

SWISS PRIME SITE

Investment Regulations

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Investment Regulations

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1 Objective

Through its subsidiaries, Swiss Prime Site AG pursues the goal of long-term capital and earnings growth for the Company, and hence for its shareholders, by means of investment in selected commercial, trading, residential and mixed-use properties in Switzerland, in the active management of these properties and where appropriate their resale, as well as in development, new build, modernisation and redevelopment projects in the real estate industry.

The Company strives to achieve an optimal risk/return structure in its choice of investments by ensuring diversification according to property type, type of use, location, size and building structure. The Company may make use of borrowed capital within certain limits in order to optimise its income (see Section 3).

2 Investments

2.1 Real estate investments

The investment property held by the Company comprises commercial, trading, residential and mixed commercial and residential properties in Switzerland, as well as real estate development, new build, modernisation and redevelopment projects.

Property may be purchased in accordance with Article 655 paras. 2.1, 2 & 4 of the Swiss Civil Code, i.e. parcels of land and the buildings thereon, distinct and permanent rights recorded in the land register, such as building rights, and co-ownership shares in immovable property. Undeveloped parcels of land (building land without projects, referred to as reserved parcels) must be located within building zones in accordance with the Federal Spatial Planning Act.

In selecting investments, the Company focuses primarily on commercial properties in larger economic locations in Switzerland that demonstrate good development potential and meet society's demand for a comprehensive sustainability strategy. The key criteria when selecting investments in commercial properties include: the quality of the location, prospects for economic development, (public) transport links, architectural concept and interior design standard, occupancy rate or prospects, solvency and composition of tenants, flexibility of building use, achievable return and potential for growth in value and earnings.

No more than one-tenth of the investment volume (of Swiss Prime Site AG and its Swiss subsidiaries) can be invested in residential homes and/or apartments in mixed-use properties (based on the pro rata fair value of the apartments, not including apartments required by law). The criteria applied in the selection of residential homes and/or apartments or mixed residential and commercial properties are: the attractiveness of the location, public transport links, the location's prospects in terms of demographic developments, interior design standard, occupancy rate and options, tenant structure, achievable return and potential for growth in value and earnings.

In addition to existing real estate, where potential exists for growth in value and return, the Company's Investment Regulations also allows for the acquisition of real estate and sites, or real estate projects for the purpose of development, new builds, modernisation and redevelopment. The prerequisite for this type of acquisition is positive development prospects based on detailed location analysis and project analysis.

Investments in other real estate companies or in companies active in areas associated with the real estate industry may also be acquired.

Investments in other companies are permitted, provided they involve the acquisition of real estate companies or companies that are active in areas associated with the real estate industry and are less significant in terms of value.

2.2 Investment restrictions concerning real estate investments

The following limits are to be taken into account in the selection of investments related to the total investment volume of Swiss Prime Site AG and its Swiss subsidiaries (consolidated):

- a) The proportion of apartments (not including the proportion of legally required apartments) must not exceed 10% of the total investment volume based on their pro rata fair value.
- b) In principle, the fair value of an individual property must not exceed 10% of the total fair value of the properties, unless the individual property is of particular urban planning and/or regional and/or economic significance.
- c) In principle, the proportion of real estate projects for the purpose of development, new builds, modernisation and redevelopment should not exceed 25% of the total fair value of properties. In the case of new build projects of particular urban planning and/or regional and/or economic significance, however, this limit can be increased to 50%.
- d) The proportion of undeveloped land in accordance with Section 2.1 must not exceed 5% of the total fair value of the properties.
- e) The proportion of rental income from a single tenant or a legally and/or economically connected group of tenants must not exceed 20% of total rental income (excluding ancillary costs). Exceptions are possible for tenants or groups of tenants with at least an «A» credit rating.

These Investment Regulations must be complied with in principle at all times. Should any of these limits be exceeded as a result of purchases or sales or significant changes in the market, the measures required to re-establish a compliant situation must be implemented as soon as the circumstances allow. If such a situation occurs, the Company will inform the public of the measures taken and the deadline by which it will be resolved. The Company will inform the public of the success of these measures by the expiration of the deadline at the latest.

In addition to the investment restrictions stipulated in these Investment Regulations, the investment restrictions arising from the Federal Act on the Acquisition of Real Estate by Persons Abroad (Lex Koller, BewG) and the practice applied by the licensing authorities must be adhered to all times. On the basis of these Regulations, companies and their subsidiaries are permitted to invest only to a certain degree in mixed-use properties such as combined commercial and residential space and residential homes.

2.3 Financial investments

In addition to investments in real estate companies, capital not invested in real estate investments can be invested in Swiss francs and in euros. Investments in first-class, stock exchange-listed shares, bonds with a minimum rating of «A» from a leading rating agency and money market instruments are permitted.

Investment in options, futures and similar instruments (derivatives) from other companies are permissible only for the purpose of hedging currency and interest-rate risks.

The granting of mortgage-backed loans is permitted when necessary, but only if the mortgage is in Switzerland. Section 4 below also applies to the valuation of mortgage properties. The maximum mortgage per property is 70%.

3 Financing

A maximum loan-to-value (LTV) ratio of 65% of the total real estate portfolio is permissible with a view to optimising earnings. Properties may be pledged in order to secure the corresponding credit.

The LTV ratio is calculated on the basis of the interest-bearing borrowed capital in relation to the fair value of the real estate portfolio.

4 Valuation

Experienced independent experts are tasked with assessing the value of properties for purchase or sale. The total fair value of the portfolio is also assessed on an annual basis using a risk- and market-adjusted approach, and the corresponding results are published in the Annual Report.

Value is assessed on the basis of the discounted cash flow (DCF) method. This method involves determining the total amount of income, subtracting lost income and costs, and discounting the resulting net cash flow with a risk-adjusted discount rate. The annual revaluation involves assessing the income and cost situation of the property and incorporating any significant changes in the valuation. Discount rates are adjusted in line with market conditions on the basis of changes in ownership and capital market developments. Qualitative changes to the building or the location are reflected in the revaluation and documented.

In addition to annual valuation, a simplified review of valuations is carried out every six months by valuation experts, followed by an impairment test by the statutory auditors.

5 Compliance with the Investment Regulations

Compliance with the Investment Regulations is evaluated by the Investment Committee and executive management for each investment decision, as well as periodically by the Board of Directors.

6 Amendments to the Investment Regulations

The Investment Regulations may be amended or supplemented within the scope of the Company's purpose as stipulated in the Articles of Association by the Board of Directors of Swiss Prime Site AG. Investors must be informed via the Company's official publications of any amendments at least one month before they take effect.

Compliance with any new investment requirements must be ensured within two years of the enactment of such amendments.

7 Swiss subsidiaries of Swiss Prime Site AG

These Investment Regulations apply to Swiss Prime Site AG and to its subsidiaries domiciled in Switzerland, and have been approved by the Boards of Directors of these companies.

8 Entry into effect

These Investment Regulations were approved by the Board of Directors at its meeting of 12 May 2017, and entered into effect after the expiry of the deadline referred to in Section 6.