



# Green Bond Framework

swisscom

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# Swisscom

Swisscom is Switzerland's number one telecom provider and one of its leading IT companies. Its subsidiary Fastweb has built up a strong position in the Italian market. Swisscom makes no compromises when it comes to serving customer needs: it focuses on service and quality – and invests massively in the networks of the future. For residential customers in Switzerland, Swisscom offers an extensive range of digital TV, mobile and broadband telecommunications and other services. In the B2B segment, its portfolio includes network, cloud and ICT services. In Italy, Swisscom's Fastweb offers a range of broadband, digital TV and mobile telecommunication services for residential customers as well as a comprehensive portfolio of ICT, cloud and security services for business customers.

Digitization, changing customer requirements, intense competition in the saturated core market and new providers with disruptive business models pose ongoing challenges to our business. The long-term corporate strategy rises to these challenges by aiming to compensate for any loss of revenue and to maintain strong profitability, high cash-flow generation and financial strength to invest heavily in new technologies. The telecommunications industry plays an increasingly important role in people's lives. It must not only invest in ever more powerful networks to satisfy the continually increasing need for connectivity but develop and support innovative solutions to address social and environmental sustainability issues. Swisscom's mission and values take account of the crucial role the company plays in transforming people's lives and empowering communities to grow and embrace progress in a sustainable way.

## Swisscom's Sustainability Approach

Sustainable management and long-term responsibility: these are two of Swisscom's core values. The company's sustainability goals include efficient use of resources, provisions for future changes and ensuring that company communication is based on transparency, dialogue and credibility. This sustainability approach

is reflected in Swisscom's vision, values, promise and corporate business strategy as well as in its code of conduct, and is addressed in detail in the Sustainability Strategy. Information about Swisscom's approach to sustainability management is publicly available online under [Ethics and Corporate Responsibility Governance](https://www.swisscom.ch/en/about/company/sustainability/strategy/ethics-corporate-responsibility-governance.html)<sup>1</sup>.

The Sustainability Strategy outlines Swisscom's commitment to the environment, to society and the economy. It defines the three main goals that Swisscom intends to achieve by 2025: Doing more for the environment by promoting energy efficiency and climate protection, doing more for the people regarding diversity and inclusion, and doing more for the country by contributing to a sound economic framework. Together with its customers, Swisscom has committed to cutting 450,000 tons of CO<sub>2</sub> by 2025; this represents 1% of the greenhouse gas emissions produced by Switzerland. The company will help two million people maximize their media skills, allowing them to use media safely and responsibly. It will also contribute to improving the working conditions and minimizing the environmental footprint in its supply chains. To build the future skills required to develop the sector, Swisscom will continue to train apprentices in the telecommunication professions. In addition, Swisscom will keep deploying reliable ultra-fast broadband across the country, thus ensuring Switzerland can compete internationally and improving the quality of life for its residents.

# Green Bond Framework

In alignment with its strategy and sustainability vision, Swisscom designed the Green Bond Framework under which the company can issue Green Bonds, Green Schutdscheindarlehen and other green financing instruments (hereafter: Green Bonds) to finance or refinance projects that promote and contribute to its environmental objectives across the company's business divisions and operations.

The International Capital Markets Association's (ICMA) Green Bond Principles (GBP) are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of Green Bonds. The Swisscom Green Bond Framework follows the ICMA Green Bond Principles 2018 edition, which provides guidelines in four core areas:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Sustainalytics, a global leader in environmental, social and corporate governance research and ratings has provided second party opinions on Swisscom's Green Bond Framework.

This framework may, from time to time, be updated in order to comply to future changes to the Green Bond Principles and/or general Green Bond market practices.

# Use of Proceeds

Swisscom intends to allocate the proceeds of the Green Bond issue to a portfolio of eligible green projects in Switzerland within the following eligible categories, i.e. the Eligible Green Project Portfolio. This list can be periodically updated as technologies evolve.

## Eligibility Categories and Criteria

### Energy efficiency

**Network development: investments in energy efficiency of new or existing networks.** Eligible projects aim to reduce energy consumption and increase the efficiency of the network itself, with the additional benefit of reducing the material intensity of new networks (i.e. less copper).

- **Projects to reduce energy demand** including Fiber-to-the-Home (FTTH), TDM-platform phase-out (e.g. time-division multiplexing, analog platform) and replacing it with All-IP (Internet Protocol), 5G wireless communication
- **Projects to increase virtualization** such as installing virtual servers to replace multiple servers in data centers

**Network operations: investments in efficient cooling<sup>1</sup> of new or existing networks.** Cooling is a major use of energy. Eligible projects aim to reduce the energy needed for cooling, to increase the efficiency of cooling solutions and to phase out high Global Warming Potential (GWP) coolants.

- **Projects to cool the networks** using fresh air cooling and to replace air conditioning with free cooling and/or adiabatic cooling (i.e. cooling through evaporation)
- **Projects combining** cooling and heat recovery wherever possible

**IoT network: investments in Internet of Things (IoT) networks, solutions and products that help clients save energy.**

- **IoT network** investments that enable IoT deployment, including Low Power Network (LPN): LPNs enable highly energy-efficient data transmission that improves the battery life for the IoT sensors connected to the network.
- **IoT solutions and products** including Smart Metering, Smart Logistics and Fleet Management, Smart Cities, Smart Communities (Smart Lighting / Smart Buildings) and Electric Vehicle (EV) Charging

**Operational buildings<sup>2</sup>: investments in energy efficiency of new or existing structures.** Eligible projects aim to reduce energy consumption, increase efficiency and reduce the carbon footprint of operational buildings (e.g. telecom central offices). Potential investments in energy efficiency measures include rehabilitating or refurbishing outdated buildings (insulation of facades, roofs, recovery).

### Renewable energy

Eligible projects aim to increase the share of renewable energy sources and to reduce the carbon footprint in on-site renewable energy, for example by installing off-grid energy solutions (mainly solar electricity) or heating systems using biomass (wood, pellets), as long as they comply with the limits set out in the Taxonomy Technical Report of the EU technical expert group on sustainable finance.

### Clean transportation










Eligible projects aim to reduce the energy consumption and the carbon footprint of the company fleet, for example by replacing diesel cars with electric vehicles (EV) or introducing tools to optimize route management of field services.

1 Swisscom only uses fresh-air cooling or machine cooling with e.g. cooling agent HFO-1234ze with a GWP of 6 (compared to the previous refrigerant R-134a with a GWP of 1430)

2 It is Swisscom's aim to reach for its buildings an energy efficiency improvement of 30% as an average.

## Alignment with the SDGs

The described use of proceeds is closely aligned the UN Sustainable Development Goals (SDGs), with particular focus on creating a positive impact on energy efficiency, renewable energy as well as providing cutting-edge and resilient communications infrastructure.

ICMA GBP		Swisscom's intended use of proceeds		Supported SDG
Energy efficiency	Network development	Projects to reduce energy demand	FTTH	   
			All-IP and TDM platform phase-out	  
			5G wireless communication	   
	Network operations	Projects to cool the network	Projects to increase virtualization	  
			Fresh air cooling	  
			Combining cooling and heat recovery	  
	IoT networks		IoT networks	  
			IoT solutions and products	  
	Operational buildings		Investments in energy efficiency of new or existing buildings	 
Renewable energy	Investments aiming to increase the share of renewable energy sources and reduce the carbon footprint (e.g. solar electricity, heating systems using biomass)			 
Clean transportation	Investments aiming to reduce the energy consumption and the carbon footprint of the company fleet (e.g. EV-car fleet, phase-out of diesel cars)			 

**Table 1:** Alignment of Swisscom's intended use of proceeds with ICMA GBPs and UN SDGs

# Process for Project Evaluation and Selection

Projects financed and/or refinanced through the Green Bonds issued under the Green Bond Framework are evaluated and selected by Swisscom's Green Bond Committee, formed by representatives from Corporate Treasury, Group Communications & Responsibility, Investor Relations and Group Controlling.

Group Communications & Responsibility (GCR) is in charge of selecting eligible projects according to the use-of-proceeds criteria and in line with Swisscom's Sustainability Strategy. Other parties recognized as subject matter experts may be consulted.

The Green Bond Committee ensures that the selected Eligible Green Projects fall into the Eligibility Cate-

gories described above and comply with Swisscom's Sustainability Strategy, with Swiss and international environmental and social standards, and with local laws and regulations. The committee thus contributes to achieving Swisscom's environmental targets as set in the Sustainability Strategy, described on the company website as well as in the annual sustainability and climate reports.

## Management of Proceeds

Swisscom intends to allocate the proceeds from the Green Bonds to an Eligible Green Project Portfolio selected according to the use of proceeds criteria as well as the evaluation and selection process presented above.

Any Green Bonds issued will be tracked using the Swisscom Treasury Management System for use towards financing or refinancing eligible projects. Internal budgeting and accounting systems will be used to identify project costs, which will then be marked against the Green Bonds' position in the Treasury Management System. Swisscom strives to achieve a level of allocation for the Eligible Green Project Portfolio which

matches or exceeds the balance of net proceeds from its outstanding Green Bonds. Additional Eligible Green Projects will be added to the issuer's Eligible Green Project Portfolio to the required extent.

The balance of net proceeds that remain unallocated will be managed following Swisscom's liquidity and cash management policies.



# Reporting

Swisscom will make and keep reports covering the allocation of net proceeds to the Eligible Green Project Portfolio readily available, including – wherever feasible – reports on the impact of the Eligible Green Project Portfolio, at least at category level.

- Reporting will be done in line with Swisscom's general annual reporting cycle until Green Bond net proceeds are fully allocated. Information on the reporting cycle can be found online under [Swisscom annual reports](#)<sup>1</sup>.
- Swisscom intends to provide aggregated reporting for all of its outstanding Green Bonds.
- Swisscom will align, on a best effort basis, the reporting with the portfolio approach described in 'Handbook – Harmonized Framework for Impact Reporting (June 2019)'.

## Allocation Reporting

The allocation report provides:

- The total amount of investments and expenditures in the Eligible Green Projects Portfolio
- The amount or percentage of new and existing projects
- The balance of unallocated proceeds

## Impact Reporting

Where feasible, Swisscom intends to report on the environmental impact of the projects funded with the Green Bonds proceeds or refer to existing sustainability reporting (Sustainability Report and Climate Report). The table below lists potential environmental impact indicators, in line with the 'Handbook – Harmonized framework for impact reporting' (ICMA 2019) and with the GRI Standards.

ICMA GBP Category	Potential Impact Indicators
Energy efficiency	<ul style="list-style-type: none"> <li>• Annual direct energy savings (in MWh)</li> <li>• Increase of efficiency (%) against base year (2013)</li> <li>• Annual GHG emissions scope 1 and 2 (in tons CO<sub>2</sub>eq)</li> <li>• GHG intensity (tons CO<sub>2</sub>eq / denominator). Denominator = TJ und turnover Switzerland in CHF</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>• Annual additional energy capacity (kW)</li> <li>• Annual GHG emissions avoided (tons of CO<sub>2</sub>eq)</li> </ul>
Clean transportation	<ul style="list-style-type: none"> <li>• Number of vehicles (#) and energy efficiency categories of the fleet (A, B, ...)</li> <li>• GHG emissions scope 1 mobility (tons of CO<sub>2</sub>eq per year)</li> </ul>

**Table 2:** Potential impact indicators per ICMA GBP category

<sup>1</sup> <https://www.swisscom.ch/en/about/investors/reports.html>



# External Review

## Second Party Opinion (pre-issuance)

This Swisscom Green Bond Framework has been reviewed by Sustainalytics which has issued a second party opinion. The second party opinion and the Green Bond Framework, are available to the Green Bond investors online under [Swisscom Investor Relations](#)<sup>1</sup>.

## Verification of Allocation Reporting (post-issuance)

Swisscom intends to request its external auditor to verify management statements on the allocation of the Green Bond proceeds to the Eligible Green Project Portfolio.

## Verification of Impact Reporting (post-issuance)

Existing sustainability reporting (Sustainability Report and Climate Report) is externally verified by a third party (SGS [Société Générale de Surveillance]) in established annual audits (GRI [Global Reporting Initiative]) and ISO 14064 for energy and greenhouse gases).

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