year to the members of the Group Executive Board.

Pension fund and fringe benefits

The members of the Group Executive Board, like all eligible employees in Switzerland, are insured against the financial consequences of old age, death and disability through the comPlan pension plan (for pension fund regulations, see www.pk-complan.ch). 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 149-154

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 2021 and 2022 financial years, broken down into individual components and including the highest amount paid to one member. In the year under review, the financial targets relevant to remuneration were considerably exceeded. At the same time, expectations in the context of the business transformation were also exceeded overall, particularly with respect to customers and sustainability. The EBITDA threshold was reached. The resulting overall target achievement of the performance-related component for both the CEO and the other members of the Group Executive Board is 120% of the target bonus. The Board of Directors took network faults into account when determining target achievement. In the year under review, the variable performance-related salary component for members of the Group Executive Board (CHF 2,505 thousand in total) was around 87% of the base salary (CHF 2,878 thousand in total). The highest remuneration amount is attributable to the resigned CEO, Urs Schaeppi. It is 8% lower than in the previous year due to the fact that 100% of the performance-related component will be paid out and payment will be effected entirely in cash due to his resignation. The decrease in the total amounts of remuneration paid to the Group Executive Board is mainly attributable to the vacancy in the Head of IT, Network & Infrastructure function, which is currently being managed by Christoph Aeschlimann on an ad interim basis following his appointment as CEO. Total remuneration paid is within the maximum total amount approved by the 2021 Annual General Meeting (AGM) for 2022 of CHF 8.7 million.

In CHF thousand	Total Group Executive Board 2022	Total Group Executive Board 2021	Thereof Urs Schaeppi 2022	Thereof Urs Schaeppi 2021
Fixed base salary paid in cash	2,878	3,165	368	882
Variable performance-related remuneration paid in cash	1,638	1,916	257	547
Variable performance-related remuneration paid in shares ¹	867	853	–	217
Service-related and non-cash benefits	121	118	7	17
Employer contributions to social security ²	480	526	59	146
Retirement benefits	666	766	62	149
Total remuneration to members of the Group Executive Board	6,650	7,344	753	1,958
Benefits paid following retirement from Group Executive Board ³	1,053	1,026	1,053	–
Total remuneration paid to Group Executive Board, incl. benefits paid following retirement from Board	7,703	8,370	1,806	1,958

- 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 2021.

3.4 Minimum shareholding requirement

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

pensation 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 2021 and 2022 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	31.12.2022	31.12.2021
Christoph Aeschlimann (CEO) ¹	713	422
Urs Schaeppi (CEO) ²	–	5,445
Eugen Stermetz ³	175	–
Klementina Pejic ⁴	256	–
Urs Lehner	1,231	1,019
Dirk Wierzbitzki	1,535	1,323
Total shares held by the members of the Group Executive Board	3,910	8,209

- 1 Since 1 June 2022 CEO.
 2 Left the Group Executive Board on 31 May 2022.

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

3.6 Employment contracts

The employment contracts of the members of the Group Executive Board are subject to a twelve-month notice period. No termination benefits apply beyond the salary payable for a maximum of twelve months. The employ-

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

4 Other remuneration

4.1 Remuneration for additional services (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 6.4 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 related parties (audited)

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

4.3 Loans and credits granted (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 2022 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 67-71 (Board of Directors)

▫ See report pages 81-84 (Group Executive Board)

6 Gender representation

The Board of Directors complies with the legal requirements regarding the representation of both genders on the Board of Directors. It aims to reach the statutory threshold of 20% relevant for the Group Executive Board by the end of the transition period at the end of 2030.

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 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) contained in the sections 2.3, 2.5, 3.3, 3.5 and 4.1 to 4.3 on pages 89 to 101 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 89 to 101) complies with Swiss law and article 14 to 16 of the Ordinance.

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. The Board of Directors 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 on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to

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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 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 judgment 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

Peter Kartscher
Audit expert
Auditor in charge

Petra Schwick
Audit expert

Zürich, 8 February 2023



Swisscom Ltd | Report of the statutory auditor to the General Meeting

Consolidated Financial Statements

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Consolidated statement of comprehensive income

In CHF million, except for per share amounts	Note	2022	2021
Income statement			
Net revenue	1.1	11,112	11,183
Direct costs	1.2	(2,687)	(2,779)
Personnel expense	1.2, 4.1	(2,705)	(2,667)
Other operating expense	1.2	(1,982)	(1,857)
Capitalised self-constructed assets and other income	1.2	668	598
Operating income before depreciation and amortisation		4,406	4,478
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	(2,104)	(2,131)
Depreciation of right-of-use assets	2.3	(262)	(281)
Operating income		2,040	2,066
Financial income	2.4	76	269
Financial expense	2.4	(148)	(173)
Result of equity-accounted investees	5.3	(5)	(10)
Income before income taxes		1,963	2,152
Income tax expense	6.1	(360)	(319)
Net income		1,603	1,833
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans	2.1	41	638
Change in fair value of equity instruments	2.1	(38)	71
Items that will not be reclassified to income statement		3	709
Foreign currency translation adjustments of foreign subsidiaries	2.1	(96)	(75)
Change in cash flow hedges	2.1	(4)	(6)
Other comprehensive income from equity-accounted investees	2.1	–	2
Items that may be reclassified to income statement		(100)	(79)
Other comprehensive income		(97)	630
Comprehensive income			
Net income		1,603	1,833
Other comprehensive income		(97)	630
Comprehensive income		1,506	2,463
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		1,602	1,832
Non-controlling interests		1	1
Net income		1,603	1,833
Equity holders of Swisscom Ltd		1,505	2,462
Non-controlling interests		1	1
Comprehensive income		1,506	2,463
Earnings per share			
Basic and diluted earnings per share (in CHF)	2.1	30.93	35.37

Consolidated balance sheet

In CHF million	Note	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents		121	401
Trade receivables	3.1	2,255	2,315
Receivables from finance leases	2.3	53	33
Other operating assets	3.1	1,353	1,179
Other financial assets		64	93
Current income tax assets	6.1	2	2
Total current assets		3,848	4,023
Property, plant and equipment	3.2	10,811	10,771
Intangible assets	3.3	1,741	1,714
Goodwill	3.4	5,172	5,157
Right-of-use assets	2.3	1,992	2,134
Equity-accounted investees	5.3	26	30
Receivables from finance leases	2.3	78	66
Other financial assets		747	691
Defined benefit assets	4.3	11	11
Deferred tax assets	6.1	194	204
Total non-current assets		20,772	20,778
Total assets		24,620	24,801
Liabilities and equity			
Financial liabilities	2.2	547	559
Lease liabilities	2.3	232	217
Trade payables	3.1	1,674	1,600
Other operating liabilities	3.1	1,571	1,617
Provisions	3.5	88	118
Current income tax liabilities	6.1	194	230
Total current liabilities		4,306	4,341
Financial liabilities	2.2	5,455	5,886
Lease liabilities	2.3	1,679	1,800
Defined benefit obligations	4.3	22	24
Provisions	3.5	1,071	1,031
Deferred gain on sale and leaseback of real estate	2.3	85	95
Deferred tax liabilities	6.1	831	811
Total non-current liabilities		9,143	9,647
Total liabilities		13,449	13,988
Share capital		52	52
Capital reserves		136	136
Retained earnings	2.1	12,942	12,485
Foreign currency translation adjustments	2.1	(1,960)	(1,864)
Hedging reserves	2.1	(2)	2
Equity attributable to equity-holders of Swisscom Ltd		11,168	10,811
Non-controlling interests		3	2
Total equity		11,171	10,813
Total liabilities and equity		24,620	24,801

Consolidated statement of cash flows

In CHF million	Note	2022	2021
Net income		1,603	1,833
Income tax expense	6.1	360	319
Result of equity-accounted investees	5.3	5	10
Financial income	2.4	(76)	(269)
Financial expense	2.4	148	173
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	2,104	2,131
Depreciation of right-of-use assets	2.3	262	281
Gain on sale of property, plant and equipment	1.2	(11)	(10)
Loss on disposal of property, plant and equipment		3	–
Expense for share-based payments		1	1
Revenue from finance leases		(134)	(120)
Proceeds from finance leases		106	112
Change in deferred gain from the sale and leaseback of real estate	2.3	(10)	(11)
Change in operating assets and liabilities	3.1	(85)	65
Change in provisions	3.5	31	(73)
Change in defined benefit obligations	4.3	49	(9)
Interest received		2	14
Dividends received	5.3	2	1
Interest payments on financial liabilities	2.2	(62)	(81)
Interest payments on lease liabilities	2.3	(44)	(44)
Income taxes paid	6.1	(378)	(279)
Cash flow from operating activities		3,876	4,044
Purchase of property, plant and equipment and intangible assets	3.2, 3.3	(2,289)	(2,270)
Proceeds from sale of property, plant and equipment and intangible assets		15	17
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5.2	(67)	(42)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	5.2	–	1
Acquisition of equity-accounted investees	5.2	(2)	(3)
Proceeds from sale of equity-accounted investees	5.2	–	149
Purchase of other financial assets		(142)	(73)
Proceeds from other financial assets		68	120
Other cash flows from investing activities		(13)	(19)
Cash flow used in investing activities		(2,430)	(2,120)
Issuance of financial liabilities	2.2	209	350
Repayment of financial liabilities	2.2	(535)	(792)
Repayment of lease liabilities	2.3	(240)	(259)
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		–	(14)
Cash flow used in financing activities		(1,721)	(1,856)
(Net decrease) net increase in cash and cash equivalents		(275)	68
Cash and cash equivalents at 1 January		401	340
Foreign currency translation adjustments in respect of cash and cash equivalents		(5)	(7)
Cash and cash equivalents at 31 December		121	401

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 2021	52	136	11,085	(1,791)	8	9,490	1	9,491
Net income	–	–	1,832	–	–	1,832	1	1,833
Other comprehensive income	–	–	709	(73)	(6)	630	–	630
Comprehensive income	–	–	2,541	(73)	(6)	2,462	1	2,463
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(1)	–	–	(1)	1	–
Balance at 31 December 2021	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

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 2022 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 Tiefenaustasse 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 8 February 2023. 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 28 March 2023.

Basis of preparation

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

Significant judgements, estimates and assumptions in applying the accounting policies

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

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

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

Standard	Name
Amendments to IFRS 3	References to conceptual framework
Amendments to IAS 16	Property, plant and equipment: Income before intended use
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract
Various	Amendments to IFRS 2018-2020

As of 1 January 2022, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, which have no material impact on the results or financial position of the Group. Further information regarding the changes to the IFRS which must be applied in 2023 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.

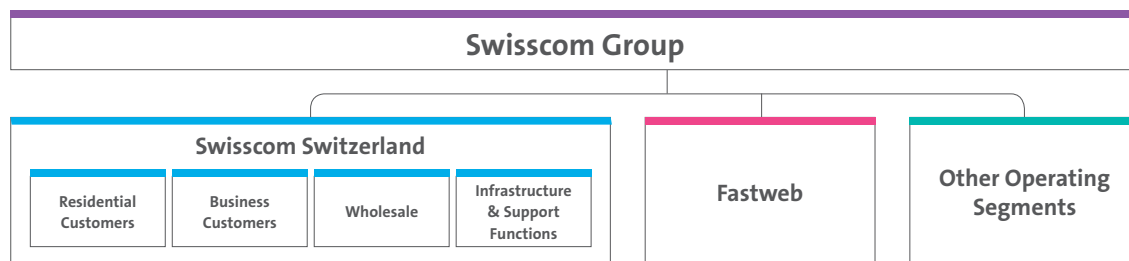
1.1 Segment information

Changes in segment reporting

Swisscom has simplified its internal allocation as of 1 January 2022. 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 2022. The prior year's figures have been restated as follows:

In CHF million	Reported	Adjustment	Restated
Net revenue			
2021 financial year			
Residential Customers	4,592	(47)	4,545
Business Customers	3,058	(27)	3,031
Wholesale	971	(317)	654
Infrastructure & Support Functions	76	–	76
Elimination	(464)	391	(73)
Swisscom Switzerland	8,233	–	8,233
Fastweb	2,583	–	2,583
Other Operating Segments	1,033	–	1,033
Elimination	(666)	–	(666)
Total net revenue	11,183	–	11,183
Segment result			
2021 financial year			
Residential Customers	2,676	145	2,821
Business Customers	1,189	88	1,277
Wholesale	524	(227)	297
Infrastructure & Support Functions	(2,644)	(6)	(2,650)
Elimination	1	–	1
Swisscom Switzerland	1,746	–	1,746
Fastweb	197	–	197
Other Operating Segments	99	–	99
Elimination	(20)	–	(20)
Total segment result	2,022	–	2,022

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 Digital Business and Participations. Digital Business mainly comprises Swisscom Directories Ltd (localsearch), which operates in the field of online directories. Participations mainly comprises the subsidiaries cablex Ltd and Swisscom Broadcast Ltd. The operations of cablex Ltd are in the building and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunications. Swisscom Broadcast Ltd is the leading provider in Switzerland of broadcast services, of cross-platform retail media services, and of security communications.

Reporting is divided into the 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. All other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Segment expense encompasses the direct and indirect costs, which include personnel expense and other operating costs less capitalised costs of self-constructed assets and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column 'Eliminations'. The Eliminations segment result of CHF –79 million (prior year: CHF –20 million) includes an expense of CHF 53 million (prior year: income of CHF 14 million) as a pension cost reconciliation item in accordance with IAS 19.

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments comprises depreciation and interest on right-of-use assets excl. depreciation of pre-paid indefeasible rights of use (IRU) of CHF 20 million (prior year: CHF 23 million), impairments on right-of-use assets of CHF 1 million in the prior year 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 2022 amounted to CHF 20 million (prior year: CHF 16 million).

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

Segment information 2022

2022, in CHF million	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	601	316	–	–	917
Net revenue from external customers	8,210	2,485	417	–	11,112
Net revenue from other segments	60	8	621	(689)	–
Net revenue	8,270	2,493	1,038	(689)	11,112
Direct costs	(1,799)	(879)	(76)	67	(2,687)
Indirect costs	(2,988)	(757)	(802)	528	(4,019)
Segment result before depreciation and amortisation	3,483	857	160	(94)	4,406
Lease expense	(218)	(57)	(10)	(1)	(286)
Depreciation and amortisation	(1,489)	(602)	(49)	16	(2,124)
Segment result	1,776	198	101	(79)	1,996
Interest expense on lease liabilities					44
Operating income					2,040
Financial income and financial expense, net					(72)
Result of equity-accounted investees					(5)
Income before income taxes					1,963
Income tax expense					(360)
Net income					1,603
Segment result before depreciation and amortisation	3,483	857	160	(94)	4,406
Capital expenditure	(1,698)	(619)	(34)	42	(2,309)
Lease expense	(218)	(57)	(10)	(1)	(286)
Operating free cash flow proxy	1,567	181	116	(53)	1,811

Segment information Swisscom Switzerland 2022

2022, in CHF million	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	2,006	840	–	–	–	2,846
Mobile	1,855	748	–	–	–	2,603
Telecom services	3,861	1,588	–	–	–	5,449
Solution business	–	1,181	–	–	–	1,181
Merchandise	518	313	–	–	–	831
Wholesale	–	–	601	–	–	601
Revenue other	132	(1)	–	17	–	148
Net revenue from external customers	4,511	3,081	601	17	–	8,210
Net revenue from other segments	16	48	11	54	(69)	60
Net revenue	4,527	3,129	612	71	(69)	8,270
Direct costs	(878)	(765)	(308)	(8)	160	(1,799)
Indirect costs	(674)	(980)	(13)	(1,229)	(92)	(2,988)
Segment result before depreciation and amortisation	2,975	1,384	291	(1,166)	(1)	3,483
Lease expense	(40)	(30)	(1)	(149)	2	(218)
Depreciation and amortisation	(60)	(76)	–	(1,352)	(1)	(1,489)
Segment result	2,875	1,278	290	(2,667)	–	1,776
Capital expenditure	(55)	(47)	–	(1,596)	–	(1,698)

Segment information 2021

2021, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	4,529	1,233	–	–	5,762
Corporate customers	3,004	1,057	431	–	4,492
Wholesale customers	644	285	–	–	929
Net revenue from external customers	8,177	2,575	431	–	11,183
Net revenue from other segments	56	8	602	(666)	–
Net revenue	8,233	2,583	1,033	(666)	11,183
Direct costs	(1,826)	(933)	(72)	52	(2,779)
Indirect costs	(2,954)	(758)	(795)	581	(3,926)
Segment result before depreciation and amortisation	3,453	892	166	(33)	4,478
Lease expense	(232)	(58)	(11)	–	(301)
Depreciation and amortisation	(1,475)	(637)	(56)	13	(2,155)
Segment result	1,746	197	99	(20)	2,022
Interest on lease liabilities					44
Operating income					2,066
Financial income and financial expense, net					96
Result of equity-accounted investees					(10)
Income before income taxes					2,152
Income tax expense					(319)
Net income					1,833
Segment result before depreciation and amortisation	3,453	892	166	(33)	4,478
Capital expenditure	(1,642)	(649)	(41)	46	(2,286)
Lease expense	(232)	(58)	(11)	–	(301)
Operating free cash flow proxy	1,579	185	114	13	1,891

Segment information Swisscom Switzerland 2021

2021, in CHF million, restated	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	2,001	866	–	–	–	2,867
Mobile	1,854	777	–	–	–	2,631
Telecom services	3,855	1,643	–	–	–	5,498
Solution business	–	1,111	–	–	–	1,111
Merchandise	544	228	–	–	–	772
Wholesale	–	–	644	–	–	644
Revenue other	130	–	–	22	–	152
Net revenue from external customers	4,529	2,982	644	22	–	8,177
Net revenue from other segments	16	49	10	54	(73)	56
Net revenue	4,545	3,031	654	76	(73)	8,233
Direct costs	(941)	(712)	(339)	(7)	173	(1,826)
Indirect costs	(688)	(944)	(17)	(1,206)	(99)	(2,954)
Segment result before depreciation and amortisation	2,916	1,375	298	(1,137)	1	3,453
Lease expense	(40)	(31)	(1)	(160)	–	(232)
Depreciation and amortisation	(55)	(67)	–	(1,353)	–	(1,475)
Segment result	2,821	1,277	297	(2,650)	1	1,746
Capital expenditure	(40)	(42)	–	(1,560)	–	(1,642)

Disclosure by geographical regions

In CHF million	2022		2021	
	Net revenue	Non-current assets	Net revenue	Non-current assets
Switzerland	8,627	16,103	8,579	15,984
Italy	2,485	3,629	2,575	3,811
Other countries	–	10	29	11
Not allocated	–	1,030	–	972
Total	11,112	20,772	11,183	20,778

Disclosure by products and services

In CHF million	2022	2021
	Telecom services	7,538
Solution business	1,181	1,111
Merchandise	894	851
Wholesale	917	942
Revenue other	582	606
Total net revenue	11,112	11,183

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. In this process, the stand-alone selling price of each component is considered in relation to the sum of the stand-alone selling prices of all performance obligations under the contract. The stand-alone selling prices of mobile handsets and subscriptions correspond to Swisscom's list price and the minimum contract term. Non-refundable connection fees which do not constitute a separate performance obligation are considered as part of the total transaction price and allocated to the separate performance obligations arising under the customer contract on a pro rata basis. In the event that there is no minimum contract term, the revenue is recognised at the time of connection. Fixed-network services principally comprise the basic charges for fixed telephony, broadband and TV connections, as well as the domestic and international telephony traffic of individuals and corporate customers. In addition, Swisscom makes bundled offerings comprising broadband and TV connections with an optional fixed-line telephony connection. These subscription fees are flat rate. The minimum contract term is twelve months. Revenues are recognised on a straight-line basis over the term of the contract. Revenue for telephone calls is recognised at the time when the calls are made.

Solutions

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

Sales of merchandise

Mobile handsets, fixed-line devices and miscellaneous supplies are recognised as revenue at the time of delivery or provision of the service. Swisscom sells routers and TV boxes to be used for services provided by Swisscom. As these 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. Roaming fees charged to other telecommunications service providers are reported on a gross basis.

1.2 Operating expenses

Direct costs

In CHF million	2022	2021
Customer premises equipment and merchandise	977	965
Services purchased	705	730
Costs to obtain a contract	222	219
Costs to fulfil a contract	86	101
Network access costs of Swiss subsidiaries	308	338
Network access costs of foreign subsidiaries	389	426
Total direct costs	2,687	2,779

Indirect costs

In CHF million	2022	2021
Salary and social security expenses	2,637	2,580
Other personnel expense	68	87
Total personnel expense¹	2,705	2,667
Information technology cost	267	257
Maintenance expense	303	284
Energy costs	152	120
Advertising and selling expenses	193	201
Consultancy expenses and freelance workforce	117	127
Call centre services purchased	129	139
Administration expense	49	59
Allowances for receivables and contract assets	42	64
Miscellaneous operating expenses	730	606
Total other operating expense	1,982	1,857
Capitalised self-constructed tangible and intangible assets	(485)	(432)
Own work for capitalised contract costs	(54)	(60)
Gain on sale of property, plant and equipment	(11)	(11)
Miscellaneous income	(118)	(95)
Total capitalised self-constructed assets and other income	(668)	(598)
Total indirect costs	4,019	3,926

¹ See Note 4.1.

Other operating expenses include, among other items, newly established 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 may be used exclusively for services provided by Swisscom. The cost of routers and TV boxes are reported as costs to fulfil a contract and amortised over the minimum term of the contract. The set-up costs incurred to transfer and integrate outsourcing transactions with corporate customers are deferred and amortised against income on a straight-line basis over the duration of the operating contract. The amortisation period corresponds to the related revenue-recognition period. See Note 1.1.

2 Capital and financial risk management

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

2.1 Capital management and equity

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. Swisscom also has a single A credit rating with rating agencies Standard & Poor's and Moody's. Swisscom aims to maintain this rating. During the year under review, the Federal Council adjusted the financial targets for Swisscom and set the limit for net debt at 2.4x EBITDA. Previously, the limit on net debt excluding lease liabilities was 2.1x EBITDA after lease expense.

Net debt comprises financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments, financial assets relating to financing and other current financial assets. The net debt to EBITDA ratio is as follows:

In CHF million	31.12.2022	31.12.2021
Net debt	7,374	7,706
Operating income before depreciation and amortisation (EBITDA)	4,406	4,478
Ratio net debt/EBITDA	1.7	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	31.12.2022	31.12.2021
Equity	11,171	10,813
Total assets	24,620	24,801
Equity ratio in %	45.4	43.6

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 2022, Swisscom Ltd's distributable reserves amounted to CHF 7,846 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 2021 and 2022.

In CHF million, except where indicated	2022	2021
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 2022 financial year to the Annual General Meeting of Shareholders of Swisscom Ltd on 28 March 2023. This results in a total dividend payment of CHF 1,140 million. The dividend payment is scheduled for 4 April 2023.

Earnings per share

In CHF million, except where indicated

	2022	2021
Share of net income attributable to equity holders of Swisscom Ltd	1,602	1,832
Weighted average number of shares outstanding (number)	51,800,968	51,801,334
Basic and diluted earnings per share (in CHF)	30.93	35.37

Supplementary information on equity

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)
Equity-accounted investees	–	–	–	–	–	–
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

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

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

2.2 Financial liabilities

In CHF million	2022	2021
Balance at 1 January	6,445	7,042
Issuance of bank loans	38	221
Issuance of debenture bonds	–	100
Issuance of private placements	170	–
Issuance of other financial liabilities	1	29
Issuance of financial liabilities	209	350
Repayment of bank loans	–	(192)
Repayment of debenture bonds	(500)	(544)
Repayment of other financial liabilities	(35)	(56)
Repayment of financial liabilities	(535)	(792)
Interest expense	62	63
Interest payments	(62)	(81)
Foreign currency translation adjustments	(64)	(88)
Change in fair value	(38)	(25)
Accrual of deferred purchase price margins from business combinations	18	6
Expenses for deferred consideration arising on business combinations ¹	(2)	(10)
Other changes	(31)	(20)
Balance at 31 December	6,002	6,445
Bank loans	512	488
Debenture bonds	4,886	5,564
Private placements	322	151
Derivative financial instruments ²	129	64
Other financial liabilities	153	178
Total financial liabilities	6,002	6,445
Thereof current financial liabilities	547	559
Thereof non-current financial liabilities	5,455	5,886

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 2027 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 2022, neither of these lines of credit had been drawn down, as in the prior year.

Bank loans

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount	
					31.12.2022	31.12.2021
Bank loans in EUR ^{1,3}	2021–2023	200	Euribor +0.63%	2.47%	198	207
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%	148	155
Bank loans in USD ²	2009–2028	58	8.30%	4.62%	69	68
Bank loans in USD ²	2009–2028	51	7.65%	4.63%	59	58
Total bank loans					512	488

1 Variable interest-bearing.

2 Fixed interest-bearing.

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

As of 31 December 2022, Swisscom has taken out short-term bank loans on a weekly and monthly basis amounting to USD 41 million or CHF 38 million (none in the prior year). In the second quarter of 2021, Swisscom took on a bank loan of EUR 200 million (CHF 207 million), maturing in 2023. The funds received were used to repay existing debt. Bank loans to the value of EUR 350 million (CHF 351 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	
					31.12.2022	31.12.2021
Debenture bond in CHF (ISIN: CH0114695379)	2010–2022	500	2.63%	2.81%	–	503
Debenture bond in CHF (ISIN: CH0268988174) ²	2015–2023	250	0.25%	1.02% ³	251	252
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%	1.76% ⁴	465	537
Debenture bond in CHF (ISIN: CH0247776138)	2014–2026	200	1.50%	1.47%	201	202
Debenture bond in EUR (ISIN: XS1803247557) ¹	2018–2026	500	1.13%	1.25%	491	515
Debenture bond in CHF (ISIN: CH0344583783) ²	2016–2027	200	0.38%	1.78% ³	184	203
Debenture bond in CHF (ISIN: CH0362748359)	2017–2027	350	0.38%	0.39%	350	351
Debenture bond in CHF (ISIN: CH0317921663)	2016–2028	200	0.38%	0.30%	201	202
Debenture bond in CHF (ISIN: CH0437180935)	2018–2028	150	0.75%	0.72%	150	151
Debenture bond in EUR (ISIN: XS21692434791)	2020–2028	500	0.38%	0.53%	488	511
Debenture bond in CHF (ISIN: CH0254147504)	2014–2029	160	1.50%	1.47%	161	161
Debenture bond in CHF (ISIN: CH0419040982)	2019–2029	200	0.50%	0.43%	201	201
Debenture bond in CHF (ISIN: CH0515152467)	2020–2031	100	0.13%	0.15%	100	100
Debenture bond in CHF (ISIN: CH0336352775)	2016–2032	300	0.13%	0.14%	300	299
Debenture bond in CHF (ISIN: CH0373476164)	2017/ 2019–2033	230	0.75%	0.66%	233	233
Debenture bond in CHF (ISIN: CH1112455766)	2021–2033	100	0.25%	0.27%	100	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%	1.04% ³	281	314
Debenture bond in CHF (ISIN: CH0494734335)	2019–2044	125	0.00%	0.00%	125	125
Total debenture bonds					4,886	5,564

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

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

3 After hedging with interest rate swap.

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

Swisscom repaid a CHF 500 million bond upon maturity in the third quarter of 2022. In the second quarter of 2021, Swisscom issued a green bond for CHF 100 million. It has a coupon of 0.25% and matures in 2033. The funds raised were used within the Green Bond Framework.

Private placements

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount	
					31.12.2022	31.12.2021
Private placements in CHF	2022–2027	170	1.71%	1.71%	171	–
Private placements in CHF	2016–2031	150	0.56%	0.56%	151	151
Total private placements					322	151

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 35% or if another shareholder can exercise control over Swisscom.

Other financial liabilities

As at 31 December 2022, the carrying amount of other financial liabilities was CHF 153 million (prior year: CHF 178 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 2022, the carrying amount of the deferred gains was CHF 85 million (prior year: CHF 95 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 2021	2,172	1,046	10	3,228
Additions	261	47	9	317
Disposals	(78)	(12)	(1)	(91)
Sales of subsidiaries	(1)	–	–	(1)
Foreign currency translation adjustments	(13)	(43)	–	(56)
Balance at 31 December 2021	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
Accumulated depreciation and impairment losses				
Balance at 1 January 2021	(601)	(485)	(4)	(1,090)
Depreciation	(223)	(53)	(4)	(280)
Impairments	(1)	–	–	(1)
Disposals	71	12	1	84
Foreign currency translation adjustments	3	21	–	24
Balance at 31 December 2021	(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)
Net carrying amount				
Net carrying amount at 31 December 2022	1,480	498	14	1,992
Net carrying amount at 31 December 2021	1,590	533	11	2,134
Net carrying amount at 1 January 2021	1,571	561	6	2,138

Lease liabilities

In CHF million	2022	2021
Balance at 1 January	2,017	1,988
Additions	249	317
Interest expense	44	44
Payments	(284)	(303)
Disposals	(98)	(7)
Business combinations	7	–
Foreign currency translation adjustments	(24)	(22)
Balance at 31 December	1,911	2,017
Land and buildings	1,565	1,653
Technical installations	329	349
Other leases	17	15
Total lease liabilities¹	1,911	2,017
Thereof current lease liabilities	232	217
Thereof non-current lease liabilities	1,679	1,800

¹ Note 2.5 shows the maturity analysis for lease liabilities.

Income and expenses arising from leases

In CHF million	2022	2021
Revenue		
Income from leases excluding subleases	202	189
Income from subleases	3	6
Other income		
Deferred gain on sale and leaseback of real estate	10	11
Financial income		
Interest income on finance lease	1	2
Direct costs		
Expense from leases of low value assets	(94)	(110)
Depreciation and impairment losses		
Depreciation of right-of-use assets	(262)	(280)
Impairment losses on right-of-use assets	–	(1)
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 2021 and 2022 break down as follows:

In CHF million	31.12.2022	31.12.2021
Within 1 year	53	33
Between 1 and 2 years	29	24
Between 2 and 3 years	8	7
Between 3 and 4 years	6	6
Between 4 and 5 years	5	4
After 5 years	31	26
Total future payments from finance leases	132	100
Future interest income	(1)	(1)
Total receivables from finance leases	131	99
Thereof current receivables from finance leases	53	33
Thereof non-current receivables from finance leases	78	66

Future lease payments in respect of operating leases are as follows as at 31 December 2021 and 2022.

In CHF million	31.12.2022	31.12.2021
Within 1 year	45	44
Between 1 and 2 years	41	40
Between 2 and 3 years	40	39
Between 3 and 4 years	39	39
Between 4 and 5 years	38	38
After 5 years	39	38
Total future payments from operating leases	242	238

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

A lease is a contract or part of a contract that transfers the right to control the use of an identifiable asset for an agreed period of time in return for payment. In particular, Swisscom leases comprise the rental of operation and office buildings, antenna sites as well as network infrastructure and indefeasible rights of use (IRU). As a lessee, for each lease Swisscom recognises a lease liability for future lease payments and a right of use for the underlying asset as at the time when the leased asset becomes available to Swisscom. The lease payments are divided into a repayment component and an interest component. The interest component is recognised as an interest expense over the lease term computed on the basis of the effective interest method. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the lease term. As a lessor, Swisscom has to distinguish between finance and operating leases. A lease is recorded as a finance lease whenever essentially all of the risks and rewards incidental to ownership of the asset are transferred. Unless implicitly specified in the lease, the interest rate used to measure the rights of use and lease liabilities is the incremental borrowing rate. In the area of network access services, for selected leases Swisscom applies the exemptions regarding the separation of lease and non-lease components. The non-lease components are accounted for in accordance with other standards. Swisscom procures various access services from other network operators and uses their connection cables to the end customer. Under IFRS 16, part of these access services is classified as a lease. The value of the individual connection cable fulfils the criteria as an asset of low value. Swisscom applies the low value asset exemption for these leases. Accordingly, no right-of-use assets and lease liabilities 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	2022	2021
Interest income on financial assets	4	3
Interest income on defined benefit obligations ³	1	–
Foreign exchange gains	–	14
Change in fair value of interest rate swaps ¹	66	21
Gain on sale of equity-accounted investees ²	–	219
Other financial income	5	12
Total financial income	76	269
Interest expense on financial liabilities	(62)	(63)
Interest expense on lease liabilities	(44)	(44)
Interest expense on defined benefit obligations ³	–	(1)
Foreign exchange losses	(9)	–
Interest and present-value adjustments on provisions ⁴	(18)	(32)
Other financial expense	(15)	(33)
Total financial expense	(148)	(173)
Financial income and financial expense, net	(72)	96
Interest expense on lease liabilities	(44)	(44)
Net interest expense on financial assets and liabilities	(58)	(60)

1 See Note 2.5.

2 See Note 5.3.

3 See Note 4.3.

4 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Procedures and principles to ensure adequate liquidity Two guaranteed bank credit lines totaling CHF 2,200 million

Foreign exchange risks

As regards financial instruments, the following currency risks and hedging contracts existed for foreign currencies as of 31 December 2021 and 2022.

In CHF million	31.12.2022		31.12.2021	
	EUR	USD	EUR	USD
Cash and cash equivalents	32	8	11	14
Trade receivables	10	13	6	7
Other financial assets	16	425	13	403
Financial liabilities	(1,872)	(270)	(1,931)	(217)
Trade payables	(57)	(46)	(60)	(41)
Net exposure at carrying amounts	(1,871)	130	(1,961)	166
Net exposure to forecasted cash flows in the next 12 months	(210)	(242)	(15)	(219)
Net exposure before hedges	(2,081)	(112)	(1,976)	(53)
Forward currency contracts	314	242	–	219
Foreign currency swaps	103	(5)	131	(36)
Currency swaps	493	–	517	–
Hedges	910	237	648	183
Net exposure	(1,171)	125	(1,328)	130

As at 31 December 2022, Swisscom had outstanding financial liabilities with a nominal value totalling EUR 1,350 million (CHF 1,330 million, prior year: EUR 1,350 million, CHF 1,395 million), which are designated for hedge accounting of net investments in foreign operations. In 2022, income of CHF 64 million (prior year: CHF 61 million) arising from the measurement of financial liabilities was recognised in other comprehensive income in the position of foreign currency translation of foreign Group companies. As at 31 December 2022, the cumulative positive amount of foreign currency translation differences in equity totalled CHF 368 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
31.12.2022				
EUR volatility 6.15%	115	(56)	13	–
USD volatility 8.12%	(11)	–	20	(20)
31.12.2021				
EUR volatility 5.02%	98	(32)	1	–
USD volatility 6.24%	(10)	2	14	(14)

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	31.12.2022	31.12.2021
Fixed interest-bearing financial liabilities	5,648	6,050
Variable interest-bearing financial liabilities	235	230
Total interest-bearing financial liabilities	5,883	6,280
Fixed interest-bearing financial assets	(274)	(275)
Variable interest-bearing financial assets	(406)	(584)
Total interest-bearing financial assets	(680)	(859)
Total interest-bearing financial assets and liabilities, net	5,203	5,421
Variable interest-bearing	(171)	(354)
Variable through interest rate swaps	1,068	1,092
Variable interest-bearing, net	897	738
Fixed interest-bearing	5,374	5,775
Variable through interest rate swaps	(1,068)	(1,092)
Fixed interest-bearing, net	4,306	4,683
Total interest-bearing financial assets and liabilities, net	5,203	5,421

Interest rate sensitivity analysis

A shift in interest rates by 100 basis points has an impact of CHF 9 million on the income statement (prior year: CHF 7 million). It has no impact on equity as at 31 December 2021 and 2022.

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	31.12.2022	31.12.2021
Cash and cash equivalents	121	401
Financial assets at amortised cost	419	356
Derivative financial instruments	5	19
Other assets valued at fair value	4	2
Total carrying amount of financial assets	549	778

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

In CHF million	31.12.2022	31.12.2021
AAA	39	118
AA- to AA+	293	530
A- to A+	160	75
BBB- to BBB+	28	11
Without rating	29	44
Total	549	778

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	31.12.2022	31.12.2021
Notional amount		
Residential Customers	905	868
Business Customers	572	559
Wholesale	201	186
Infrastructure & Support Functions	22	36
Swisscom Switzerland	1,700	1,649
Fastweb	671	821
Other Operating Segments	182	170
Total notional amount	2,553	2,640
Allowances for doubtful debts		
Residential Customers	(52)	(51)
Business Customers	(10)	(22)
Wholesale	(2)	(4)
Infrastructure & Support Functions	–	(1)
Swisscom Switzerland	(64)	(78)
Fastweb	(35)	(48)
Other Operating Segments	(23)	(25)
Total allowances for doubtful debts	(122)	(151)
Total notional amount less allowances for doubtful debts	2,431	2,489

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	31.12.2022		
	Rate	Par value	Allowance
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)

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

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

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

In CHF million	2022	2021
Balance at 1 January	151	164
Additions to allowances	63	87
Write-off of irrecoverable receivables subject to allowance	(69)	(66)
Release of unused allowances	(21)	(23)
Sales of subsidiaries	–	(9)
Foreign currency translation adjustments	(2)	(2)
Balance at 31 December	122	151

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
31.12.2022						
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

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
31.12.2021						
Bank loans	488	526	7	214	173	132
Debenture bonds	5,564	5,779	556	293	1,832	3,098
Private placements	151	158	1	1	2	154
Derivative financial instruments	64	61	(1)	(3)	28	37
Other financial liabilities	178	178	27	45	20	86
Lease liabilities	2,017	2,680	261	245	600	1,574
Trade payables	1,600	1,600	1,517	70	13	–
Total	10,062	10,982	2,368	865	2,668	5,081

Derivative financial instruments

In CHF million	Contract value		Positive fair value		Negative fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Interest rate swaps in CHF	575	575	–	19	(39)	–
Currency swaps in EUR	493	517	–	–	(79)	(2)
Total fair value hedges	1,068	1,092	–	19	(118)	(2)
Forward currency contracts in USD	153	166	–	–	(7)	(2)
Forward currency contracts in EUR	247	–	1	–	–	–
Total cash flow hedges	400	166	1	–	(7)	(2)
Interest rate swaps in CHF	120	200	2	–	–	(58)
Currency swaps in USD	194	36	1	–	–	–
Currency swaps in EUR	111	131	–	–	–	(1)
Forward currency contracts in USD	89	53	–	–	(4)	(1)
Forward currency contracts in EUR	67	–	1	–	–	–
Total other derivative financial instruments	581	420	4	–	(4)	(60)
Total derivative financial instruments	2,049	1,678	5	19	(129)	(64)
Thereof current derivative financial instruments			3	1	(11)	(4)
Thereof non-current derivative financial instruments			2	18	(118)	(60)

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.

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

Valuation category and fair value of financial instruments

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

In CHF million	31.12.2022		
	Carrying amount	Fair value	Level
Other financial assets			
Listed 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
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	

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

Financial assets amounting to CHF 291 million (prior year: CHF 284 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	01.01.2022	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.

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

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

Trade receivables

In CHF million	31.12.2022	31.12.2021
Billed revenue	2,236	2,335
Accrued revenue	139	131
Allowances	(120)	(151)
Total trade receivables ¹	2,255	2,315

1 Credit risks. See Note 2.5.

Other operating assets and liabilities

In CHF million	31.12.2022	31.12.2021
Other operating assets		
Contract assets	178	174
Contract costs	278	263
Other receivables	77	84
Inventories	162	114
Prepaid expenses	514	430
Advance payments made	83	38
Value-added taxes receivable	45	22
Other non-financial assets	16	54
Total other operating assets	1,353	1,179
Other operating liabilities		
Contract liabilities	1,084	1,012
Accruals for variable performance-related bonus	149	172
Value-added taxes payable	73	68
Accruals for annual holiday, overtime	44	43
Liabilities from collection activities	18	19
Miscellaneous liabilities	203	303
Total other operating liabilities	1,571	1,617

Contract assets and liabilities

In CHF million	31.12.2022	31.12.2021
Contract assets		
Swisscom Switzerland	119	113
Other	59	61
Total contract assets	178	174
Contract liabilities		
Swisscom Switzerland	650	559
Fastweb	358	379
Other	76	74
Total contract liabilities	1,084	1,012

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 2022, an amount of CHF 281 million was recorded as revenue which had been recognised as a contract liability as at 31 December 2021. 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 641 million (2023: CHF 483 million; 2024: CHF 158 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	31.12.2022	31.12.2021
Costs to obtain a contract		
Swisscom Switzerland	35	39
Fastweb	75	54
Other	48	45
Total costs to obtain a contract	158	138
Costs to fulfil a contract		
Router and TV boxes	32	34
Initial costs from outsourcing contracts	88	91
Total costs to fulfil a contract	120	125
Total contract costs	278	263

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 2021	28,317	1,675	4,801	508	35,301
Additions	1,020	4	197	489	1,710
Disposals	(946)	(15)	(444)	–	(1,405)
Adjustment to dismantlement and restoration costs	15	–	(36)	–	(21)
Reclassifications	158	15	97	(270)	–
Business combinations	–	–	1	–	1
Sales of subsidiaries	–	–	(1)	–	(1)
Foreign currency translation adjustments	(248)	(4)	(1)	(2)	(255)
Balance at 31 December 2021	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
Accumulated depreciation and impairment losses					
Balance at 1 January 2021	(19,706)	(1,400)	(3,470)	–	(24,576)
Depreciation	(1,215)	(17)	(298)	–	(1,530)
Impairment losses	(3)	–	(4)	–	(7)
Disposals	943	14	438	–	1,395
Sales of subsidiaries	–	–	1	–	1
Foreign currency translation adjustments	156	2	–	–	158
Balance at 31 December 2021	(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)
Net carrying amount					
Net carrying amount at 31 December 2022	8,399	264	1,245	903	10,811
Net carrying amount at 31 December 2021	8,491	274	1,281	725	10,771
Net carrying amount at 1 January 2021	8,611	275	1,331	508	10,725

Commitments for future capital expenditures

Firm contractual commitments for future capital investments in property, plant and equipment as at 31 December 2022 aggregated CHF 1,019 million (prior year: CHF 899 million).

Non-cash investing and financing transactions

As a result of changes in the assumptions made in estimating dismantling and restoration costs, a decrease in the corresponding provisions of CHF 39 million (prior year: decrease of CHF 21 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	13 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	Licenses	Brands and customer relations	Other intangible assets	Total
Cost of acquisition						
Balance at 1 January 2021	2,347	1,600	1,007	460	295	5,709
Additions	210	194	83	–	78	565
Disposals	(10)	(111)	(26)	(67)	(35)	(249)
Reclassifications	11	107	–	–	(118)	–
Business combinations	–	–	–	29	2	31
Sales of subsidiaries	(13)	–	–	–	(1)	(14)
Foreign currency translation adjustments	(80)	(8)	(12)	(13)	(2)	(115)
Balance at 31 December 2021	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
Accumulated amortisation and impairment losses						
Balance at 1 January 2021	(1,904)	(1,182)	(342)	(415)	(121)	(3,964)
Amortisation	(229)	(221)	(113)	(21)	(9)	(593)
Impairment losses	(1)	–	–	–	–	(1)
Disposals	10	110	26	67	35	248
Reclassifications	14	(14)	–	–	–	–
Sales of subsidiaries	6	–	–	–	–	6
Foreign currency translation adjustments	69	6	3	12	1	91
Balance at 31 December 2021	(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)
Net carrying amount						
Net carrying amount at 31 December 2022	433	472	617	71	148	1,741
Net carrying amount at 31 December 2021	430	481	626	52	125	1,714
Net carrying amount at 1 January 2021	443	418	665	45	174	1,745

As at 31 December 2022, other intangible assets include advance payments made and uncompleted development projects of CHF 133 million (prior year: CHF 107 million).

Commitments for future capital expenditures

As at 31 December 2022, firm contractual commitments for future capital investments in intangible assets aggregated CHF 76 million (prior year: CHF 63 million).

Significant judgements or estimates

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

Accounting policies

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

Category	Years
Software internally generated and purchased	3 to 7
Brands and customer relationships	5 to 10
Licenses	2 to 16
Other intangible assets	3 to 10

Whenever indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down to the recoverable amount.

3.4 Goodwill

Goodwill is allocated to the cash-generating units of Swisscom based upon their business activities. Goodwill arising in a business combination is allocated to each cash-generating unit which can derive synergies from the business combination. The goodwill allocated to the cash-generating units may be analysed as follows:

In CHF million	Residential Customers Swisscom Switzerland	Business Customers Swisscom Switzerland	Fastweb	Other cash-generating units ¹	Total
At cost					
Balance at 1 January 2021	2,769	1,453	1,915	403	6,540
Additions	–	9	–	9	18
Foreign currency translation adjustments	–	–	(83)	–	(83)
Balance at 31 December 2021	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
Accumulated impairment losses					
Balance at 1 January 2021	–	–	(1,378)	–	(1,378)
Foreign currency translation adjustments	–	–	60	–	60
Balance at 31 December 2021	–	–	(1,318)	–	(1,318)
Foreign currency translation adjustments	–	–	61	–	61
Balance at 31 December 2022	–	–	(1,257)	–	(1,257)
Net carrying amount					
Net carrying amount at 31 December 2022	2,767	1,501	492	412	5,172
Net carrying amount at 31 December 2021	2,769	1,462	514	412	5,157
Net carrying amount at 1 January 2021	2,769	1,453	537	403	5,162

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

Impairment testing

In the fourth quarter of 2022 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

Cash-generating unit	2022			2021		
	WACC pre-tax	WACC post-tax	Long-term growth rate	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	5.13%	4.20%	0%	5.01%	4.09%	0%
Business Customers Swisscom Switzerland	5.13%	4.20%	0%	4.99%	4.09%	0%
Fastweb	7.42%	5.90%	2.0%	7.21%	5.36%	0.8%
Other cash-generating units	5,14– 9,66%	4,20– 8,56%	0– 1.0%	5,01– 9,64%	4,09– 8,28%	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 1,028 million (CHF 1,021 million). In the prior year, the difference amounted to EUR 641 million (CHF 680 million). The following changes in material assumptions would lead to a situation where the value in use would equate to the net carrying amount.

	2022		2021	
	Assumptions	Sensitivity	Assumptions	Sensitivity
Average annual revenue growth until 2027 (2026) with EBITDA margin unchanged compared to business plan	7.2%	5.9%	6.6%	5.6%
Normalised EBITDA margin	28%	26%	31%	30%
Normalised capital expenditure rate	20%	22%	21%	22%
WACC post-tax	5.90%	7.17%	5.36%	6.27%
Long-term growth rate	2.0%	0.5%	0.8%	–0.4%

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	Termination benefits ¹	Other	Total
Balance at 1 January 2022	712	176	55	206	1,149
Additions to provisions	–	164	13	40	217
Adjustments recorded under property, plant and equipment	(39)	–	–	–	(39)
Interest and present-value adjustments	7	15	–	(4)	18
Release of unused provisions	–	–	(18)	(13)	(31)
Use of provisions	(22)	(72)	(19)	(41)	(154)
Foreign currency	–	–	–	(1)	(1)
Balance at 31 December 2022	658	283	31	187	1,159
Thereof current provisions	–	–	25	63	88
Thereof non-current provisions	658	283	6	124	1,071

¹ See Note 4.1.

Provisions for dismantling and restoration costs

The provisions are computed by reference to estimates of future anticipated dismantling costs and are discounted using an average interest rate of 2.02% (prior year: 0.91%). Adjustments as a result of reassessments in the amount of CHF –39 million were recognised under property, plant and equipment with no impact on the income statement in 2022. Of this amount, CHF –145 million resulted from the use of different interest rates, CHF 87 million from the adjustment of the cost index used to calculate dismantling costs and CHF 19 million from other effects. An increase of estimated costs by 10% would result in an increase of CHF 63 million in the amount of the provision. A delay of another ten years in the timing of the dismantling would lead to a reduction of CHF 30 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. The procedures for setting access prices for 2013 onwards are still pending before ComCom. In its ruling of 19 December 2022, the Federal Administrative Court upheld ComCom's decision that interest on recovery claims from access-related proceedings must now be calculated based on the weighted average cost of capital (WACC).

The Competition Commission (COMCO) has launched various investigations against Swisscom in the past. In April 2013, COMCO launched 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. The fine was paid by Swisscom 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. As a result of this conduct, which was judged to be unlawful under competition law, COMCO imposed a penalty of CHF 8 million. Swisscom challenged COMCO's 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 164 million were made in 2022 and interest of CHF 15 million was recorded. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could probably occur within five years.

Other provisions

Other provisions mainly include provisions for contractual risks. Any necessary payments of the non-current portion of the provisions could likely occur within three years.

Contingent liabilities for regulatory and competition law proceedings

The Competition Commission (COMCO) is conducting several proceedings against Swisscom. In the event that a legally enforceable finding of market abuse is reached, COMCO might impose a penalty on Swisscom. In addition, claims under civil law might be asserted against Swisscom. In 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 dismantling and restoration costs

Swisscom is legally obligated to dismantle transmitter stations and telecommunications installations located on land belonging to third parties following decommissioning, and to restore to its original state the property owned by third parties in the locations where these installations are erected. The costs of dismantling are capitalised as part of the acquisition costs of the installations, and are amortised over their useful lives. The provisions are measured at the present value of the aggregate future costs, and are reported under non-current provisions. Whenever the provision is re-measured, the present value of the changes in the liability is either added to or deducted from the cost of the related capitalised item of property, plant and equipment. The amount deducted from the cost of the related asset must not exceed its net carrying amount. Any excess is taken directly to income.

Provisions for termination benefits

Costs in connection with the implementation of restructuring programmes are first expensed when management commits itself to a restructuring plan, it is probable that a liability has been incurred, the amount thereof can be reliably estimated and the implementation of the programme has commenced, or the individuals involved have been advised in sufficient detail as to the main terms of the restructuring programme. A public announcement and/or communication to personnel associations are deemed to be equivalent to commencing the implementation of the programme.

4 Employees

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

4.1 Employee headcount and personnel expense

Employee headcount

In full-time equivalent	31.12.2022	31.12.2021	Change
Residential Customers	2,676	2,882	-7.1%
Business Customers	5,177	5,044	2.6%
Wholesale	73	74	-1.4%
Infrastructure & Support Functions	4,896	4,889	0.1%
Swisscom Switzerland	12,822	12,889	-0.5%
Fastweb	3,039	2,753	10.4%
Other Operating Segments	3,296	3,263	1.0%
Total headcount	19,157	18,905	1.3%
Thereof Switzerland	15,750	15,882	-0.8%
Thereof other countries	3,407	3,023	12.7%
Average number of employees	19,046	19,099	-0.3%

Personnel expense

In CHF million	2022	2021
Salary and wage costs	2,049	2,060
Social security expenses	250	248
Expense of defined benefit plans ¹	326	260
Expense of defined contribution plans	11	11
Expense for share-based payments	1	1
Termination benefits	(5)	13
Other personnel expense	73	74
Total personnel expense	2,705	2,667
Thereof Switzerland	2,449	2,399
Thereof other countries	256	268

¹ See Note 4.3.

Termination benefits

Swisscom supports employees affected by restructuring through a social plan. In addition to other benefits, the social plan benefits include continued salary payments beyond the contractual notice period for a maximum period of time, which depends on the seniority and age of the employee concerned. Under certain conditions, older employees affected by job cuts can transfer to the subsidiary Worklink AG at reduced guaranteed continued salary payments. Worklink AG aims to place participants with third-parties for temporary work assignments, whereby the participants are paid a share of the turnover as a wage supplement. Net expenditure for personnel reduction was CHF -5 million (prior year: expenditure of CHF 13 million). This is comprised of newly established provisions of CHF 13 million, less the release of unused provisions to the value of CHF 18 million. These personnel downsizing measures are connected with Swisscom's aim to reduce the cost base in the telecommunications business in Switzerland.

4.2 Key management compensation

In CHF thousand	2022	2021
Current compensation	1,357	1,400
Share-based payments	812	761
Pension contributions	141	137
Social security contributions	143	124
Total compensation to members of the Board of Directors	2,453	2,422
Current compensation	4,637	5,199
Share-based payments	867	853
Benefits paid following retirement from Group Executive Board	1,053	1,026
Pension contributions	666	766
Social security contributions	480	526
Total compensation to members of the Group Executive Board	7,703	8,370
Total compensation to members of the Board of Directors and of the Group Executive Board	10,156	10,792

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 disclosures required by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) are set out in the chapter Remuneration Report. Shares in Swisscom Ltd held by the members of the Board of Directors and Group Executive Board are set out in the notes to the 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.

The comPlan Foundation Council adopted measures in the second quarter of 2021 to strengthen intergenerational equity. The measures contain a reduction in the conversion rate in monthly steps from 1 January 2023 to 1 May 2024 and an increase in savings contributions. In order to cushion the reduction in the conversion rate, the individual retirement savings of the employees are credited with special monthly contributions during the reduction period. The special contributions are fully financed from comPlan's reserves. In addition, the vested or future spouse's or partner's pensions will be standardised at 60% of the old age pension from 2023. The plan amendment resulted in a net decrease of CHF 45 million in the defined benefit obligation in the second quarter of 2021. An amount of CHF 60 million was recognised as negative past service cost in the income statement and an amount of CHF 15 million was recognised as actuarial loss from changes in assumptions in other comprehensive income. This is based on a remeasurement of the net defined benefit obligation using the current fair values of plan assets at the inception of the plan amendment and current actuarial assumptions, taking into account the risk-sharing characteristics. The past service cost is the difference between the valuation with the previous regulatory benefits and contributions and the valuation with the amended regulatory benefits and contributions.

In accordance with the relevant Swiss accounting standards (Swiss GAAP FER 26), comPlan's estimated funding ratio amounted to 108% as at 31 December 2022 (prior year: 120%). 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 pension plans

Other pension plans exist for individual Swiss subsidiary companies which are not affiliated to comPlan and for Fastweb. Employees of the Italian subsidiary Fastweb have acquired entitlements to future pension benefits up to the end of 2006, which are recorded in the balance sheet as defined benefit obligations. The discount rate used was 3.77% (prior year: 0.34%).

Pension cost

In CHF million	comPlan	Other plans	2022	comPlan	Other plans	2021
Current service cost	316	6	322	312	4	316
Plan amendments	–	–	–	(60)	–	(60)
Administration expense	3	1	4	3	1	4
Total recognised in personnel expense	319	7	326	255	5	260
Interest expense on net defined benefit obligations	(1)	–	(1)	1	–	1
Total recognised in financial expense	(1)	–	(1)	1	–	1
Total expense of defined benefit plans recognised in income statement	318	7	325	256	5	261

In CHF million	comPlan	Other plans	2022	comPlan	Other plans	2021
Actuarial gains and losses from						
Change of the demographical assumptions	(39)	–	(39)	(250)	–	(250)
Change of the financial assumptions	(2,504)	–	(2,504)	23	–	23
Experience adjustments to defined benefit obligations	80	(4)	76	127	(1)	126
Change in share of employee contribution (risk sharing)	628	–	628	455	–	455
Return on plan assets excluding the part recognised in financial result	1,161	2	1,163	(1,161)	–	(1,161)
Asset ceiling	628	–	628	30	–	30
Total (income) expense of defined benefit plans recognised in other comprehensive income	(46)	(2)	(48)	(776)	(1)	(777)

Status of pension plans

In CHF million	comPlan	Other plans	2022	comPlan	Other plans	2021
Defined benefit obligations						
Balance at 1 January	13,053	47	13,100	12,740	42	12,782
Current service cost	316	6	322	312	4	316
Interest cost on defined benefit obligations	38	–	38	39	–	39
Employee contributions	174	–	174	175	–	175
Benefits paid	(610)	1	(609)	(509)	–	(509)
Actuarial losses (gains)	(1,835)	(4)	(1,839)	355	(1)	354
Change in scope of consolidation	–	(1)	(1)	–	3	3
Plan amendments	–	–	–	(60)	–	(60)
Foreign currency translation adjustments	–	(1)	(1)	–	–	–
Transfer of pension plans	–	–	–	1	(1)	–
Balance at 31 December	11,136	48	11,184	13,053	47	13,100
Plan assets						
Balance at 1 January	13,094	23	13,117	11,968	19	11,987
Interest income on plan assets	39	–	39	38	–	38
Employer contributions	272	6	278	264	5	269
Employee contributions	174	–	174	175	–	175
Benefits paid	(610)	–	(610)	(509)	–	(509)
Return (expense) on plan assets excluding the part recognised in financial result	(1,161)	(2)	(1,163)	1,161	–	1,161
Administration expense	(3)	(1)	(4)	(3)	(1)	(4)
Balance at 31 December	11,805	26	11,831	13,094	23	13,117
Net defined benefit obligations (assets)						
Net defined benefit obligations (assets) before asset ceiling	(669)	22	(647)	(41)	24	(17)
Asset ceiling	658	–	658	30	–	30
Net defined benefit obligations (assets) recognised at 31 December	(11)	22	11	(11)	24	13
Thereof defined benefit asset	(11)	–	(11)	(11)	–	(11)
Thereof defined benefit obligations	–	22	22	–	24	24

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

In CHF million	comPlan	Other plans	2022	comPlan	Other plans	2021
Balance at 1 January	(11)	24	13	772	23	795
Pension cost, net	318	7	325	256	5	261
Employer contributions and benefits paid	(272)	(5)	(277)	(264)	(5)	(269)
Change in scope of consolidation	–	(1)	(1)	–	3	3
(Income) expense of defined benefit plans, recognised in other comprehensive income	(46)	(2)	(48)	(776)	(1)	(777)
Foreign currency translation adjustments	–	(1)	(1)	–	–	–
Transfer of pension plans	–	–	–	1	(1)	–
Balance at 31 December	(11)	22	11	(11)	24	13

The weighted average duration of the cash value of the defined benefit obligations for comPlan is 13 years (prior year: 16 years).

Breakdown of comPlan pension plan assets

Category	Investment strategy	31.12.2022			31.12.2021		
		Quoted	Not quoted	Total	Quoted	Not quoted	Total
Government bonds Switzerland	5.0%	2.0%	2.6%	4.6%	2.0%	2.9%	4.9%
Corporate bonds Switzerland	7.0%	7.1%	0.0%	7.1%	5.5%	0.0%	5.5%
Government bonds developed markets, World	5.0%	4.0%	0.0%	4.0%	4.6%	0.0%	4.6%
Corporate bonds developed markets, World	10.0%	9.5%	0.0%	9.5%	9.8%	0.0%	9.8%
Government bonds emerging markets, World	8.0%	7.8%	0.0%	7.8%	7.7%	0.0%	7.7%
Private debt	5.0%	0.0%	5.3%	5.3%	0.0%	4.8%	4.8%
Third-party debt instruments	40.0%	30.4%	7.9%	38.3%	29.6%	7.7%	37.3%
Equity shares Switzerland	7.0%	6.7%	0.0%	6.7%	7.5%	0.0%	7.5%
Equity shares developed markets, World	13.5%	13.2%	0.0%	13.2%	14.3%	0.0%	14.3%
Equity shares emerging markets, World	4.5%	4.3%	0.0%	4.3%	5.3%	0.0%	5.3%
Equity instruments	25.0%	24.2%	0.0%	24.2%	27.1%	0.0%	27.1%
Real estate Switzerland	15.0%	5.9%	10.1%	16.0%	6.9%	7.6%	14.5%
Real estate World	8.0%	0.0%	8.8%	8.8%	0.7%	6.7%	7.4%
Real estate	23.0%	5.9%	18.9%	24.8%	7.6%	14.3%	21.9%
Commodities	2.0%	0.0%	2.0%	2.0%	1.5%	1.9%	3.4%
Private markets	9.0%	0.0%	10.6%	10.6%	0.0%	9.3%	9.3%
Cash and cash equivalents and other investments	1.0%	0.0%	0.1%	0.1%	0.0%	1.0%	1.0%
Cash and cash equivalents and alternative investments	12.0%	0.0%	12.7%	12.7%	1.5%	12.2%	13.7%
Total plan assets	100.0%	60.5%	39.5%	100.0%	65.8%	34.2%	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 6.5 years (prior year: 7.9 years), and the average rating of these assets is A- (prior year: BBB+). 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 84% (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 16.4% of total assets.

Additional information on plan assets

As at 31 December 2022, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 11 million (prior year: CHF 12 million). The effective income from plan assets was minus CHF 1,123 million in 2022 (prior year: income of CHF 1,199 million). In 2023, Swisscom expects to make payments to the pension funds for statutory employer contributions totalling CHF 263 million.

Assumptions underlying comPlan actuarial computations

Assumptions	2022	2021
Discount rate	2.19%	0.30%
Expected rate of salary increases	1.83%	1.23%
Expected rate of pension increases	–%	–%
Capital withdrawal ratio	26%	24%
Interest on old age savings accounts up to 5 years	2.19%	1.54%
Interest on old age savings accounts after 5 years	2.19%	0.54%
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)	22.16	22.09
Life expectancy at age of 65 – women (number of years)	23.92	23.83

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 a net actuarial gain of CHF 2,504 million in 2022. The increase in the discount rate resulted in a gain of CHF 2,865 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 361 million. In the prior year, the actuarial gain of CHF 250 million resulting from changes in demographical assumptions was mainly due to the application of new mortality tables.

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 2022, meaning that there is no assumption that pensions will be reduced. There was an interest-induced funding shortfall as at 31 December 2021, meaning that a gradual reduction in future pensions of 3.0% was assumed. Gross surpluses arose as at 31 December 2022 and 31 December 2021; these have been reduced by the employee contribution of CHF 679 million (prior year: CHF 31 million). The change in the share of the employee contribution to the funding shortfall or surplus is recognised in other comprehensive income.

Sensitivity analysis comPlan

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)
Expected rate of pension increases (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)

Sensitivity analysis 2021

In CHF million	Defined benefit obligations		Current service cost	
	Increase assumption	Decrease assumption	Increase assumption	Decrease assumption
Discount rate (change +/-0.5%)	(431)	467	(34)	41
Expected rate of salary increases (change +/-0.5%)	32	(25)	6	(6)
Expected rate of pension increases (change +0.5%; -0.0%)	368	-	6	-
Interest on old age savings accounts (change +/-0.5%)	53	(46)	7	(7)
Share of employee contribution to funding shortfall (change +/-10%)	-	-	-	-
Share of employee contribution to surplus (Change +/-10%)	6	(6)	-	-
Life expectancy at age of 65 (change +/-0.5 year)	108	(103)	5	(5)

The sensitivity analysis takes into consideration the movement in defined benefit obligations as well as current service costs in adjusting the actuarial assumptions by half a percentage point and half a year, respectively. In the process only one of the assumptions is adjusted each time, the other parameters remaining unchanged. In the sensitivity analysis, no change was made in view of a negative movement in pension increases as it is not possible to reduce current pensions. The assumed gradual reduction in conversion rates is left unchanged in the sensitivities of the discount rate shown. Due to the limitation of the assets, an increase in the discount rate of 0.5% in the calculation of the conversion rate reduction does not lead to an increase in the pension obligation.

Significant judgements or estimates

The determination of post-employment retirement benefit obligations requires an estimation of the future service periods, the development of future salaries and pensions, interest accruing on the employee savings accounts, the timing of contractual pension benefit payments and the employees' share of the funding shortfall. This evaluation is made on the basis of prior experience and anticipated future trends. Anticipated future payments are discounted with the yields of Swiss franc-denominated corporate bonds from domestic and foreign issuers quoted on the Swiss Exchange with an AA rating. The discount rates match the anticipated payment maturities of the liabilities.

Accounting policies

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	2022	2021
Expenses for business combinations net of cash and cash equivalents acquired	(65)	(32)
Expenses for deferred consideration arising on business combinations	(2)	(10)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	–	1
Expenses for shareholdings accounted for using the equity method	(2)	(3)
Proceeds from sale of equity-accounted investees ¹	–	149
Acquisition of non-controlling interests	(14)	–
Total cash flow from the purchase and sale of shareholdings, net	(83)	105

1 See Note 5.3.

Acquisitions and disposals of subsidiaries in 2022 are not individually material. The business combinations in 2022 include the full acquisition of MTF Solutions AG and Audio Video G + M Holding AG. Swisscom also acquired the remaining 25% share in Swisscom Digital Technology AG in 2022.

Business combinations in 2021 include the full acquisition of Webtiser AG and JLS Digital as well as acquisition of a 90% stake in the Innovative Web Group. Following its acquisition, Webtiser AG was merged with Swisscom (Switzerland) Ltd. Swisscom also sold all its shares in local.fr SA in 2021 and relinquished control of Custodigit AG. In addition, Swisscom sold its shares in the following equity-accounted investees in 2021: Belgacom International Carrier Services SA, Medgate AG, SEC Consult (Switzerland) AG, SmartLife Care AG, SwissSign Group AG and tiko Energy Solutions AG. For further information, see Note 5.3.

Accounting policies

Consolidation

Subsidiaries are all companies 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	2022	2021
Balance at 1 January	30	155
Additions	5	18
Disposals	(3)	(131)
Dividends	(2)	(1)
Share of net results	(3)	(5)
Share of other comprehensive income	1	(2)
Impairment losses	(2)	(5)
Foreign currency translation adjustments	–	1
Balance at 31 December	26	30

In 2021, as part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. For contributing its 20% stake to Flash Fiber, Fastweb has received a 4.5% stake in FiberCop. The transaction was completed in March 2021. The fair value of the FiberCop investment is EUR 210 million (CHF 232 million). The transaction resulted in a gain on the Flash Fiber participation of CHF 169 million, which was recognised in the income statement in the first quarter of 2021. In addition, in the first quarter of 2021, Swisscom sold its share in Belgacom International Carrier Services SA (BICS) for a sale price of EUR 115 million (CHF 126 million). Swisscom realised a gain of CHF 38 million from the sale of BICS.

Selected key performance indicators for equity-accounted investees

In CHF million	2022	2021
Income statement		
Net revenue	197	368
Operating expense	(191)	(369)
Operating income	6	(1)
Net income	2	(34)
Other comprehensive income	8	(9)
Balance sheet at 31 December		
Current assets	146	158
Non-current assets	20	19
Current liabilities	(53)	(69)
Non-current liabilities	(30)	(30)
Equity	83	78

5.4 Group companies

Group companies in Switzerland

Registered name	Registered office	31.12.2022 Capital and voting rights share in %	31.12.2021 Capital and voting rights share in %	Share capital in million	Currency	Segment ⁴
Switzerland						
AdUnit Ltd ²	Zurich	100	100	0.1	CHF	OTH
Ajila AG ²	Sursee	60	60	0.1	CHF	OTH
Artificialy SA ^{2,3}	Lugano	18	18	1.1	CHF	OTH
Audio-Video G+M AG ¹	St. Gallen	100	–	0.1	CHF	OTH
autoSense Ltd ^{2,3}	Zurich	33	33	0.3	CHF	OTH
Billag Ltd in liquidation ¹	Fribourg	–	100	0.1	CHF	OTH
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	25	25	0.1	CHF	OTH
Custodigit Ltd ^{2,3}	Zurich	–	41	1.8	CHF	OTH
daura Ltd ^{2,3}	Zurich	26	26	0.4	CHF	OTH
ecmt AG ^{2,3}	Embrach	20	20	0.1	CHF	OTH
Entertainment Programm AG ^{2,3}	Zurich	33	33	0.6	CHF	SCS
fīnova ltd bankware ^{2,3}	Lenzburg	9	9	0.5	CHF	SCS
Global IP Action Ltd ²	Freienbach	68	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	90	0.1	CHF	OTH
itnetX (Switzerland) AG ²	Rümlang	100	100	0.1	CHF	SCS
JLS Digital AG ²	Lucerne	100	100	1.0	CHF	SCS
Mona Lisa Capital AG in liquidation ²	Ittigen	–	100	5.0	CHF	OTH
MTF Solutions AG ²	Ittigen	100	–	0.1	CHF	SCS
SportPass (Switzerland) AG ^{2,3}	Zurich	25	25	0.1	CHF	OTH
Swisscom Broadcast Ltd ¹	Berne	100	100	25.0	CHF	OTH
Swisscom Digital Technology SA ¹	Lausanne	100	75	0.1	CHF	SCS
Swisscom Directories Ltd ¹	Zurich	100	100	2.2	CHF	OTH
Swisscom eHealth Invest GmbH ²	Ittigen	–	100	1.4	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	–	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	Berne	100	100	0.5	CHF	SCS
Worklink AG ¹	Berne	100	100	0.5	CHF	SCS

1 Participation directly held by Swisscom Ltd.

2 Participation indirectly held by Swisscom Ltd.

3 Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.

4 SCS = Swisscom Switzerland, FWB = Fastweb, OTH = Other

Group companies in other countries

Registered name	Registered office	31.12.2022 Capital and voting rights share in %	31.12.2021 Capital and voting rights share in %	Share capital in million	Currency	Segment ⁴
Germany						
Swisscom Telco GmbH ²	Leipzig	100	100	–	EUR	OTH
France						
SoftAtHome SA ^{2,3}	Colombes	10	10	6.5	EUR	SCS
Great Britain						
Ajila UK Ltd ²	London	60	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	SCS
Latvia						
Swisscom DevOps Latvia SIA ²	Riga	100	100	–	EUR	SCS
Liechtenstein						
Swisscom Re Ltd ¹	Vaduz	100	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 SCS ²	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Initial Limited Partner SCS 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	SCS
Singapore						
Swisscom IT Services Finance Pte Ltd ²	Singapore	–	100	0.1	SGD	SCS
Spain						
Webtiser Spain SA ²	Madrid	100	100	0.1	EUR	SCS
USA						
Swisscom Cloud Lab Ltd ²	Delaware	100	100	–	USD	OTH

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

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	2022	2021
Current income tax expense	365	337
Adjustments recognised for current tax of prior periods	(14)	(3)
Deferred income tax expense	9	(15)
Total income tax expense recognised in income statement	360	319
Thereof Switzerland	316	339
Thereof other countries	44	(20)

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

In CHF million	2022	2021
Foreign currency translation adjustments of foreign subsidiaries	(7)	(7)
Actuarial gains and losses from defined benefit pension plans	7	139
Change to the fair value of equity instruments	1	13
Change in cash flow hedges	(1)	(1)
Total income tax expense recognised in other comprehensive income	–	144

Analysis of income taxes

The applicable income tax rate which serves to prepare the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland. The applicable income tax rate is 18.0% (prior year: 18.3%). 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	2022	2021
Income before income taxes in Switzerland	1,779	1,827
Income before income taxes other countries	184	325
Income before income taxes	1,963	2,152
Applicable income tax rate	18.0%	18.3%
Income tax expense at the applicable income tax rate	353	394
Reconciliation to reported income tax expense		
Effect from result of shareholdings accounted for using the equity method	–	2
Effect of changes in tax law in Switzerland	(7)	5
Effect of changes in tax law in other countries	–	(57)
Effect of use of different income tax rates in Switzerland	3	1
Effect of use of different income tax rates in other countries	11	6
Effect of non-recognition of tax loss carry-forwards	1	1
Effect of exclusively tax-deductible expenses and income	(14)	(30)
Effect of exclusively non-tax-deductible expenses and income	27	–
Effect of income tax of prior periods	(14)	(3)
Total income tax expense	360	319
Effective income tax rate	18.3%	14.8%

As a result of a change in tax law in Italy, Fastweb revalued its own goodwill to the carrying amount for tax purposes in the third quarter of 2021. The revaluation resulted in a positive tax effect of CHF 57 million.

Current income tax assets and liabilities

In CHF million	2022	2021
Current income tax liabilities at 1 January, net	228	182
Recognised in income statement	351	334
Recognised in other comprehensive income	(9)	(9)
Income taxes paid in Switzerland	(361)	(264)
Income taxes paid in other countries	(17)	(15)
Current income tax liabilities at 31 December, net	192	228
Thereof current income tax assets	(2)	(2)
Thereof current income tax liabilities	194	230
Thereof Switzerland	140	222
Thereof other countries	52	6

Deferred income tax assets and liabilities

In CHF million	31.12.2022			31.12.2021		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Property, plant and equipment	54	(597)	(543)	50	(611)	(561)
Intangible assets	5	(100)	(95)	12	(62)	(50)
Provisions	85	(73)	12	102	(93)	9
Defined benefit obligations	–	(23)	(23)	–	(24)	(24)
Tax loss carry-forwards	–	–	–	12	–	12
Other	145	(133)	12	140	(133)	7
Total tax assets (tax liabilities)	289	(926)	(637)	316	(923)	(607)
Thereof deferred tax assets			194			204
Thereof deferred tax liabilities			(831)			(811)
Thereof Switzerland			(675)			(629)
Thereof other countries			38			22

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

In CHF million	31.12.2022	31.12.2021
Expiring within 1 year	–	–
Expiring within 2 to 7 years	19	18
No expiration	7	5
Total unrecognised tax loss carry-forwards	26	23
Thereof Switzerland	20	18
Thereof other countries	6	5

Other disclosures

No deferred tax liabilities were recognised on the undistributed earnings of subsidiaries as at 31 December 2022 (prior year: CHF 6 million). Temporary differences of subsidiaries and equity-accounted investees for which no deferred tax liabilities are recognised as at 31 December 2022 amounted to CHF 3,211 million (prior year: CHF 2,838 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 2022, 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 the Swiss Post, Swiss Federal Railways, RUAG and Skyguide). All transactions are conducted on the basis of normal customer/supplier relationships and on conditions applicable to unrelated third parties. In addition, financing transactions are entered into with the Swiss Post under market conditions.

Equity-accounted investees

Services provided to/by equity-accounted investees are based upon market prices. Such participations are listed in Note 5.3.

Transactions and balances

In CHF million	Income	Expense	Receivables	Liabilities
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

In CHF million	Income	Expense	Receivables	Liabilities
2021 financial year				
Confederation	186	69	278	159
Equity-accounted investees	18	50	6	4
Total 2021 / balance at 31 December 2021	204	119	284	163

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

Currency	Closing rate			Average rate	
	31.12.2022	31.12.2021	31.12.2020	2022	2021
1 EUR	0.985	1.033	1.080	1.004	1.080
1 USD	0.923	0.912	0.880	0.952	0.912

Amended International Financial Reporting Standards and Interpretations, whose application is not yet mandatory

The following International Financial Reporting Standards and Interpretations published up to the end of 2022 are mandatory for annual periods beginning on or after 1 January 2023.

Standard	Name	Effective from
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associated company or joint venture	still open

Swisscom will review its financial reporting for the impact of those new and amended standards which take effect on or after 1 January 2023 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 2022, the consolidated balance sheet as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 106 to 165) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and the Swiss Standards on Auditing (SA-CH). Our responsibilities under these regulations and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview



Overall materiality for the consolidated financial statements: CHF 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 – Solutions business with Business Customers
- Recoverability of technical installations and intangible assets
- Assessment of litigation arising from regulatory and competition law proceedings

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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 Committee & ESG Reporting 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:	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



As at 31 December 2022, the goodwill relating to the Fastweb operating segment amounted to CHF 492 million (2021: CHF 514 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 143) in the notes to the consolidated financial statements.

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 – Solutions business with Business Customers

Key audit matter

For the 2022 financial year, Swisscom reports net revenue of CHF 11,112 million (2022: CHF 11,183 million). Of this amount, CHF 1,181 million (2021: CHF 1,111 million) is generated by the Solutions business with Business Customers. The Solutions business with Business Customers comprises integrated communications solutions (e.g. IT outsourcing) for large enterprises in Switzerland.

We consider revenue recognition in the Solutions business with Business Customers to be a key audit matter for the following reasons:

- The specific projects within the Solutions business are based on complex individual contracts that may include multiple performance obligations. The accounting treatment of these contracts requires management to estimate the expected transaction price and the timing of revenue recognition of the individual performance obligations.
- The projects typically last between three and seven years. To ensure a loss-free valuation of ongoing projects, management has significant scope for judgement in its assessment of the future costs of each project.

Please refer to note 1.1 'Segment information' (page 112) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

During our audit, we assessed the design and effectiveness of the controls implemented to ensure the correct recognition of revenue in the Solutions business 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 2022 financial year, we assessed the accounting treatment applied by Swisscom. In doing so, we assessed whether management's estimate of the expected transaction price and of the timing of revenue recognition relating to individual performance obligations is appropriate.

To address the significant scope for judgement when assessing future costs to ensure a loss-free valuation, we performed the following audit procedures:

- We gained an understanding of the process implemented by management to assess future developments in the Solutions business and critically assessed that process.
- We discussed with Swisscom their expectations regarding the future development of individual projects and critically assessed those expectations on the basis of current developments.
- Using a sample of projects, we compared Swisscom's forecasts from the previous year with actual developments in the current financial year and analysed any variances.

Finally, on the basis of a sample, we assessed whether the revenue in the Solutions business with Business Customers was recorded correctly. To do so, we checked cash receipts for individual revenue transactions and obtained external balance confirmations from Swisscom customers.

We consider management's estimates relating to the recognition of revenue in the Solutions business with Business Customers to be appropriate.

Recoverability of technical installations and intangible assets

Key audit matter	How our audit addressed the key audit matter
<p>We consider the impairment testing of technical facilities and intangible assets to be a key audit matter for the following reasons:</p> <p>Swisscom recognises as of 31 December 2022 technical installations with a net book value of CHF 8,399 million (2021: CHF 8,491 million) and intangible as-sets with a net book value of CHF 1,741 million (2021: CHF 1,714 million). Both represent significant amounts.</p> <p>Management has significant scope for judgement when assessing and determining the useful life of technologies that are in use.</p> <p>Please refer to note 3.2 'Property, plant and equipment' (page 140) and note 3.3 'Intangible assets' (page 142) in the notes to the consolidated financial statements.</p>	<p>We assessed the design and effectiveness of the controls implemented to ensure the correct impairment testing of technical installations and intangible assets.</p> <p>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.</p> <p>In addition, we assessed the completeness and appropriateness of changes in useful lives and actual impairments in the 2022 financial year.</p> <p>We consider management's assessment of the expected period over which Swisscom derives economic benefits from the use of existing technologies to be appropriate.</p>



Assessment of litigation arising from regulatory and competition law proceedings

Key audit matter

Swisscom recorded as at 31 December 2022 provisions amounting to CHF 1,159 million (2021: CHF 1,149 million). Of this amount, CHF 283 million (2021: CHF 176 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 145) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

To address the significant scope for judgement in estimating the probability, the timing and the amount of a potential cash outflow due to litigation, we performed together with an internal legal expert the following audit procedures:

- We discussed pending litigation with management and Swisscom's internal and external 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 all 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 the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Peter Kartscher
Audit expert
Auditor in charge

Petra Schwick
Audit expert

Zürich, 8 February 2023



Further Information

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Financial statements of Swisscom Ltd

General disclosures

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

☞ See www.swisscom.ch/financialstatements2022

Swisscom Ltd is a holding company under Swiss law. As at 31 December 2022, the Swiss Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd as in the prior year. The Telecommunications Enterprise Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

The financial statements of Swisscom Ltd have been prepared in accordance with statutory requirements and the Articles of Incorporation. Distributable reserves are not determined on the basis of the equity as reported in the consolidated financial statements, but rather on the basis of equity as reported in the separate financial statements of Swisscom Ltd. The equity totalled CHF 7,908 million in the 2022 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 2022, Swisscom Ltd held distributable reserves of CHF 7,846 million. The dividend is proposed by the Board of Directors and must be approved by Swisscom Ltd's Annual General Meeting of Shareholders on 28 March 2023. Treasury shares are not entitled to a dividend.

Income statement

In CHF million	2022	2021
Net revenue from the sale of goods and services	–	19
Other income	5	16
Total operating income	5	35
Personnel expense	(10)	(33)
Other operating expense	(5)	(12)
Total operating expenses	(15)	(45)
Operating income	(10)	(10)
Financial expense	(1)	(37)
Financial income	37	73
Income from participations	4,281	163
Income before taxes	4,307	189
Income tax expense	(12)	(4)
Net income	4,295	185

Balance sheet

In CHF million	31.12.2022	31.12.2021
Assets		
Cash and cash equivalents	55	337
Financial assets	3,092	4,217
Participations	8,356	8,222
Accrued dividends receivable from subsidiaries	3,700	–
Other assets	29	56
Total assets	15,232	12,832
Liabilities and equity		
Interest-bearing liabilities	7,190	7,944
Other liabilities	134	135
Total liabilities	7,324	8,079
Share capital	52	52
Legal capital reserves/capital surplus reserves	21	21
Voluntary retained earnings	7,835	4,680
Total equity	7,908	4,753
Total liabilities and equity	15,232	12,832

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 2022, guarantee obligations existed for Group companies in favour of third parties totalling CHF 340 million (prior year: CHF 269 million), and financial assets totalling CHF 153 million (prior year: CHF 155 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 28 March 2023 that the available retained earnings of CHF 7,835 million for the financial year ending on 31 December 2022 be appropriated as follows:

In CHF million	31.12.2022
Appropriation of retained earnings	
Retained earnings from previous year	4,680
Ordinary dividend	(1,140)
Balance carried forward from prior year	3,540
Net income for the year	4,295
Retained earnings available to the Annual General Meeting	7,835
Ordinary dividend of CHF 22.00 per share	(1,140)
Balance to be carried forward	6,695

If the proposal is approved, a dividend of CHF 22 per share will be paid to shareholders on 4 April 2023.

Glossary

Technical terms

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

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

5G: 5G is the latest generation in mobile network technology. Compared to 3G and 4G, it provides even more capacity, very short response times, and higher bandwidths. 5G plays a major role in supporting the digitisation of the Swiss economy and industry. It is used in two variants: 5G (also known as 5G-wide) and 5G+ (also known as 5G-fast). Both variants are more efficient than their predecessor technologies with respect to energy consumption and use of electromagnetic fields.

All IP: All IP means that all services such as television, the Internet and fixed-line telephone run over the same IT network. Swisscom has switched all existing communication networks to Internet Protocol (IP). This means that IP services within Switzerland operate on Swisscom's own network. This results in a high degree of security and availability compared with other voice services on the World Wide Web.

Bandwidth: Bandwidth refers to the transmission capacity of a medium, also known as the data transmission rate. The higher the bandwidth, the more information units (bits) can be transmitted per unit of time (second). It is defined in bps, kbps or Mbps.

Cloud: Cloud computing makes it possible for IT infrastructures such as computing capacity, data storage, ready-to-use software and platforms to be accessed dynamically via the Internet as needed. The data centres, along with the resources and databases, are distributed via the cloud. The term 'cloud' refers to such hardware which is not precisely locatable.

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

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

FTTH (Fibre to the Home): FTTH refers to the end-to-end connection of homes and businesses using fibre-optic cables instead of traditional copper cables.

FTTH topologies (P2P and P2MP): Two different topologies (network structures) are possible when expanding fibre-optic networks: point-to-point (P2P) or point-to-multipoint (P2MP). With P2P, a separate optical fibre is laid between each apartment and the nearest node (usually a local exchange): if ten apartments are connected in a neighbourhood, ten optical fibres are available at the node. By contrast, with P2MP there is only a single optical fibre running from the node to the vicinity of the apartments. A 'splitter' subsequently breaks up the light signal and distributes it to several optical fibres, which then lead to the apartments.

FTTS (Fibre to the Street)/FTTB (Fibre to the Building)/FTTC (Fibre to the Curb): FTTS, FTTB and FTTC refer to hybrid broadband connection technologies (optical fibre and copper). With these technologies, optical fibre is brought as near as possible to buildings and in the case of FTTB right to the building's basement; the existing copper cables are used for the remaining stretch.

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): A term coined in the 1980s, bringing together the terms to denote the convergence of information technology (information and data processing and the related hardware) and communication technology (technically-supported communications).

IoT (Internet of Things): The IoT connects things, devices and machines to enable recording of status and environmental data. These data provide the basis for optimising processes, such as early identification of failing machine components. IoT facilitates new business models based on these data or opens up new opportunities for interacting with customers.

LAN (Local Area Network): A LAN is a local network for interconnecting computers, usually based on Ethernet.

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.

Network convergence: Network convergence refers to the dissolution and reconstitution of previously separate networks into one large convergent network, such as in the case of the fixed and mobile networks of Swisscom.

Optical fibre: Optical fibre is a transport medium for optical data transmission – in contrast to copper cables, which transmit data through electrical signals.

OTT (Over the Top): OTT refers to content distributed by service providers over an existing network infrastructure that they do not themselves operate. OTT companies offer proprietary services on the basis of the infrastructures of other companies in order to reach a broad range of users quickly and cost-efficiently.

Petabyte: The petabyte is the unit of measurement for a given amount of data. 1 petabyte is equivalent to approximately 1,000 terabytes, 1,000,000 gigabytes or 1,000,000,000 megabytes.

Roaming: Roaming is when a mobile user makes calls, uses other mobile services or participates in data traffic outside his or her home network, i.e. usually abroad. This requires that the mobile device in question is compatible with the roaming network.

Router: A router is a device for connecting or separating several computer networks. The router analyses incoming data packets according to their destination address and either blocks them or forwards them accordingly (routing). Routers come in different types, ranging from large machines in a network to the small devices used by residential customers.

Streaming: Streaming is the transmission of audio and video signals over a network or the Internet without the data having to be stored on a local device.

Terabyte: The terabyte is the unit of measurement for a given amount of data. 1 terabyte is equivalent to approximately 1,000 gigabytes or 1,000,000 megabytes.

Ultra-fast broadband: Ultra-fast broadband denotes broadband speeds of more than 50 Mbps – on both the fixed-line and mobile networks.

Other terms

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): 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.

Federal Office of Communications (OFCOM): OFCOM deals with issues related to telecommunications and broadcasting (radio and television) and performs official and regulatory tasks in these areas. It prepares the decisions of the Swiss Federal Council, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Communications Commission (ComCom).

FTEs: FTEs are understood to be full-time equivalents throughout this report.

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.

Unbundling: Unbundling of the last mile enables fixed-line-network competitors without their own access infrastructure to access customers directly at non-discriminatory conditions based on original cost. The prerequisite for unbundling is the presence of a market-dominant provider. There are two forms of unbundling: unbundling at the level of the telephone exchange (Unbundling of the Local Loop (ULL) or Local Loop Unbundling (LLU), known as TAL in Switzerland) with currently around 600 unbundled locations; and unbundling at distribution box level (sub-loop unbundling, known as T-TAL in Switzerland), in which no competitor has yet shown any interest.

Five-year review

In CHF million, except where indicated	2018	2019 ¹	2020	2021	2022
Net revenue and results					
Net revenue	11,714	11,453	11,100	11,183	11,112
Operating income before depreciation and amortisation (EBITDA)	4,213	4,358	4,382	4,478	4,406
EBITDA as % of net revenue	36.0	38.1	39.5	40.0	39.7
Operating income (EBIT)	2,069	1,910	1,947	2,066	2,040
Net income	1,521	1,669	1,528	1,833	1,603
Earnings per share	29.48	32.28	29.54	35.37	30.93
Balance sheet and cash flows					
Equity	8,208	8,875	9,491	10,813	11,171
Equity ratio	36.3	36.6	39.1	43.6	45.4
Cash flow from operating activities	3,720	4,019	4,169	4,044	3,876
Capital expenditure	2,404	2,438	2,229	2,286	2,309
Free cash flow	1,319	1,345	1,706	1,513	1,349
Net debt	8,631	8,785	8,206	7,706	7,374
Employees					
Full-time equivalent employees	19,845	19,317	19,062	18,905	19,157
Average number of full-time equivalent employees	20,083	19,561	19,095	19,099	19,046
Operational data					
Fixed telephony access lines in Switzerland	1,788	1,594	1,523	1,424	1,322
Broadband access lines retail in Switzerland	2,033	2,058	2,043	2,037	2,027
Mobile access lines in Switzerland	6,370	6,333	6,224	6,177	6,173
TV access lines in Switzerland	1,519	1,555	1,588	1,592	1,571
Access lines wholesale Switzerland	568	585	611	698	679
Broadband access lines in Italy	2,547	2,637	2,747	2,750	2,683
Mobile access lines in Italy	1,432	1,746	1,961	2,472	3,087
Swisscom share					
Number of issued shares	51.802	51.802	51.802	51.802	51.802
Market capitalisation	24,331	26,554	24,715	26,657	26,243
Closing price at end of period	469.70	512.60	477.10	514.60	506.60
Closing price highest	530.60	523.40	577.80	562.40	590.40
Closing price lowest	427.00	441.10	446.70	456.30	443.40
Ordinary dividend per share	22.00	22.00	22.00	22.00	22.00 ²
Ratio payout/earnings per share	74.63	68.16	74.48	62.20	71.13
Information Switzerland					
Net revenue	9,274	8,969	8,614	8,579	8,627
Operating income before depreciation and amortisation (EBITDA)	3,419	3,508	3,522	3,569	3,534
Capital expenditure	1,645	1,770	1,596	1,634	1,688
Full-time equivalent employees	17,147	16,628	16,048	15,882	15,750

¹ Swisscom has been applying IFRS 16 'Leases' since 1 January 2019. The prior year's figures have not been adjusted.

² 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

- **9 February 2023**
Publication of 2022 Annual Results and Annual Report
- **28 March 2023**
Annual General Meeting
- **30 March 2023**
Ex dividend date
- **3 April 2023**
Dividend payment
- **4 May 2023**
2023 First-Quarter Results
- **3 August 2023**
2023 Second-Quarter Results
- **2 November 2023**
2023 Third-Quarter Results
- **8 February 2024**
Publication of 2023 Annual Results and Annual Report

Published and produced by

Swisscom Ltd, Berne

Translation

Lionbridge Switzerland Ltd, Basel

Production

MDD Management Digital Data AG, Zurich

Printing

Ast & Fischer AG, Berne

Photography

Manuel Rickenbacher, Zurich
Johannes Diboky, Zurich
Alida Ruf (apprentice Swisscom)

Printed on chlorine-free bleached paper

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The Annual Report is published in English, French and German.

Online versions of the Annual Report

German: www.swisscom.ch/bericht2022
English: www.swisscom.ch/report2022
French: www.swisscom.ch/rapport2022

A condensed version of the 2022 Annual Report is also available in English, French, German and Italian at www.swisscom.ch/atag glance2022.

The Sustainability Report 2022 is published online at www.swisscom.ch/cr-report2022.

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