

Swisscom Ltd

Organisational Rules

Annex 1.2

Rules for the Board of Directors'

Audit & ESG Reporting Committee

Suspended Document

1 Duties of the Committee

The Audit & ESG Reporting Committee handles all business matters of the Board of Directors in the areas of financial management (for example, accounting, financial controlling and financial planning), assurance (risk management, internal control system, compliance and internal audit), external audit, ESG reporting and other business matters of the Board of Directors that require specific financial expertise (e.g. in connection with tax and payout policy). It comments on business matters which lie within the decision-making power of the Board of Directors and has the final say on those business matters for which it has the corresponding power.

2 Committee members

The Committee is composed of members who are independent within the meaning of the applicable laws, regulations and guidelines and who have the necessary expertise in finance and accounting.

3 Powers of the Committee

3.1 Motions for the attention of the Board of Directors

The Committee shall deal with the following business and submit the necessary motions to the Board of Directors with regard to:

Financial management

1. Requirements for structuring the accounting system, financial controlling and financial planning;
2. Monitoring of business performance on the basis of the financial records and comments prepared by the management board during the year for the attention of the Committee, which identify any deviations from budget and plan and actions to be taken;
3. Monitoring of the material risks in relation to the key ESG issues;
4. Authorisation of the annual report with management report, annual financial statement and consolidated financial statement as well as the proposal for the appropriation of retained earnings for the attention of the Annual General Meeting of Shareholders;
5. Authorisation of the report on material ESG issues and on the fulfilment of due diligence obligations regarding conflict minerals and child labour;¹
6. Authorisation of the quarterly financial statements and acknowledgement of the projections;
7. Authorisation of the Group's medium-term financing plan;
8. Authorisation of sureties, guarantees, pledges or assignments of assets of Swisscom Ltd and subsidiaries in favour of third parties in excess of CHF 50 million and in favour of subsidiaries in excess of CHF 100 million;

¹ The report on material non-financial matters (Art. 964^{bis} CO) is expected to be authorised by the Annual General Meeting of Shareholders as of fiscal year 2023.

9. Authorisation of letters of comfort, declarations of subordination, debt waivers and other financial restructuring payments by Swisscom Ltd or subsidiaries in favour of subsidiaries in excess of CHF 100 million;
10. Granting of loans and credits to third parties in excess of CHF 50 million and to subsidiaries in excess of CHF 100 million;
11. Authorisation of long-term financing in excess of CHF 100 million (bank loans, debenture loans, leasing without cross-border leasing) and authorisation of short-term financing (< 360 days) in excess of CHF 500 million;
12. Authorisation of structured financing (e.g. securitisation, sale and lease back, cross-border leasing, asset-backed deals and equity-linked deals);
13. Authorisation of the tax strategy and decision on fundamental tax issues;
14. Authorisation of the principles governing the pension plans and social benefits of Swisscom Ltd and its subsidiaries;
15. Authorisation of the basic principles of Group-wide cash pooling and corresponding contracts;
16. Judicial notification in case of over-indebtedness;

Assurance system

17. Authorisation of the objectives, organisation, processes and tasks of the Group-wide assurance functions for risk management, internal control system, compliance and internal audit, and issuing the corresponding regulations and directives;

Compliance

18. Authorisation of the Code of Conduct;
19. Precautions to prevent insider trading;
20. Authorisation of the principles for the fulfilment of obligations under stock exchange law (in particular ad-hoc publicity and management transactions);
21. Decisions on requests to register shares in accordance with section 4.5 of the Articles of Incorporation (provisions for restricted transfer of shares);

Auditors

22. Election and, if necessary, dismissal of the auditors to be elected or dismissed by the Annual General Meeting of Shareholders of the company;
23. Election and, if necessary, dismissal of the auditors to be elected or dismissed by the Annual General Meeting of Shareholders of the category I subsidiaries.

3.2 Decision-making powers of the Committee

The following matters – as well as, by resolution of the Board of Directors, any other matters not listed in section 3.2 – are dealt with and decided upon by the Committee with final authority. The Board of Directors is informed about the resolutions.

Financial management

1. Approval of the concept for corporate reporting on the annual financial statements;

Risk management

2. Monitoring of appropriate Group-wide risk management to identify risks and threats and to initiate countermeasures;

Internal control system

3. Monitoring of an appropriate Group-wide internal control system;

Compliance

4. Monitoring of an appropriate Group-wide compliance system that ensures adherence to legal requirements and other external and internal regulations;

Internal audit

5. Monitoring of an appropriate, effective and independent Group-wide internal audit;
6. Authorisation of the integrated strategic audit plan (ISP), which includes all planned audit activities of the external and internal bodies in the Group, with regard to the audit activities of the internal bodies;
7. Appointment and determination of the compensation of the Head of Internal Audit;
8. Reporting by the Head of Internal Audit in particular on audit results and cooperation with internal and external bodies;
9. Issuance of assignments to the internal audit department;

Auditors

10. Assessment of the legal qualification, professional requirements, independence, fees and performance of the auditors;
11. Clarification of disagreements between the Group Executive Board and the auditors arising in the context of the annual financial statements;
12. Annual discussion of the consolidated and annual financial statements with the auditors on the basis of a comprehensive report by the auditors;
13. Election and, if necessary, dismissal of the auditors to be elected or dismissed by the Annual General Meeting of Shareholders of the category II and III subsidiaries;
14. Issuing and ensuring compliance with an 'Audit Guideline', which, among other things, regulates the tasks and independence of the external auditors and the principles of cooperation (in particular with regard to fees, authorisation or definition of services) in more detail;

ESG reporting

15. Definition of key performance indicators (KPIs) related to material ESG issues;
16. Monitoring of the implementation of the pursued concepts for the material ESG issues and evaluation of the effectiveness of the defined measures (including monitoring of KPIs);
17. Decision on the application of recognised national and international regulations regarding ESG reporting and sustainability reporting;
18. Decision on the audit of ESG reporting, including selection of the auditor, issuing of assignment and monitoring of audit performance and audit results;
19. Structuring of internal reporting on material ESG issues;
20. Structuring of external reporting on material ESG issues and sustainability;
21. Design and monitoring of the internal control system to ensure the reliability of ESG information and sustainability reporting;
22. Monitoring of the supply chain policy with regard to compliance with due diligence obligations in the areas of conflict minerals and child labour;
23. Authorisation of sustainability reporting;²

Further areas of power

24. Supervision of the management of the Share Register and the Register of Dematerialised Securities, which has been transferred to third parties;
25. Authorisation of a procedure for the confidential, anonymous receipt and handling of complaints on matters relating to external accounting, financial reporting, ESG reporting and assurance functions;
26. Authorisation and adoption of other procedures, regulations and directives as deemed necessary or convenient by the Committee for the proper fulfilment of its duties.

3.3 Execution and monitoring of decisions

The Committee supervises the execution of the decisions listed in sections 3.1 and 3.2. It may also request information on these matters from the persons entrusted with management outside of the meetings.

The Committee shall inform the Board of Directors of any deviations from decisions made.

3.4 The Chairperson of the Committee

The Chairperson chairs the Committee meetings. In addition, the Chairperson is responsible in particular for:

- organising the work of the Committee;
- convening meetings;
- reporting to the Board of Directors;

² If the sustainability report is combined with the report on material ESG issues, this results in a plenary responsibility.

- ensuring the liaison with the Strategy & Investments and Compensation Committees.

The Chairperson liaises closely with the CFO, the Head of Audit, the Head of Group Security & Corporate Affairs and the Head of Internal Audit at Swisscom Ltd.

4 Functioning of the Committee

4.1 Convocation and agendas

The Committee meets upon invitation by the Chairperson – or, if this person is unable to issue the invitation, by another Committee member to be determined – or at the request of a Committee member, as often as business requires.

The Chairperson compiles the list of agenda items for the meeting. Each Committee member submits proposals and suggestions to be included in the list of agenda items (at least eight days in advance).

The definitive invitation is issued in writing and in consultation with the Committee members (at least five days in advance).

4.2 Involvement of external consultants

The Audit & ESG Reporting Committee is authorised to use third parties at its reasonable discretion, in particular independent lawyers, accountants, tax advisors, auditors or other consultants and experts, to fulfil its duties and obligations, to select them, to conclude or terminate contracts with them and to pay their fees, costs and expenses, without requiring the approval of the Group Executive Board or the Board of Directors. The company shall provide the Committee with adequate resources for the fulfilment of its duties.

4.3 Management and participants

The Chairperson or – if this person is unable to do so – another Committee member to be determined chairs the Committee meetings.

Other members of the Board of Directors, individual members of the Group Executive Board, auditors or other experts may be called upon to attend the meetings in an advisory capacity. The CEO, CFO and the Heads of Internal Audit and Group Accounting as well as the external auditor in charge generally attend every meeting.

At least once a year, the Committee meets with the internal or external auditors without involving the management.

4.4 Passing of resolutions

The Committee takes its decisions or passes its resolutions at meetings with a venue or at meetings that involve the use of electronic means (hybrid or virtual meetings). The electronic means used allow the establishment of the identity of the participants, the immediate transmission of votes, the submission of motions, participation in the discussion and an undistorted voting result.

Resolutions may only be passed if the majority of the members are present at the meeting.



A member of the Committee may neither be represented by another member of the Committee nor by a third party. In the case of known decision papers, a written statement, which is presented by the Chairperson, is permissible. However, it does not count as a vote.

Resolutions are adopted with the majority of votes cast. The Chairperson shall have the casting vote.

In the case of motions submitted to the Board of Directors, the opinion of the defeated minority is also presented – unless the decision was unanimous.

The provisions of the Organisational Rules also apply mutatis mutandis.

4.5 Reporting, minutes and secretariat

The Chairperson reports to the Board of Directors on the activities of the Committee after each meeting.

Minutes are kept of the Committee meetings which, in addition to the items on the agenda, document as a minimum the motions and the resolutions adopted. The minutes are confidential and are given only to the group of persons defined by the Committee.

In all other respects, secretarial work and minute taking are generally provided by the Secretariat to the Board of Directors in the same way as for the Board of Directors.

5 Final provisions

These rules of the Board of Directors' Audit & ESG Reporting Committee were revised by the Board of Directors on 17 March 2023 and entered into force on 1 April 2023. They replace the rules of 16 December 2021 (in force since 1 January 2022).