

SWISS PRIME SITE

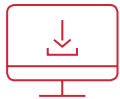
2019

— ANNUAL REPORT

Reporting 2019

This year, Swiss Prime Site is publishing an integrated report for the first time. The report is based on the Integrated Reporting (<IR>) Framework of the International Integrated Reporting Council (IIRC) and follows the Global Reporting Initiative (GRI) standards. Swiss Prime Site is reporting for the first time on climate-related risks using the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

Reporting consists of the online report (www.sps.swiss/reporting) and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.



Contents

Integrated Report

Corporate Governance Report

Compensation Report

Financial Report

SWISS PRIME SITE

ME TOWER

2019

— INTEGRATED REPORT

Integrated Report

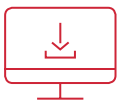
- 4 Key figures
- 5 Our strengths
- 6 Foreword by the Chairman
- 8 Interview with the CEO
- 14 Interview with the CEO Immobilien
- 18 Board of Directors
- 19 Executive Board
- 20 Success story
- 22 Our markets
- 24 Risk management
- 26 Strategy
- 28 Property portfolio
- 30 Project pipeline

Value creation

- 32 Assuming responsibility
- 36 Stakeholder engagement
- 38 Materiality analysis
- 42 Sustainability goals and roadmap
- 48 Business model
- 50 Integrated value creation
- 53 Value creation group companies
- 58 Reduction pathway
- 64 TCFD Report

Notes

- 70 GRI Report
- 100 Key figures of group companies
- 106 GRI Content Index
- 110 Independent Limited Assurance Report on selected GRI Disclosures
- 113 Information policy



Reporting structure

Reporting consists of the online report (sps.swiss/en/reporting) and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.

Key figures

1259

million CHF operating income
+3.7% year-on-year

6 506

employees
+2.9% year-on-year

2.0

billion CHF project pipeline
unchanged year-on-year

608.5

million CHF profit
+95.7% year-on-year

4 764

women
+1.8% year-on-year

1.6

million m² rental space
+2.4% year-on-year

3.80

CHF distribution¹
unchanged year-on-year

626

apprentices
+15.3% year-on-year

4.7

percent vacancy rate
–2.1% year-on-year

¹ Proposal to the Annual General Meeting

Our strengths at a glance



Sustainable business model

Swiss Prime Site invests in high-quality land, properties and locations. These, together with conversions and developments of entire sites, make up the Company's core business. Vertically integrated real estate-related group companies complement the core business and provide attractive added value.



Stable financing

The Company is solidly financed with debt and shareholders' equity. The equity ratio is 44.4%. Debt is balanced in its composition, using a range of instruments such as bonds, mortgages and loans. The loan-to-value ratio is 45.7%.



First-class locations

The current portfolio of 187 high-quality properties comprises Swiss properties with good value retention situated in first-class locations, which have a fair value of CHF 11.8 billion. The Company has a strong focus on office and retail space. The vacancy rate is 4.7%.



High profitability and growth

The existing property portfolio realises an attractive net yield of 3.5%. Swiss Prime Site achieves a return on equity (ROE) of 11.5%. The project pipeline for the coming years comprises more than 20 projects with an investment volume of around CHF 2 billion.



High share liquidity

Swiss Prime Site is the largest stock exchange-listed real estate company in Switzerland, with market capitalisation of CHF 8.5 billion. The 76 million registered shares have a free float of 100% and high liquidity on the SIX Swiss Exchange.



Well-balanced dividend policy

The Board of Directors pursues an attractive and investor-friendly dividend policy. Around 80% of the profits generated, excluding revaluations and deferred taxes, are currently returned to the shareholders. The dividend yield is currently 3.4%.



Dear Shareholders

Continued demand for prime investment properties has ensured good growth in real estate markets. Under these conditions, and thanks to active portfolio management, Swiss Prime Site once again has very good results to report for the 2019 financial year.

Operating income rose by 3.7% to CHF 1 258.8 million, with the Real Estate and the Services segments making a positive contribution to this pleasing growth. The core real estate business increased income by 2.0%. Real estate-related Services increased their contribution to the group by 4.8% compared to the previous year. The value of the real estate portfolio grew by 5.0% to CHF 11.8 billion during the course of the year. The vacancy rate fell to 4.7% [4.8%] and, together with an attractive net yield of 3.5% [3.6%], reflects the quality of the portfolio. Profit rose significantly to CHF 608.5 million [CHF 310.9 million]. In addition to operating improvements, higher revaluations in the real estate portfolio and a one-off positive tax effect caused by tax cuts in some cantons contributed to this pleasing result.

For 2020, Swiss Prime Site expects economic and political conditions to be similar to those of the previous year. This should create a wide range of opportunities for both us and the real estate industry. In 2020, completed project developments, active asset, portfolio and vacancy management, recurring income from real estate developments and the continued realisation of the project pipeline will have a positive impact on the operational and strategic goals in the core real estate business. We expect solid contributions from the real estate-related Services segment. Selling the Tertianum Group will result in a one-off increase in profit excluding revaluations and deferred taxes. We will maintain an attractive dividend policy.

I would like to thank our valued shareholders, customers and partners for your trust and support. My thanks also go to all employees and the management across the entire Swiss Prime Site Group. In my time as a member of the Board of Directors and as its Chairman, we have all worked together to help Swiss Prime Site become a successful company in the real estate industry.



Hans Peter Wehrli
Chairman of the Board of Directors



Market conditions are intact

Swiss Prime Site ended the 2019 financial year with very positive results. Both segments performed in line with expectations. René Zahnd, CEO of Swiss Prime Site, explains why market prospects are still favourable, why the Company parted with Tertium, when co-working works well, how to successfully enhance retail spaces and how important sustainability is for the Company as a whole.

René Zahnd, in 2019 there was a tangible sense of a «Sustainability Revolution». As a strong supporter of sustainability, what do you think about this movement?

René Zahnd: Sustainability is about being prepared for the future. Right now, we are at a turning point. Sustainable actions generate medium- and long-term added value. If you have read Larry Fink's letter entitled «A Fundamental Reshaping of Finance», you'll know that even companies like BlackRock, the world's largest asset management company, are placing more emphasis on the issue than ever before. This is happening with good reason.

What is the real estate industry and Swiss Prime Site doing in this regard?

The real estate industry is investing in properties and buildings that typically have a life cycle of 50 to 100 years. We therefore need to focus on the medium and long term so that we can offer our customers the right solutions for the future. Having said that, there is already plenty of potential for making savings in grey and operational energy in the construction and operation of properties. The government has made it very clear that we need to be carbon neutral by 2050. Swiss Prime Site has set objectives across different levels to ensure that we fulfil this requirement. From encouraging e-mobility and installing photovoltaic systems on the roofs of our buildings, and real estate that has practically no emissions or can even act as its own power plant, through to a binding definition of a CO₂ reduction pathway, we have introduced a range of measures that enable us to play our part. In addition, we created a Sustainability Board in 2019. This board looks at the issue in detail with the objective of embedding it in our business processes wherever possible.

The real estate market continued to grow well in 2019. Low interest rates stimulated demand for land and real estate once again. Do you think there is still room for growth?

Real estate has been a growth market for over twenty years. There has been speculation for almost a decade about whether a slump is coming. It's not happened yet. This has been due

to both the level of interest rates and the solid performance of the Swiss economy, making the current job market attractive to foreign companies and their workforce as well as to specialists. Even the low euro rate hasn't made much of an impact on that. Thinking about the immediate future, I can't see any signs of conditions changing dramatically. That is why I am confident.

In many industries, digitalisation has resulted in new business models that challenge or even endanger existing ones. What's the situation at Swiss Prime Site?

We see digitalisation and new technologies as an opportunity for us to scrutinise and optimise our processes. When planning and realising projects, digitalisation helps us to be quicker and more efficient and precise. There are also areas such as management or the retail market in which digitalisation actually acts as a catalyst. It is therefore essential that our employees' expertise is aligned with these new realities. However, in today's world with its focus on sustainability, it is especially important that we maintain personal contact with our customers; this is something we mustn't lose. An algorithm cannot replace this contact. This is why we offer such extensive training and development to our employees.

You have been managing Swiss Prime Site for four years, and for the fourth time, results have improved. That sounds really simple. Is it?

No, not at all. This is a good point at which to offer my sincere thanks to all Swiss Prime Site Group employees. It is thanks to their knowledge and dedication that the last few years have been so successful. The trust and excellent relationship we have with our customers have also been hugely important. Four years ago, I took over a top-performing company and have since further developed it with my colleagues on the Executive Board and Board of Directors.

Are you pleased with the 2019 financial year, and what conclusions can you draw?

Although it may not have seemed that way from the outside, it was a challenging year. We made some key strategic decisions. These included the decision to sell Tertium, which we carried out at the end of 2019. In day-to-day business, we took major steps towards transforming Wincasa, developing the retail business at Jelmoli and our property portfolio and driving the growth of Swiss Prime Site Solutions. Together, we overcame the challenges, and can be proud of the results. However, as always, there is still a lot to do. Today's business environment requires constant movement and flexibility.

Let's talk about Tertianum.

When Swiss Prime Site acquired the residential and care services provider Tertianum in 2013, the company had fewer than 20 locations. Today, we have a network of more than 80 centres and residential homes spread across the whole of Switzerland. In 2019, Tertianum achieved an operating income of more than half a billion Swiss francs for the first time (CHF 519.6 million, +6.5%). EBIT was CHF 34.0 million (+23.6%) and at 6.5%, the EBIT margin drew level with international competitors. We turned Tertianum into the largest private Swiss provider of retirement and care services and successfully positioned it in the market.

You confirmed that Tertianum will be sold and acquired by Capvis. The market responded well to this news. What will the new owners do with Tertianum?

I definitely believe that Capvis are the right new owners for Tertianum. The Swiss company understands our domestic market really well and can use its expertise to leverage significant synergies. The market responded very well to the news because the transaction makes sense and the financial aspects are right for Swiss Prime Site's shareholders.

How did earnings perform in the Services segment?

We were able to increase both the operating income (CHF 828.4 million, +4.8%) and the EBIT (CHF 55.5 million, +16.6%). We are very pleased with this growth. Regarding the EBIT of Tertianum and Wincasa, I am particularly proud that we were able to achieve the medium-term objective we set three years ago of reaching a combined EBIT of over CHF 50 million. And we did this a year before the target date of 2020.

How did Wincasa, Jelmoli and Swiss Prime Site Solutions fare?

Wincasa reported earnings from real estate services of CHF 148.1 million, an increase of 2.5% over the previous year. Despite significant investment in transforming the business model, EBIT was at a similar level to the previous year, at CHF 17.7 million. In a highly competitive market rife with discount wars, Jelmoli reported revenue from retail of CHF 127.8 million and an operating result of CHF -4.0 million. It is worth noting that investment in the Jelmoli airport project began in 2019 and will continue in 2020. Swiss Prime Site Solutions extended its contract with the Swiss Prime Investment Foundation ahead of schedule. This reflects our positive relationship with the customer and the success of their services. Earnings from asset management were up by 60.2% to CHF 13.5 million. At CHF 7.8 million, EBIT almost doubled.

Are you pleased with the results in the core real estate business? Could you provide more detail?

In our core business, we were able to increase our operating income slightly compared to the previous year, to CHF 519.5 million (+2.0%). With revaluations of CHF 204.4 million, we tripled the value compared to 2018. In geographical terms, the increase is spread across our key markets in Geneva and Zurich, with Müllerstrasse in Zurich being a runaway success. We acquired this property as part of the swap deal connected to our share in Sihlcity and it formed a significant share of the revaluations in 2019. This is because we have been able to re-let the building on a long-term agreement. It also shows that revaluations are not only linked to the current interest rate, but can also be directly affected by management. With an EBIT of CHF 572.9 million, we clearly exceeded the previous year's results by CHF 141.8 million or 32.9%. Excluding revaluations, results increased compared to the previous year (CHF 368.4 million, +1.6%).

«Thinking about the immediate future, I can't see any signs of conditions changing dramatically. That is why I am confident.»

There were rather smaller transactions in your portfolio in 2019. Is the market actually dry or were you simply choosy?

A bit of both. Firstly, there is currently significant demand for real estate in prime locations, resulting in some absurd asking prices and low yields. We are not prepared to buy something at any price. Fortunately, with our project pipeline of around CHF 2 billion, we do not have to. Secondly, we certainly did conclude a number of transactions over the year. These were smaller properties that didn't fit in the portfolio anymore and could be sold at a profit and acquisitions that have the potential to be future development projects.

The retail market around the world is in turmoil. Currently, 26% of Swiss Prime Site's portfolio is retail. What makes you confident about the future?

Retail is not all the same. Our portfolio currently comprises 26% retail floor space. Of this, around a quarter is Jelmoli, where we have significant influence over the spaces and can ensure that they perform well. Our two biggest tenants in this type of use are also the two largest retailers in Switzerland, focusing on food products, where online business has made fewer inroads. Furthermore, the majority of the retail spaces are in excellent locations. In 2018, for example, when OVS turned its back on the Swiss market, we re-let the spaces very quickly and at a better price.

Do you have plans to reduce the proportion of retail further?

Since 2015, we have reduced the proportion from 34% to 26%. Once the projects under construction are up and running, this will reduce the proportion of retail automatically and over time. I can see between 20% and 25% being a realistic assumption. In addition, we will develop existing retail spaces and improve them with additional offerings.

What does that mean, exactly?

For example, in summer 2019, we welcomed a really interesting new tenant in Jelmoli – Pallas Kliniken. Even though Pallas Kliniken is not a retailer as such, it fits perfectly into the premium department store. They share the same customers and can offer them a fantastic, all-round service. This has enabled us to enhance the customer journey in Jelmoli and significantly increase the appeal of the store as a destination. Pallas Kliniken is also a new tenant which can benefit from the existing network within the building and vice versa.

Nina Müller has been announced as the new CEO of Jelmoli.

What will her main tasks be?

We are really pleased to be able to announce that Nina Müller will be the new CEO of Jelmoli. She will take up her role in spring 2020. Jelmoli is performing well and she can look forward to leading the finest premium department store in Switzerland. With the challenges in the online market, opening the new locations at the airport in Zurich and updating the ERP system, there is much to be done.

What progress is Swiss Prime Site making currently in the implementation of its strategy?

Our strategy is shaped by our three- to five-year business scenarios. In spring 2019, we and the Board of Directors signed off the 2020–2022 period. The targets we have set ourselves are challenging but achievable.

Can you tell us a bit more about them?

Our decision to sell Tertium and the successful completion of this process represent an important strategic step. The cash flow and results from the sale of Tertium will help us to implement more of our project pipeline, grow our asset management and reduce debt, thereby fulfilling our shareholders' and stakeholders' expectations.

How do you view the office market in Switzerland currently?

Market conditions for prime office and commercial real estate are intact. In particular, the rental market in our key regions of Zurich and Geneva is in a healthy and robust condition. The supply of high-quality space in the city of Zurich, for example, is at its lowest level since 2010.

What do you think will happen to the vacancy rate in the medium term?

In 2019, we reported a vacancy rate of 4.7%. This is slightly lower than the 4.8% reported in the previous year. Fundamentally, we are confident that we can keep the value under 5%. At the same time, it is important to recognise that a certain level of vacancies cannot be avoided and is basically also a good thing. It gives us the requisite flexibility to respond better to demands from existing customers or the market.

Co-working and flexible working arrangements are currently the words on everyone's lips. Where does Swiss Prime Site stand on these?

We have co-working in around a dozen of our properties. The proportion of the total rental yield in the portfolio continues to be low, at roughly 1%. It is quite possible that we may expand in this area. We can see from the market that this segment is fulfilling a need that previously wasn't adequately covered.

Do you work with other providers or do you have your own model?

We are currently working with a range of providers who have various models for the involvement of Swiss Prime Site. There are traditional packages as well as some which are unique, at least at present. For example, we were able to secure Tadah as a tenant for our YOND building, which offers co-working areas with integrated childcare facilities. This works particularly well in developments like YOND, with its own ecosystem comprising a range of tenants. We will definitely continue working in this area. And of course, we are still not excluding the possibility of managing the co-working areas ourselves. After all, why should we share these profits with third parties?

Some people say that this is a good way of reducing vacancies in the portfolio. What do you think?

Certain advocates in the market may well see it like that. From our vantage point, however, this view clearly falls short of the mark, and is actually incorrect. A good office or commercial space should be in an excellent, highly frequented location, thereby fulfilling a key requirement for customers – accessibility. These two prerequisites are key in order to attract tenants. If a property has vacancies because it is outdated or the location is wrong, they won't be filled by introducing co-working concepts.

«Our decision to sell Tertianum and the successful completion of this process represent an important strategic step.»

Can you outline the short- and medium-term objectives?

Swiss Prime Site anticipates that operating results will improve across the 2020 financial year, before revaluations and deferred taxes. Profit from the sale of the Tertianum Group will contribute significantly to this. In addition, we anticipate that the vacancy rate will stay below 5%.



Our focus is on our customers

For Peter Lehmann, CEO of Swiss Prime Site Immobilien, a strong customer focus is the basis for the positive results in the 2019 financial year. His actions are guided by the ability to identify needs in the market and realise them in projects.

Peter Lehmann, Swiss Prime Site Immobilien once again reported strong figures for 2019. Can you explain how these results were achieved?

Peter Lehmann: General conditions encouraged the real estate market to gain momentum in 2019. Specifically, I mean economic growth in Switzerland, interest rates and the demand for prime office and commercial spaces. We recorded excellent successes in portfolio management and asset management. Across the 2019 financial year, we were able to reduce the vacancy rate to 4.7%. In addition, our projects proceeded as planned. The overall level of pre-lettings was excellent.

How do you achieve high pre-lettings for projects when some of them only exist on paper?

For me, the customer and their needs are always the priority. We can only be successful as a company if we align our actions with market demand. Many companies are experiencing a generation change right now. Management is getting younger and has different needs in terms of the locations and areas that they want to offer their employees. This is our starting point when we look at making our portfolio and our projects attractive for the future.

Can you give some specific examples?

Projects currently in our pipeline include YOND in Zurich, JED in Schlieren and West-Log in Altstetten, all of which exemplify our focus on the customer. Quite some time ago, we established that logistics real estate will be in strong demand over the coming years. As a consequence, and with the help of our network, we were able to buy the West-Log project before the ground-breaking ceremony. We then optimised it further and commissioned the construction. In Schlieren, we are bringing a concept to fruition for our two anchor tenants, Zühlke and Halter. The existing buildings of the former printing works on the site will be converted, creating an ecosystem for knowledge transfer, innovation and entrepreneurship. Our anchor tenants benefit from this, as will start-ups who want to use the spaces. On the same site, we are also investing in an emission-free new build with unique spaces; it's something that has never been seen in Zurich before.

And YOND?

Some tenants already moved into this property at the end of 2019, and it's been a success for us across the board. The idea was born a few years ago, when market research revealed increased demand by smaller companies for basic, flexible spaces. We therefore created the YOND concept, with high ceilings that offered the option of putting in intermediate floors. This was a completely innovative concept for Switzerland, with representatives from the city of Zurich and Avenir Suisse attending the ground-breaking ceremony, a testament to its great market potential. The current occupancy rate is over 80%. With tenants like Coople, Tadah, Vebego, JobCloud and Better Taste we have exactly the rental table that we envisaged in the concept phase.

Can you tell us a bit more about the renewals of rental agreements within the portfolio?

Our building at Müllerstrasse in Zurich is a good example of this. We acquired the property at the end of 2018 together with two other properties in exchange for the 24% share in Sihlcity. The rental agreement with the current tenants was due to expire in 2021, which we used as an opportunity to re-position the building. Thanks to our strong network, we were able to achieve this really quickly. Once the current customers have moved out of the building, we will completely renovate it to prepare it for the specific needs of the new tenant. Our optimised marketability will then enable us to adjust the level of rent considerably, thereby significantly increasing the value of the building.

And how is business in Geneva, your other key area?

The major Espace Tourbillon project is proceeding as planned. All five properties are now well advanced. For the two buildings that were sold to the Hans Wilsdorf Foundation, we are now at the interior design stage. The other three properties and the underground logistics centre are nearly structurally complete. We are currently selling one of the three properties to companies in condominium ownership. This innovative idea has been well received by the market. The Alto Pont-Rouge project is also doing well. Preparatory work for construction is almost complete. With the new train station set to open within the next few years, the district will receive a real boost, and companies moving away from the city centre will need these spaces.

As usual, your pipeline is completely full. Which other projects are you most pleased about at present?

Schönburg in Berne is definitely one of them. Nearly all the flats are let and both the fitness centre and the retail spaces are open. I am confident that we will be able to celebrate the hotel opening in spring 2020. The transformation of Stücki Park in Basel is well under way. We opened the Stücki Village in 2019 and held the



ground-breaking ceremony for the first two extensions. The site is gradually beginning to come together and become a real centre for Basel-Nord.

«Many companies are experiencing a generation change right now. Management is getting younger and has different needs in terms of the locations and areas that they want to offer their employees.»

Let's go back to logistics properties. Can you be more specific?

With the increase in online commerce, the dispersion of goods across the city is becoming much more important. We all want the goods we order online to be delivered to our home as quickly as possible. However, with traffic increasing, this is only possible if logistics processes are optimised. This is where the «last mile» that a package has to travel is so key. Goods being distributed from towns and cities need to be packaged differently so that they land in the customer's letter box as quickly and efficiently as possible. Real estate located at the edge of towns and cities is perfect for this type of logistics. West-Log and Espace Tourbillon are two such properties.

So you are assuming that the need for this type of real estate is going to increase?

Absolutely. For example, in our portfolio we have the Iseli site in Regensdorf, a parcel of land with existing infrastructure that would be suitable for such a project.

Doesn't that move you away from your promise to focus on «prime» locations?

No. From the point of view of the market for logistics real estate, the locations we have chosen absolutely are «prime». A logistics project in a rural area, on the other hand, would not fulfil this criterion.

Schlieren, Zurich, Geneva, Berne and Basel: how can you keep an eye on the needs of so many different customers in such different regions of Switzerland?

We have different strategies that enable us to retain our focus on the market and our customers. Having an office in Geneva,

for example, gives us a presence in French-speaking Switzerland. Our local specialists provide us with essential insights to make the right decisions. We also maintain very good personal contacts who help us invest in line with customers and the market.

Sustainability is becoming more important, globally, regionally and within companies. How do you approach this issue?

We set sustainable goals and achieve them. Specifically, we have committed to a CO₂ reduction pathway. By adopting a range of measures, we want to – we must – achieve this long-term goal. However, it's not enough to try and invest in emission-free real estate by 2050. Given the long life cycle of properties, we have to do this today and tomorrow. We are enhancing our existing portfolio with different initiatives that move us closer to our goal. For example, we are currently looking for ways of installing as many photovoltaic systems on our buildings as possible. We are also investing in sustainable forms of construction. One specific example of this is the new build in JED in Schlieren. This is a building with no conventional heating, cooling or ventilation.

When it comes to emissions, the JED new build is one of your flagship projects. Could you explain that concept a little more?

Given the climate crisis, we need to re-think our approach to new buildings. Looking to the past can help us do that. Our ancestors knew that thick walls help to keep out the weather. If our walls are thick enough, therefore, and the window areas are smaller, we can maintain the indoor climate almost regardless of the external temperature. We have taken advantage of precisely this fact, so in the JED new build, the walls are 80 centimetres thick. The windows are designed so that they let sufficient light into the building while being offset inwards so they receive very little direct sunlight, thereby minimising any heat gain. The temperature inside the building is an ideal 22 to 26 degrees. The humidity is maintained using sensors which automatically open/close the windows. Previously, you used to need 50–80 m² for building services systems, whereas now a small space of less than 10 m² is sufficient.

What else is special about the JED new build?

We have discovered that there are hardly any large interconnected spaces to rent in Zurich, although this is something our customers have a need for. We therefore decided to include as many support grids as possible on each floor. However, this does not mean that our customers have to accept any reductions in flexibility. Within the support grids, many areas can be specially reconfigured or separated according to requirements. They don't have to be, but they can – and that's what customers want today.

Is this the design of the future?

We think we will see more of this kind of construction in the future. It is crucial that we convert our existing buildings to be more efficient and make new real estate totally emissions-free.

«Co-working can function in different ways. Traditionally, successful locations are central, with good transport connections and high footfall.»

Another trend in the real estate market is co-working.

Is this actually a major requirement in the market?

The trend for co-working and serviced offices has several drivers. Firstly, major start-ups are ensuring that the topic is being widely discussed in the media. Secondly, we are seeing a certain level of need on the market for this type of use. In a fully rented site, there are tenants who would like some overflow space for either seasonal or project-related reasons. It would offer additional employees a flexible workspace where they would still be close to their colleagues. Global companies are also interested in «single office provider» strategies. This is where they have a single agreement with a global provider. Employees can then use office facilities in any city in which the provider has a presence. These are exciting developments.

In your opinion, where does the concept work and where does it fall down?

Co-working can function in different ways. Traditionally, successful locations are central, with good transport connections and high footfall. Concepts outside city centres can also be very promising. At some point, we will not all be able to – or even want to – commute into cities to work. Flexible workspaces outside city centres and in locations that can be reached from your house on foot will be worth considering. There are already examples of this around Zurich.

Could you imagine offering co-working even in Prime Tower?

Successful co-working is about high footfall and the area's visibility. Offering flexible working spaces in Prime Tower could be successful if we were to implement a model in which existing tenants in the tower could use them as part of the overflow space that we mentioned earlier. From a security perspective, a

completely open co-working space would not be simple, but we wouldn't want to rule it out completely. The site at Hardbrücke is almost perfect for this kind of service.

Retail floor space is under pressure from online business.

How do you think this will develop in future?

Good spaces in central locations will always be in demand. We see this every time rental contracts are due for renewal. We are confident that there will always be a need for bricks-and-mortar business. Whether this need will be as pronounced in the future as it is today, time will tell. Our collaboration with Pallas Kliniken in Jelmoli clearly shows that you can enhance or transform retail spaces and remain successful.

What is your outlook for the coming year and beyond?

I am confident that the real estate market will continue to grow in 2020. The generally positive economic situation, political stability and high level of technology as well as digitalisation in Switzerland will ensure that we remain an ideal location for local and global companies.

Board of Directors



Prof. em. Dr. Hans Peter Wehrli
Chairman
Member since 29 April 2002³



Mario F. Seris
Vice-Chairman
Member since 27 April 2005^{2, 3}



Dr. Barbara Frei-Spreiter
Member since 27 March 2018²



Thomas Studhalter
Member since 27 March 2018¹



Christopher M. Chambers
Member since 22 October 2009^{1, 2}



Dr. Rudolf Huber
Member since 29 April 2002¹



Gabrielle Nater-Bass
Member since 26 March 2019²

Swiss Prime Site's Board of Directors comprises key figures from Switzerland's economy. The years of extensive experience of the individual board members in various fields paves the way for a balanced, long-term-oriented body. The Audit, Nomination and Compensation as well as Investment Committees function within the Board of Directors. The Board of Directors acting collectively determines Swiss Prime Site's strategy and represents a controlling body relative to the Executive Board in terms of executing operating activities.

¹ Audit Committee

² Nomination and Compensation Committee

³ Investment Committee

Executive Board



René Zahnd
Chief Executive Officer
Swiss Prime Site



Markus Meier
Chief Financial Officer
Swiss Prime Site



Peter Lehmann
Chief Executive Officer
Swiss Prime Site Immobilien



Oliver Hofmann
Chief Executive Officer
Wincasa



Dr. Luca Stäger
Chief Executive Officer
Tertianum

As at the end of 2019, Swiss Prime Site's Executive Board comprised the Chief Executive Officers of the group companies Swiss Prime Site Immobilien, Wincasa and Tertianum as well as the group's CEO and CFO. This ensures that all of the central business fields, as well as their interests and expertise, are represented at the top operating level of the management body.

Our success story

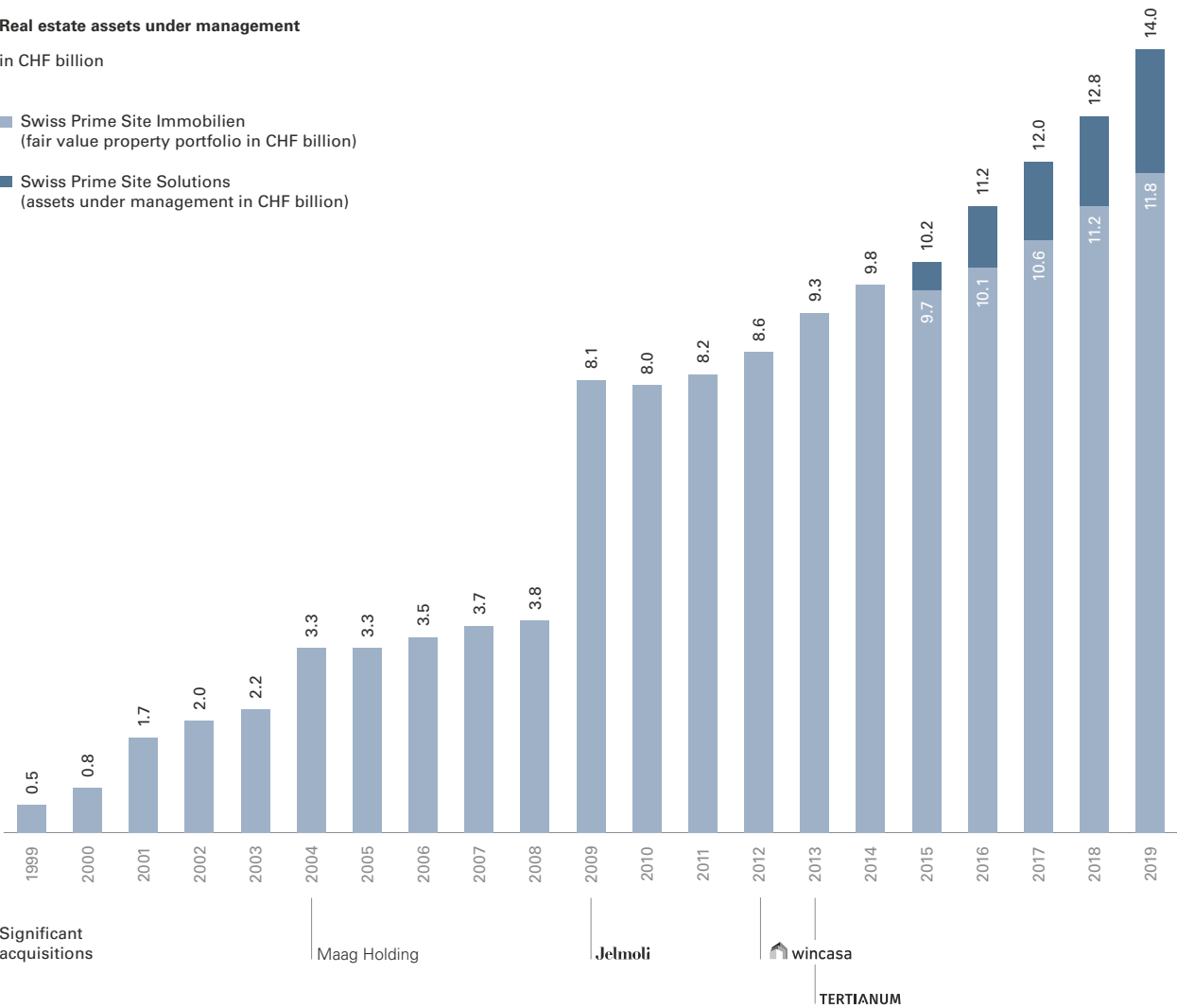
Swiss Prime Site was founded in 1999. By 2019, the Company had grown to become the largest stock exchange-listed real estate firm in Switzerland, with a property portfolio currently valued at CHF 11.8 billion.

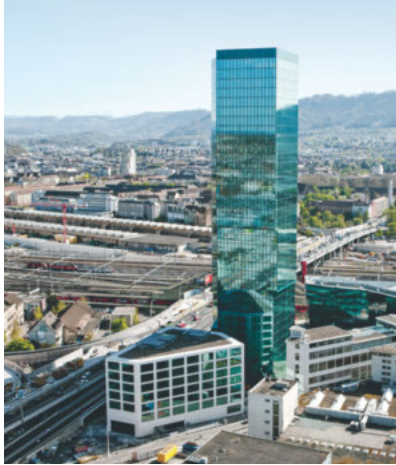
By means of acquisitions, property developments and conversions, as well as sharp focus on prime locations, Swiss Prime Site is continuously building up its portfolio. One of the most significant takeovers to date was the acquisition of Maag Holding (2004) with the Maag site in Zurich-West. Prime Tower and the surrounding annex buildings were developed at the site. The acquisition of Jelvoli (2009) doubled the value of the Company's real estate holdings. Since that time, Swiss Prime Site has carried out key strategic acquisitions with Wincasa (2012) and Tertianum (2013). In addition, Swiss Prime Site has generated additional growth and created premium properties by means of significant in-house developments – such as SkyKey in Zurich and EspacePost Berne – or conversions of former office floor space, such as Motel One in Zurich. Together with Swiss Prime Site Solutions (asset management for third parties), Swiss Prime Site manages real estate assets amounting to CHF 14.0 billion.

Real estate assets under management

in CHF billion

- Swiss Prime Site Immobilien
(fair value property portfolio in CHF billion)
- Swiss Prime Site Solutions
(assets under management in CHF billion)





Prime Tower, Zurich



Jelmoli – The House of Brands, Zurich



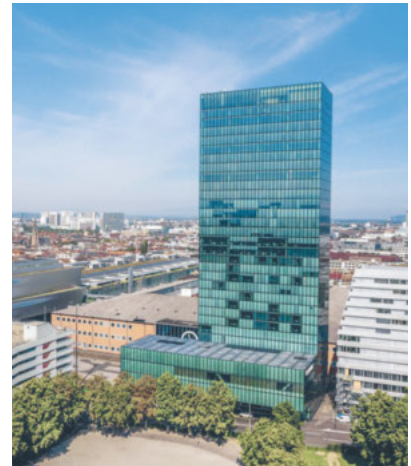
SkyKey, Zurich



Motel One, Zurich



Opus, Zug



Messeturm, Basel



EspacePost, Berne



Rue du Rhône 48-50, Geneva



Place du Molard 2-4, Geneva

Our markets

The Swiss Prime Site Group operates in the Swiss real estate market with its core business. The most significant influencing factors for the Company include the rental, transactions and capital markets. Other important impulses emanate from the national retail trade as well as the demand for senior services.

Rental market

From September 2018 to September 2019, around 54 000 positions were created in the services sector, generating increasing demand for office space. In Zurich in particular, demand developed at a dynamic pace and significant rental contracts were finalised. The market for retail floor space remained challenging. Bricks and mortar stores, and in particular shopping centres, are facing strong competition from e-commerce. Swiss Prime Site benefits from holding properties in high-traffic central locations that enjoy strong demand. For example, a beauty clinic was added to the range of products and services in the premium department store Jelmoni. Given that the demand for the urban micro-distribution of goods is likely to increase, this will open up additional opportunities for Swiss Prime Site. The Company sees great opportunities in urban logistics and is already investing in two very promising projects in Geneva and Zurich.

Transactions market

In recent years, the strong demand for investment properties has resulted in significant increases in the value of existing properties, accompanied by compression of yields on the transactions market. Over the past year, the yields on prime office and retail properties have continued to fall. Swiss Prime Site took advantage of the considerable interest in investment properties, achieving profitable sales. The Company also invested in its own real estate development projects that, unlike the embattled transactions market, generate above-average net yields of around 5%.

Capital market

Both direct and indirect real estate investments continue to profit from high investor demand. Swiss Prime Site used the favourable market environment to issue two straight bonds amounting to CHF 520 million. Swiss Prime Investment Foundation, the assets of which are managed through Swiss Prime Site Solutions, completed two share issues. This demonstrates the sustained demand from pension funds for services in the field of real estate asset management. Swiss Prime Site shares enjoyed strong demand and achieved an excellent return (incl. distribution) of 47%. With an average annual performance of 8.9% since listing, Swiss Prime Site shares have generated more returns than the sector and the market on average.

Assisted living

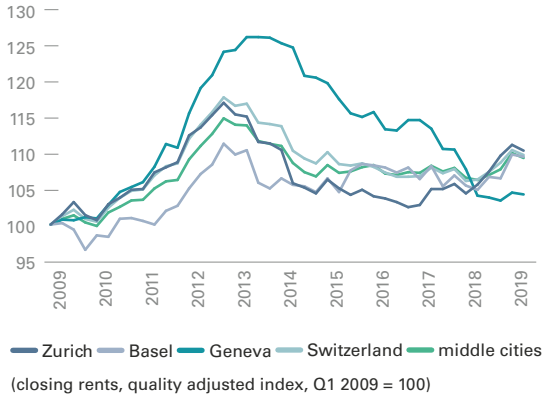
Demographic change in Switzerland is becoming more and more apparent: In 2018 there were 1.58 million people in the 65 and over category – this equates to 18.5% of the population. That figure was 15.4% in the year 2000. Effectively, the number of people aged over 65 years has increased by more than 40% during this period, and further growth in the older population is expected in the coming years. Swiss Prime Site announced that it would sell the operational group company Tertianum to Capvis by the first half of 2020. With the 16 nationwide Tertianum elderly care homes and residences in the Swiss Prime Site property portfolio, as well as the four projects that are currently under construction or in the planning phase, Swiss Prime Site continues to be active in the growth market of assisted living.

+ 8.9 % p.a.

average annual performance (total return) of the Swiss Prime Site share from listing in 2000 to the end of 2019.

Rental market: trend in prices and commercial space on offer

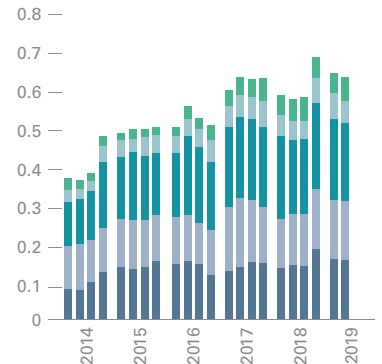
Office space: rental prices



Office



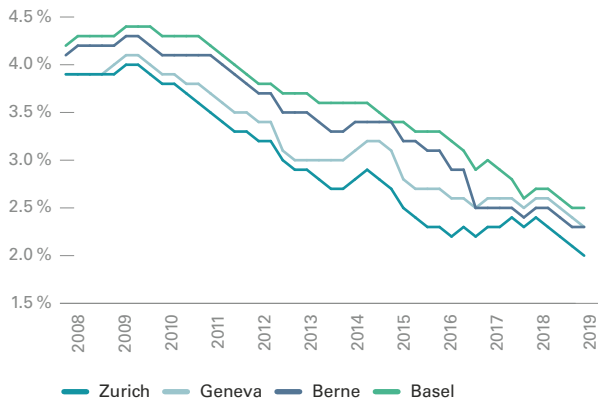
Retail



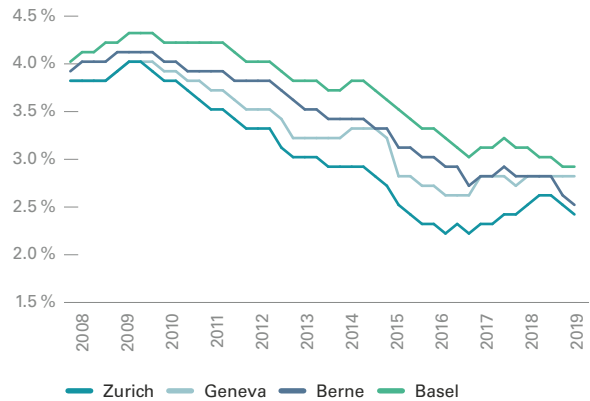
space on offer (in million sqm per quarter)

Transactions market: trend in prime initial yields

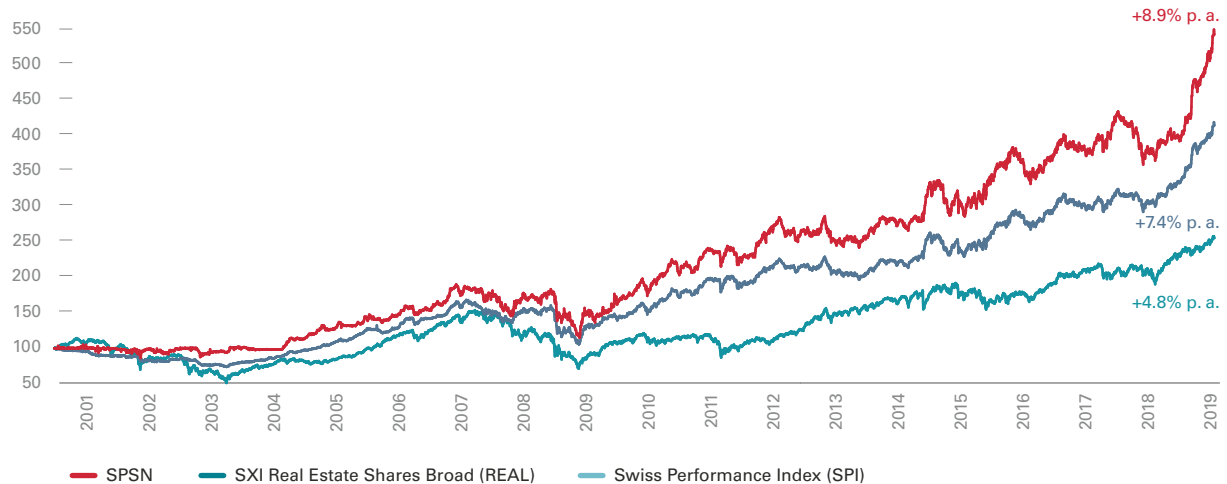
Office



Retail



Capital market: Swiss Prime Site share price performance versus sector and market



Sources: Credit Suisse, Wüest Partner, Swiss Prime Site, Thomson Datastream

Risk management

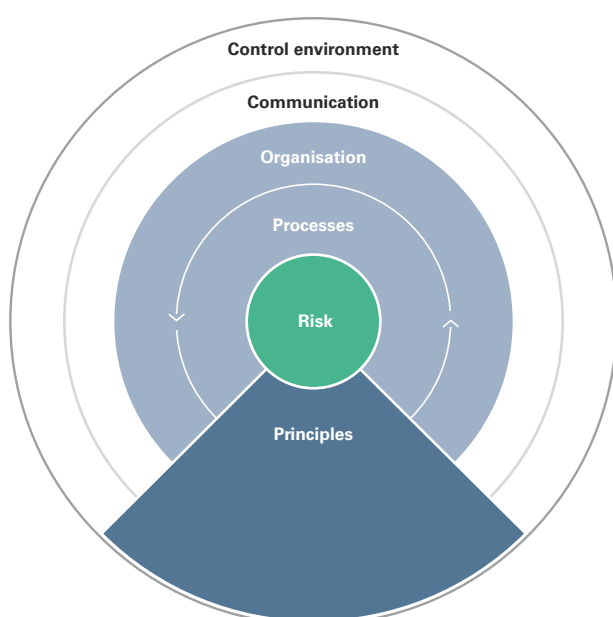
Ensuring continuity and exploiting opportunities

Swiss Prime Site is exposed to a broad spectrum of opportunities and risks as it progresses towards its strategic goals. To secure long-term success, it is therefore crucial to recognise changes in the economic, social, regulatory, technological and ecological environment early on. The Company places significant emphasis on managing opportunities and risks, for which it has implemented a systematic process. Risk management therefore provides a significant contribution to the continuity and successful development of the Company.

Risk management is based on the group-wide risk policy. It establishes a homogeneous, responsible approach to tackling opportunities and risks and promotes a uniform understanding of risk management within the Swiss Prime Site Group. Each group company also issues further specific requirements and measures.

Systematic risk management process at all levels

The Swiss Prime Site Group's risk management system is made up of the following elements: principles, control environment, communication, organisation, processes.



The principles ensure all employees have a uniform understanding of risk and an adequate level of risk awareness. These are considered when engaging in dialogue with all stakeholders (risk owners).

The control environment is influenced primarily by the Board of Directors and Executive Board through their responsibilities, risk awareness and organisational measures to safeguard effective business operations. This is supplemented by the Company's basic ethical values, the organisational structure, rules of conduct and clear responsibilities.

One fundamental pillar of risk management is transparent communication with internal and external stakeholders. All employees are required to maintain an ongoing dialogue about opportunities and risks.

In the Swiss Prime Site Group's risk organisation structure, the Board of Directors has overall responsibility within the scope of its supervisory duties by defining the risk strategy. The Executive Board is responsible for operational implementation. It is supported in this task by the Group Risk Management department, which is responsible for the group-wide coordination and steering of the risk management process. Fundamentally, all employees contribute towards a considered approach to opportunities and risks.

The risk management process encompasses all activities for the management of opportunities and risks. Risks are identified within the scope of annual risk meetings between the Executive Board and the Risk & Audit Committee of the respective group company and between all risk owners and the Group Risk Management department (top-down). Along with an analysis of individual systems and processes (bottom-up), this produces a risk inventory for each group company.

The identified risks are assessed in relation to their causes and impact and assigned to appropriate risk categories (strategic, external, operational, financial and compliance risks) and risk owners. They are then rated according to their financial loss potential and probability of occurrence. The resulting risk profile also quantifies the value of the required risk management measures as well as the effects that adverse media reports would have on the group's reputation.

At group level, risks are reported yearly to the Board of Directors and Executive Board. This consists of a consolidated risk report and risk inventory. At group company level, similar reports are submitted to the relevant Board of Directors and Executive Management.

Most important risks in the various business fields

In 2019, the revaluation of real estate, changes in interest rates and general financial market risk when refinancing were among the most important risks with medium loss potential and an average probability of occurrence in the real estate sector. By proactively managing vacancy risk, Swiss Prime Site kept vacancy rates stable and below 5% despite the difficult market environment.

The main challenges faced by group companies in the services sector were new regulatory requirements (Tertianum), changes in customer requirements due to the digital transformation and competition in their respective markets (Wincasa, Jelmoli).

Comprehensive assessment of cyber and climate risks

Swiss Prime Site focused particular attention on cyber risks for the first time in 2017. Although the advance of digitalisation is creating many opportunities in the real estate sector, especially in customer interaction and the smart control of processes, new cyber risks such as sabotage or data theft have arisen. In 2019, Swiss Prime Site therefore drew up its first risk inventory for this key risk situation and defined appropriate countermeasures.

Besides digitalisation, climate change is having a significant impact on the business activities of the Swiss Prime Site Group. Since 2017, the Company has made a clear commitment to the climate goals in the Paris Agreement. In taking a proactive approach to climate risks, the Company is also helping to protect its own business activities. In 2019, for the first time, Swiss Prime Site therefore carried out a detailed analysis of climate-related financial risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For detailed information, refer to the TCFD report of Swiss Prime Site.

Strategy

Investments and focus

Swiss Prime Site Group's objective is aimed at achieving constant growth and a sustainable trend in profitability. To realise this goal, the Company has executed substantial investments in the core real estate business. Prime properties with attractive yields located in Switzerland are regarded as the focal point of this strategy. With a 43% share in the portfolio of CHF 11.8 billion, Zurich is currently the most important strategic region. The region around the Lake Geneva basin is also experiencing strong growth. Swiss Prime Site focuses on commercial-use areas and units, utilising in-house expertise to sustainably develop, reposition and modernise properties and sites.

Earnings diversification and synergies

Existing real estate-related business fields are being expanded in order to further strengthen diversification of the business model. Swiss Prime Site currently boasts attractive group companies with Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions. These group companies provide services for the group as well as for third parties that are heavily in demand on the market, against the backdrop of the core real estate business. The goals are focused on significantly boosting the contributions to revenues and operating income in addition to enhancing the synergies within the group and individual group companies.

Innovation and sustainability

As Switzerland's largest listed real estate company, Swiss Prime Site aims to be an innovation leader. Hence, the Company has created positions at the group level and in the individual group companies that are exclusively engaged in developing innovative technologies, techniques and processes. The objective is directed at equipping the group for facing future challenges and changing markets – particularly amid times of disruptive transitions. The key factors include sustainability, in addition to innovation and digitalisation. In all these aspects, conscious sustainability-oriented management ensures the future viability and success of the Company.

2020 targets

<5 %

Vacancy rate

~45 %

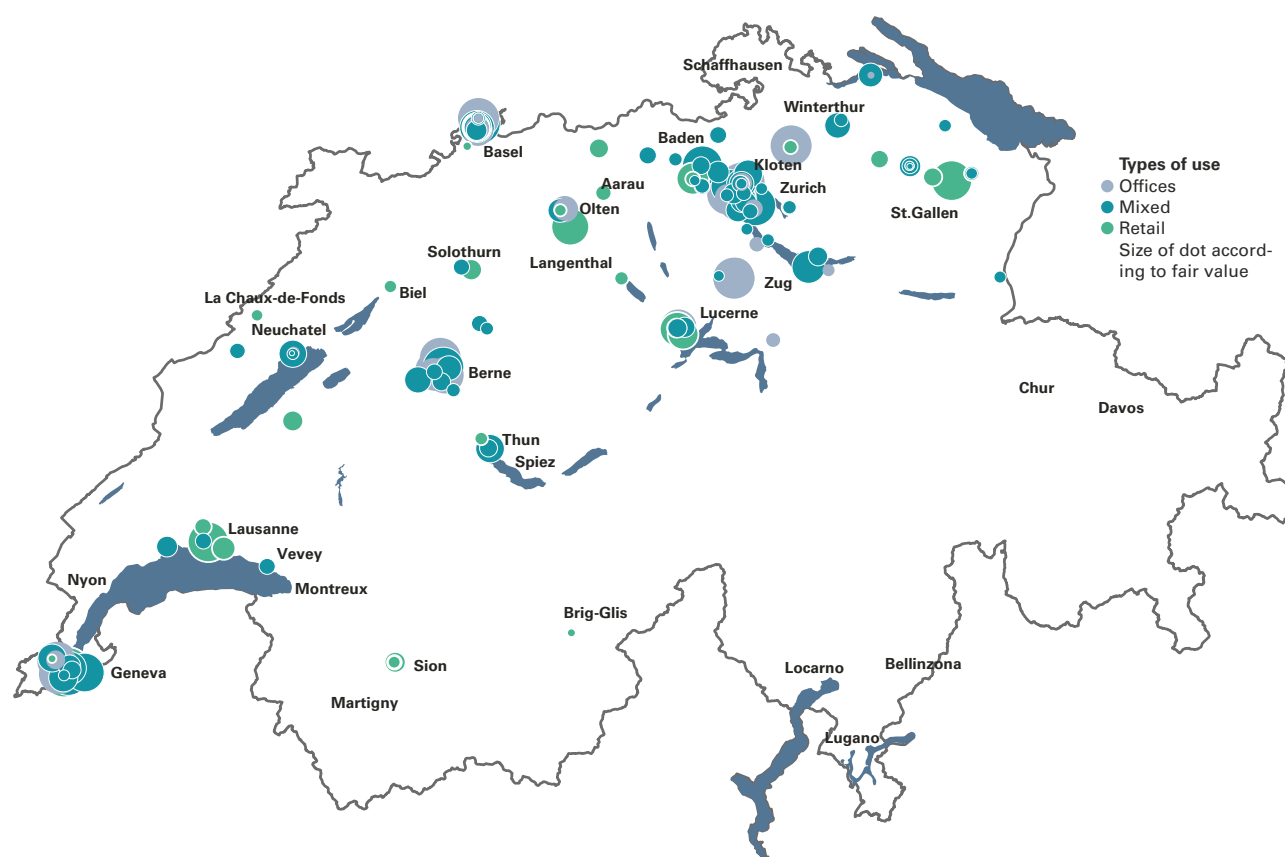
Equity ratio

6–8 %

Return on equity



Property portfolio



Expansion and growth

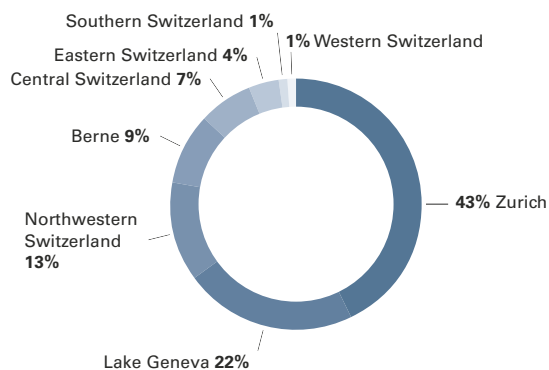
The formation of Swiss Prime Site in 1999 by the Credit Suisse Pension Fund, Siemens Pension Fund and Winterthur Leben (today: AXA) laid the foundation for the current property portfolio. The value of the real estate holdings grew through acquisitions and significant self-development projects to roughly CHF 3.8 billion (2008) within less than ten years. With the acquisition of the Jel-moli properties in 2009, the Company once again more than doubled its real estate portfolio. Additional key projects such as PrimeTower and SkyKey in Zurich and EspacePost in Berne as well as acquisitions (2013: Tertium properties) boosted the quality and the size of the property portfolio considerably. The fair value of the real estate held by Swiss Prime Site amounted to CHF 11.8 billion as at the end of 2019.

Geographic allocation

Swiss Prime Site's real estate portfolio boasts a high level of quality of property and location. According to Wüest Partner, roughly 80% of the group's properties rank in the quadrants with the highest quality based on the overall market. Such strategic positioning is attributable to the fact that the properties enjoy brisk demand despite the challenging market. The majority of properties (76%) are located in German-speaking Switzerland. In this context, canton Zurich and particularly Zurich City account for the lion's share in this region with 43%. Another focus region is the Lake Geneva basin (22%).

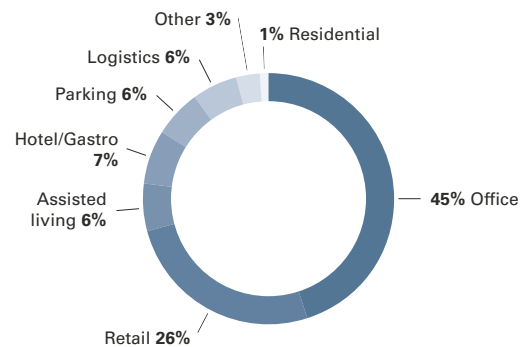
Portfolio split by region

Basis: fair value as at 31.12.2019



Portfolio split by type of use¹

Basis: net rental income as at 31.12.2019



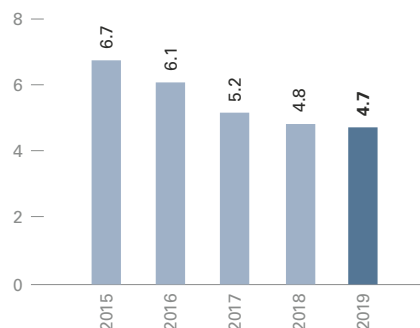
¹ Real Estate segment

Utilisation

Swiss Prime Site has focused its portfolio of high-quality, value-retaining properties situated in prime locations primarily on commercial and services businesses and their needs. Of the 1.6 million m² of total available floor space, 45% is currently leased as office space and 26% as retail units. Utilisation of the Company's real estate by group company Tertium accounts for 6%. Hotel/gastronomy, logistics and parking are regarded as additional supplemental types of use. The real estate portfolio's maturity profile is long term and thus attractive. Roughly 22% of net rental income is generated with rental agreements with a term of ten years or more. Another 34% of the portfolio is subject to renewed leasing at terms of between four and nine years.

Swiss Prime Site has succeeded in significantly reducing the vacancy rate of its real estate holdings (187 properties) over recent years. The 2019 rate was a low 4.7%.

Vacancy rate in %



Project pipeline

Development and project planning

One of Swiss Prime Site Immobilien's strengths is its ability to develop its own projects. This paves the way for the Company to operate with a high degree of independence from market cycles. In accordance with the business model, acquired land, sites or properties that no longer sufficiently conform to the current standards are subject to analysis, then optimised, developed and transformed to meet customer or market needs.

Development projects are based on the group's strategic goals aimed at boosting organic growth and increasing corporate profitability. Earnings from completed projects accrue in the form of revaluation gains, rising tenant income and sales proceeds. New projects developed by Swiss Prime Site Immobilien generally exhibit above-average net yields versus the market as well as the existing portfolio.

The investment volume of Swiss Prime Site Immobilien's project pipeline amounts to around CHF 2 billion as at the end of 2019.

Projects under construction

Construction projects have a total investment volume (including land) of around CHF 850 million. In 2020, there will be a total of six projects under construction. The most significant investments are being carried out in the large-scale Espace Tourbillon building complex in Plan-les-Ouates. Two of the five buildings to be erected had already been sold shortly after construction began in the second half of 2017. One house is being sold by way of condominium ownership.

The former NZZ printing facility will undergo a significant upgrade by 2020 under the new name JED – Join. Explore. Dare. The easily accessible site will be positioned in the long term as a centre for innovation, entrepreneurship, knowledge transfer and attractive working environments. With the signing of long-term rental agreements with Halter and Zühlke, two well-known anchor tenants have already been found for the existing building. The logistics real estate West-Log, featuring office space on the upper floors, is being created within walking distance of Zurich Altstetten train station and will also have a direct connection to the A1 motorway. This ideally situated building will enable the anchor tenant Elektro-Material AG to distribute its goods quickly and cost effectively within the city of Zurich and the surrounding area. Swiss Prime Site Immobilien is thereby serving the growing market for urban logistics, which is becoming increasingly important in the e-commerce era.

Projects in planning phase

At the end of 2019, projects in the planning phase had an estimated investment volume (including land portions) of around CHF 940 million. Of these projects, the largest individual project will be Alto Pont-Rouge in Lancy. The project plays a significant role for the Geneva region in its form and due to its location, since another transportation juncture and economic hub will be created for the city as a result. Based on current planning, an investment of around CHF 280 million will be made in the construction and operation of approximately 31 000 m² of additional rental floor space.

Stücki Park will be thoroughly developed to make it more attractive and future oriented. The key expansion of the already existing laboratory and office floor space will be carried out in two phases. 50% has already been leased in advance to Lonza in the first phase. Four new buildings situated between the already fully leased Business Park and shopping centre will noticeably expand the total floor space. The rentable space will double to more than 60 000 m². Consequently, the project will meet the region's needs for laboratory and office floor space, creating room for an additional 1 700 workplaces. The laboratory and office floor space constitutes a key element for the successful and sustainable future development of the entire site, where innovation, entertainment, wellness, healthcare, research and shopping are all interwoven in an overall concept.

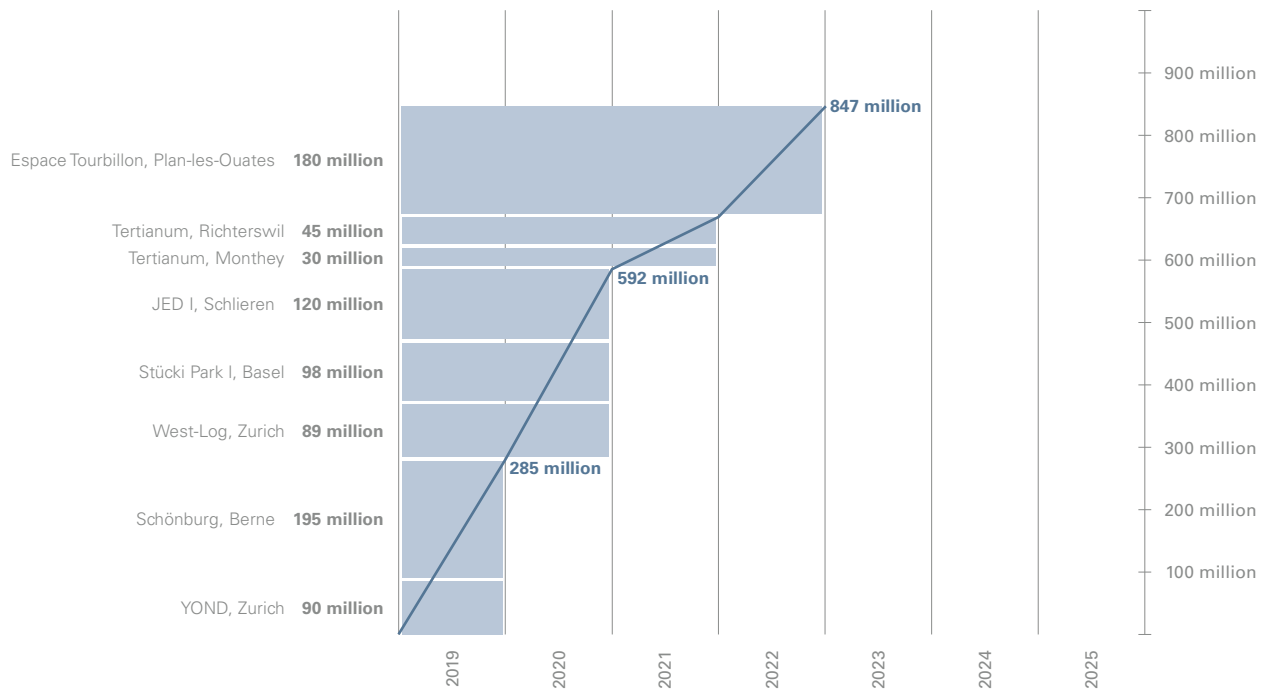
Four projects for the construction of new elderly care homes (Monthey, Olten, Richterswil) and a residence (Paradiso) for Ter-tianum are currently in the planning stage or already under construction.

The company also plans to realise flexible projects designed for future generations of tenants in Schlieren – JED II or 2226 – and in Zurich – Müllerstrasse, maaglive – in the coming years.

In addition, Swiss Prime Site Immobilien has land reserves and considerable utilisation reserves in its stock.

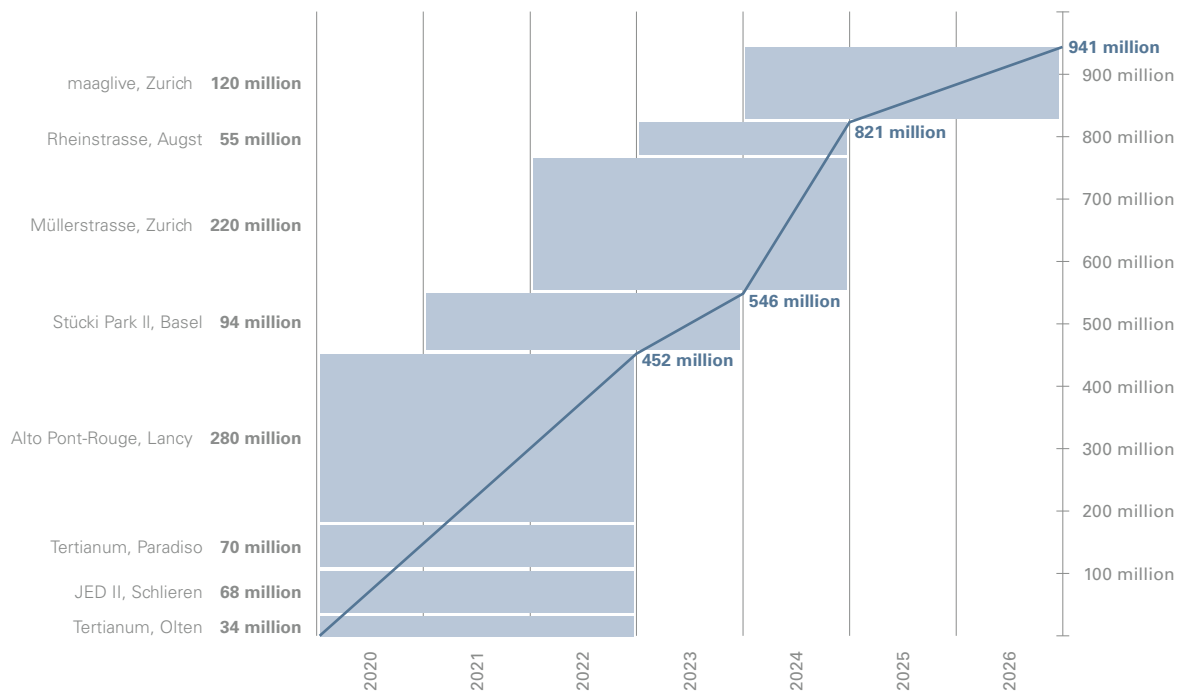
Projects under construction

Value in CHF



Projects in planning phase

Value in CHF





Assuming responsibility

In the reporting year, Swiss Prime Site developed a detailed CO₂ reduction pathway for the entire property portfolio. A CO₂ mitigation target that falls well below the 2-degree goal set out in the Paris Agreement is being pursued with planned investments of over CHF 650 million by 2050.

On 28 August 2019, the Federal Council decided that, from 2050 onwards, Switzerland should emit no more greenhouse gases into the atmosphere than can be captured and stored in natural and technological sinks. This means that our government is going considerably above and beyond its existing commitments under the Paris Agreement.

It has been two years since the publication of Swiss Prime Site's first comprehensive sustainability report and we can now look back and take stock. Over the course of these two years, there has been a great deal of movement in the area of sustainability and the environment, at both political and social level. Climate activists are dominating the headlines and panel discussions, and the «green wave» has dominated numerous new elections of European parliaments, which are reacting with a clear stance on climate goals.

While the 2-degree goal, which we committed to back in 2017, was fairly difficult to understand as a scientifically derived value, «net zero» leaves no room for interpretation. That's a good thing, but is the target actually achievable? This is precisely the question we aimed to answer when pursuing our own objective of developing a reduction pathway for the entire Swiss Prime Site property portfolio by the end of 2019.

This detailed reduction pathway, which is being published for the first time in this report, forecasts an influenceable 75% reduction in relative CO₂ emissions (intensity) by the year 2050 for the approx. 1.6 million m² of floorspace, assuming a continued average increase in area of 20 000 m² per year.

We are very optimistic that we can fall well below the limits of the 2-degree goal with all the measures available to us. It is also clear, however, that we will not be able to achieve «net zero» without the help of possibilities to offset. At the same time, assuming responsibility also means recognising the limits of what is possible and – in contrast to politics – not hastily spreading ideas that aren't feasible in reality.

Responsibility and credibility

It paints a deceptive picture when governments, and thus individual companies, are already committing themselves to zero emissions without having any real idea about whether and how they can achieve this ambitious goal or how much they will have to invest in it. We have done the maths: more than CHF 650 million will be needed for investments in building shell renovations and replacement heating measures, which will need to be allocated appropriately over the next 30 years. In addition, we estimate the cost of carbon offsetting measures to be around CHF 2 million annually from 2050 onwards. But the good news is that we can afford this ambitious target without suffering financial losses or the total return being affected, as these costs have already been reflected in the individual property valuations.

We now see it as our clear-cut duty to take all necessary measures to consistently follow our reduction pathway and to represent it as an integral part of our long-term financial planning. At the same time, despite tackling the big challenge of continuously reducing CO₂ emissions, we must not lose sight of the other dimensions of our sustainability strategy. In particular, we have a responsibility to deal with the issue from all possible angles.

«We have a responsibility to pursue a long-term sustainability strategy that we can implement ourselves and which is part of our DNA.»

For Swiss Prime Site, assuming responsibility means considering a wide range of issues, continuing to evolve in all areas, and being a leading voice on relevant issues as one of the main players in the industry. The circular economy, green leasing, biodiversity and climate-adapted construction are just some of the current trends that we will be focusing our attention on in the coming months and years.

We earn credibility by addressing and dealing with these issues in specific projects. Removing, recycling and reusing an old aluminium façade as a fresh face for the same property in Zurich is just one example of the pragmatic approach we take to the complex topic of the circular economy.

Attitude and goals

Goals are supposed to be challenging, not formulated in a way that makes them easily attainable. We have analysed the progress made in the area of sustainability for the past two years

and come to the conclusion that we have already achieved a great deal. Nevertheless, we are still only at the very beginning of a long journey and a real transformation.

«Goals are supposed to be challenging, not formulated in a way that makes them easily attainable.»

The fact that the issue of sustainability has taken on a whole new significance at Swiss Prime Site is also due to members of the Board of Directors – namely the Chairman, Hans Peter Wehrli, and Barbara Frei-Spreiter – having joined the Sustainability Board this year. This board will make a decisive contribution to the formulation of goals in future and to the long-term orientation of the sustainability strategy.

In this report, we want to show in detail the areas in which we have made progress, as well as those where we believe action is still required. The task is to convey our specific company stance not only to expert analysts and interested shareholders and stakeholders, but also to our own employees, and to provide transparent and detailed answers to the question of how Swiss Prime Site can create sustainable value.

I hope you enjoy reading this report and that it gives you many interesting insights into our sustainability-oriented business activities.



Urs Baumann
Head Group Sustainability & Innovation



Stakeholder engagement

For Swiss Prime Site, engaging with all stakeholders is a key element of sustainable management. This means identifying needs and expectations in dialogue and gearing business activities towards meeting these in harmony with the corporate strategy. This improves the Company's reputation and image and helps it to create products and services that meet the requirements of the market. Swiss Prime Site also uses dialogue with a range of stakeholders to address current issues and challenges in greater depth. To this end, the Company holds a stakeholder panel with external stakeholders every two years, in addition to its ongoing interactions with them. In 2019, this all-day event was devoted to the topics of «urbanisation» and «intergenerationality».

2019 Stakeholder Panel

Swiss Prime Site's sustainability strategy is firmly anchored in its corporate strategy. The associated process, the methods and tools to be applied and the measures for achieving the sustainability goals are being constantly refined. This requires issues to be addressed on an ongoing basis by internal stakeholders and also calls for recurring dialogue with external parties.

Swiss Prime Site held a stakeholder panel for the first time in 2017. One recommendation to come out of it was that there should also be a focus on the issues that are of primary importance for the group companies. The 2019 Stakeholder Panel therefore dealt with the focus areas of «urbanisation» and «intergenerationality», which had been highlighted during the first panel back in 2017.

The number of participants at the latest panel was significantly higher than the first, as more than fifty internal and external stakeholders were personally invited to take part. In addition to experts, who were there to help kick-start the discussions with keynote presentations, selected tenants and business partners were also invited to the event in order to represent a cross-section of the various customer relationships. The internal stakeholders consisted of a strong group of representatives from the youngest generation in the Company, as well as members of various think-tanks from across the group.

Specific findings – Material issues

The 2019 Stakeholder Panel gave rise to three specific insights, which are included as key themes in the materiality matrix.

Planning and development process

The first issue that was highlighted as being material relates to the planning and development process. In the planning and development phase, the main question should be: «How can we create sustainable, climate-neutral social spaces and lively communities?»

The overriding goal – to ensure the agility and transformative capacity of companies and the economy as a whole – can also be applied to properties and entire sites. In cities and agglomerations, but also in the countryside, planning should therefore be based more on systems and scenarios, and less on rigid and isolated living, working and leisure concepts. However, this requires co-operation with other players – sometimes even competitors – as well as the linking of (existing) offerings.

Mention was made several times of the desirability of a cooperative mindset. As both an owner and an operator of social spaces, a cooperative adopts a holistic perspective. Swiss Prime Site faces the conundrum of harmonising such an approach with the earnings expectations of shareholders. One possible way of dealing with this problem could be to develop an all-embracing cost-income accounting system that creates more awareness of non-financial value creation in the future. Business decisions and expected long-term earnings could be influenced considerably by recording, describing and, where possible, quantifying social and environmental impacts.

Operational phase – Life on a site, in a community

If the foundations have already been laid during the planning phase to ensure that properties or entire sites are highly agile and adaptive, this opens up opportunities within the Company to create diverse communities through suitable infrastructure, offerings and incentive systems. The idea is to also try out new things in the real estate sector by involving user groups and being open to the fact that some ideas will inevitably fail. Such an approach requires courage, patience and – ultimately – investment capacity. However, it also makes it possible for a property or a site to evolve over time and continuously adapt to social needs. The experiences of various experts on the stakeholder panel show that a «care taker» role is needed in such situations. In other words, someone who promotes active networking and thus a lively community, but without forcing anyone to participate.

Regulatory environment

In order to implement the measures described, there must also be more room to move within the applicable regulatory environ-

ment. A shared culture of development and habitat design must also be supported by the authorities. With regard to making the planning laws more flexible, it may even be necessary for Swiss Prime Site to become more involved – either alone or within the context of associations. The case of the Zug Technology Cluster which was presented during the stakeholder panel shows the potential for a flexible development plan with various forms of use.

The lure of the city as a place of commerce, communication and innovation remains strong. Cities are continuing to attract young people, but the urban population as a whole is becoming older and older. Cities are therefore growing rapidly; at the same time, densification is reducing the amount of (public) space. Many people can no longer afford to live close to the centre, which is having a corresponding impact on the functional and social mix. To avoid becoming victims of their own success, cities need spaces that encourage interaction and foster a sense of community. Intergenerationality also includes enabling social interaction between different generations, as well as new ways of living and family models.

Panel statement

To think in terms of systems and scenarios, and to plan and develop together with groups of users or even competitors, more time must be reserved for these processes and dialogues. This will make it possible to try new things. There was also a call to build and operate properties in the style of cooperatives. Among other things, this means incentive systems for diversity (age, social classes, life stages, uses, etc.) as well as compact neighbourhoods.

Antiquated laws often make it difficult or even impossible to implement new ideas. Modernisation of the Spatial Planning Act, with more flexible building and zoning regulations, requires greater involvement by the various real estate players and by Swiss Prime Site itself.

Presentations by experts

Markus Koschenz, lecturer at the Lucerne University of Applied Sciences and Arts, conveyed the following key message in his presentation «Building and living in the age of climate change»: «Climate change is posing big challenges for real estate and the mobility of the future. With their long useful lives, new buildings are already having to meet the target of carbon neutrality.»

In her presentation «Demographic change and assisted living», **Antonia Jann**, Managing Director of Age Foundation, emphasised the following: «Assisted living only rarely means life in a care home. Rather, intergenerational housing models are needed that give older people a sense of belonging.»

In his presentation «Architecture is too slow – or when spatial structures outlive social needs», **Stefan Kurath**, professor at ZHAW and Head of the Institute of Urban Landscape, drew the following conclusion: «Sustainable building means creating structures that are robust, can be used flexibly and are not geared towards short-lived social trends.»

Beat Fellmann, Managing Director of Casea AG, drew this conclusion from «A commitment to living space»: «Providing a shared living space for different social classes and generations not only requires a functional and adaptable infrastructure but also a social contribution, such as a 'care taker' who promotes people's interaction and coexistence.»

In his keynote «Zug Technology Cluster – Planning and Building in a VUCA World», **Beat Weiss**, Managing Director of V-ZUG Immobilien AG, emphasised the importance of adaptable sites: «The creation of the Zug Technology Cluster is bringing a vertical factory to the centre of the city, in a district where the future mix of uses is not yet clear. In order to make such adaptable sites possible, planning legislation should be construed by the authorities more in a way that encourages rather than prevents.»

Materiality analysis

During the 2019 materiality analysis, Swiss Prime Site determined which issues are particularly important to its stakeholders and to safeguarding its short-, medium- and long-term business success. The Company also evaluated which issues have a significant impact on economic, social and environmental development. The materiality analysis thereby forms the basis for the strategic focus of reporting, as well as for the integration of important financial and non-financial issues into the management of the group (GRI 102-49).

Differentiated approach in three fields of activity

Due to their different characteristics, the various business activities of Swiss Prime Site call for a differentiated view of the material issues. The materiality analysis was therefore performed from the perspective of the following fields of activity:

- Real estate (Swiss Prime Site Immobilien, Wincasa, Swiss Prime Site Solutions)
- Retail (Jelmoli)
- Assisted living (Tertianum Group)

This approach made it possible to tailor the issues more to the different activities and their company-specific characteristics during the analysis. In the area of assisted living, for example, the health and safety of guests was identified as a key issue, while in the retail area aspects such as brand strategy and customer footfall were covered. For real estate, optimum connection of the properties, as well as resource consumption and CO₂ emissions, were highlighted as key factors.

The issues, which are prioritised on the basis of their materiality, are arranged according to the six capitals that determine the structure of the sustainability roadmap: stakeholders, finance, infrastructure, innovation, ecology and employees. The six capitals correspond to the sustainability dimensions introduced in 2016 and reflect the Company's integrated approach to creating sustainable value for the various stakeholder groups from a wide range of resources.

For each field of activity, the aim was to assess how important the particular issues are to the different stakeholders on the one hand, and to the business success of Swiss Prime Site on the other, and also how important the issue is with regard to the Company's impact on sustainable development. This procedure is derived from the sustainability reporting guidelines of the Global Reporting Initiative (GRI), which describe how to evaluate stakeholder relevance and assess impact. Assessing business relevance as the third dimension ensures that the material issues are closely related to the core business and can be integrated into the strategic management. The process is therefore also compatible with the recommendations of the International Integrated Reporting Council (IIRC).

Integration of internal and external stakeholders

To assess business relevance, representatives of the company management were interviewed. In order to include the opinions of the most important external stakeholders, Swiss Prime Site conducted an online survey. A total of 36 members of the Executive Board and Management Board, as well as 23 external stakeholders, were invited to take part in the assessment. The Company also took into account the findings of the 2019 Stakeholder Panel. The impact dimension was assessed in an internal analysis. The next materiality review will be conducted as part of the 2021 Stakeholder Panel (GRI 102-46).

Results of the materiality analysis

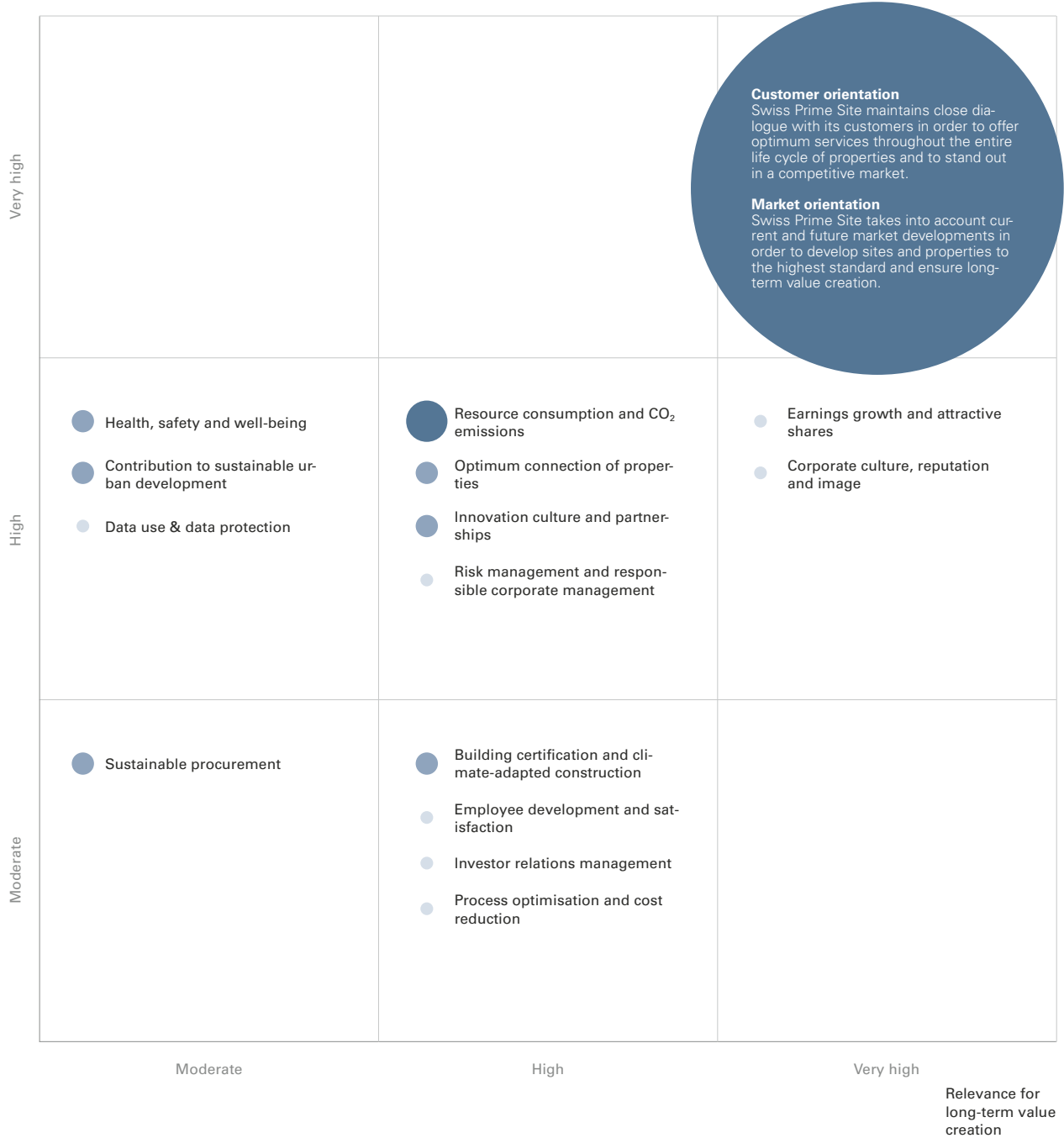
The following illustrations show which issues were deemed to be material in the materiality analysis in the three dimensions «relevance to stakeholders», «relevance to long-term value creation» and «impact on sustainable development». The focus here is on the results of the core real estate business.

Inclusion of material issues in goal setting

The materiality analysis serves to align the financial and non-financial reporting with these material issues. The identified issues are systematically covered in this Annual Report and in the accompanying GRI Report. The materiality analysis also serves as a starting point for further improving the integrated management of financial and non-financial aspects. During the implementation of the sustainability roadmap, the Company defines goals from which it then derives measures that correspond to the material issues.

Real estate materiality matrix

Relevance for stakeholders



Impact on sustainable development

Moderate







High

Very high

Determination of material issues

The following illustrations show the issues that were assessed by internal and external stakeholders and highlighted as material during the materiality analysis.

Real estate

Capital	Issues assessed		Material issues
Stakeholders	Customer orientation		Customer orientation Investor relations management Contribution to sustainable urban development
	Investor relations management		
	Social engagement		
	Creation of networks		
	Economic contribution		
	Responsible management and compliance		
	Political commitment		
	Contribution to sustainable urban development		
Finance	Earnings growth		Earnings growth and attractive shares Risk management and responsible corporate management
	Cost reduction		
	Risk management		
	Vacancy management		
	Attractive share		
Infrastructure	Efficient services		Process optimisation and cost reduction Optimum connection of properties
	Supplier management		
	Optimisation of processes / Tracking		
	Efficiency portfolio / Modernisation		
	Optimum connection of properties		
Innovation	Innovation pool / Development		Corporate culture, reputation and image Data use & data protection Market orientation Innovation culture and partnerships
	Corporate culture, reputation and image		
	Data use & data protection		
	Market orientation		
	Innovation culture		
Ecology	Innovation partnerships		Resource consumption and CO ₂ emissions Building certifications and climate-adapted construction Sustainable procurement
	Optimisation of resource consumption		
	Reduction of CO ₂ emissions		
	Raising awareness		
	Building certifications		
	Biodiversity		
Employees	Environmentally friendly supply chain		Employee development and satisfaction Health, safety and well-being
	Climate-adapted construction		
	Staff development		
	Employee equality and diversity		
	Occupational health and safety		
	Employee satisfaction		
	Attractive working conditions		
	Work-life balance		

Overview of material issues (GRI 102-47)

Capital	Material issue	Field of activity	GRI standard / Info / Further chapters
Stakeholders	Customer orientation	Real estate / Assisted living / Retail	GRI 102-40 to 102-44 – Stakeholder engagement GRI 417 Marketing and labelling
	Investor relations management	Real estate	GRI 102-40 to 102-44 – Stakeholder engagement
	Contribution to sustainable urban development	Real estate	GRI 203 – Indirect economic impacts
	Health and safety of guests	Assisted living	GRI 416 – Customer health and safety
	Social contribution	Assisted living	GRI 203 – Indirect economic impacts
	Resident engagement	Assisted living	GRI 102-40 to 102-44 – Stakeholder engagement
	Brand strategy and anchor tenants	Retail	GRI 102-40 to 102-44 – Stakeholder engagement GRI 201 – Economic performance
Finance	Sustainable products and promotion of sustainable purchasing behaviour	Retail	CRE 8
	Earnings growth and attractive shares	Real estate	GRI 201 – Economic performance
	Risk management and responsible corporate management	Real estate / Assisted living / Retail	Risk management
	Vacancy management	Assisted living / Retail	GRI 201 – Economic performance
	Increase in footfall and turnover for retail tenants	Retail	Integrated value creation
Infrastructure	Process optimisation and cost reduction	Real estate / Assisted living / Retail	GRI 201 – Economic performance
	Optimum connection of properties	Real estate	Integrated value creation
	Product safety and quality	Retail	GRI 416 – Customer health and safety
Innovation	Corporate culture, reputation and image	Real estate / Assisted living / Retail	GRI 102-16 – Values, principles, standards, and norms of behaviour
	Data use & data protection	Real estate / Assisted living / Retail	GRI 418 – Customer privacy
	Market orientation	Real estate / Assisted living / Retail	GRI 102-40 to 102-44 – Stakeholder engagement GRI 201 – Economic performance
Ecology	Innovation culture and partnerships	Real estate / Assisted living / Retail	Own SPS topic
	Resource consumption and CO ₂ emissions	Real estate / Assisted living / Retail	GRI 302 – Energy GRI 303 – Water GRI 305 – Emissions GRI 306 – Effluents and waste
	Building certifications and climate-adapted construction	Real estate / Assisted living	GRI 302 – Energy GRI 303 – Water GRI 305 – Emissions GRI 306 – Effluents and waste
	Sustainable procurement	Real estate / Assisted living / Retail	GRI 102-9 – Supply chain GRI 308 – Supplier environmental assessment GRI 414 – Supplier social assessment
	Avoidance of plastic waste and food waste	Retail	GRI 306 – Effluents and waste
	Employee development and satisfaction	Real estate / Assisted living / Retail	GRI 404 – Training and education
Employees	Health, safety and well-being	Real estate / Assisted living / Retail	GRI 403 – Occupational health and safety
	Employee equality and diversity	Assisted living / Retail	GRI 405 – Diversity and equal opportunities GRI 406 – Non-discrimination

Sustainability goals and roadmap

Swiss Prime Site sets itself long-term goals. When doing so, it is guided by national and international frameworks, such as the Energy Strategy 2050, the Paris Agreement and the Sustainable Development Goals (SDGs) of the United Nations. Sustainability management is focused on the material issues defined during the 2019 materiality process. From these, Swiss Prime Site derives a sustainability roadmap, which includes responsibilities, short- and medium-term goals and corresponding implementation measures. This roadmap forms an integral part of the annual business-plan process. The roadmap is structured according to the six capitals of the «integrated reporting» approach. On the basis of this roadmap, Swiss Prime Site assesses the achievement of goals and defines additional measures if they are not met.

Sustainability goals are set across the six capitals, both at group level and for the individual group companies. Whereas the group's

overarching goals are described for all six dimensions, the main focus at the operational level for 2018 and 2019 was on the working environment, digitalisation and raising energy-efficiency levels in the group's operations and its property portfolio.

Our achievements in 2018/2019



Stakeholders

Following on from Swiss Prime Site's first stakeholder panel in 2017, a second panel was held on the topics of «urbanisation» and «intergenerationality». Among other things, the discussions with external stakeholders and experts served as input for revising the Swiss Prime Site materiality matrix.



Infrastructure

Swiss Prime Site standardised the requirements for applying Building Information Modelling (BIM) to all new developments.



Ecology

In addition to extending the carbon accounting concept, Swiss Prime Site developed a wide-reaching CO₂ reduction pathway for the entire property portfolio.



Finance

Reporting on climate-related financial risks was introduced in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



Innovation

Swiss Prime Site organised interdisciplinary workshops on megatrends and future-relevant issues. In 2019, these included climate change and changing social values. The aim was to develop specific ideas and to establish innovative thinking in the corporate culture.




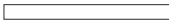










Employees

The group-wide trainee programme was successfully introduced. It will give talented youngsters an insight into the diverse areas of activity at Swiss Prime Site and strengthen the employer brand.

Goal achievement 2018/Goals 2020

Swiss Prime Site Group

	2018 goals	Goal achievement level 2018 (0–100%)	2020 goals
Stakeholders	Hold a second stakeholder panel and expand the network with start-ups		Hold Academy Day
Finance	Develop scenarios to identify possible risks to Swiss Prime Site's business from climate change		Issue green bond
	Report on scenarios based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations		
Infrastructure	All employees to re-commit to the Code of Conduct		Prepare certification of group according to ESG criteria (certification 2021)
	Evaluate functional adequacy of 2018 data-protection concept		Complete review of data protection concept
Innovation	Formulate uniform BIM (Building Information Modelling) parameters for all new developments		
	Specify all new developments based on BIM (Building Information Modelling) parameters		Roll out BIM parameters for all new development projects from 1 January 2020
Ecology	Compile key environmental metrics in accordance with carbon-accounting concept		
	Cut revenue-related CO ₂ emissions by at least 5%		Cut revenue-related CO ₂ emissions by at least 5%
Employees	Continue leadership training courses		
	Start trainee programme		
	Average fluctuation rate < 18%		Average fluctuation rate < 20%

The overview shows that the majority of the defined goals were met. However, the requirement for all employees to recommit to the Code of Conduct was not implemented. Instead, new employees were given a presentation on the Code of Conduct within the context of the Welcome Days.

There is further need for improvement with regard to implementing Building Information Modelling (BIM) for new development projects and reducing the turnover rate. Corresponding goals for 2020 were set during the reporting year. The data-protection concept was introduced as planned – a detailed evaluation of its functional adequacy is scheduled for 2020. To further reduce the impact on the environment, for 2020 Swiss Prime Site is aiming to cut revenue-related CO₂ emissions by at least 5%. Furthermore, initial discussions will be held in 2020 on how to certify the entire Swiss Prime Site Group according to ESG criteria from 2021 onwards. The Company fell far short of its goal of reducing the turnover rate to below 18%. Swiss Prime Site will therefore endeavour in 2020 to reduce the turnover rate to below 20%, which is still an ambitious goal.

Swiss Prime Site Immobilien

	2018 goals	Goal achievement level 2018 (0–100%)	2020 goals
Infrastructure	Evaluate all development projects according to SNBS criteria		Individual property valuations according to ESG criteria completed for entire property portfolio
	Obtain sustainability certification for at least two new construction projects		
Ecology	Develop a reduction pathway towards the 2-degree goal		Property strategy according to CO ₂ reduction pathway implemented for entire property portfolio
	Quantify key environmental metrics for company operations and third-party tenants		Circular Economy pilot project completed
Employees	Conduct employee survey		
	Cut absentee rates to below 2%		

The progress made at Swiss Prime Site Immobilien was also positive overall. The properties to be certified according to the current Swiss Sustainable Building Standards (SNBS) were still in the planning or construction phase at the end of 2019. In 2020, Swiss

Prime Site is aiming to assess all properties in its portfolio according to ESG criteria. In addition, the full quantification of key environmental metrics for company operations and third-party tenants is to be completed in 2020.

Swiss Prime Site Solutions

2020 goals

Quantify key sustainability metrics for Swiss Prime Investment Foundation portfolio
Establish a foreign presence at the mandate of the Swiss Prime Investment Foundation

As Swiss Prime Site Solutions has not been included in the current sustainability roadmap, it is not yet possible to draw any conclusions as to the achievement of goals for the group company.

For 2020, the updated sustainability roadmap has defined the two goals shown above.

Wincasa

	2018 goals	Goal achievement level 2018 (0–100%)	2020 goals
Infrastructure	Process digitalisation: Further development of MyWincasa / streamnow		Assets under management > CHF 72.5 billion
	Establish mobility concept based on 5% cut in CO ₂ emissions		Complete ERP replacement pilot project
Ecology	Compile key environmental metrics in accordance with carbon accounting concept		Reduce own energy consumption > 5%
	Quantify key environmental metrics for company operations and mobility		
Employees	Cut absentee rates to below 2.5%		Fluctuation rate < 20%
	Launch Career Website		

The MyWincasa tenant portal was replaced at the end of 2018 with the streamnow platform, which allows users to quickly and easily deal with all matters relating to the property and the tenancy from anywhere. In addition, for the relocation of the headquarters to Zurich Albisrieden, Wincasa developed a new concept in place of the originally planned mobility concept. It takes account of

slow-moving traffic and will also be used at the Zurich Reitergasse office in future, before being rolled out to all locations in Switzerland at a later stage. The goal of reducing the employee absentee rate to less than 2.5% was not met. In 2020, it will be vital to focus on the goal of reducing the turnover rate to below 20%.

Jelmoli

	2018 goals	Goal achievement level 2018 (0–100%)	2020 goals
Infrastructure	Process digitalisation: Introduce electronic contract management		Complete relaunch of online shop
	Quantify key sustainability metrics for suppliers		Complete quantification of ESG metrics for suppliers
	Discontinue sales of real fur products		
	Conduct client survey		Footfall survey and evaluation metrics per floor and individual area
Ecology	Quantify key environmental metrics for operations		
Employees	Cut absentee rates to below 3%		Fluctuation rate < 20%

In 2018 and 2019, Jelmoli made substantial progress in various areas. Electronic contract management was introduced as planned, although the technical development and support functions will still need to be reorganised in the future. Another important move was the decision to stop selling real fur. The Jelmoli range has been completely fur-free since March 2019. In the area of supplier management, a system was introduced for assessing suppliers according to sustainability criteria, and a new code of conduct was sent out to all suppliers. However, it will be two years before any meaningful conclusions can be drawn as to whether the requirements have been met.

With regard to the environment, Jelmoli pushed ahead with the quantification of key environmental metrics for the company and improved the sustainability of packaging material used in the department store by replacing all plastic carrier bags with paper bags. The company fell just short of meeting the goal of reducing the absentee rate to less than 3%. In 2020, it will be vital to significantly reduce the turnover rate to a maximum of 20%.

Tertianum

	2018 goals	Goal achievement level 2018 (0–100%)	2020 goals
Infrastructure	Process digitalisation: Roll out SAP and careCoach across Switzerland		Closing in the first quarter of 2020
	Complete pension fund standardisation		
	Reduce the vacancy rate (care places) by at least 5% compared to BP/budget based on 2017 level		
Ecology	Quantify key environmental metrics for operations		
Employees	Introduce a uniform wage system in German-speaking Switzerland and Ticino		
	Introduce a uniform wage system in French-speaking Switzerland		

Overall, Tertianum made very good progress towards meeting the defined goals. In particular, the introduction of new IT systems in German- and French-speaking Switzerland are improving the processes enormously. The reduction of the vacancy rate also contributed towards the pleasing economic result of the Tertianum Group. While it was possible to introduce a uniform wage system in German-speaking Switzerland and Ticino, a legal examination revealed that such a system could not be standardised in

French-speaking Switzerland because of the link to collective labour agreements (CLA).

As announced in December 2019, the fund Capvis Equity V LP, which is advised by the Swiss investment company Capvis AG (together «Capvis»), is acquiring the Tertianum Group from Swiss Prime Site. Closing of the contract is expected in the first quarter of 2020.

Long-term alignment with the Sustainable Development Goals (SDGs)

The objectives of Swiss Prime Site are based on the Sustainable Development Goals (SDGs) adopted by the UN member states. The 17 SDGs and their 169 constituent targets came into effect on 1 January 2016 for a period of 15 years. They are part of the 2030 Agenda for Sustainable Development and are aimed at governments, the private sector, the scientific community and civil society. Companies can use the SDGs as points of reference to link their commitments and key performance indicators to sustainable development at the global level.

Contribution of the Swiss Prime Site Group

In accordance with the principle of materiality, Swiss Prime Site determined which SDGs it can influence most significantly with its business activities. To this end, the Company first assigned all SDGs to the six dimensions of the sustainability roadmap. The following goals are less relevant to Swiss Prime Site or cannot be influenced by it: SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-Being), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 10 (Reduced Inequalities), SDG 14 (Life Below Water), SDG 15 (Life On Land), SDG 16 (Peace, Justice and Strong Institutions). In addition, due to the clearly defined statutory provisions that apply to employers and employees in Switzerland, SDG 5 (Gender Equality) was excluded on the grounds that all businesses are expected to observe the goal anyway as a matter of course.

Determination of goals

Stakeholders	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> <div></div>	<div>1</div> <div>NO POVERTY</div> <div></div>	<div>2</div> <div>ZERO HUNGER</div> <div></div>	<div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> <div></div>	
Finance	<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div></div>				
Infrastructure	<div>11</div> <div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div></div>				
Innovation	<div>9</div> <div>INDUSTRY INNOVATION AND INFRASTRUCTURE</div> <div></div>				
Ecology	<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div></div>	<div>13</div> <div>CLIMATE ACTION</div> <div></div>	<div>6</div> <div>CLEAN WATER AND SANITATION</div> <div></div>	<div>14</div> <div>LIFE BELOW WATER</div> <div></div>	<div>15</div> <div>LIFE ON LAND</div> <div></div>
Employees	<div>4</div> <div>QUALITY EDUCATION</div> <div></div>	<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> <div></div>	<div>5</div> <div>GENDER EQUALITY</div> <div></div>	<div>10</div> <div>REDUCED INEQUALITIES</div> <div></div>	<div>16</div> <div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div></div>

 Material to Swiss Prime Site

Strategic goals

Partnership goals				
Strategic goals				
				
Corporate goals				
Group and project goals				








 Swiss Prime Site core business

In a second step, seven of the 17 SDGs which were identified as priorities in the initial process were then mapped onto the structure of Swiss Prime Site and its business fields using an additional matrix. The following goals were considered to be material to Swiss Prime Site: SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 17 (Partnerships for the Goals).

From these seven SDGs, Swiss Prime Site derived the following adapted goals:

Focus on safe, resilient and sustainable cities and settlements

It had already been suggested during the 2017 Stakeholder Panel that a guiding principle be defined for the Swiss Prime Site Group's corporate responsibility. The Company considers SDG 11 «Sustainable Cities and Communities» to be a suitable starting point for such a guiding principle, as several trends that have a significant influence on the core business can be classified under it. Among others, these include urbanisation, intergenerationality and climate-adapted design of living spaces. Focusing on individual goals not only fosters communication with stakeholders but also opens up the development of new products and services. Swiss Prime Site is therefore aiming to make its own contribution to the «Smart City» strategy, which is based on SDG 11. This will be the responsibility of the Sustainability Board that was newly appointed in 2019.

SDG	UN goal description	Adapted goals for Swiss Prime Site
	Ensure inclusive, fair and high-quality education and promote opportunities for lifelong learning for all	Sponsor individual professorial chairs and continue to develop training and education opportunities as a learning environment for all
	Promote inclusive and sustainable economic growth, employment and decent work for all	Raise profitability while increasing the efficiency of resource utilisation and maintaining corporate values and principles of equal treatment for all
	Build resilient infrastructure, promote sustainable industrialisation and foster innovation	Invest in new technologies and sustainable buildings with innovative floorspace utilisation concepts and offerings
	Make cities inclusive, safe, resilient and sustainable	Use existing properties more intensively and take a participative approach to new projects and large site transformations which incorporates their utilisation by local communities
	Ensure sustainable consumption and production patterns	Define and monitor sustainability criteria for the entire product life cycle from construction to demolition
	Develop measures to combat climate change and its effects as a matter of urgency	Reduce resource consumption and implement measures to protect against climate-related risks and dangers
	Revitalise the global partnership for sustainable development	Establish national and regional partnerships for knowledge transfer, joint developments and shared projects

Business model and integrated value creation

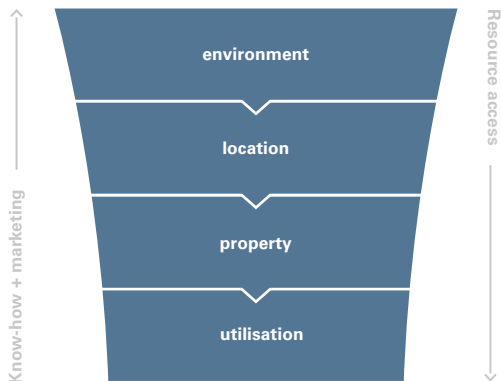
From space to living spaces

At the heart of Swiss Prime Site’s business model lies the evolution of «space within living space». Project development, construction and management, as well as company and third-party utilisation of properties, are key steps in this process. Swiss Prime Site develops and maintains sites and properties in accordance with the highest quality standards and in alignment with current and future market requirements. The aim is to ensure long-term value creation and continuous growth of the property portfolio. In pursuing this objective, the Company takes a holistic approach to corporate management, which, along with economic performance, also takes into account social and environmental aspects and is therefore geared towards safeguarding the Company’s long-term business success.

Alignment with customer and market requirements

The resilience of the business model is continuously assessed in light of social, political and regulatory developments and adjusted if necessary. Relevant trends, such as digitalisation, demographic changes or immigration can lead to expansions and adjustments of the value creation chain. Other influencing factors include market trends that necessitate the revitalisation of properties which are no longer suited to current needs, or changes to the interest rate environment. Alongside these macro and market trends, the needs of the main stakeholders also shape the environment in which Swiss Prime Site’s business model is embedded. The challenge is to address the concerns of customers, investors, the public sector, project partners and employees on a continuous basis.

Living space design



Influencing factors

legal, political and economic framework
neighbourhood infrastructure, location quality
flexibility of use, property quality
usability requirements, property efficiency

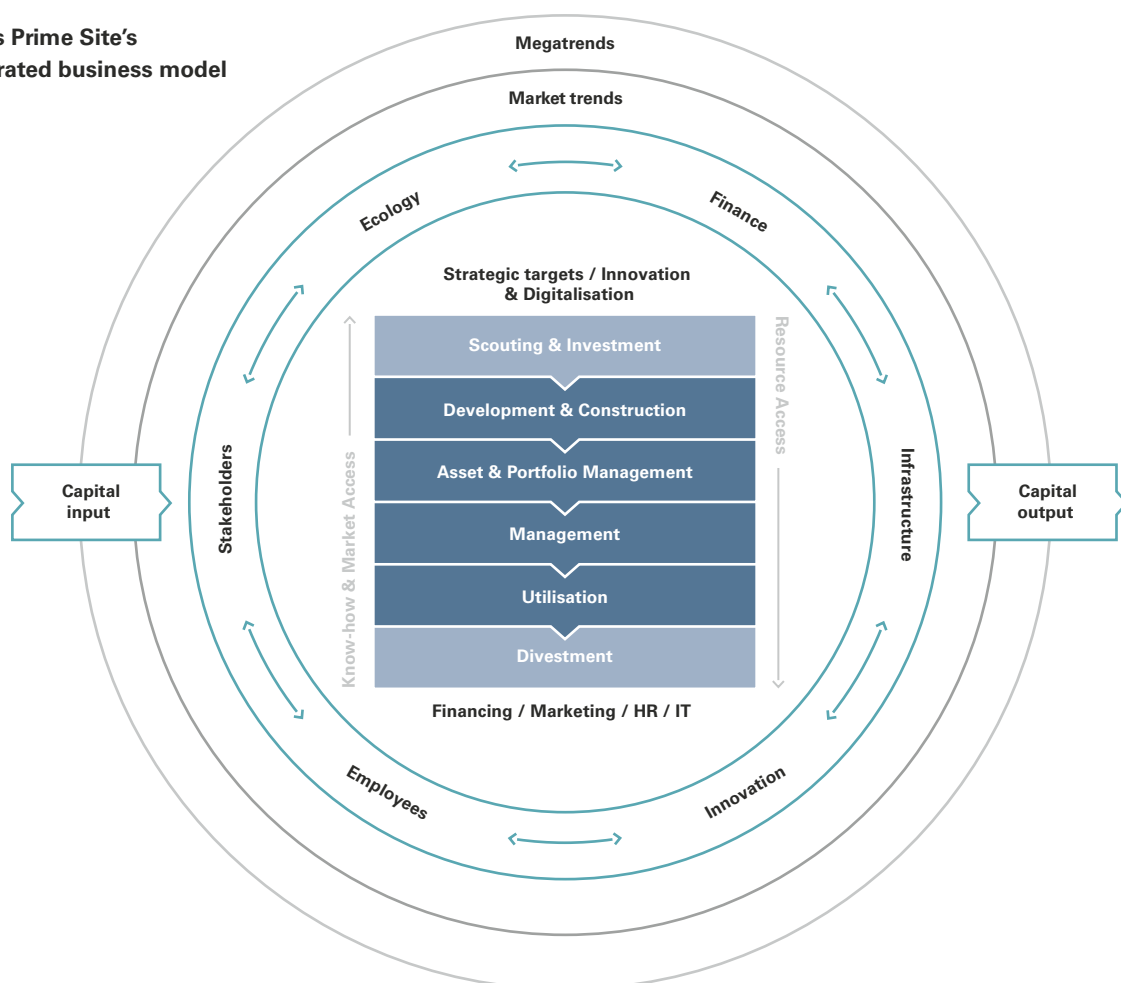
Vertically integrated group companies

The different value creation stages of the business model are vertically integrated across the five group companies Swiss Prime Site Immobilien, Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions. The real estate portfolio comprising CHF 11.8 billion in properties is actively expanded and optimised by Swiss Prime Site Immobilien through acquisitions, developments, conversions, construction, financing and where necessary divestments. Wincasa plays an important role in the group structure by managing the properties of Swiss Prime Site Immobilien and third parties. The business model also allows use of part of the property portfolio: As a service provider in the assisted living sector and a premium department store respectively, Tertianum and Jelmoli use properties in the portfolio and therefore contribute also to the further

strengthening of the business model. Swiss Prime Site Solutions has been offering comprehensive services for third parties as an asset manager since 2017. These range from acquisition, to development, conversion and construction, through to financing and divestment.

The portfolio of services provided to support the initial investment therefore covers every phase of the real estate life cycle, which broadens the earnings base while also spreading the risk.

Swiss Prime Site's integrated business model



Integrated value creation

Benefits for all group companies

The group structure of Swiss Prime Site enables its group companies to benefit from each other in a number of ways, be it by exchanging resources and expertise or from the fact that they can provide each other with access to different markets. In Swiss Prime Site Immobilien, Tertium and Jelmoli can rely on having an owner with significant investment power, while they in turn represent reliable tenants and help the properties to retain their value. For Wincasa, Swiss Prime Site Immobilien is a key client who can develop innovative services. In return, Wincasa provides Swiss Prime Site Immobilien with important local insights into current market trends and client needs. Swiss Prime Site Solutions also benefits in myriad ways from the group structure. For example, the financial services were developed in close cooperation with Swiss Prime Site Immobilien. There is also a regular exchange of knowledge between asset managers in the two group companies. Together with Wincasa, Swiss Prime Site Solutions can offer additional «one-stop» services.

All group companies also benefit from overarching processes. Swiss Prime Site uses an innovation management system that spans the whole group. Future scouts working across the group identify trends that are relevant for the development of business in all group companies. Furthermore, marketing and branding as well as modern information technology architecture and contemporary employee development underpin the business model to further develop the concept of «space to living spaces».

Swiss Prime Site sees value creation as a comprehensive concept. Accordingly, business activities do not just focus on fulfilling financial objectives; they also look at non-financial aspects to ensure long-term value creation. The Company follows an integrated approach which focuses on innovation activity and added value for shareholders, customers, employees and suppliers as well as on responsible management of resources and the environment and positive relationships with other stakeholder groups.

Swiss Prime Site thus strives to continually optimise its value creation in accordance with the following six capitals of the International Integrated Reporting Council (IIRC):

Stakeholders

Relationship capital refers to the value of the network of all relationships with Swiss Prime Site customers and stakeholders. Sharing common objectives and values and creating trust is a strong basis on which to exchange valuable information. These relationships ultimately increase our reputation and add value to the company brand.

To strengthen stakeholder relationships, the Company maintains regular dialogue with all stakeholder groups and coordinates communications measures in a timely and appropriate manner. All group companies stay in close contact with customers in order to ensure they are satisfied and to react quickly to any new requirements. In 2019, another stakeholder panel took place, in which the topic of corporate responsibility was discussed with key internal and external stakeholder groups. Regular communication with investors and analysts was also a priority throughout the reporting year. This resulted in an increase of the number of registered shareholders to 11 266. In 2019, all agenda items at the Annual General Meeting were approved by the shareholders.

Finance

A stable and future-oriented company is based on financially sustainable management. Financial capital incorporates all the financial resources that Swiss Prime Site utilises to develop and render products and services. In addition to income from operating activities, financial capital includes funds released from targeted divestment and funds raised on the capital markets.

In 2019, Swiss Prime Site generated CHF 628 million in operating profit, 31% up on the previous year. Thanks to skilfully executed investments of around CHF 521 million and responsible management, 2019 was also a good year for shareholders. Earnings per share were CHF 8.00.

Infrastructure

One of Swiss Prime Site's core tasks is to continue developing its products and services across the group and to ensure that they meet the needs of its customers and markets. Infrastructure encompasses real estate that is developed, used, rented or sold, as well as all the facilities that are used to provide our other real estate-related services.

The attractive spaces held in the portfolio were further enhanced in the reporting year by the completion of several construction projects including the YOND new build in Zurich Albisrieden and the redevelopment of Stüchi Park in Basel. In addition, innovative products such as the Flex Office co-working spaces were developed. The portfolio currently comprises 187 properties. Total floor space increased to 1 604 451 m², while proactive management reduced the vacancy rate to 4.7%.

Innovation

Intellectual capital is founded on the continuously developing expertise within the Swiss Prime Site Group and the intangible assets developed in collaboration with partners, such as patents, brands, software, rights and licences. Systems and processes that derive from these assets create specific competitive advantages in the market and actively help to capture future potential.

The positive performance achieved by Swiss Prime Site also reflects its forward-looking innovation strategy. Prior to the Accelerator Workshops conducted in 2019, approximately 250 start-ups were assessed for potential collaboration. The selection of topics considered by the Future Board also expanded further in the reporting year and led to six specific innovation projects.

Ecology

Natural capital refers to environmental resources from renewable and non-renewable sources needed now and in the future to render services. Managing soil, energy and water resources responsibly is a major priority for activities across our real estate business.

Swiss Prime Site acts to protect the environment and conserve resources, whether in its daily operations or in investments in real estate and its management. At the same time, the focus is clearly directed at the real estate portfolio, where invested capital realises the greatest impact. In 2019, Swiss Prime Site developed a CO₂ reduction pathway for the property portfolio, based on ambitious energy consumption and emissions goals. The Company also analysed the portfolio with the aim of driving forward the increased use of solar energy. The CO₂ intensity of the real estate portfolio (incl. services within properties of the Swiss Prime Site real estate portfolio) in 2019 totalled 22.27 kg CO₂ per square metre.

Employees

The human capital of Swiss Prime Site encompasses all the knowledge, skills and experience of employees needed to bring the desired products and services to the market. The motivation and innovative spirit of the people who work for Swiss Prime Site are intrinsically linked to the implementation of our strategy and the successful sale of our products and services.

Swiss Prime Site's success depends on how well it manages to retain and attract qualified employees, promote and expand their skills, empower them to assume more responsibility and motivate them. In a competitive market for talent, Swiss Prime Site's objective is always to have the best specialists at its disposal. In the reporting year, it invested around 1.4% of its wage bill in the training and development of its 6 506 employees. The medium-term goal of reducing the employee fluctuation rate to less than 15% is being maintained.

Group key figures

	Unit	2017	2018	2019
Stakeholders				
Registered shareholders at year end	number	10 464	10 584	11 266
Acceptance of agenda items at AGM	%	100	100	100
Finance				
Shareholders' equity	CHF million	4 777	5 145	5 459
Investments	CHF million	430	545	521
Interest expenses (borrowed capital)	CHF million	78	76	71
Interest rate borrowed capital (weighted average)	%	1.5	1.4	1.2
Operating income	CHF million	1 155	1 214	1 259
Operating result (EBIT)	CHF million	471	479	628
Fair value of real estate portfolio	CHF million	10 633	11 204	11 765
Investments in training and development	% of total payroll	1.04	0.9	1.4
Earnings per share (EPS)	CHF	4.27	4.27	8.00
Bank rating		BBB/BBB+	BBB/BBB+	BBB/BBB+
Infrastructure				
Properties	number	188	190	187
Rental floor space	m ²	1 575 102	1 567 288	1 604 451
Vacancy rate	%	5.2	4.8	4.7
Innovation				
Analysed trend signals	number	approx. 300	approx. 500	approx. 250
Innovation projects	number	30	12	6
Ecology (Services)				
Total energy consumption ¹	MWh	67 037	62 853	79 129
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	8 843	6 888	n.a.
CO ₂ emissions (Scope 1, 2, 3) ²	tCO ₂ e	n.a.	n.a.	12 846
CO ₂ intensity per m ²	kg CO ₂ e/m ²	17.1	13.8	27.7
CO ₂ intensity per FTE	kg CO ₂ e/FTE	1 835.19	1 361	2 396.4
CO ₂ intensity per operating income	tCO ₂ e/CHF million	7.65	5.67	10.22
Water use	m ³	486 047	551 946	551 693
Employees				
Employees ³	number	5 820	6 321	6 506
Fluctuation rate	%	21.68	25.86	26.90
Absentee rate	%	4.28	4.97	5.4

¹ The sharp increase in the total energy consumption for the service segment is mainly due to the stricter differentiation between the energy consumption of the real estate portfolio and the service segment. In addition, the energy consumption of several properties of the Group company Tertium was measured for the first time in 2019. In past years, energy consumption of these properties was estimated based on assumptions that proved to be too optimistic.

² In 2019, Swiss Prime Site enhanced the categorisation of its CO₂ emissions, by calculating Scope 3 emissions for the first time. Compared to previous years, this led to shifts between the emission scopes as well as between emissions attributed to the real estate portfolio or the services.

³ There are deviations from the 2017/2018 reporting due to subsequently adjusted data consolidation.

Value creation in the group companies

Swiss Prime Site Immobilien

Swiss Prime Site Immobilien AG is a real estate investment company specialising in Swiss property. As at the end of 2019, the portfolio mainly comprises commercial properties and a retail share of under 30%, and its total value was CHF 11.8 billion.

Business model and collaboration with group companies

Swiss Prime Site Immobilien initiates the group's value-generation process by acquiring commercial properties. The core activities of this business field are real estate asset and portfolio management and the development and execution of real estate projects. The top-quality property portfolio is constantly monitored and strategically adjusted through sales where required.

In the Real Estate segment, there has been close collaboration between Swiss Prime Site Immobilien and the group company Wincasa, which has local market knowledge beneficial to the further development of the property portfolio. Conversely, by administering the Swiss Prime Site Immobilien property portfolio, Wincasa gains a reliable partner with whom to work on developing innovative services, such as the mixed-use site management concept.

Swiss Prime Site Immobilien works closely with the other group companies, which use parts of its property portfolio for their own operations. This enables the company to make rapid and focused investment decisions which then provide the basis for profitable retail and assisted-living operations.

Integrated value creation

In 2019, Swiss Prime Site Immobilien continued with the targeted development of its portfolio. Several construction projects, including the YOND new build in Zurich Albisrieden and the redevelopment of Stücker Park in Basel, were successfully completed in the reporting year. The Sihlcity site is no longer part of the portfolio. The non-controlling interest was exchanged in 2018 for three properties with significant development potential.

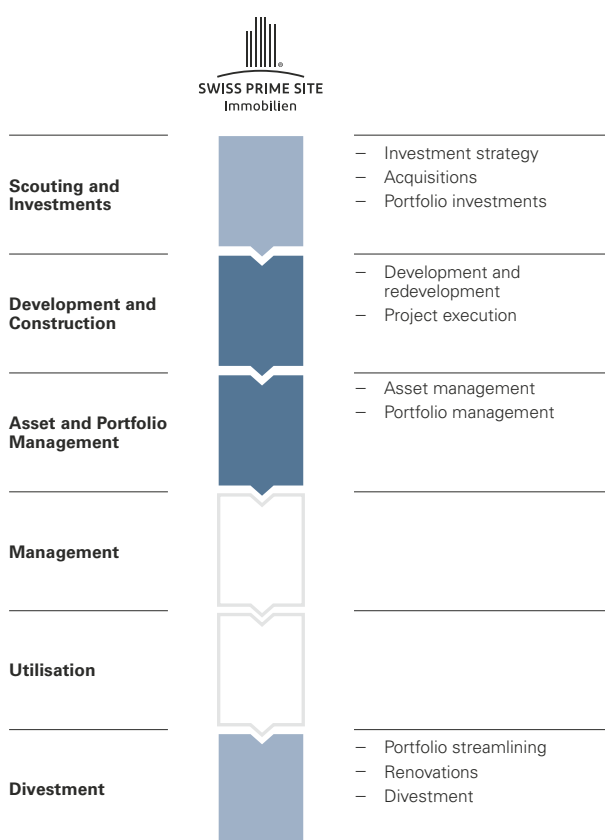
In addition to further developing the portfolio, Swiss Prime Site Immobilien particularly focused in the reporting year on reducing operating costs and vacancies and optimising project execution. The company realised its first new build project using lean principles and continued to press ahead with the standardisation of processes.

In order to continually improve its own environmental performance in line with the goals of the Paris Climate Accord, Swiss Prime

Site Immobilien developed a greenhouse gas reduction pathway for the property portfolio, based on ambitious reduction goals in energy consumption and CO₂ emissions.

More information on Swiss Prime Site's integrated value creation can be found in the GRI report.

Swiss Prime Site Immobilien value-generation processes



Wincasa

Wincasa is the leading integrated real estate services provider in Switzerland and offers its customers a comprehensive portfolio of services across the whole life cycle – using the expertise of more than 900 specialists in 28 locations. The company therefore has a key influence on the shape of the real estate industry.

Business model and collaboration with group companies

The Wincasa business model is based on two key value-generation processes – asset and portfolio management and property management. Products for institutional and corporate customers range from the revitalisation and re-letting of real estate to construction management, strategic facility management and business management. The latter includes vacancy management, energy control and process optimisation as well as centre and mixed-use site management.

Wincasa administers the entire Swiss Prime Site Immobilien portfolio, which, with an aggregate value of CHF 11.8 billion, represents a substantial proportion of the assets under management of CHF 71 billion. Serving the needs of a major client who is also a member of the same group enables Wincasa to test innovations before offering them as services to third-party clients. Its comprehensive branch network provides Wincasa with a valuable knowledge of local market conditions and the needs of owners and tenants alike that they can bring to the management of the real estate portfolio.

Integrated value generation

The complexity of real estate services has increased enormously over the last few years. Digitalisation and sustainability have significantly affected customers' requirements. This is the reason why Wincasa has a «Transformation» department that monitors new market trends and customer requirements. In 2019, the introduction of a tenant portal and an owner portal further enhanced the close communication with customers.

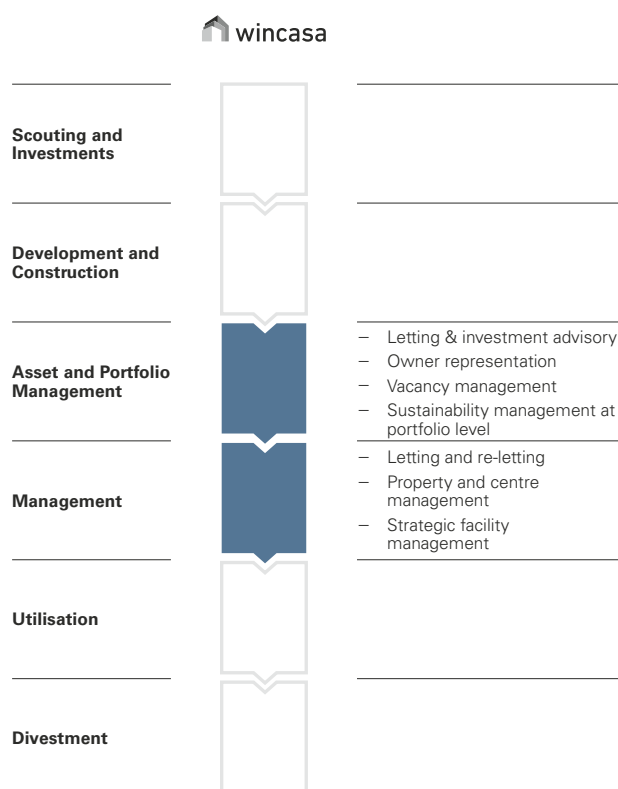
The company won new mandates in the reporting year. As of May 2019, Wincasa took on the site management of the Altenrhein site in St. Gallen. The integral management of an industrial site is the logical consequence of the systematic development of the business area mixed-use site management.

Comprehensively transforming the company will require great commitment from all employees. Wincasa therefore worked intensively in 2019 on its corporate culture. Regular workshops discussed the newly articulated cultural dimensions in detail. As part of the #weworksmart initiative, Wincasa also focused on designing an attractive working environment.

As around 50% of Wincasa's corporate CO₂ emissions are caused by its own employees' mobility, the company drew up a comprehensive mobility concept. The concept was developed using a mobility survey and includes measures on promoting mobile working and non-motorised transport. After testing the concept at its new headquarters in Zurich, Wincasa is planning to roll it out to all locations.

More information on Wincasa's integrated value creation can be found in the GRI report.

Wincasa value-generation processes



Tertianum

As Switzerland's leading provider of assisted-living services and accommodation, Tertianum contributes significantly to enhancing the quality of life of people in the third phase of their lives. It is a private company providing residential and care services to older clients at 80 locations throughout Switzerland. Of these, 16 are existing properties owned by Swiss Prime Site and four are development projects. The company therefore provides a significant part of the local and regional healthcare infrastructure.

Business model and collaboration with group companies

The group offers a total of 3 435 care beds and 2 011 apartments. The key priority for all residences is to ensure the autonomy and well-being of their guests. As guests' needs can differ widely, Tertianum provides bespoke, modular solutions. The spectrum ranges from providing living accommodation with the highest possible degree of independence through to comprehensive healthcare services.

As a user of part of the Swiss Prime Site Immobilien portfolio, Tertianum was a profitable addition to the group structure. However, in 2019 the Executive Management and Board of Directors of the Swiss Prime Site Group decided to sell the Tertianum Group. This was linked to a focus on the group's core business and the business fields associated with it. The Company expects the process to be completed in the first half of 2020. In the 2019 reporting year, Tertianum remained a full part of the Swiss Prime Site Group and is therefore included in the reporting. Despite the planned sale, Swiss Prime Site will continue to own property in the retirement living and care segment.

Integrated value creation

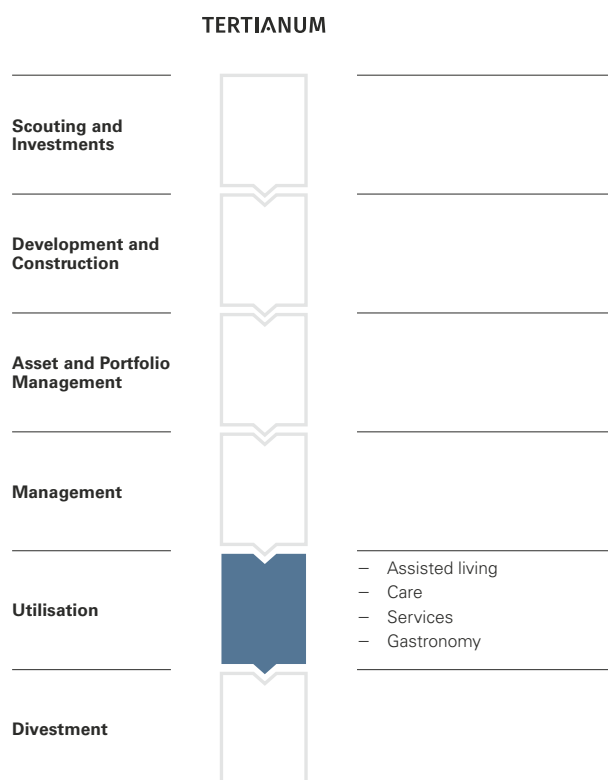
In the reporting year, the company continued its expansion path and opened two new facilities in Chiasso and Liestal. Tertianum also purchased three existing facilities in French-speaking Switzerland. Due to increasing demand, occupancy rates were higher than in the previous year. The introduction of a quality management system also indirectly contributed to the company's solid performance.

In 2019, Tertianum invested in the expansion of innovation partnerships and conducted discussions with providers of intelligent solutions which enable people to remain independent in their homes for longer. Although there are plenty of good ideas on the market, they are often not fully developed and need further elaboration. Tertianum will continue searching for suitable partnerships in the coming years.

A satisfaction survey conducted in the reporting year with guests and relatives showed that many facilities are performing significantly better than the industry benchmark. A need for improvement was identified in relation to nursing and care. Further embedding a standardised leadership culture should raise the quality across the facilities to an above-average level.

More information on Tertianum's integrated value creation can be found in the GRI report.

Tertianum's value creation processes



Jelmoli

Jelmoli – The House of Brands is the leading premium department store in the centre of Zurich. Its high-quality products and the expert advice and first-class service provided by its staff ensure that its customers enjoy an exclusive shopping experience. In 2019, Jelmoli's range included approximately one million items from around 1 000 exclusive brands.

Business model and collaboration with group companies

Jelmoli uses this top-quality Swiss Prime Site Immobilien property to provide customers with a wide selection of first-class brands complemented by an innovative food and beverage offering and an exciting calendar of one-off events. By letting floorspace to third parties, Jelmoli has also been able to create a broader-based value chain.

The reliable tenant relationship between Jelmoli and Swiss Prime Site Immobilien is a genuine win-win arrangement; Jelmoli benefits from stable rental terms and secure tenancy for the long term, while Swiss Prime Site Immobilien is able to generate a good level of steady rental income and benefits from the capital appreciation on the building – thanks also in part to the continuing investments being made in it. Swiss Prime Site Immobilien, Jelmoli and Win-casa also share the «Trend & Innovation Scout for Retail Business», a post that looks for market trends and brings gains for all owners.

Integrated value creation

In a challenging market with strong competition from online retail, Jelmoli focuses on offering customers a first-class shopping experience. In 2019, Jelmoli refurbished almost its entire partner area, creating a fantastic first impression for shoppers coming through the doors. Jelmoli also focused on developing its range of products and services, winning attractive brands that make great additions to the existing range.

The expansion planned for 2020 at Zurich Airport offers the potential for significant scale and synergy effects, strengthening Jelmoli's brand positioning with international and Swiss customers. The House of Brands will include a variety of formats arranged across two attractive spaces at Zurich Airport, with a presence in the Airside Centre and in «The Circle». The new positioning will be emphasised with the relaunch of the online shop in 2020.

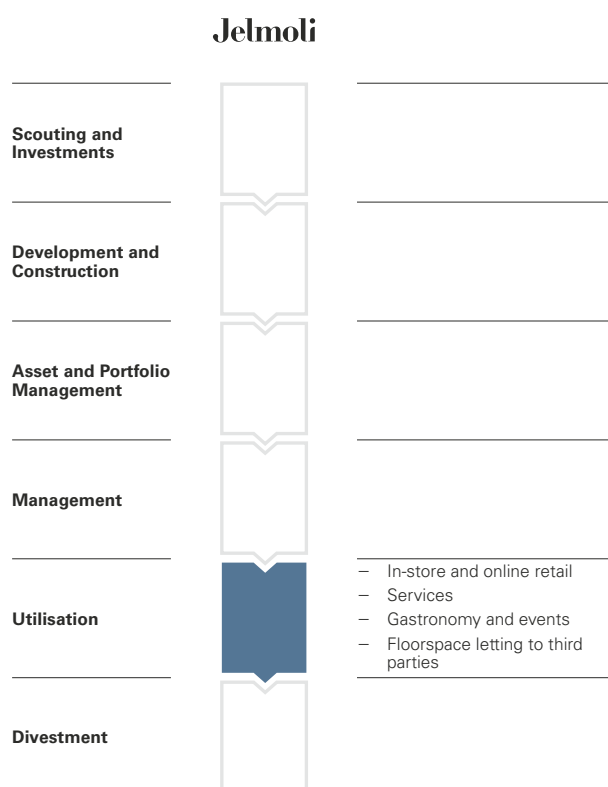
This branch expansion requires systemic improvements in the process landscape. Jelmoli is therefore planning to release a new ERP system so that synergy effects can be fully realised. The goods management system will also be adjusted in line with the increased number of touchpoints. The demands on employees' foreign language and intercultural skills will also increase. Jelmoli

therefore invested heavily in sales training and language courses in the reporting year. The aim is to ensure that customers' exacting requirements can always be fulfilled and that – where possible – tourists can be served expertly in their first language.

In the reporting year, Jelmoli continued to optimise its recycling processes. As part of the food waste concept, the «Too Good To Go» app was introduced, providing more than 1 000 portions at reduced prices. This represents a saving of 2.5 tonnes of CO₂.

More information on Jelmoli's integrated value creation can be found in the GRI report.

Jelmoli's value creation processes



Swiss Prime Site Solutions

Swiss Prime Site Solutions is a real estate asset manager that develops tailored services and real estate solutions for third-party customers. The company has more than CHF 2.3 billion of assets under management and a development pipeline of more than CHF 500 million at locations across Switzerland.

Business model and collaboration with group companies

Swiss Prime Site Solutions provides comprehensive services throughout the property life cycle. The services offered in portfolio management, capital procurement, development & construction and acquisition & sales include drawing up sales strategies, potential analyses within the existing portfolio, managing and monitoring real estate developments, carrying out share issues and developing customer-specific strategies to increase efficiency and market penetration.

In rendering this wide range of services, Swiss Prime Site Solutions benefits in many ways from the group structure. Financial services are developed in close collaboration with experts in the Swiss Prime Site Group and there is a regular exchange of knowledge with Swiss Prime Site Immobilien regarding asset management. Together with Wincasa, Swiss Prime Site Solutions also offer additional «one-stop» services.

Integrated value creation

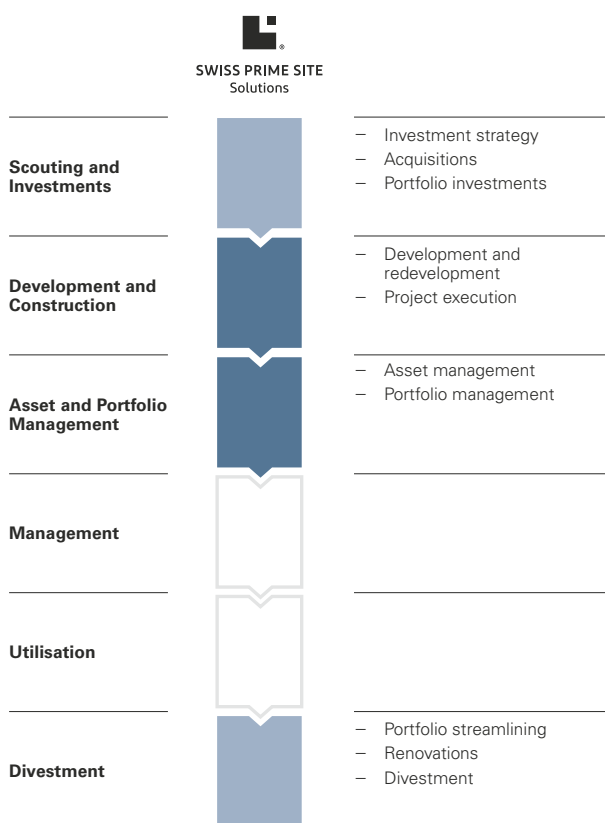
In 2019, conducting two share issues was a particular priority for Swiss Prime Site Solutions. As a result, the company carried out purchases of 25 properties with a total value of around CHF 540 million. In addition, the project pipeline grew to a total volume of CHF 0.5 billion, portfolio management was optimised and new major tenants were won.

On basis of this success, the Swiss Prime Investment Foundation (SPIF) decided to carry out an early extension to its asset management contract with Swiss Prime Site Solutions, to 2023. Since the beginning of the mandate, SPIF's real estate assets have grown from CHF 1.4 billion to more than CHF 2.3 billion. The contract renewal is a reflection of the confidence in the tailored services and extensive market knowledge of Swiss Prime Site Solutions, which enable the Investment Foundation to offer its investors an attractive yield and further growth.

In the reporting year, the company continued with the establishment of a powerful team which can expand the services portfolio with innovative products and broaden the customer basis. Swiss Prime Site Solutions invested in its employees' training and development in order to make even more of forthcoming opportunities on the market.

More information on the integrated value creation of Swiss Prime Site Solutions can be found in the GRI report.

Swiss Prime Site Solutions value creation processes



CO₂ reduction goal and pathway

In the reporting year, Swiss Prime Site developed a detailed CO₂ reduction pathway for its entire property portfolio. With planned investments of more than CHF 650 million by 2050, particularly in cladding renovations and heating replacement measures, the goal is a CO₂ reduction pathway significantly above the 2-degrees goal of the Paris Climate Accord. In order to achieve carbon neutrality in line with the goals of the Swiss government, Swiss Prime Site will also consider CO₂ compensation measures.

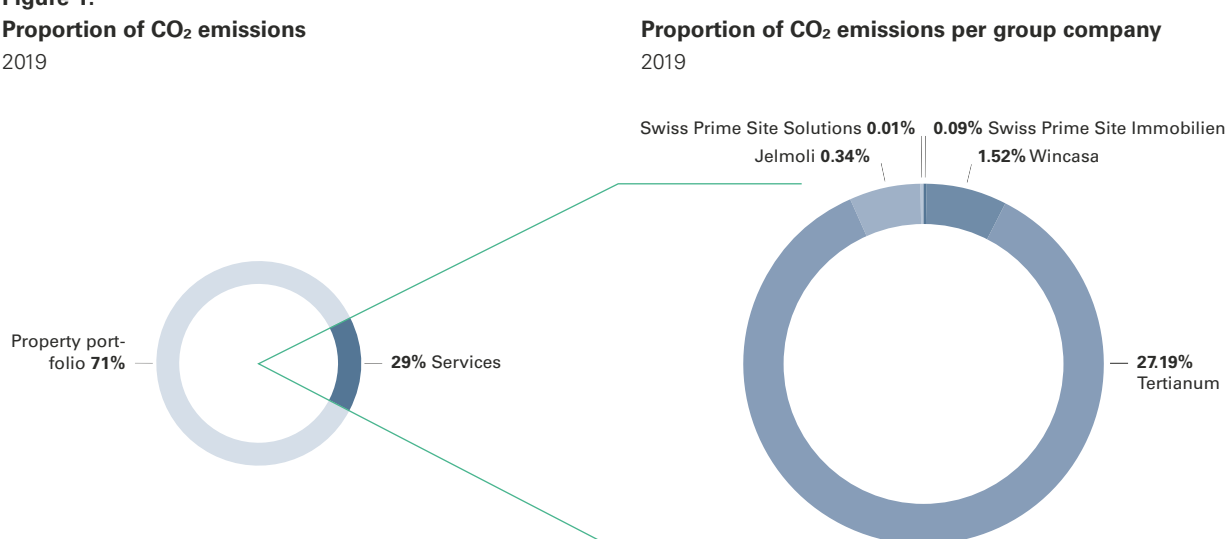
Background

Scientific scenarios such as those published by the Intergovernmental Panel on Climate Change (IPCC)¹ predict that the effects of climate change already seen today will speed up and worsen by 2050. The forecasts assume that the costs of rectifying damage to the climate and adaptive measures will rise significantly. The consequences of unchecked climate change will affect Switzerland, too. According to the climate scenarios published by the National

Center for Climate Services (CCS)², Switzerland can expect major changes such as more drought, more frequent extreme weather and significantly more heatwaves.

The political situation will change, too. In August 2019, the Swiss Federal Council increased its climate goals, which form part of the discussion about revising the CO₂ law. The climate goals state a reduction pathway for Switzerland by means of which net emissions can be reduced to zero by 2050³. The Swiss Government's energy strategy⁴ and the Energy Law that was introduced in 2018 represent significant legislative changes. In addition, many cantons and cities are debating initiatives which would increase requirements for buildings and mobility. The assumption is that city and site developments will insist on medium-term climate budgets which contain emissions limits for real estate developments and managers. Against the background of these developments, Swiss Prime Site has defined its own far-reaching reduction goal and a CO₂ reduction pathway for its own property portfolio.

Figure 1:
Proportion of CO₂ emissions
2019



¹ The Intergovernmental Panel on Climate Change (IPCC): AR5 Synthesis Report: Climate Change 2014, Online, source: <https://www.ipcc.ch/report/ar5/syr/>

² CCS (Ed.) 2018: CH2018 - Climate scenarios for Switzerland. National Centre for Climate Services, Zurich.

³ Swiss Federal Office for the Environment 28.08.2019: 2050 Climate Goals, Online, source: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate-target2050.html>

⁴ <https://www.bfe.admin.ch/bfe/en/home/policy/energy-strategy-2050.html>

Initial situation

Swiss Prime Site supports the goals of the Paris Climate Accord⁵ (2-degrees goal) and a long-term, carbon-neutral Switzerland, to which business needs to be a significant contributor. Previously, the Company pursued a wide range of initiatives and projects to reduce CO₂ emissions. These ranged from energy control, organisational optimisations, potential analyses for the installation of photovoltaic systems through to promoting e-mobility, but most of them proceeded independently from one another. Swiss Prime Site therefore set itself the goal in 2017 of developing a CO₂ reduction pathway for the property portfolio which would align existing projects and initiatives with a long-term, overarching goal, linked by clear guidelines.

The energy management project initiated in 2012 served as the basis for the creation of a standardised CO₂ balancing process across the whole group, which significantly improved the availability and quality of data. The resulting transparency regarding energy consumption and the associated CO₂ emissions contributed significantly towards the development of the reduction pathway and enabled future progress to be reviewed.

The focus of the CO₂ reduction pathway is on the energy consumption (scope 1 and 2) of the property portfolio, which constitutes far and away the greatest part of the Company's CO₂ emissions (Figure 1). The reduction pathway factors in a total of 165 properties and an annual portfolio growth totalling 20000 m². As Swiss Prime Site's property portfolio is comparatively young and technologically advanced, energy consumption and CO₂ emissions are relatively low, making the challenge of further improvements much harder.

Developing the reduction pathway

The first step in working out the reduction pathway was to look at all the different areas in which Swiss Prime Site has a direct impact on CO₂ emissions and in which effective measures can therefore be defined (Figure 2). The influence of external factors, such as break-through technologies, was not initially included. The key action areas are in electrical energy, heating and cladding renovations. Swiss Prime Site takes into account the renovation cycles of the existing properties and the assumed annual growth of the stock (10000 m² à × kg CO₂e/m²) and new build developments (10000 m² à × kg CO₂e/m²).

Figure 2:
Identified areas for reduction of CO₂ emissions

Action areas	Measures	Implementation
Electrical energy	Hydroelectric power	– Electrical energy obtained from renewable sources
	Photovoltaic roof	– Roll-out of photovoltaic systems on flat roofs for defined locations and evaluation of additional locations – Use of electricity from own energy generation – Electricity obtained from Swiss or European hydroelectric power
Heat energy	District heating/wood-fired heating or other sustainable options	– Gradual move away from natural gas and oil-based solutions – Increase in the proportion of renewable energy based on Swiss-quality district heating and wood-based district heating
Cladding renovation	Factoring in renovation cycle	– Prompt implementation of relevant renovations – Gradual implementation of the Swiss Sustainable Building Standard (SNBS) in building construction (complying with stricter requirements over time)
Forecast Portfolio growth	Not factoring in renovation cycles	– The growth of the stock and new developments are also factored into the scenario analysis and calculation of the reduction pathway. Renovation cycles, however, are not taken into account.

⁵ Swiss Federal Office for the Environment 2018: Paris Accord, Online, source: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate--international-affairs/the-paris-agreement.html>

By looking at a range of possible actions in the four main areas of activity, Swiss Prime Site was able to calculate three reduction scenarios. Based on these, Swiss Prime Site decided to follow the most ambitious scenario as a reduction pathway and reduce its relative CO₂ emissions by 75% by 2050. This goal is clearly more ambitious than the 2-degrees goal of the Paris Climate Accord (Figure 3).

In order to achieve this defined reduction pathway, a drastic reduction in relative CO₂ emissions is required, from an annual 22.27 kg CO₂ per square metre (2019) to approx. 5 kg CO₂ per square metre by 2050. The investment costs already budgeted for cladding renovations (windows, façades, roofs) in the property valuations total CHF 610 million. A further CHF 40 million has been budgeted for heating replacement measures. Any additional costs will need to be elaborated on in stages as part of an analysis of the individual property and spread appropriately over the period of 30 years. Swiss Prime Site is also striving to distribute clusters of measures, such as those planned for 2029 and 2030 according to property valuations, for example, (cf. Figure 3), more evenly over the years, making the reduction pathway smoother.

Currently, Swiss Prime Site does not believe it will be possible to reduce CO₂ emissions to net zero by 2050 through these reduction measures alone. That is why the Company is intending to offset

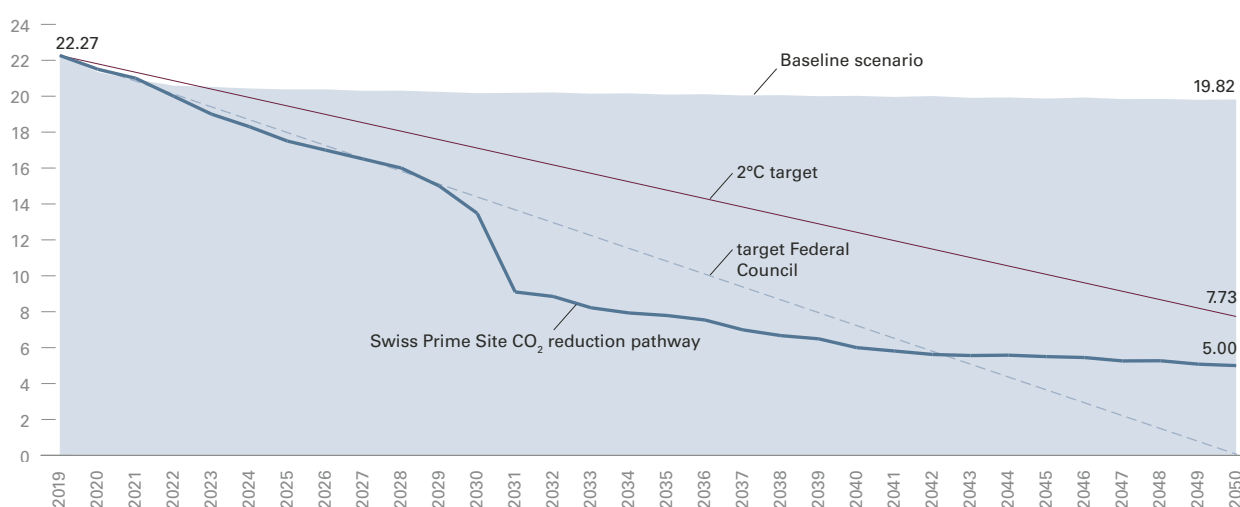
the remaining unavoidable CO₂ emissions through compensation measures, particularly projects within Switzerland. Swiss Prime Site estimates that from 2050, annual compensation costs to offset unavoidable CO₂ emissions will total around CHF 2 million. This calculation is based on the assumption of a future CO₂ tariff of CHF 200 per tonne.⁶

How the reduction pathway will be realised

In order to realise its ambitious reduction pathway, Swiss Prime Site has set clear objectives to be implemented in existing properties and future projects. The Company is guided in this process by the Swiss Sustainable Building Standard (SNBS). New build projects and total renovations will include sustainability aspects as early as possible in the planning phase and will factor these in throughout the property's life cycle. In the event that certification becomes a requirement, since 2019 all new build projects must qualify for SNBS Level 4.⁷ The requirements for this level will become even stricter in the future, with the primary objectives focusing on CO₂ intensity (see Figure 4).

In addition to these quantitative targets, Swiss Prime Site can also define other criteria to ensure that new builds are emission-free in the medium-term and generate energy in the long-term. These targets include density of use, life cycle costs, mobility, flexibility of use, summer heat protection, accessibility and densification.

Figure 3: CO₂ reduction pathway (blue curve) and 2050 climate goal



⁶ For comparison: The CO₂ price in the EU Emissions Trading System was around EUR 24 per tonne in 2019.

⁷ The evaluation scale comprises Levels 1-6; for new builds, all indicators must be level 4 for SNBS certification.

Complying with additional criteria, however, will depend on the progress of innovation in construction. Swiss Prime Site follows this market carefully and regularly assesses which innovations can be used to increase energy efficiency and reduce the CO₂ balance.

For existing properties, the greatest reduction potential lies in the procurement of electricity and heat as well as in renovation measures. Swiss Prime Site has defined short-, medium- and long-term targets for existing properties which are based on SNBS criteria and must be included in the individual property strategies. Building certifications are checked on a case-by-case basis, particularly

in total renovations. Complying with the CO₂ reduction pathway requires the measures set out in Figure 4 to be implemented from 2020. Additional reductions can be made by implementing stricter measures from 2025 and 2035.

Figure 4: Requirements for new development, operation, and redevelopment⁸

NEW DEVELOPMENT/ REDEVELOPMENT		Standard	Minimum requirement	Target Swiss Prime Site
	Primary energy non-renewable	45 – 59.9 kWh/ m ² a SNBS-threshold 2 to threshold 1.5	30 – 44.9 kWh/ m ² a SNBS-threshold 1.5 to threshold 1	< 30 kWh/ m ² a ≤ SNBS-threshold 1
	CO ₂ emissions	3.6 – 4.6 kg CO ₂ / m ² a	2.4 – 3.5 kg CO ₂ / m ² a	0 kg CO ₂ / m ² a
Operation	Electricity procurement	Procurement of 100% electricity from renewable sources In addition, promotion of electricity produced on site		Positive energy balance per object Obligation for tenants to purchase green electricity
	Procurement of heating energy	Procurement of district heating from low temperature networks and ecological sources Procurement takes technological progress into account and excludes energy contracting		
Energetic renewal of building envelope		Consider stricter legal requirements and additional measures		Planning of renovation cycles at least according to the model regulations of the cantons in the energy sector (MuKE)
Energy production and storage in portfolio properties		Check suitability of photovoltaics for further objects (roof and facade) Examine the economic efficiency of energy storage		Implement photovoltaics and energy storage for identified objects

⁸The SNBS criteria for greenhouse gases are a target: weighted final energy (national weighting factors).

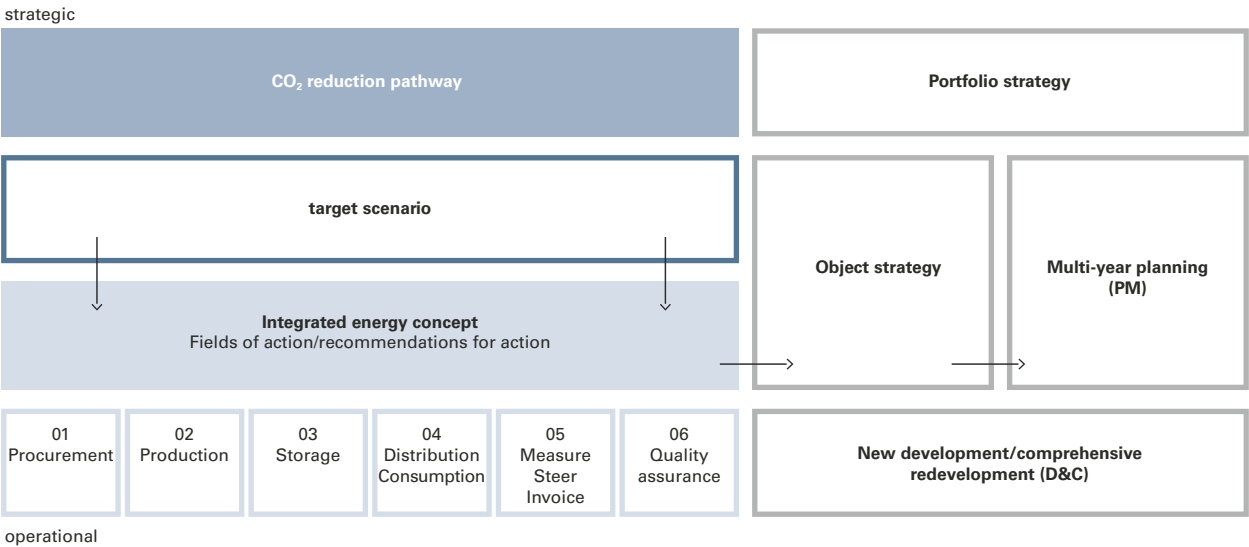
Operationalise climate goals

To operationalise the quantitative and time-based goals set out in the CO₂ reduction pathway to reduce CO₂ emissions in the buildings portfolio, Swiss Prime Site developed a holistic energy concept (Figure 5). This contains specific recommended actions to implement the CO₂ reduction strategy for properties. Measures for new build projects relate to both the procurement of energy and how it is produced, stored, distributed, consumed, measured and billed.

In the case of existing real estate, the holistic energy concept will determine the specific property strategies and multi-year plans across the whole portfolio, in which investments to reduce CO₂ emissions are planned long-term and aligned with the valuation.

The holistic energy concept will therefore ensure that the CO₂ reduction pathway is operationalised, measured and evaluated as a defined goal within the Company. It should be clear at any given moment where the Company is on the reduction pathway and under what circumstances any timely compensation measures may need to be carried out.

Figure 5: Operationalisation of the CO₂ reduction pathway





Reporting on climate-related financial risks

In the 2019 financial year, Swiss Prime Site reported on climate-related financial risks for the first time using the guidelines of the «Task Force on Climate-related Financial Disclosures». The report shows how Swiss Prime Site identifies and manages physical and transitional risks caused by climate change which can have a financial impact on the Company.

Governance

In 2019, the Board of Directors of the Swiss Prime Site Group decided to set up a Sustainability Board to strengthen the integrated management of financial and non-financial success factors and risks. This decision was taken in the belief that responsible, forward-looking leadership increases the Company's resilience and enables it to create long-term value for the Company and its shareholders and stakeholders. Climate-related opportunities and risks play an exceptionally large part, as climate change is already a reality, with many current and future consequences for all areas of business. In order to better manage the opportunities and risks presented by climate change, the Sustainability Board will assume the following key tasks:

- It will define the CO₂ reduction pathway, factoring in the progress of associated measures. The reduction pathway and its operationalisation within the Company are described in more detail in the chapter «CO₂ reduction goal and path».
- 1. It will regularly update climate-related opportunities and risks using the risk matrix introduced in 2019, set goals and introduce measures where necessary.
- 2. It will sign off the annual reporting on sustainability issues, in particular climate-related financial risks in accordance with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). As part of this process, the Sustainability Board assesses the progress of managing climate-related opportunities and risks using clearly defined metrics.

Strategy

Key climate-related risks

For Swiss Prime Site, the effects of climate change lead to certain financial risks as well as the opportunity to strengthen its resilience using future-oriented measures. In accordance with the TCFD guidelines, Swiss Prime Site differentiates between direct physical risks and transitional risks. Physical risks include extreme weather events such as heavy rainfall, droughts or floods as well as the longer-term, local consequences of climate change. Transitional risks result from the decarbonisation of the economy as well as new legislative, economic and technological trends and condi-

tions triggered by climate change. Swiss Prime Site considers the following risks in particular to be significant and integrates them into group-wide risk management:

Physical risks	Transitional risks
<ul style="list-style-type: none"> – Increase in extreme weather events such as very high winds and heavy rainfall with flooding – Increasing summer temperatures, more heatwaves and long-lasting periods of heat – Reduction in both the quality and quantity of drinking water due to local periods of drought 	<ul style="list-style-type: none"> – Social effects of climate change: Move by customers towards more responsible products and services – Stricter regulations: Rise in CO₂ tax on fossil fuels and hydrocarbon fuels as well as requirements regarding energy efficiency and renewable energies – Materials cycle: Stricter requirements regarding recycling and re-use of products and construction materials

Use opportunities thanks to integrated value creation

Swiss Prime Site is in a good position to mitigate risks arising from climate change and use the associated opportunities. The Company can rely on the following strengths:

- High level of investment and financial resources to implement pro-active and innovative measures
- Extensive skills in planning, constructing and running property
- Broad experience in using commercial properties
- Close coordination with Development, Sustainability and Innovation

Swiss Prime Site builds on these strengths to develop integrated solutions using the following five strategic action areas.

Strategic action areas

1. CO₂ reduction goal and path for the property portfolio:

The most important action area is the property portfolio, which is managed by the group company Swiss Prime Site Immobilien. In line with the Swiss Federal Council's climate target of achieving a carbon-neutral Switzerland by 2050 and based on science-based targets¹, Swiss Prime Site developed an ambitious CO₂ reduction pathway in 2019. This particularly includes the scope 1 and 2 emissions by the property portfolio, i.e. those emissions arising from electricity and heating requirements during the use phase. Swiss Prime Site is also working on gathering data about scope 3 emissions (see «Goals and Metrics»).

2. Climate-friendly investments:

In all Swiss Prime Site's areas of activity, significant investments and new services will be assessed in terms of their impact on climate change. The criterion «climate-adapted construction» will be integrated into real estate development. As part of innovation management, the Company will have a greater strategic focus on approaches that enable it to design buildings and housing schemes that are resilient to climate changes.

3. Innovation management regarding climate-friendly services and new technologies

As part of innovation management, Swiss Prime Site looks at trends and disruptive issues such as climate change. In doing so, the Company uses the skills of employees from all areas to help develop services that can help resolve social challenges. Corporate Ventures manages the collaboration with innovative new companies who are driving pioneering technologies and business models, such as those working on energy efficiency or climate protection in the real estate industry.

4. Raising employees' awareness

The issue of climate change plays an increasingly important role in internal communication and employees' training and development. Until now, Swiss Prime Site has not formally embedded sustainability-related performance indicators into its compensation policies. However, the Company is planning to review this incentive system. Including more figures in compensation calculations could help the Company to integrate sustainability goals more systematically into corporate processes and achieve them more efficiently.

5. Stakeholder dialogues on climate-related issues:

Swiss Prime Site has regular discussions with investors, customers and other stakeholders. Issues relating to climate change form an increasing part of these dialogues, helping the Company to identify stakeholder groups' needs at an early stage and factor them into planning processes.

Risk management




Swiss Prime Site undertakes a systematic, ongoing risk management process that identifies and manages opportunities and risks. In 2019, the Company included climate-related risks into its risk management for the first time and evaluated them using the following two methods:

- Event-based scenario analysis: Evaluating individual physical and transitional risks caused by climate change
- Science-based modelling of the «Climate Value-at-Risk» of the entire property portfolio

In the event-based scenario analysis, potential risks are evaluated using qualitative scenarios and their impact on Swiss Prime Site's business activities. This evaluation is based on the existing risk management process. Potential events are evaluated based on their probability of occurrence and the scale of their impact on the Company's value and reputation. The evaluation also looks at when the impact is expected to occur and the expected horizon for action to implement risk mitigation measures. The resulting risk evaluation serves as a tool to help the group management and the Board of Directors to identify specific measures which can dampen or eliminate the expected negative impact on the Company.

¹ <https://sciencebasedtargets.org/>

The following are events with the highest risk potential:

Potential events caused by climate change	Impact on Swiss Prime Site	Action required and measures Horizon for action: Short (1 year); Medium (1–3 years); Long (3–10 years)
<ul style="list-style-type: none"> – Increase of up +4.5 °C and longer periods of drought up to +9 days – Increase in very hot days to up to 17 days per year 	<ul style="list-style-type: none"> – Increased insurance events – Less attractive rentability for seniors (key word: hotspots in cities) – Lower rentability and higher vacancies – Potential falls in rental income due to higher ancillary costs – Rising costs due to higher energy requirements for cooling – Increased requirements of cladding and housing technology – Increased expenses to comply with promised indoor climate conditions – Rising costs due to increased water requirements 	<p>Measures:</p> <ul style="list-style-type: none"> – Factor in the effect of rising temperatures on living and working comfort in properties, particularly in cities. – If necessary, identify and implement preventive measures, e.g. increase proportion of green spaces <p>Metrics:</p> <ul style="list-style-type: none"> – Number of tenant complaints and insurance events – Total costs of special measures to prevent climate-related damage in real estate – Identification of energy consumption from cooling <p>Horizon for action: Long</p> 
<p>Heavy rainfall</p> <ul style="list-style-type: none"> – 10% higher annual heavy rainfall, linked with extremely high winds and storms – Greater frequency of long-lasting, extreme weather conditions 	<ul style="list-style-type: none"> – Stricter location quality and building safety requirements – Increased insurance costs – Structural damage to buildings – Stricter construction quality requirements 	<p>Measures:</p> <ul style="list-style-type: none"> – Detailed analysis of building locations – Analysis of flooding risk across the whole property portfolio and for specific projects – Analysing potential environmental damage of specific properties – Analysis of building structure and stability – Review of insurance cover <p>Metrics:</p> <ul style="list-style-type: none"> – Value of damage caused by extreme weather events <p>Horizon for action: Short</p> 
<p>Social impact of climate change</p> <ul style="list-style-type: none"> – Move by customers towards more responsible products and services – Climate-induced migration 	<ul style="list-style-type: none"> – Investors' requirements regarding resilience of products and services – Tenants' requirements regarding building and space standards, e.g. SNBS or Minergie certifications – Tenants', investors' or regulators' requirements regarding sustainable procurement and building technology (e.g. materials) 	<p>Measures:</p> <ul style="list-style-type: none"> – Factoring in sustainability criteria for existing stock and new build projects – Additional sustainability requirements by suppliers <p>Metrics:</p> <ul style="list-style-type: none"> – Demand for certifications of buildings and rented spaces – Questions by tenants, the public and investors on properties' sustainability <p>Horizon for action: Short</p> 

<p>Stricter regulations</p> <ul style="list-style-type: none"> – CO₂ tax on fossil fuels and hydrocarbon fuels – Increased requirements regarding the use of renewable energies and energy efficiency – Tax on contamination 	<ul style="list-style-type: none"> – Rising operating and ancillary costs – Potential falls in rental income due to higher ancillary costs – Reduced rentability and vacancies – Tenants', investors' or regulators' requirements regarding sustainable procurement and building technology (e.g. materials) – Increasing requirements and costs to develop and operate real estate – Significant additional costs if new guidelines are not proactively considered, e.g. by replacing fossil fuel-based heating systems before the end of the life cycle – Potential additional costs and longer project terms due to contamination in development and construction projects – Negative impact on the fair value of real estate 	<p>Measures:</p> <ul style="list-style-type: none"> – CO₂ reduction pathway and strategy, operationalisation of reduction pathway – Implementation of sustainability requirements in new build projects – Factoring in sustainability requirements into property strategies for existing real estate – Portfolio analysis to identify risks – Factoring in sustainability requirements when purchasing real estate <p>Metrics:</p> <ul style="list-style-type: none"> – Current CO₂ – emissions of the portfolio (progress against the CO₂ reduction pathway) – Efficiency figures and proportion of renewable energies in the energy mix – Costs of CO₂ tax in the portfolio <p>Horizon for action: Short / medium</p> 
<p>Materials cycle</p> <ul style="list-style-type: none"> – Products and services are geared towards reuse / recycling 	<ul style="list-style-type: none"> – Additional requirements for building planning, development and demolition (e.g. by using minimum quotas for recycling and recyclability of building materials) – Rising construction costs and longer planning phases due to increased planning and building requirements – Stricter requirements regarding product and supplier management 	<p>Measures:</p> <ul style="list-style-type: none"> – Actively follow technical and regulatory developments, if necessary adapt requirements for Swiss Prime Site and suppliers – Implement requirements for new build projects and existing real estate – Operationalise Madaster <p>Horizon for action: Long</p> 
<p>Increased requirement for ESG data and information</p> <ul style="list-style-type: none"> – More discussion by investors about sustainability – Stricter requirements by investors, regulators (e.g. FINMA), NGOs, etc. 	<ul style="list-style-type: none"> – Attractiveness to investors falls, with potential impact on share price and financing – Increased expense of gathering and maintaining relevant data – Increased relevance of reporting – Need for sustainable procurement guidelines – Additional expense of identifying and gathering relevant data across the whole value chain – Impact on fair value; higher valuation expenses – Investment required in the sustainability of properties in order to positively affect their valuations (conflict between investment cycles and short-term valuation) 	<p>Measures:</p> <ul style="list-style-type: none"> – Monitoring of ESG Key Performance Indicators in business process, sustainability reporting and property strategies – Integration of sustainability requirements into property strategies – Targeted increase in investment in sustainability of real estate <p>Metrics:</p> <ul style="list-style-type: none"> – Sustainability ratings for real estate and companies <p>Horizon of action: Short</p> 

The internal risk management process was supplemented by the external valuation of the «Climate Value-at-Risk» of Swiss Prime Site's property portfolio. Swiss Prime Site made a fundamental contribution to this science-based method, which has been specifically developed for the real estate industry. Initial results show that the direct physical climate risks for the property portfolio in Switzerland over the next 15 years are comparatively low, although flood risks are not yet fully factored into the model. The results suggest that the short- and medium-term transition risks due to social change and stricter regulations are significantly more important. The results of the calculations are shown at an individual property level. This enables Swiss Prime Site to identify properties exposed to above-average risks and take preventive measures.

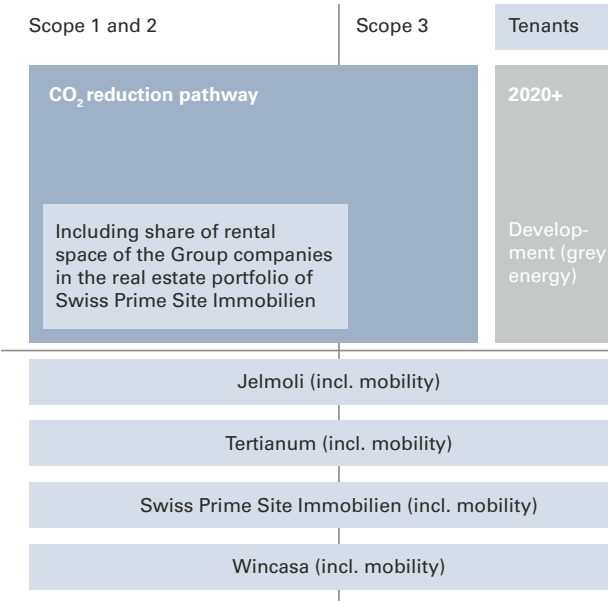
Metrics and goals

In developing the CO₂ reduction pathway in 2019, Swiss Prime Site set a binding long-term goal to reduce CO₂ emissions. This will be achieved through investment in the replacement of fossil fuel-based heating systems, cladding renovations and the promotion of renewable energies, as the property portfolio is responsible for around 71 % of Swiss Prime Site's CO₂ emissions. Comprehensive data is needed to monitor progress and this has been gradually built up over the last few years. The CO₂ reduction pathway was calculated based on the property portfolio's scope 1 and scope 2 emissions as well as the scope 3 emissions of spaces in the property portfolio rented through the group companies. Swiss Prime Site is planning to extend the balancing of scope 3 emissions in 2020 as follows (Figure 1):

- to all group companies' operations;
- to spaces occupied by third-party tenants;
- to emissions caused by grey energy at new build projects;

Detailed information on metrics and goals can be found in the chapter on «CO₂ reduction goal and path» and in the Environment section of the GRI report. Further information on the calculation methodology used can be found in the footnotes to the overview of the ESG figures in the document «Sustainability Key Indicators».

Figure 1: CO₂ balance, as of 2019





GRI Report

Universal Standards

102-9 Supply chain

Due to the different fields of activity, the supply chains of the five group companies differ significantly. The Jelmoli range includes approximately one million products from around 1 000 brands. In the reporting year, the company purchased goods worth approximately CHF 68 million. A large proportion of the products fall into the fashion, beauty, sport, food and home living categories.

Tertianum purchased goods and services worth around CHF 44.5 million in the reporting year, the majority of which were healthcare consumables, food, beverages, household goods as well as fuel, water and energy. When choosing its suppliers, Tertianum considers local companies and organisations where possible.

Wincasa purchases products and services in the mandate business for property owners, as well as for its own operations. In its mandate business, Wincasa applies ecological and social criteria that go beyond the legal requirements if requested by the property owner. In 2019, the company purchased some CHF 22 million worth of goods and services for its own operations from more than 70 direct suppliers.

At Swiss Prime Site Immobilien, the majority of purchased services are in the area of facility management, with an annual order volume of between CHF 7 million and CHF 14 million. Almost all purchases made by Swiss Prime Site Solutions are for services, also including the area of facility management. Purchases in connection with the managed property portfolio must always be approved by the owner (executive management or foundation board).

102-12 External initiatives

Swiss Prime Site is committed to conducting its business responsibly and with integrity. Besides complying with statutory requirements and regulatory standards, this also means adhering to the internal directives and principles that the Company has defined itself. The Code of Conduct is binding for all group companies and, among other things, is based on the principles of the United Nations' Universal Declaration of Human Rights.

Swiss Prime Site recognises the dangers associated with ongoing climate change and has committed itself to achieving the 2-degree goal under the Paris Agreement. The Company has adopted the target as a yardstick for its own climate goals and initiatives. When evaluating and disclosing the risks arising from climate change, Swiss Prime Site follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). More information on this can be found in the new TCFD Report.

102-13 Membership of associations

The various different associations and organisations that the Swiss Prime Site group companies are members of reflect the diversity of the fields in which they are active. All group companies strive to select organisations that stand for something related to their core business. Membership of associations is also about representing political interests, although this aspect is not the main focus. For example, the Swiss Prime Site Group is a member of the Verband Immobilien Schweiz (VIS), as well as Avenir Suisse and Greater Zurich Area. Swiss Prime Site is also an associate partner of Entwicklung Schweiz.

Swiss Prime Site Immobilien is represented on the supervisory board of Verband Immobilien Schweiz (VIS) that, among other things, is concerned with creating liberal market and competitive conditions. The company is also represented on the board of directors of Madaster, a Swiss platform aimed at improving resource efficiency in the construction and real estate sectors.

Wincasa is a member of the Schweizer Verband für Immobilien-treuhänder (SVIT), the largest association of its kind in Switzerland, as well as the Swiss Council of Shopping Centers (SCSC). In addition, the company is an accredited member of the Royal Institution of Chartered Surveyors (RICS), the world's largest professional body for real estate practitioners. It is also part of «Bauen digital Schweiz» that represents the interests of companies using digital technologies in construction.

Tertianum supports senesuisse, the Swiss association of economically independent residential and care homes for the elderly, that represents the interests and concerns of long-term care providers and is committed to counteracting excessive regulation of the healthcare sector. Tertianum is also a member of Curaviva, the umbrella association of institutions serving people in need of support. Through these two institutions, Tertianum puts its concerns forward in the political process.

Jelmoli attaches importance to maintaining good relations with its neighbours. Among other initiatives, it is a member of the Bahnhofstrasse Association that aims to preserve and promote Bahnhofstrasse as an attractive retail thoroughfare. As a member of the nationwide Swiss Retail Federation, Jelmoli works to further the interests of the retail sector. The company is also a founding member of the IGDS (Intercontinental Group of Department Stores), established in 1947. This enables it to maintain a close dialogue with other leading department stores across the globe.

As the real estate asset manager for the Swiss Prime Investment Foundation, Swiss Prime Site Solutions is a member of the Kon-

ferenz der Geschäftsführer von Anlagestiftungen (KGAST). The company also participates in other organisations on a project basis, such as espaceSolothurn, the economic development agency of the canton of Solothurn, where Swiss Prime Site Solutions has been working on a major development for several years with the «Riverside» Zuchwil project.

102-16 Values, principles, standards and norms of behavior

Swiss Prime Site uses a set of guiding principles and supporting statements to promulgate the values of respect, integrity, responsibility, ambition and innovation. All employees are expected to be respectful in their dealings with other people, to make integrity central to their actions, to act responsibly, to lead by example, to set themselves ambitious goals, to engage in continuous self-improvement and to put innovation into tangible effect. The Code of Conduct published in 2015 is based on these corporate values and all employees in all group companies are expected to adhere to it. Each group company has formulated specific directives to complement the principles set out in the Code of Conduct.

Thanks to a clear set of rules, all employees are sufficiently aware of what behaviour is appropriate and can therefore make decisions more easily. In 2016, the corporate values and the Code of Conduct were introduced in the individual group companies, where they have since been embedded in the corporate culture through regular information events and ad hoc advice sessions. In addition, new management staff are made aware of the values and the Code of Conduct at the «Welcome Days». As a further measure in 2019, the entire policies and procedures system was revised at group level and prepared for the group companies to implement individually. All employees were thereby made even more familiar with the rules, the Code of Conduct and how to apply them in their day-to-day work.

102-40 List of stakeholder groups

102-42 Identifying and selecting stakeholders

102-43 Approach to stakeholder engagement

102-44 Key topics and concerns raised

Swiss Prime Site Group

Credibility, reliability, integrity, trustworthiness and responsibility are the pillars on which Swiss Prime Site's reputation is founded. In order to maintain the excellent image it enjoys in the market and among all interested parties, the Company maintains a regular dialogue with all its stakeholders, communicating in a timely and appropriate fashion with all parties concerned. The most important stakeholders are its shareholders, given their key role as owners of the Company, and other capital-market participants. Relations with analysts, investors and shareholder voting representatives are intensively maintained.

Swiss Prime Site takes part in conferences worldwide and regularly organises roadshows as well as analyst meetings with the Board of Directors, the management and investor relations. Capital Markets Day, which takes place in autumn each year, always includes an extensive property tour. Shareholders receive up-to-date information at the Annual General Meeting and through the website and social media channels. On LinkedIn, for example, Swiss Prime Site has almost 3 000 followers. Both the annual and semi-annual results are accompanied by a short report in printed format that focuses on current topics relevant to the Company and provides a compact summary of the key financial metrics.

Analysts and investors are attaching ever more importance to sustainability aspects in order to ensure that invested capital is secure in the long term. Swiss Prime Site has responded to this by defining sustainability goals across the group. The second stakeholder panel was held in the reporting year. Among other things, it provides a platform for discussing the topic of corporate responsibility with important internal and external stakeholder groups. It will be held every two years, with a different panel each time.

In addition to the activities of the Swiss Prime Site Group, which are aimed primarily at shareholders and financial market participants, the group companies maintain continuous dialogue with their most important stakeholder groups, especially customers.

Swiss Prime Site Immobilien

At Swiss Prime Site Immobilien, the dialogue is focused especially on tenants, whose principal interests are the premises they occupy, the services they receive, the efficiency with which their buildings are managed and the ancillary local offerings available to them. Internationally active companies continue to expect particularly sustainable constructions and request certification to document that their properties meet their required standards. Particularly in its commercial properties, Swiss Prime Site is keen to achieve mutual advantages for its tenants. In the retail sector, for example, a balanced mix of tenants whose offerings mutually complement each other can give rise to synergies.

Swiss Prime Site Immobilien offers its existing tenants and other interested parties property-specific information meetings, property viewings and joint events attended by its construction project partners. This regular dialogue with potential tenants helps the company to be better prepared to meet the wishes of tomorrow's clients. The company ensures this by regularly asking questions about preferred locations, floorspace requirements, moving-in dates and specifications for possible extensions. Satisfaction surveys are conducted regularly with existing tenants.

On each new building project, Swiss Prime Site Immobilien maintains close dialogue with local and cantonal authorities, as well as other stakeholders in the area such as associations, political bodies and residents. This allows the company to consider the local conditions and requirements at an early stage when planning developments.

Wincasa

Besides major commercial tenants such as Coop, Migros and Swisscom, Wincasa also has some 68 000 apartment tenants as clients. Among both groups of customers, the most frequent concerns relate to commercial and infrastructural building management. Wincasa's dialogue with its major clients comprises regular exchanges on day-to-day matters and separate coordination meetings at management level, where strategic issues are discussed. In addition, the CEO meets the management personnel of the client companies once a year to discuss whether they are satisfied with the services offered and to identify any future requirements. The results are systematically used to improve business processes and expand the range of products and services.

The company is finding that the requirements of the tenants and owners it serves are changing at a rapid pace. Customers expect comprehensive specialist expertise in all service areas. Due to ongoing digitalisation, they also expect greater efficiency and constant availability of all services. As property owners are also becoming increasingly aware of their responsibility to operate buildings sustainably, Wincasa is helping its clients to implement their sustainability strategies and has launched a range of consultancy services in this area.

To be able to keep pace with these rapid developments and offer services that are optimally tailored to each client, the «Transformation» department is continuously addressing new market trends and customer requirements. This is aimed at ensuring that the increasingly complex and demanding processes and regulations in the area of building operations can be managed and adhered to as efficiently as possible. In addition, customer proximity is facilitated by a dedicated Customer Value Center, along with portals for both owners and tenants.

Tertianum

In addition to its guests and their friends and relations, Tertianum's stakeholders include doctors and medical practices, hospitals, health insurers, suppliers, local authorities, elected politicians and the local populations in the locations in which it operates. To maintain its dialogue with these various groups and to promote a sense of community, Tertianum regularly hosts public information meetings, panel discussions and cultural events.

The services it offers must be geared towards meeting the needs and expectations of the guests. With regular market analyses and surveys as well as the annual strategy meeting, Tertianum ensures that the services it provides to its target clientèle properly reflect current and local requirements. Every three years, Tertianum carries out a survey to gauge the satisfaction of its guests, suppliers and employees. The insights gained during this assist the company's ongoing development and optimisation process.

In 2019, the company conducted a satisfaction survey among guests and their relatives. The results show that many establishments are performing significantly better than the industry benchmark. The odd exceptions falling below this standard are mainly due to the decentralised structure of the Tertianum Group. A need for improvement was identified for care services in particular. By embedding a standardised management culture more firmly within the group, it is hoped that quality will rise to an above-average level across all companies.

Jelmoli

For Jelmoli, customers are the most important stakeholder group. The company offers them high product quality and a comprehensive range of services. Should they have any questions or concerns, customers can visit the guest relations desk close to the entrance area. By means of regular mystery testing, Jelmoli identifies potential ways to improve customer relations, which are then incorporated into the staff training. Language and intercultural skills in particular are becoming increasingly important for serving international guests in an optimum way. With the expansion to Zurich Airport, these requirements are even more important as a greater number of tourists from Asia and the Arab world should be served there in their native languages.

By collaborating with exclusive brands, Jelmoli can offer its customers a curated range of products at all times. Furthermore, the company always strives to be perceived by its key brands as a high-revenue partner with an excellent image. Jelmoli's tenants, who occupy roughly half its overall retail floorspace, are another important stakeholder group. The challenge is to combine the rental space with the proprietary-managed floor space in an optimum way so that they complement each other and offer the customer a cohesive shopping experience. In order to make the retail floor space even more flexible and react more quickly to changes in supply, Jelmoli began standardising the rental spaces in 2019. This also enables the company to set up temporary pop-up stores quickly without impairing the customer experience. In regular meetings with tenants, Jelmoli discusses issues such as profitability or declaration requirements for sensitive products. The findings go towards identifying potential improvements. At the

beginning of 2019, for example, Jelmoli decided to stop selling real fur. The company has now been completely fur-free since March 2019.

Swiss Prime Site Solutions

Swiss Prime Site Solution's most important stakeholder is the independent Swiss Prime Investment Foundation (SPIF) as the real estate asset manager's sole customer at present. Swiss Prime Site Solutions maintains very close dialogue with the SPIF's management and foundation board. This includes a weekly meeting with the management of SPIF and a monthly one with the foundation board, which approves all larger investment decisions. Swiss Prime Site Solutions is also in constant dialogue with the pension funds invested in the existing investment vehicle, as well as with employees, business partners and the supervisory authorities (Occupational Pension Supervisory Commission). Investors are mainly interested in the range of services, current project developments and acquisitions, as well as the organisation of the company and the skills of key personnel.

Communication with stakeholder groups takes place via various channels, including events, roadshows and individual portfolio meetings. The company also provides information on current developments and the course of business at the annual investors' meeting, in its reporting and on its website.

102-41 Collective bargaining agreements

As regards collective bargaining agreements, the employment terms of employees differ from one group company to another. At Wincasa, only a small number of employees are subject to a collective employment contract. This concerns individual positions in the hotel business. At Tertianum, most centres have established individual employment contracts that are recognised as equivalent to the relevant collective employment contracts applied throughout Switzerland. In a few companies in French-speaking Switzerland, the valid collective employment contract is used.

The employees of Swiss Prime Site, Swiss Prime Site Immobilien, Jelmoli and Swiss Prime Site Solutions are not subject to any collective employment contracts. All employees of the Swiss Prime Site Group have access to an Integrity Platform that is operated by an independent partner. The platform serves as a channel for all employees to report violations of the Code of Conduct or other issues concerning employment law, such as complaints relating to freedom of association and collective bargaining. In cooperation with an external service provider, Jelmoli also offers a contact point that employees can turn to in the event of difficult situations at work or in their personal lives.

Topic-specific Standards

Economic topics

201 Economic performance

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

With a comprehensive approach to sustainable value creation, Swiss Prime Site is convinced it will be able to achieve long-term growth that will be of economic benefit to its various stakeholders and will enable it to continue providing its shareholders with adequate dividends. The principles of sustainable company management are defined in concrete terms in the business plan, in which the opportunities, challenges and objectives for the next three-year and five-year periods are considered. The business plan is revised each year. Since 2018, it has also included a scenario analysis that examines the potential development of the business in light of economic and regulatory changes. The business plan and outlook must be approved by the Board of Directors.

In order to remain competitive and maintain a high level of performance across all group companies, Swiss Prime Site uses clearly defined processes, the efficiency of which are regularly measured against key figures. Resource and headcount requirements, as well as third-party costs and general costs, are continuously monitored and the process landscape is optimised accordingly.

Swiss Prime Site Immobilien

Swiss Prime Site Immobilien focuses in particular on reducing operating costs and vacancies, as well as on optimising project management. For example, the new building project YOND was developed and implemented according to the principles of lean. Resources are planned in such a way that each work stage is always carried out at the best possible time in order to avoid redundancy. The method promises shorter planning phases and greater cost transparency. It does, however, require forward planning and partners who are willing to embrace the concept. For the purpose of further reducing operating costs, Swiss Prime Site Immobilien created a new Asset Management position with the task of standardising and optimising the various processes (e.g. contract management).

In the reporting year, the attractive range of space in the portfolio was further enhanced with several completed construction projects, such as the new YOND development in Zurich Albisrieden and the redevelopment of Stücki Park in Basel. In addition, some innovative solutions were developed, including the co-working spaces of Flex Office that can already be found in four locations

in Switzerland. The non-controlling interest at the Sihlcity site was exchanged for three promising properties in 2018 and is therefore no longer part of the portfolio.

Proactive vacancy management is a further key factor in ensuring a high occupancy rate. Swiss Prime Site Immobilien therefore attaches importance to actively marketing the properties and meeting the requirements of the market in the best possible way – in other words, by having the right properties on the market at the right time. The company also reviews existing rental agreements in a timely manner before the end of the tenancy and extends them wherever possible. Renovation and refitting work is scheduled to match current leases so that it can be carried out when premises are not in use.

For example, the retail floor space of the bankrupt fashion company OVS was successfully re-let in 2019. Where potential is identified, Swiss Prime Site Immobilien also transforms existing properties to create new offerings. With these measures, Swiss Prime Site Immobilien was able to bring the vacancy rate back down to 4.7%. There will continue to be a focus on reducing vacancies in the future.

Wincasa

For Wincasa, it is essential that the company stays competitive in the challenging service sector and maintains the high quality of its services. To that end, the company relies on clearly structured processes, the efficiency of which are constantly monitored and improved. In 2019, the company introduced several new IT systems during the course of changing its ERP system. Wincasa also acquired the tenant platform streamnow AG at the end of 2018. In a similar way to online banking and insurance apps, the portal solution allows users to handle all issues relating to the property and tenancy quickly, easily and at any time, wherever they happen to be. This improves tenant satisfaction, which in turn also benefits property owners. It also enables Wincasa to further increase the quality and efficiency of its processes. With the aim of becoming even more customer centric, the Wincasa Customer Value Center was further developed in 2019 as a central point of contact for issues relating to the management of properties.

In addition to making process improvements, Wincasa also won new contracts in 2019. In May, the company took over the site management, including technical and commercial management, for the Altenrhein site in St. Gallen. Integrated management of an industrial site was the logical consequence of the consistent development of the Mixed-Use Site Management division, where «Power-BI»-based dashboards with comprehensive KPIs were developed and rolled out for the managers.

Tertianum

Tertianum's objective is to maintain its position as Switzerland's leading provider of assisted-living services. The group expanded again in 2019, opening two new locations in Chiasso and Liestal and acquiring three existing sites in French-speaking Switzerland. Tertianum also improved its process landscape by introducing a quality management system in which all central processes are mapped and relevant documentation is stored for the corporate divisions, including Care, Purchasing, Gastronomy, Finance, Marketing and Controlling. The tool has an indirect impact on economic success, in contrast to the care requirements of guests and the structure of cantonal residual financing that have a direct influence.

To further develop the Ambient Assisted Living strategy, Tertianum held discussions with providers of innovative solutions that allow elderly people to live at home independently for longer. Intelligent sensors can be used to detect and report falls, monitor lavatory use or record food consumption. However, although there are many good ideas on the market, it was found that many have not been thought through enough or are not compatible with existing security systems. The search for suitable partnerships will therefore continue in the coming years.

Jelmoli

In the reporting year, Jelmoli's main focus was on further improving its range of products and services. In a challenging market environment marked by strong competition from online retailers, it is even more important to offer customers in bricks-and-mortar retail a special shopping experience. In 2019, Jelmoli rebuilt almost the entire ground floor area, which makes a lasting, positive impression upon first entering the building. Attractive brands such as Hublot and Breitling, which ideally complement the range of high-quality watches, were also added. Jelmoli also opened a new beauty department and travel section and started a partnership with Pallas Kliniken, which has implemented its lifestyle medicine concept on the fourth floor. In 2019, the range of products in the home living category was also expanded with attractive brands in the upper price segment.

The new partnerships show the effectiveness of the differentiation strategy and the positioning as a luxury department store that prioritises profitability ahead of high sales figures. The planned expansion to Zurich Airport in 2020 offers further possibilities to boost profits. With different formats, Jelmoli will move into two attractive areas of Zurich airport in separate stages: the Airside Center, located after the security check, and «The Circle» that can also be accessed by non-passengers. The opening of a further location in the Zurich area will give rise to economies of scale and synergy effects. At the same time, the ever-increasing use of Zurich Airport can be used to strengthen Jelmoli's market presence

and brand positioning among international and Swiss customers. However, this branch expansion calls for system-related improvements within the process landscape. Jelmoli is therefore planning to release a new ERP system so that any synergy effects can actually be leveraged.

Swiss Prime Site Solutions

Swiss Prime Site Solutions has been the real estate asset manager for the Swiss Prime Investment Foundation (SPIF) since 2017. In this period, the property assets of the Swiss Prime Investment Foundation have grown from CHF 1.4 billion to CHF 2.3 billion. On the back of this success, Swiss Prime Investment Foundation decided in 2019 to carry out an early extension to its asset management contract with Swiss Prime Site Solutions until 2023. This is an expression of confidence in the tailor-made services and the extensive market knowledge of Swiss Prime Site Solutions, which enable the investment foundation to offer its investors an attractive return and further growth.

In 2019, there was a particular focus on completing two share issues for the SPIF. This made it possible to acquire 25 more properties with a total value of approximately CHF 540 million. The project pipeline was enhanced by a further CHF 0.5 billion and Swiss Prime Site Solutions also optimised its portfolio management and won new major tenants.

The company also pressed ahead with preparing new investment vehicles as well as forming and developing a strong team. The aim is to professionalise the services even more and broaden the customer base in the medium term.

201-1 Direct economic value generated and distributed

See Financial Report for detailed financial figures.

201-2 Financial implications and other risks and opportunities due to climate change

In 2019, Swiss Prime Site carried out a first detailed analysis of climate-related financial risks in line with the recommendations of the «Task Force on Climate-related Financial Disclosures» (TCFD). Detailed information on this can be found in the TCFD Report.

201-4 Financial assistance received from government

In 2019, Swiss Prime Site received one-off subsidies from the federal government and the cantons. In the case of Swiss Prime Site Immobilien, these were mostly contributions from the buildings programme for construction measures that reduce energy consumption or CO₂ emissions, as well as one-off payments for the installation of photovoltaic systems. Tertianum received the residual financing contributions from the cantons that are typically available to the industry.

203 Indirect economic impacts

103-1 Management approach

103-2

103-3

As a real estate owner and investor, Swiss Prime Site is conscious of its responsibility for the social, ecological and economic framework surrounding its properties. Thus, the Company does not see real estate projects from a narrow perspective of individual properties but as part of urban and district development as a whole. The bigger the project, the more important it becomes to consider spatial planning and urban development aspects. The effect that new buildings have on local job opportunities should also not be overlooked: the value chain created by a building project helps to maintain local and regional jobs and trainee positions in the construction and service sectors.

In order to ensure that each construction project creates added value for the future users, residents and the local economy, every project begins with an analysis of the specific characteristics of the location in dialogue with residents, interested users, local authorities and representatives of the business community, from which further measures are then derived. Depending on the project and the requirements, this may also include a consultation on environmental, health and safety aspects. These discussions are initiated by staff in the development, asset management and communication departments of the Swiss Prime Site Group. Open dialogue provides important insights into the needs of a community, thus helping to ensure that new projects meet local requirements and deliver genuine innovation.

Swiss Prime Site is aware that the tenant mix of a building will always have an influence on the immediate surroundings. The primary aim is therefore to create as much added value as possible for all stakeholders, such as by ensuring an attractive range of food services or having a daycare centre in the building. For the new building project YOND in Zurich Albisrieden, for example, there was a special focus on making the building and the tenant mix attractive for small businesses. The rental space for the JED project in Schlieren, on the other hand, is primarily aimed at innovative companies. By creating a heterogeneous tenant structure, Swiss Prime Site also ensures that risks are diversified and long-term rental income is secured.

In addition to designing the buildings in accordance with requirements, Swiss Prime Site always contributes to the design of public spaces, green areas and mobility services and comes up with creative ways to make temporary use of vacant properties. In 2019, for example, the Company supported the launch of a pilot project for establishing a shuttle bus service from Basel railway station to Stücki Park, intended for use primarily by employees of the

laboratories based there. For the YOND project, Swiss Prime Site has also designed a comprehensive mobility concept that, among other things, is aimed at reducing the environmental impact of commuter traffic. Further contributions to the public infrastructure are developed on a project-specific basis in collaboration with the involved authorities, tenants and residents.

With its 80 centres throughout Switzerland, Tertium provides an important part of the local and regional health infrastructure and thereby also adds value to society. Experience has shown that Tertium provides high-quality services at lower costs than its peers. This enables the company to generate genuine economic added value for the different municipalities in which it operates. Furthermore, as a private service provider, Tertium further eases the burden on the public purse as no deficit guarantees have to be provided by the authorities. An additional benefit to society is that, by living in accommodation which also offers ancillary services, elderly people are able to live at home for longer and postpone their potential future admission to a costly care institution.

203-1 Infrastructure investments and services supported

With its business activities, Swiss Prime Site contributes to economic and social development in many different ways. The Company is committed to training young people and also supports social and cultural organisations and projects as part of its sponsorship activities. In accordance with the core-satellite approach defined in the sponsorship concept, Swiss Prime Site makes important contributions to projects that are closely related to its core business of real estate. The core initiatives have a maximum annual budget of CHF 500 000 that is devoted to innovation, research and teaching. The satellite initiatives have an annual budget of CHF 400 000 that supports smaller-scale projects in the areas of youth initiatives, sport and culture.

In 2019, Swiss Prime Site supported events such as the NZZ Real Estate Days, CE2 Day of Circular Economy Switzerland, and the Top 100 Startup Award. Further contributions were made to Avenir Suisse and the Greater Zurich Area, both of which promote Switzerland's role as a centre of economic activity, and to YES Young Enterprise Switzerland and the Tonhalle Orchestra. By making grants to a number of institutions in the Olten region, the Company also strengthened its ties to the area in which its head office is located. With its social commitments, Swiss Prime Site also pursues the goal of increasing awareness of the brand among relevant target groups and making the Company more attractive as an employer.

To further strengthen the ties with the local community, all Swiss Prime Site employees are given one day off per year to volunteer in the local community. In 2020, these days can be used to provide

specific support to institutions suggested by the Company. In addition to increasing the sense of responsibility towards the community, this initiative should also foster a sense of togetherness within the Company.

Innovation culture and partnerships

103-1 Management approach

103-2

103-3

Innovation is one of the key values of Swiss Prime Site. The Company continuously ensures that it offers its stakeholders optimal added value through sustainable and innovative products and services. To do so, it relies on interdisciplinary knowledge sharing, as well as the creativity of employees at all levels. Each phase of the real estate life cycle – from scouting and acquisition, development and construction, and asset and portfolio management through to management, conversion and divestment – offers room to innovate and develop new business models.

For Swiss Prime Site, innovation is about much more than just technology. Technology is not an end in itself but serves as a tool for those at the centre of the innovation process. In particular, there is not always a technological solution to social or ecological questions, such as ones relating to intergenerationality or biodiversity. Interdisciplinary collaboration and the development of scenarios are therefore much more important than focusing purely on technology if the aim is to react as flexibly as possible to changes and requirements in the market.

The innovation strategy of Swiss Prime Site is embedded in the corporate strategy. Like the sustainability strategy, this falls under the remit of a central staff unit of the CEO. A structured process helps to organise and prioritise relevant topics and trends. A group-wide trend survey forms the basis for the innovative activities of Swiss Prime Site. Early signals and market trends are systematically documented and analysed on the Future Board and the Retail Board. In addition, Swiss Prime Site organises regular interdisciplinary workshops on megatrends and future-relevant issues. In 2019, these included climate change and changing social values. The aim here is to develop specific ideas and establish innovative thinking in the corporate culture of Swiss Prime Site.

Innovation partnerships

In addition to fostering a culture of innovation, partnerships are also seen as very important. As part of the activities of Corporate Ventures, Swiss Prime Site looks to develop scalable business models and expedite technological progress. To this end, the Company collaborates with Venture Lab, a Swiss institution for the promotion of start-ups. The aim of the partnership is to develop specific application scenarios together with the different start-ups

that can then be applied to the operations of the group companies. The resulting projects (proof of concept, or POC for short) cover a wide range of products and services. Since 2017, for example, a data preparation program for optimising vacancy rates, a project for drone airspace protection, and the application of a newly developed paint to improve indoor climate have all been tested and implemented.

Climate-adapted construction

Innovation plays an important role in making buildings and settlements resilient in the context of climate change. Swiss Prime Site Immobilien therefore devotes considerable effort to finding new approaches to climate-adapted construction. For example, the company is intending to assess a development project based on the urban planning concept of «Biotop City». The concept combines building densification with the creation of extensive outdoor green space that is intended to contribute towards a good standard of living and provide resistance against weather extremes in urban areas.

Another example of climate-friendly construction is the «JED» project in Schlieren that can be seen as a counter-concept to high-tech real estate development. The new «JED» development is being completed using a solid construction method and has a particularly large exterior wall diameter. The surfaces and natural ventilation mechanism are designed in a way that optimally compensates outside temperatures, ensuring a pleasant indoor temperature between 22 and 26°C without heating energy in winter and without mechanical cooling in summer.

205 Anti-corruption

206 Anti-competitive behaviour

103-1 Management approach

103-2

103-3

Given Switzerland's stable political and regulatory environment, corruption is not a pre-eminent concern. Nevertheless, where large real estate transactions or substantial purchasing volumes are involved, the possibility of specific operational units within Swiss Prime Site being confronted with this issue cannot be ruled out. Swiss Prime Site condemns all forms of bribery and corruption, fosters an anti-fraud culture and pursues a zero tolerance approach in this respect.

Measures to prevent corruption have been defined at various levels. These include voluntary commitments and specific group-company directives. When signing their employment contract, all employees also commit to the Code of Conduct that governs the treatment of bribery and corruption. Should an actual attempt at bribery occur, employees can call the independent integrity line at any time, maintaining anonymity should they so wish. In serious individual cases, specialist lawyers are also engaged.

The Company has a strict set of rules on favours and gifts. In connection with their work for the business, employees are not allowed to accept gifts or other benefits from third parties, except minor or common ones, either for themselves or others, nor may they accept promises of such gifts or advantages. Employees must decline invitations if accepting them could impair their impartiality or their work. Employees involved in a procurement or decision-making process are also prohibited from accepting minor or common benefits or invitations if the benefit or invitation is being offered by a current or potential supplier. The same rule applies if the benefit or invitation is offered by a person who is involved in or affected by a decision-making process, or if a link between offering the benefit or invitation and the procurement or decision-making process cannot be ruled out.

If in doubt, employees must clarify whether they are allowed to accept the benefit or invitation with their manager or the relevant Compliance Officer. This applies in the same way to the provision of gifts or other benefits, as well as to invitations by employees.

Anti-competitive practices are avoided through clear responsibilities and powers. For example, all contracts must be reviewed by the relevant legal department. In addition, the group-wide requirement for documents to be signed by two people serves as an effective dual control system. To prevent insider trading, all employees are informed of trading suspensions and windows for

Swiss Prime Site shares. In addition, all employees must sign an insider declaration, in which they are made expressly aware of potential criminal offences on projects subject to securities trading laws.

The Code of Conduct also stipulates that situations potentially leading to conflicts of interest must be avoided. If there is a conflict of interest, employees must inform their manager and, if necessary, the Compliance Officer. The rules of abstention set out in the Code of Conduct apply.

205-2 Communication and training about anti-corruption policies and procedures

In 2019, the Code of Conduct was presented to new Swiss Prime Site managers by the Head Group Legal & Compliance during the Welcome Days. In addition to corruption and bribery, other topics addressed included how to deal with conflicts of interest. In addition, the new General Terms of Employment (GTE) were presented by the CEO and Head Group Human Resources. The GTE also contain provisions on the topics of corruption and bribery.

205-3 Confirmed incidents of corruption and actions taken

No cases of corruption have been observed since Swiss Prime Site was founded.

206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

There were no legal actions for anti-competitive behaviour, anti-trust or monopoly practices in 2019.

Environmental topics

302 Energy

305 Emissions

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Swiss Prime Site is committed to protecting the environment and conserving resources, be it in relation to investments in real estate, the management and use of properties, or any other associated services. The Company gathers detailed key figures on energy consumption and greenhouse gas emissions throughout the group and uses these as a basis for continuously improving its environmental performance. Alongside the goals of the Paris Agreement and the Federal Council's additional objective of becoming climate-neutral by 2050, Swiss Prime Site is pursuing its own ambitious energy consumption and emission targets. Detailed information on this can be found in the section «Reduction pathway».

Swiss Prime Site Immobilien

At present, the principal operational focus is on enhancing the sustainability performance of the property portfolio as defined in scope 1 and 2 of the GRI standards. Here, Swiss Prime Site's actions are based on an integral energy concept. Under the responsibility of the Portfolio Management department, energy consumption and CO₂ emissions in existing properties are being significantly reduced through continuous optimisation of heating, cooling, ventilation and lighting. In order to identify opportunities for increasing efficiency, it is essential to have comprehensive energy consumption data. Swiss Prime Site Immobilien's EC/BO system (Energy Control and Operational Optimisation) is an online system that continuously records the energy consumption of 115 properties. This corresponds to 74% of the total area of the property portfolio. On the basis of this data, Swiss Prime Site Immobilien identifies further optimisation potential and implements appropriate measures.

Swiss Prime Site Immobilien also strives to reduce energy consumption in every new building and every conversion, where technically possible. On the YOND project, for example, the company decided against comprehensive cooling and mechanical ventilation in the interest of simplicity. The JED project in Schlieren is a further example of energy optimisation. As a counter-concept to high-tech real estate development, the new building on the development site will optimally compensate for temperature fluctuations thanks to the solid construction method and the optimised proportion of windows on the façade. The innovative concept is intended to completely remove the need for mechanical heating, ventilation and cooling.

Across all its operations, the company has made greater use of renewable energy and higher levels of energy efficiency a key priority. In a portfolio analysis completed in 2019, the replacement of fossil-fuel heating systems in more than 40 properties was checked against the planned refit schedules on the basis of various building parameters. In the reporting year, CHF 1.5 million was spent on replacement energy systems. The multi-year plans to renovate the building shells are only at the development stage. These measures will make a major contribution to achieving the goals of the reduction pathway.

In 2019, Swiss Prime Site Immobilien assessed the entire property portfolio to determine its suitability for the installation of photovoltaic systems, with the aim of increasing its own production of renewable electricity in the future. During this process, 18 properties were identified where photovoltaic systems can be installed over the next two years. The company is also clarifying the extent to which tenants can be made to use a mix of renewable energy in future within the context of «green leasing».

In order to achieve the ambitious goals of increasing energy efficiency and cutting greenhouse gas emissions, it is essential that real estate is not optimised as individual properties but is seen as part of a system that needs to be improved as a whole. Thus, when designing properties, Swiss Prime Site Immobilien is increasingly thinking about how they can be made compatible with climate-friendly mobility services. For example, the company worked with two start-ups in 2019 to carry out pilot projects for the installation and operation of electric charging stations.

In collaboration with Wincasa, a mobility concept was developed for the YOND project in Zurich Albisrieden, which specifically takes account of non-motorised traffic and will be applied in future for operating the spaces rented by Wincasa on this project. A group-wide mobility survey conducted in 2019 forms the basis for this. Regular information events also help to reduce energy consumption in own operations.

Wincasa

In executing its energy-control and operational-optimisation mandates, the company assumes a business-coordination role, advising property owners on the design and implementation of the relevant measures. To this end, all key energy-consumption data of the portfolio properties is usually collected and analysed in an energy management tool specifically designed for this purpose. In this way, Wincasa plays an important part in improving the energy efficiency of the buildings in the different client portfolios and cutting their CO₂ emissions. In addition, more consultations are being provided on owner-specific sustainability requirements. This includes advice on how to meet a long-term CO₂ reduction target for a property portfolio. Due to the different levels of ambition among owners, the recommended measures can differ considerably in each case.

For its own office floor space, Wincasa does not have a strategy for reducing energy consumption. This is partly because Wincasa, as a tenant, has little influence on owner-specific sustainability strategies (e.g. building automation, heating, ventilation, cooling systems, lighting, procurement of plant and equipment). However, where Wincasa manages the properties, the company offers its clients various services to increase energy efficiency. Wincasa thereby influences the ecological footprint of its own operations indirectly. In addition, as part of the site consolidation in Zurich, a new building was specifically chosen that meets the latest technical standards and is therefore much more efficient than the previous premises in Winterthur. Further goals and measures will be defined during the revision of the internal sustainability policy, which is planned for 2020. This will also include further measures to raise awareness among employees.

As about 50% of the operational CO₂ emissions of Wincasa are related to the mobility behaviour of its own employees, the company has developed a comprehensive mobility concept. The concept was created on the basis of a mobility survey and includes measures to promote mobile working and non-motorised traffic. Once the concept has been tested at the new YOND headquarters in Zurich Albisrieden, it will also be used at the Zurich Reitergasse office before being rolled out to all locations in Switzerland at a later stage.

In addition to optimising its own environmental performance, the Project Management & Sustainability department also plays an important role in monitoring the ecological footprint of the entire Swiss Prime Site Group. It collects data on energy, water and material consumption each year and uses it to calculate the corresponding CO₂ emissions. For the calculation, Wincasa uses the methodology of the Coordination Conference for Public Sector Construction and Property Services (KBOB). Where possible, the data is structured according to the criteria of the GHG protocol.

Tertianum

As far as its status as a tenant permits, Tertianum implements all requisite measures to reduce energy consumption and CO₂ emissions. Examples of such initiatives include recycling the heat generated by air-conditioning and ventilation systems, installing LED lighting and optimising the operating schedules of its technical infrastructure. For new houses, the use of alternative energy sources is encouraged wherever possible. However, the final decision rests with the owner of the respective property. Tertianum has found that they are becoming more aware of the issue of sustainability and are therefore willing to implement measures to increase energy efficiency and cut CO₂ emissions.

Jelmoli

As a tenant of the retail property on Bahnhofstrasse, Jelmoli also has limited influence on energy consumption and CO₂ emissions. However, in Swiss Prime Site Immobilien, the company can count on an owner that actively drives energy improvements. The owner has a ten-year plan for the property, which includes making improvements to building shells and air conditioning systems. In addition to the retail floor spaces, storage facilities are also being continuously improved. In 2019, Jelmoli worked with Swiss Prime Site Immobilien to assess the possibility of switching to LED lighting in the warehouse building in Otelfingen.

Swiss Prime Site Solutions

As a service company, Swiss Prime Site Solutions follows the guidelines of the Swiss Prime Investment Foundation when optimising energy consumption and reducing CO₂ emissions. The company is planning to propose further measures in the area of energy controlling/operational optimisation (EC/BO) as part of a

sustainability strategy. Among other things, these will take into account the expectations of investors, who are now clearly attaching more importance to sustainability and corresponding certifications. Investments always have to be justified from an economic perspective as well. On the Riverside project in Zuchwil, for example, Swiss Prime Site Solutions is operating a photovoltaic system that, in addition to renewable electricity, will generate around CHF 1 million in additional income for the owner. For the same project, it is also being assessed whether the River Aare in the immediate vicinity can be used as a sustainable source of energy.

302-1 Energy consumption within the organisation

302-3 Energy intensity

302-4 Reduction of energy consumption

305-1 Direct (Scope 1) GHG emissions

305-2 Energy indirect (Scope 2) GHG emissions

305-4 GHG emissions intensity

305-5 Reduction of GHG emissions

Swiss Prime Site used the Greenhouse Gas Protocol (online: <http://www.ghgprotocol.org/sites/default/files/ghgp/standards/ghg-protocol-revised.pdf>) to calculate its emissions values.

Information on energy values was taken from the energy controlling system and accounting receipts. In a few cases, consumption was estimated where there were no year-end invoices available. The total energy consumption calculated includes all the energy consumed both inside and outside the organisation, including consumption by third-party tenants (resulting in scope 3 emissions). The energy values were then converted using emissions factors.

A list of emissions factors taken from treeze.ch was used to calculate the emissions for the Portfolio and Services areas. Depending on the type of property, Swiss Prime Site used either the location-based or market-based method of calculating scope 2 emissions.

In 2019, Swiss Prime Site started evaluating emissions generated by third-party tenants and published them in scope 3. The methods used were the same as those for other emissions. Only emissions directly attributable to third-party tenants were established as scope 3 emissions.

See environmental key performance indicators.

303 Water

306 Effluents and waste

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

The efficient use of resources is an integral part of Swiss Prime Site's corporate culture. For the investment in and use of real estate, sustainable materials are always used where possible. The Company also takes care to reduce water consumption and keep waste to a minimum. This not only gives rise to ecological benefits but also economic ones. During the disposal of waste and the recycling of materials, all relevant legal requirements are met. The group companies implement business-specific measures in this area. For example, no plastic products or hardcopy documents are used. Wherever possible, waste products are recycled.

Swiss Prime Site Immobilien

In order to reduce water consumption in the properties, Swiss Prime Site Immobilien regularly collects and analyses consumption data. The company uses this data as a basis for technical measures to reduce the consumption of fresh water, such as by installing aerators, dual-button lavatory flushes and smart used-water pumps. New constructions and transformation projects apply the standards required by the relevant certification bodies. The production of building materials also consumes large quantities of water. Swiss Prime Site Immobilien is currently evaluating the feasibility of modifying its contracts with manufacturers and suppliers to reflect these concerns.

Wincasa

As Wincasa manages properties as a service provider on behalf of the owners, the company only has limited influence on resource use and sustainability certifications. At the same time, Wincasa has noticed a growing interest in sustainability labels among institutional investors. For example, the Project Management & Sustainability department is supporting more and more SNBS certifications.

To reduce water consumption and waste, Wincasa raises awareness among both owners and tenants. For instance, a campaign for the installation of water-saving shower heads was launched to save water and energy.

The environmental management activities are coordinated and handled by the Project Management & Sustainability team. Environmental programmes are being evaluated during the course of the current revision of the sustainability policy.

Tertianum

Tertianum also strives to further reduce the amount of water used in the cleaning of properties, for laundry and by guests for their personal use. The use of water-saving shower heads helps to achieve this latter objective, as do aerators and flow-limiting devices on taps. However, Tertianum can only reduce its water consumption to the extent consistent with maintaining the high standards of hygiene it practises.

Jelmoli

At Jelmoli, recycling is a major topic. It includes reducing waste and recycling any waste as usefully as possible. With the food-waste concept, Jelmoli has laid down foundations for reducing food waste. In the company's own restaurants, food from the FOOD MARKET that is still fresh but no longer looks perfect enough to be sold is used for other purposes. As well as reducing the amount of food thrown away, this also helps to cut costs. In addition, on the «Too Good To Go» portal between 7:00 and 7:30 pm, people can place orders at reduced prices for a variety of dishes that would otherwise have to be thrown away at closing time. Since the start of the campaign, 1 000 portions have already gone to good use and the equivalent of 2.5 tonnes of CO₂ has been saved.

Under the new waste management concept, the reusable materials and waste generated in sales and logistics and the corresponding processes are continuously checked and optimised in line with current recovery, recycling and waste-disposal practices. All reusable material is collected and recycled daily. To make the packaging used in the department store more sustainable, all plastic carrier bags were replaced with their more sustainable paper counterparts in 2019.

Swiss Prime Site Solutions

For Swiss Prime Site Solutions, resource conservation means, among other things, being able to offer its customers optimum real estate solutions. For each project, the company checks whether any contamination or pollutants are present and calculates the corresponding clean-up costs. Water consumption is optimised by means of technical measures in order to reduce the cost of operating the properties. However, because the portfolio of the Swiss Prime Investment Foundation consists mostly of residential space, consumption by the tenants can only be influenced to a limited extent.

303-1 Water withdrawal by source

See environmental key performance indicators.

306-2 Waste by type and disposal method

See environmental key performance indicators.

CRE5 Land degradation, contamination and remediation

Swiss Prime Site Immobilien

Checking land and buildings for hazardous materials and, if necessary, safely removing them is a routine procedure for Swiss Prime Site Immobilien. If there appears to be a potential danger to tenants, immediate measures are taken to eliminate the risk.

In 2016, Swiss Prime Site Immobilien carried out building and soil pollution checks on the 184 properties it then owned as well as on its building land. The total surface area analysed was 121.04 hectares. The individual surveys showed that the 27 properties (15% of the total) and 32.35 hectares (27%) had some degree of soil contamination. These provided the basis for formulating appropriate decontamination concepts and carrying out decontamination work which was monitored by the relevant cantonal authorities. As part of construction work in 2019, services were charged to the value of CHF 1.1 million.

Swiss Prime Site Solutions

The same approach applies at Swiss Prime Site Solutions. For the Riverside project in Zuchwil, clean-up work was carried out in accordance with cantonal requirements in 2019 so that the former industrial site can be removed from the register of contaminated sites and classified as contamination-free in order to be suitable for future residential use.

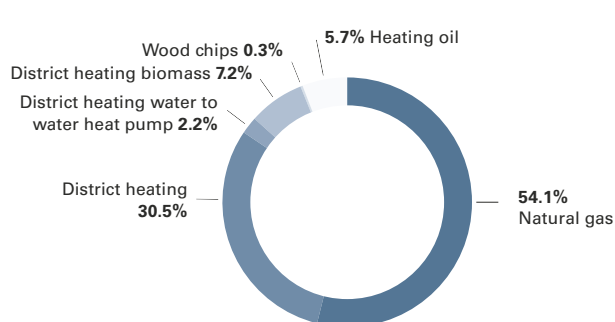
Environmental key performance indicators

Environmental key performance indicators Swiss Prime Site real estate portfolio

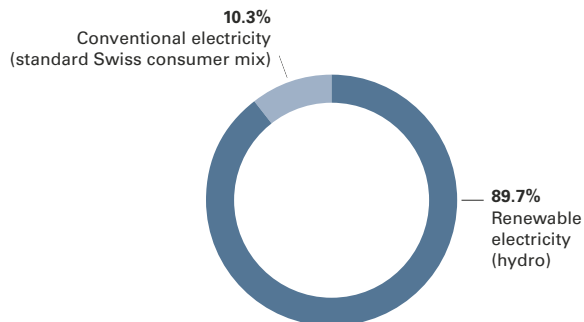
	Unit	2017	2018	2019
Properties	number	166	165	164
Usable floor space	m ²	1 495 880	1 498 155	1 377 921
Total energy consumption (excl. Services)	MWh	211 833	216 476	192 912
Building heating energy consumption ¹	MWh	120 600	123 596	115 642
Heating oil	MWh	8 495	5 497	6 611
Natural gas	MWh	66 082	74 597	62 590
District heating consumption	MWh	45 301	32 516	35 237
District heating water/water heatpump	MWh	416	611	2 561
District heating biomass	MWh	-	10 052	8 353
Wood chips	MWh	307	322	290
Total electricity consumption	MWh	91 233	92 880	77 270
Renewable electricity (hydro)	MWh	53 713	72 263	69 305
Conventional electricity (standard Swiss consumer mix)	MWh	37 520	20 618	7 965
Building total energy intensity	kWh/m ²	141.6	144.5	140.0
Total CO ₂ emissions	tCO ₂ e	38 372	39 074	31 229
Scope 1 emissions	tCO ₂ e	15 352	16 234	-
Scope 2 emissions	tCO ₂ e	23 020	22 840	2 863
Scope 3 emissions	tCO ₂ e	n.a.	n.a.	28 366
Total water use	m ³	888 586	874 334	722 407

¹ Heating energy consumption is weather-adjusted on the basis of heating degree days (HDD).

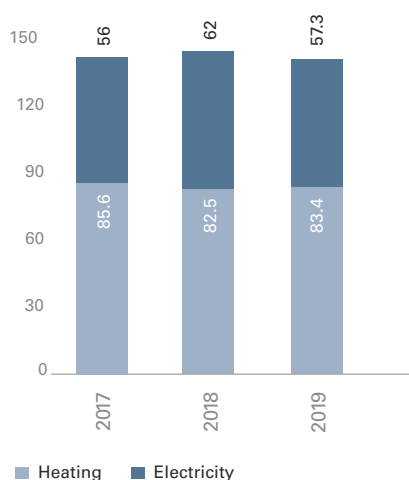
Breakdown by heating energy source



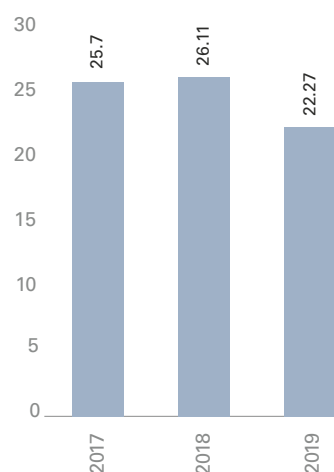
Breakdown by electricity source



Overall portfolio energy intensity
(including services in properties of the Swiss
Prime Site portfolio) (weather-adjusted)^{1,2}
kWh/m²



Overall portfolio CO₂ intensity
(including services in properties of the Swiss
Prime Site portfolio) (weather-adjusted)^{1,3}
in kg CO₂e/m²



Operational resource consumption Swiss Prime Site Immobilien¹

	Unit	2017	2018	2019
Operational energy consumption in buildings	kWh	395 143	373 466	381 469
Renewable electricity	kWh	247 635	235 745	231 338
Conventional electricity	kWh	–	–	–
Heating oil (HDD-adjusted)	kWh	–	–	–
Natural gas (HDD-adjusted)	kWh	142 720	133 845	135 716
Wood chips (HDD-adjusted)	kWh	–	–	–
Wood pellets (HDD-adjusted)	kWh	–	–	–
District heating (from waste incineration, HDD-adjusted)	kWh	4 788	3 876	14 415
Energy intensity ⁴	kWh/m ²	172.2	182.0	184.6
Total CO ₂ emissions	tCO ₂ e	36	33.8	38.1
Scope 1 emissions	tCO ₂ e	32.5	30.5	24.7
Scope 2 emissions	tCO ₂ e	3.5	3.3	3.3
Scope 3 emissions	tCO ₂ e	n.a.	n.a.	10.1
Consumables				
Fresh-fibre paper	t	–	–	–
Recycled paper	t	2.49	1.63	0.93
Toner cartridges	number	174	77	63
Fresh-fibre paper printed matter	t	–	–	–
Recycled paper printed matter	t	0.36	3.41	3.57
Water use	m ³	1 497	945	912

¹ The weather adjustments are based on heating degree days (HDD). For each property, outside air temperature data was obtained from the nearest available meteorological measurement station. No heating degree day adjustments were applied to consumption which was not attributable to weather conditions, nor were any property-specific regression models established to measure sensitivity to heating degree days and sunshine.

² Energy intensity 2019 refers to a total energy consumption of 214 21 917.4 kWh (heating energy: 126 937 312.3 kWh; electricity: 87 280 605.1 kWh) and a floor space of 1 522 650 m².

³ The CO₂ intensity 2019 refers to total emissions of 33 903.8 tCO₂e and a floor space of 1 522 650 m².

⁴ The energy intensity 2019 refers to a floor space of 2 067 m².

Operational resource consumption Wincasa

	Unit	2017	2018	2019
Operational energy consumption in buildings	kWh	3 328 773	3 776 403	3 890 917
Renewable electricity	kWh	823 092	1 229 054	1 174 846
Conventional electricity	kWh	544 445	325 979	337 204
Heating oil (HDD-adjusted)	kWh	153 780	88 986	92 051
Natural gas (HDD-adjusted)	kWh	1 547 113	1 642 259	1 722 269
Wood chips (HDD-adjusted)	kWh	–	–	–
Wood pellets (HDD-adjusted)	kWh	–	–	–
District heating (from waste incineration, HDD-adjusted)	kWh	260 343	490 125	564 547
Energy intensity ¹	kWh/m ²	143.5	156.4	159.4
Total CO ₂ emissions	tCO ₂ e	493	502	672
Scope 1 emissions	tCO ₂ e	399	401	337
Scope 2 emissions	tCO ₂ e	94	101	175
Scope 3 emissions	tCO ₂ e	n.a.	n.a.	160
Consumables				
Fresh-fibre paper	t	33.37	30.09	24.04
Recycled paper	t	–	–	–
Toner cartridges	number	595	389	292
Fresh-fibre paper printed matter	t	8.83	6.33	5.13
Recycled paper printed matter	t	–	–	–
Water use	m ³	15 558	17 465	17 801

¹ The energy intensity 2019 refers to a floor space of 24 411 m².

Operational resource consumption Tertianum

	Unit	2017	2018	2019
Operational energy consumption in buildings ¹	kWh	50 649 341	49 261 204	71 234 466
Renewable electricity	kWh	20 202 939	21 295 215	22 838 931
Conventional electricity	kWh	–	–	–
Heating oil (HDD-adjusted)	kWh	7 881 983	4 806 519	8 433 415
Natural gas (HDD-adjusted)	kWh	16 730 489	15 462 985	32 328 693
Wood chips (HDD-adjusted)	kWh	857 104	804 607	708 474
Wood pellets (HDD-adjusted)	kWh	536 779	896 970	909 930
District heating (from waste incineration, HDD-adjusted)	kWh	4 440 047	5 994 909	6 015 023
Energy intensity ²	kWh/m ²	111.6	113.0	168.5
Total CO ₂ emissions	tCO ₂ e	6 933	5 908	11 984
Scope 1 emissions	tCO ₂ e	6 211	5 005	7 999
Scope 2 emissions	tCO ₂ e	722	903	1 277
Scope 3 emissions	tCO ₂ e	n.a.	n.a.	2 708
Consumables				
Fresh-fibre paper	t	4	22.0	20.2
Recycled paper	t	0.03	1.0	0.6
Toner cartridges	number	1 314	1 493	1 585
Fresh-fibre paper printed matter	t	46	17.3	19
Recycled paper printed matter	t	–	–	–
Water use	m ³	429 218	499 961	478 981

¹ The energy consumption of several properties in French-speaking Switzerland was measured for the first time in 2019. Previously, the energy consumption of these properties was estimated on the basis of assumptions that proved to be too optimistic. For this reason, the total energy consumption increased significantly compared to 2018.

² The energy intensity 2019 refers to a floor space of 422 669 m².

Operational resource consumption Jelmolli

	Unit	2017	2018	2019
Operational energy consumption in buildings	kWh	12 663 691	9 397 242	3 579 840
Renewable electricity	kWh	8 295 249	8 044 918	3 110 241
Conventional electricity	kWh	–	–	–
Heating oil (HDD-adjusted)	kWh	3 923 915	154 612	–
Natural gas (HDD-adjusted)	kWh	444 527	1 197 712	469 598
Wood chips (HDD-adjusted)	kWh	–	–	–
Wood pellets (HDD-adjusted)	kWh	–	–	–
District heating (from waste incineration, HDD-adjusted)	kWh	–	–	–
Energy intensity ¹	kWh/m ²	344.4	255.6	243.4
Total CO ₂ emissions	tCO ₂ e	1'382	440	149
Scope 1 emissions	tCO ₂ e	1 282	320	86
Scope 2 emissions	tCO ₂ e	100	121	4
Scope 3 emissions	tCO ₂ e	n.a.	n.a.	59
Consumables				
Fresh-fibre paper	t	6.72	6.72	5.35
Recycled paper	t	0.58	0.58	0.87
Toner cartridges	number	175	175	168
Fresh-fibre paper printed matter	t	–	–	–
Recycled paper printed matter	t	–	–	–
Water use	m ³	39 775	33 448	34 750

¹ The energy intensity 2019 refers to a floor space of 14 708 m².

Operational resource consumption Swiss Prime Site Solutions

	Unit	2018	2019
Operational energy consumption in buildings	kWh	44 310	41 854
Renewable electricity	kWh	27 970	25 382
Conventional electricity	kWh	–	–
Heating oil (HDD-adjusted)	kWh	–	–
Natural gas (HDD-adjusted)	kWh	15 880	14 891
Wood chips (HDD-adjusted)	kWh	–	–
Wood pellets (HDD-adjusted)	kWh	–	–
District heating (from waste incineration, HDD-adjusted)	kWh	460	1 582
Energy intensity ¹	kWh/m ²	182.0	184.6
Total CO ₂ emissions	tCO ₂ e	4	4.2
Scope 1 emissions	tCO ₂ e	3.6	2.7
Scope 2 emissions	tCO ₂ e	0.4	0.4
Scope 3 emissions	tCO ₂ e	n.a.	1.1
Consumables			
Fresh-fibre paper	t	–	–
Recycled paper	t	0.22	0.22
Toner cartridges	number	10	10
Fresh-fibre paper printed matter	t	–	–
Recycled paper printed matter	t	0.46	0.46
Water use	m ³	127	100

¹ The energy intensity 2019 refers to a floor space of 227 m².

Social topics

401 Employment

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Competent and committed employees are key to mastering future challenges. Over the medium and long term, the success of all group companies depends on how effectively they can recruit and retain qualified staff, foster the development of their skills, entrust them with responsibilities and encourage their commitment to their day-to-day duties and the objectives they share with their colleagues.

Since it is becoming ever harder to recruit qualified ambitious staff, all group companies make a special effort to design an attractive working environment. Swiss Prime Site encourages a positive work-life balance by offering flexible, independent working hours. Flexible work models include flexitime and part-time, home working and mobile working. Roles across all levels may also be less than full-time or job shares. At Wincasa, these models are supported as part of the #weworksmart initiative.

In order to foster the development of the next generation of managers, Swiss Prime Site trains apprentices and offers specific vocational courses and career planning to its talented and promising employees. Initiatives to encourage a culture of appreciation and to ensure employees remain healthy also help to create a positive working atmosphere. In the reporting year, personnel regulations were modernised, including the aforementioned aspects, and implemented at both Swiss Prime Site Immobilien and Swiss Prime Site Solutions.

Regular discussions between the group companies and Swiss Prime Site ensures that the strategic focus and measures are productive. Employee surveys are conducted annually to check that the management approach is effective. The 2019 survey showed that the cooperation within the Company and the performance appraisals are highly valued. Further potential for optimisation was also recognised in the area of streamlining processes.

Wincasa

After introducing seven new cultural dimensions (customer-focused, entrepreneurial, independent, solution-focused, courageous, encouraging, cooperative) in 2018, Wincasa hosted regular workshops in 2019 to embed them within the organisation. They also conducted a satisfaction survey of all senior employees. These activities were also complemented by regular management meetings and site visits by the CEO.

Tertianum

At Tertianum, the Employee Council (PEKO) represented the interests of employees to management, thus ensuring that the company's staff are involved in Tertianum's operations and decision-making. The Council's mission is to ensure that working conditions, the working environment and the range of benefits offered are attractive to employees. It is currently working on harmonising pay levels within a new salary system which Tertianum plans to introduce in stages from 2020.

Jelmoli

In the reporting year, Jelmoli made further progress in digitalising administrative tasks and improving the flow of information to employees. The app that is now available to employees enables them to access news and information quickly and easily on their mobiles. This ensures that all employees have access to the same level of information. The app was enhanced in 2019, so employees can now digitally submit notifications of absence – including a doctor's certificate.

401-1 New employee hires and employee turnover

By focusing on long-term corporate goals, Swiss Prime Site strives to ensure job security and create attractive working conditions. The Company regularly assesses which measures could be implemented to lower the employee turnover rate. High rates of employee turnover are a particular challenge for Jelmoli, Wincasa and Tertianum. At Jelmoli, reducing employee turnover is therefore part of sales managers' agreed targets.

Reorganisations are planned and carried out with a significant sense of responsibility and duty of care and an awareness of individual employees' situations. Temporary contracts are used in the training programme or as transitional solutions in the event of unexpected staff shortages. Tertianum and Wincasa strive to convert temporary contracts into permanent positions.

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

With its attractive salary models and fringe benefits, Swiss Prime Site offers above-average conditions of employment. All staff, whether employed on a full-time or part-time basis, receive benefits over and above the statutory minimum. Contrary to widespread practice, company pension benefits, for example, are not reduced to reflect state pension entitlements.

Additional benefits for Swiss Prime Site employees include discounts at Jelmoli, discounts on insurance and restaurants and reduced prices on public transport. There are also programmes for variable salary components, share option schemes, pension contributions, company celebration days and additional holiday over Christmas. Daily sickness allowance insurance is also provided. In 2019, Swiss Prime Site also updated its policy on paternity leave to provide more benefits to employees.

Jelmoli offers its employees access to external specialists to assist with personal problems. These could include sorting out childcare or caring for relatives. In such cases, employees can make use of up to three days of special leave. Should circumstances make this necessary, employees can anonymously discuss any concerns they may have by calling the integrity line.

In the reporting year, Wincasa introduced the option of buying additional holiday leave. This was taken up by a total of 112 employees.

403 Occupational health and safety

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Swiss Prime Site place significant value on employees' health and their safety at work, as individual skills are very hard to replace, particularly in small teams. Jelmoli has defined a set of internal directives to complement and elaborate the rules and regulations generally applied in the retail sector. In order to improve occupational health and safety, training is offered to raise employees' awareness of the behavioural aspects of safety at work. Practice evacuations are also conducted to increase awareness of the issue. All roles at Swiss Prime Site are designed to be as positive for their employees' health as possible. For example, employees can receive free flu vaccinations.

Should any employee have a grievance regarding health and safety at work, they can approach an internal contact, report the matter to an independent ombudsman service or contact the integrity

line. Tertianum staff can also avail themselves of the services of AXA Care Management. Line managers, the Human Resources department and Health & Safety officers within the Company are responsible for protecting employees' health at work. Regular discussions with employees and monitoring of the absentee rate enable the Company to assess whether measures are appropriate.

Tertianum

For Tertianum employees, the topic is especially important as care work is particularly demanding. Since 2017, all members of the executive management team have also been official in-house Health & Safety officers. They have been trained and audited by an internal «Occupational Health & Safety specialist» who has been certified by the Swiss Federal Office of Public Health. These persons also coordinate the implementation of guidelines issued by the Federal Coordination Commission for Occupational Safety (EKAS).

Tertianum defines annual safety objectives. In the reporting year, each business area updated their evacuation policy and trained employees accordingly. Safety audits are conducted every two years by the Swiss Prime Site Group Health & Safety officer. Additional audits take place regularly in accordance with EKAS 6508 requirements. So far, 18 business areas have been audited by the cantonal labour inspectorates and received very good evaluations. All suppliers and contractors are also integrated into Tertianum's Health & Safety system.

Wincasa

Wincasa also bases its approach on EKAS guidelines and aims for an absentee rate of under 3%. As part of achieving this goal, return-to-work and health discussions are conducted. In the reporting year, all new managers also attended a workshop on health-focused leadership. Employees completed online learning courses on Health & Safety at work. Wincasa also supports employees' health by creating break rooms, providing expert advice on nutrition and metabolism, health campaigns such as the bike2work programme and contributions to gym membership fees.

Jelmoli

At Jelmoli, occupational health & safety is regularly assessed by the City of Zurich Labour Inspectorate. These assessments include fire safety, evacuation plans, emergency policies and escape routes.

403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities

See employee figures.

403-3 Workers with high incidence or high risk of diseases related to their occupation

Tertianum

The long working hours, the physical effort required by daily care activities and the emotional stress arising from the death of guests result in the high absence and employee turnover rates at Tertianum that are typical for this sector. That is why it is essential for the company to observe good standards of health management in its operations. Tertianum provides its employees with the best possible support by monitoring their working hours, conducting return-to-work discussions, providing care management support and offering health checks and vaccinations. Additional systematic measures are planned. In particular, there will be increased focus on managing employees cooperatively in order to reduce the employee turnover rate.

404 Training and development

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Employees' training and development is fundamental to Swiss Prime Site's strategic development and the strength of its employer brand. The constantly changing world of work and shifting requirements require a wide range of training and development offerings. Swiss Prime Site therefore invests heavily in the systematic development of its employees.

Employee training and development programmes are created based on corporate goals and requirements as well as existing and future skills needs. Employees' individual objectives are also taken into consideration. Annual appraisals and meetings about target agreements help Swiss Prime Site to ensure that the training content is appropriate for individual employees' needs and their role. Employees benefit from at least three days of paid leave each year for training and development. Most training and development costs are covered by the Company. The Human Resources department and line managers are responsible for training and development.

All internal courses are systematically evaluated and assessed using the Learning Management System and Excel reports. Instructors receive feedback and are contacted if the concept needs to be adjusted or improved. External courses are also reviewed using ongoing feedback and discussions with course participants.

Wincasa

Employees at Wincasa can find information on current training programmes via the Learning Management System and sign themselves up. Occasionally, individual coaching sessions are organised jointly with line managers. Some areas also benefit from bespoke training programmes in the reporting year. Construction, for example, conducted a leadership workshop on department-specific topics. In addition, individually tailored training was offered as part of the Talent Pool programme, looking at transformation and cultural dimensions. Absence management training was developed for managers to help them provide support for sickness- or accident-related absences.

Tertianum

In order to meet its growing need for qualified staff, Tertianum sets particular store on employee retention and training and development. In the reporting year, Tertianum continued its successful collaboration with Careum. Careum, an institution specialising in health and social care training, organises, administers and supports the development and concept planning of Tertianum's training packages. This covers care, employee leadership, occupation training, guest care, gastronomy, IT, administration and technology. The training packages are aimed at specialists and managers across all areas. A new post has also been created to coordinate the training packages. The aim is to further professionalise the range of training packages and their organisation.

404-1 Average hours of training per year per employee

See key figures of group companies.

404-2 Programmes for upgrading employee skills and transition assistance programmes

Swiss Prime Site Group

Each year, two Welcome Days are held for new senior employees. Swiss Prime Site also organises a Management Day once a year for all managers. These events give the group companies the opportunity to introduce themselves to new employees. They also promote awareness of the group's diversity and help participants to establish informal networks. The courses «The first 100 days in a new job» and «The first 100 days as a manager» help managers to settle into their new position. Swiss Prime Site also offers older employees retirement preparation courses to help them with the transition from their professional life into retirement.

Since 2017, there has been a group-wide leadership programme to establish common understandings of leadership and promote mutual exchanges of knowledge and support. This programme communicates and embeds corporate values and positive leadership styles as well as practical leadership tools. In the reporting year, a «Change Management» module was added to the pro-

gramme. More than 80 managers have already completed the first three modules in the leadership programme. Further additions are planned for 2020. These will look at Learning with New Media, Working from Home and Recruitment. There are also plans to provide employees with access to the LinkedIn learning platform.

Wincasa

In the reporting year, Wincasa focused on training in relation to digitalisation and handling new technology. Training also covered project development, transformation and cultural development. As part of the Mentoring@Transition programme, 14 mentors were trained in two sessions in the reporting year. Training was also conducted on a range of legal topics including tenant law.

Wincasa aims to increase the number of annual training hours to a minimum of eight hours per FTE by 2020.

Tertianum

In 2019, Tertianum offered a large number of training sessions for nursing and care specialists as well as for employees working in housekeeping, service, catering and facility management. A camp was also held for apprentices in the reporting year.

Jelmoli

At Jelmoli, the focus in 2019 was on sales training and language courses. These aim to ensure that customers' exacting demands can always be met. The specific aim is for tourist to be served expertly in their first language.

Swiss Prime Site Solutions

Swiss Prime Site Solutions supports their employees' training objectives with the aim of further improving the quality of service. Measures focused particularly on specialist and management skills as well as language skills, with individual interests taken into consideration.

404-3 Percentage of employees receiving regular performance and career development reviews

At Swiss Prime Site, individual training and development goals are defined as part of the annual appraisal.

405 Diversity and equal opportunity

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Equal treatment and equality of opportunity form the basis of a respectful and productive working environment. Diversity – of people, opinions and experience – is actively supported throughout the group. The guiding principles for interaction between employ-

ees are defined by the group-wide corporate values and the Code of Conduct. Swiss Prime Site also supports the United Nations' «Women's Empowerment Principles» and details its activities relating to the different principles in the GRI report (see GRI 401, 404, 405 and 406).

In the reporting year, Swiss Prime Site Immobilien and Wincasa's level of equal pay between men and women was assessed using the Swiss federal government's Logib tool. Levels of equal pay will continue to be assessed over the next few years and – where necessary – appropriate measures introduced. In order to ensure full equality of opportunity, however, there are other key factors such as fair recruitment processes and the provision of flexible working models (see GRI 401 Employment).

While every individual employee bears personal responsibility for his or her work, overall responsibility rests with the Executive Board and the Human Resources department. Should employees have a grievance or wish to report an irregularity, they can make an anonymous call to the integrity line.

Wincasa

The pay analysis at Wincasa showed that the company is paying salaries in line with the industry benchmark. In some roles, however, including specialist roles (e.g. IT, construction management, processing), some regional, structural salary adjustments will be needed in 2020. Another reason for these adjustments is the planned move of Wincasa's headquarters from Winterthur to Zurich.

Wincasa aims to increase the proportion of women in leadership roles to at least 50% by 2020.

Tertianum

In the reporting year, Tertianum created a new pay system, which will be introduced in 2020. The new pay scales will be compared over time using an internal benchmark and adjusted as necessary. This should help to standardise pay and create more fairness and transparency.

405-1 Diversity of governance bodies and among employees

See employee figures.

406 Non-discrimination

103-1 Management approach

103-2

103-3

Swiss Prime Site considers that open and respectful interactions with each other is fundamental to successful collaboration, both within the Company and with third parties. The principle of non-discrimination is defined in the group-wide Code of Conduct, which is more than just laws and regulations.

Swiss Prime Site understands the principle of non-discrimination to mean that all employees should have equal access to opportunities. This includes a ban on discriminating against or disparaging groups or individuals because of their gender, nationality, sexual orientation, religion, age, marital status, beliefs, social background or physical or mental impairment. This applies to all areas, including recruitment, promotion, training and development and equal pay.

In the new, group-wide General Terms of Employment and in the Code of Conduct, Swiss Prime Site commits to the protection of employees' individuality and integrity. This includes recognising and having consideration for each employee's personality, health and integrity. The Swiss Prime Site Group condemns and prohibits unjust treatment, bullying, sexual harassment or discrimination of any kind. It supports employees defending themselves without suffering any resulting disadvantages. Should employees have a grievance or wish to report an irregularity, they can make an anonymous call to the integrity line.

406-1 Incidents of discrimination and corrective actions taken

No cases of discrimination were identified in 2019.

308 Supplier environmental assessment

414 Supplier social assessment

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

Swiss Prime Site appreciates that procurement must also be conducted sustainably as part of a comprehensive, company-wide approach to the issue. By carefully selecting suppliers and through contractual obligations, Swiss Prime Site can ensure that social and environmental aspects are factored in throughout the supply chain. Swiss Prime Site Immobilien's general business terms for

suppliers include requirements relating to quality management, safety at work and working conditions. Swiss Prime Site also bases these on internationally recognised human rights principles including the Universal Declaration of Human Rights (see also GRI 102-9 Supply Chain).

Swiss Prime Site Immobilien

Swiss Prime Site Immobilien transfers the obligation to comply with statutory safety-at-work requirements fully to all general contractors and the latter's subcontractors. Before construction commences, an accident prevention safety concept must be drawn up, which Swiss Prime Site Immobilien has to approve. No complaints regarding infringements of statutory requirements have been recorded at any Swiss Prime Site Immobilien site in the last ten years.

The origin of all materials used in a project, such as carpets, façade coverings and premium-wood panelling must be certified, and Swiss Prime Site Immobilien takes particular care to ensure that all materials are produced in accordance with human rights conventions and its Code of Conduct. In order to raise its suppliers' awareness of these issues, the company requires them to submit appropriate certificates and self-declaration forms. Suppliers must also provide evidence that there is no unethical behaviour such as child labour or forced labour, harassment, abusive behaviour or exploitation anywhere in the production and procurement chain. Where possible, raw materials are procured from local or domestic production.

Wincasa

Wincasa places great importance on working with business partners and suppliers who share its values, including current sustainability criteria. In individual cases, the application of these values depends on owners' needs and requirements. If requested, appropriate clauses on social or environmental topics can be added to the standard contract. An example of this was the drafting of a framework agreement for painters and flooring installers for a building owner's entire portfolio. Significant emphasis was placed on environmental and social aspects, including a preference for using regional products containing low concentrations of solvents. Unless additional requirements are stipulated, Wincasa works within the limits required by law.

In the reporting year, the new quality management system for manual and construction work was introduced; in future, this will also contain sustainability criteria. These criteria require standard quality management certifications (ISO 9001), environmental management (ISO 14000) or occupational health & safety management (OHSAS 18001). Depending on the activity, there are also specific certifications for fire safety, lift systems and refrigeration systems.

Jelmoli

Jelmoli's food procurement policies are primarily focused on environmental considerations, while its purchases of textiles and products for use in the home are mainly guided by its social priorities. This latter policy reflects the fact that working conditions in textile-producing countries are often problematic. Its position at the higher end of the textiles market enables Jelmoli to be in contact with both suppliers and their manufacturers based in Europe. In 2019, this enabled Jelmoli to harmonise and streamline its purchasing negotiations and to factor in sustainability and ethical considerations. All suppliers are now routinely questioned on their partnerships with NGOs and their sustainability and ethics policies. Jelmoli regularly gathers data about which labels are used by the individual brands, such as «Fair Trade» or «FSC».

Tertianum

Tertianum follows a similar approach. Their purchasing strategy stipulates that when the company buys goods and products for the first time, it will prioritise those which meet specific ethical and environmental standards and can be delivered and disposed of with minimal environmental impact. In addition, a Code of Conduct will be implemented in 2020 for all contractual partners. This includes topics such as the ban on child labour and forced labour, freedom of association and tariff negotiations, non-discrimination and fair pay and working hours for suppliers' employees.

308-1 New suppliers that were screened using environmental criteria

414-1 New suppliers that were screened using social criteria

At Wincasa, around 30% of suppliers are assessed based on social and environmental criteria in centrally administered framework agreements. The new quality management system can help raise this quota to over 50% of suppliers. The rest of procurement is not carried out centrally and so cannot be checked by the Purchasing department.

416 Customer health and safety

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

The needs and well-being of clients are at the heart of Swiss Prime Site's actions. Swiss Prime Site monitors physical health risks by complying with legal regulations and checks by the relevant authorities and governing bodies (including the Occupational Health & Safety Inspectorate, the Fire Safety Inspectorate, SUVA, etc.).

Swiss Prime Site Immobilien

Swiss Prime Site Immobilien and Swiss Prime Site Solutions adhere strictly to all building regulations and requirements, safety-at-work directives and guidelines on barrier-free building design. Where relevant, the criteria for the various types of building certification are also observed. Requirements forbidding the use of hazardous materials are met by appropriate provisions in contracts with suppliers.

In addition to carrying out preventive measures such as evacuation exercises and fire-alarm tests, Wincasa also develops property-specific safety concepts for Swiss Prime Site Immobilien for properties exposed to greater levels of risk. Tenant-specific requirements regarding access controls or technical redundancy systems, such as the installation of backup generators, are also taken into consideration.

Safety also encompasses natural and environmental risks. These are assessed by region and property and covered by appropriate insurance policies. The changing climate requires that building envelopes and technologies be adapted to withstand more extreme meteorological and climatic conditions. When purchasing properties, the company assesses their environmental risks as part of its due diligence process. Existing properties are checked for their level of protection against earthquakes.

Wincasa

Depending on the mandate and requirements of each real estate owner, Wincasa fulfils a range of tasks, including formulating safety and security concepts, reporting on the performance, safety and condition of buildings and earthquake-resilience projects. All properties are managed by fully-trained property managers. They ensure compliance with all applicable safety regulations (relating to hygiene, noise, light, emissions, use of chemicals, etc.).

Tertianum

The health and safety of its guests is Tertianum's number one priority. Robust security procedures and continuous monitoring of guests' health are important duties for the company's staff. Employees attend regular training courses to learn the skills they need to avoid individual mistakes and to correct them should they occur. Every Tertianum centre also has its own security manager, who works with staff to ensure that hygiene and security directives are observed.

Jelmoli

Jelmoli places enormous emphasis on the health and safety of its customers. The design of the building itself and the quality of their products both reflect this priority. Responsibility for security at Jelmoli does not rest solely with its six internally trained paramed-

ics and the security staff on each floor; all employees accept responsibility for looking after their customers and are fully trained in the company's safety policy. Jelmoli has annual spot checks by the local authorities, who also review individual products. Jelmoli also carries out its own review of the quality, health and safety of products using their supplier code.

416-1 Assessment of the health and safety impacts of product and service categories

Wincasa

As part of its internal control system, Wincasa checks its properties each year against a list of safety points. An annual check is also conducted to ascertain whether centres are carrying out the required safety exercises and training, with announced checks performed on large centres and spot checks on smaller centres. Wincasa has its own in-house emergency handbook.

In 2019, Wincasa carried out a joint workshop with its building insurers to help improve the safety of commercial tenants and their customers by means of transparent communication between owners, owner representatives, facility managers and tenants.

Tertianum

Tertianum applies ISO 9001 to help further improve its service quality. ISO certification has already been carried out in Western Switzerland and in the canton of Graubünden. All processes are regularly evaluated in the course of internal audits and external checks carried out by regulators and insurers. All interventions relating to health and safety are monitored in accordance with Critical Incident Reporting System (CIRS) criteria and other established protection protocols.

Jelmoli

Two successful practice evacuations were carried out at Jelmo li in the reporting year. Employees who are responsible for a specific area in the event of an evacuation are trained and tested four times a year.

417 Marketing and labelling

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

It is essential that the Swiss Prime Site Group provides transparent information for customers and tenants to ensure the group's credibility and trustworthiness on the market.

Jelmoli

It is particularly important for Jelmo li to provide accurate product declarations and comprehensive information for their customers. Providing erroneous or insufficient product information would negatively impact customers and thus have a serious effect on Jelmo li's reputation. In addition, the plethora of information now available, particularly on social media, has created a highly transparent world, in which inadequate products or services can rapidly attract public attention. Correct labelling is regularly checked as part of checks by local authorities.

Tertianum

In providing services to its guests, some of whom have specific care needs, Tertianum is assuming a substantial responsibility. For that reason, the services, risks and risk-mitigation measures involved all need to be precisely defined. These aspects are covered in binding agreements concluded between Tertianum and its guests. In recent years, demand for individually configured services has increased. Tertianum has responded to this by developing a modular catalogue of services from which it can tailor individualised service offerings. The company regularly evaluates, adapts and expands its service catalogue. Caring for and supporting older people requires a wide range of permissions and strict compliance with numerous regulatory requirements.

Swiss Prime Site Solutions

Swiss Prime Site Solutions ensures that its customers always have sufficient information to make sound investment decisions. Information is provided on its website, in presentations, through brochures and in reports, all with aim of maximising transparency.

417-1 Requirements for product and service information and labelling

Jelmoli

At Jelmo li, articles subject to declaration requirements include food, bodycare products and household equipment. Typically, these declarations must provide details of a product's country of origin, the substances it contains and its composition, as well as details of how to use it, dispose of it or recycle it. Jelmo li's purchasing and sales departments constantly review these requirements. Jelmo li sees the duty to provide comprehensive product descriptions as resting primarily with manufacturers and suppliers. Where declarations are incomplete or implausible, Jelmo li does everything in its power either to obtain the missing information or, in the case of sensitive products, to take appropriate preventive measures. As a last resort, the company is prepared to consider cancelling its supply contracts.

Tertianum

Adult guardianship law is particularly important for Tertianum. This legislation determines who is permitted to represent the interests of an adult in the event of his or her mental capacity becoming impaired and what medical procedures can be carried out. The way in which food and medicines are described and labelled is also subject to specific legislation. Besides requiring disclosure of the origin of these products and the substances they contain, these laws also lay down safe procedures for storing and disposing of them. The relevant authorities verify compliance with these various duties on a regular basis.

When investing in socially beneficial and environmentally friendly products and services, Swiss Prime Site Solutions follows the guidelines issued by the Swiss Prime Investment Foundation as well as the demands of the market. For larger residential construction projects such as the Riverside superstructure in Zuchwil in Solothurn, the company aims for a good mix of tenants and therefore offers residential properties for people and families with lower incomes. Swiss Prime Site Solutions also sees itself as an urban catalyst and strives to invest in a variety of property uses. This may include, for example, properties for student living or in the educational sector.

CRE8 Product and service labelling

Swiss Prime Site Immobilien

The demand for energy-efficient, environmentally sound real estate is rising, with more users prioritising environmental labels and certifications. Swiss Prime Site Immobilien therefore assesses each property to establish which labels would be appropriate. The company is focusing more strongly on the comprehensive criteria in the Swiss Sustainable Building Standard (SNBS) for future construction projects. At the end of 2019, seven properties had a sustainability label, corresponding to 15% of the space in the portfolio. Properties already certified as Minergie®, LEED or DGNB include the headquarters of Swiss Post in Berne, the Prime Tower, the SkyKey and Media Park in Zurich, Stückli Park in Basel and the Opus 1 and 2 buildings occupied by Siemens in Zug. In 2019, the Schönbühl project at the former Swiss Post headquarters in Berne was also renovated to meet SNBS criteria. For the largest development project in Geneva, Pont Rouge, the company adhered to SNBS requirements and is hoping to receive certification after completion in 2022.

Other socially beneficial and environmentally friendly products and services

The other group companies are also striving to offer products and services with specific social or environmental added value. Win-casa is working together with the Domicil Foundation, which organises housing for socially and economically disadvantaged people and acts as guarantor if necessary.

Jelmoli is also planning to expand its range of environmentally friendly products, but is restricted to the selection available from individual brands in the high-price segment of the market. There are still only a few products that fit into Jelmoli's range while also demonstrating environmental added value.

418 Customer privacy

103-1 Management approach

103-2

103-3

Swiss Prime Site Group

As part of their business activities, all group companies record personal and confidential data relating to tenants and clients. Every group company is expected to be extremely vigilant in protecting this data and to rise to the ever greater challenges presented by data protection. Data protection encompasses all organisational and technical measures required to prevent data from being lost, falsified or accessed without proper authorisation. Swiss Prime Site's information security and data protection concept defines how protection in these two areas can be maintained and continuously improved.

With regard to employees, Swiss Prime Site explicitly affirms its commitment to data protection and the confidentiality of personal data in its General Terms of Employment. The Company has a personal file for each employee and takes all appropriate measures to protect employees' data from unauthorised disclosure or access. Swiss Prime Site also ensures that any personal data is accurate and regularly checks that it is up to date. Employees have the right to demand that any erroneous personal data is amended, and to have access to their personal file. Swiss Prime Site has also set out regulations further elaborating its commitment to data protection. Violations of data security can be reported to the integrity line at any time.

All group companies check all data processing procedures to see if they fall within the scope of the European General Data Processing Regulations (GDPR). If a group company is carrying out an activity that is subject to GDPR, it ensures compliance with the principles of the GDPR and safeguards the rights of the person involved.

Wincasa

Due to customers' increasing security requirements, Wincasa transferred its customer data to a Microsoft server in Switzerland as at 1 October 2019. Wincasa also strengthened its data security in 2019 by introducing a range of measures. The company conducted an introductory session for all new employees on the topic of information security. Additional training was offered to existing employees. Wincasa also raised employees' awareness about cyber risks by using self-triggered phishing attacks. It also published regular articles on the topic on the intranet.

In addition to raising awareness within the company and offering training, Wincasa conducted several technical security reviews to identify potential weak points in applications, systems and net-

works. Security incident response processes were defined, including escalation and notification paths and countermeasures. Wincasa also brought in an external Chief Information Security Officer (CISO) for a professional, independent assessment of its information security.

Tertianum

The protection Tertianum affords its guests not only covers their health but also includes a duty to exercise great care in protecting the fundamental rights enshrined in Switzerland's constitution, including the right to privacy. The protection of privacy firstly covers the external processing and handling of confidential health-related data. Secondly, companies must ensure that privacy is protected in residential and nursing care facilities. At Tertianum, it is not just senior management, the IT department and the data protection officer who are responsible for protecting the privacy of guests, but all employees. Tertianum has defined a set of internal principles governing the handling of confidential data which also encompass information relating to employees and business partners. When they sign their employment contracts with Tertianum, all staff also commit to a duty of care with regard to personal privacy. In addition, the company holds training courses on this topic in order to reinforce awareness of the issues involved among its staff. Sensitive data is managed using a password-protected system. Data protection is also included in the quality management, ISO and sanaCERT certifications and in audits by supervisory authorities. Furthermore, mechanisms are in place for both guests and employees to lodge complaints should they come across any infringements of data-security regulations. Guests can address their complaints to the care and support management team, the executive management, company management and, ultimately, to the cantonal ombudsman or the national data protection intervention unit.

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

No breaches of data security or data protection are known to have occurred since Swiss Prime Site was founded.

- 307 Environmental compliance
- 419 Socioeconomic compliance
- 103-1 Management approach
- 103-2
- 103-3

Swiss Prime Site Group

Swiss Prime Site’s corporate values and the group-wide Code of Conduct (see GRI 102-16) form the basis of its compliance policies. Naturally, Swiss Prime Site is fully compliant with Swiss law and the requirements of the SIX Swiss Exchange. Acting in accordance with the law and its own internal directives is just as important to Swiss Prime Site’s reputation and success as transparency and open communication.

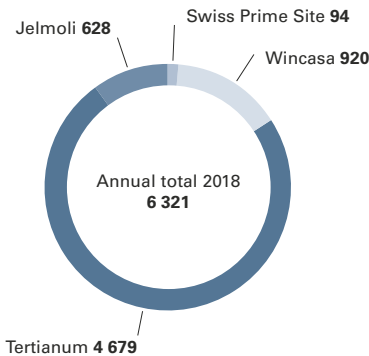
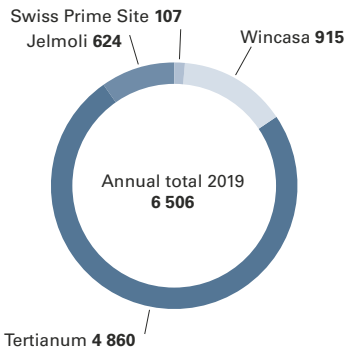
In 2019, the Swiss Prime Site Group undertook a full revision of all regulations and tailored its internal regulations to the principles set out in the Code of Conduct. Swiss Prime Site also reviewed the content of the Responsible Business Initiative and any consequences for the group companies. For Swiss Prime Site Immobilien, implementing the Initiative could have an impact on the procurement of construction materials. It could also affect purchasing regulations at Jelmoli.

Swiss Prime Site has a notification system for whistleblowing and to handle any internal grievances or breaches of the law. Employees can report incidents using the EQS Group’s external, independent integrity platform. This is not part of Swiss Prime Site. The Human Resources and Legal & Compliance departments are notified of any incidents and then report them in anonymised form to the CEO and the Board of Directors.

- 307-1 Non-compliance with environmental laws and regulations
- 419-1 Non-compliance with laws and regulations in the social and economic area

No infringements of environmental laws or other legislative provisions were identified in 2019.

Employer Figures
Employees by group company



Swiss Prime Site Group

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees ^{1,2}	1 343	3 999	5 342	1 494	4 284	5 778	1 556	4 324	5 880
Trainees	123	355	478	149	394	543	186	440	626
Apprentices	98	300	398	115	279	394	159	373	532
Interns	25	55	80	34	115	149	27	67	94
Total	1 466	4 354	5 820	1 643	4 678	6 321	1 742	4 764	6 506
Full time/part time^{1,2}									
Full time	1 188	2 070	3 258	1 218	1 839	3 057	1 398	2 007	3 405
Part time <50%	67	488	555	122	586	708	59	490	549
Part time 50%–79%	64	842	906	87	994	1 081	89	962	1 051
Part time 80%–99%	147	954	1 101	216	1 259	1 475	196	1 305	1 501
Total	1 466	4 354	5 820	1 643	4 678	6 321	1 742	4 764	6 506
Age distribution^{1,2}									
Employees < 25 years	212	642	854	302	901	1 203	278	795	1 073
Employees 25–35 years	373	1 022	1 395	353	957	1 310	450	1 143	1 593
Employees 36–45 years	331	829	1 160	348	843	1 191	386	913	1 299
Employees 46–55 years	341	1 119	1 460	400	1 229	1 629	400	1 137	1 537
Employees > 55 years	209	742	951	240	748	988	228	776	1 004
Total	1 466	4 354	5 820	1 643	4 678	6 321	1 742	4 764	6 506
Fixed term/permanent^{1,2,3}									
Permanent staff	1 343	3 999	5 342	1 494	4 284	5 778	1 556	4 324	5 880
thereof Members of the Executive Board ⁴	26	8	34	25	12	37	18	8	26
Trainees	123	355	478	149	394	543	186	440	626
Supernumary staff	5	47	52	17	40	57	0	30	30
Janitors	13	25	38	15	17	32	5	7	12
Other temporary staff	7	11	18	n.a.	n.a.	n.a.	10	11	21
Total	1 491	4 437	5 928	1 675	4 735	6 410	1 757	4 812	6 569

¹ Members of the Board of Directors are not included.

² There are deviations from the 2017/2018 reporting due to subsequently adjusted data consolidation.

³ Year-end headcount, including janitors, supernumerary and other temporary staff.

⁴ The five members of the Group Executive Board are not included. They are reported as permanent employees.

Key occupational health and safety indicators

Rates in %	2017			2018			2019		
	Accident	Illness	Absentee	Accident	Illness	Absentee ¹	Accident	Illness	Absentee
Swiss Prime Site Immobilien	0.0	1.3	1.3	n.a.	n.a.	0.9	0.0	1.3	1.4
Swiss Prime Site Solutions	0.0	6.7	6.7	n.a.	n.a.	0.3	0.0	0.6	0.6
Wincasa	0.3	2.4	2.7	n.a.	n.a.	2.8	0.3	3.4	3.7
Tertianum	0.6	4.2	4.8	n.a.	n.a.	5.7	0.9	5.2	6.1
Jelmoli	0.4	3.3	3.7	n.a.	n.a.	4.5	0.4	2.8	3.2

¹ The absentee rate 2018 was corrected retroactively. In the Annual Report 2018, the value 2.17% was published.

Staff fluctuation rate by group company

Rates in %	2017	2018	2019
Swiss Prime Site Immobilien	2.0	8.3	6.4
Wincasa	18.6	21.5	24.1
Tertianum	22.8	26.6	28.0
Jelmoli	19.4	28.4	26.3
Swiss Prime Site Solutions	n.a.	0.0	12.1
Group average	21.7	25.9	26.9



Key figures of the group companies

Swiss Prime Site Immobilien

	Unit	2017	2018	2019
Stakeholders				
Tenants	number	approx. 2 000	approx. 2 000	approx. 2 000
Documented tenant meetings	number	approx. 40	40	40
Finance				
Operating income (segment Real Estate)	CHF million	478	509	519
Investments in training and development	% of total payroll	1.29	0.82	0.82
Portfolio value	CHF million	10 633	11 204	11 765
Real estate costs	CHF million	63	64	65
Investments in projects and development	CHF million	204	200	288
Revaluation gains	CHF million	66	68	204
Net rental income	CHF million	424	434	437
Infrastructure				
Properties	number	188	190	187
Usable floor space	m ²	1 575 102	1 567 288	1 604 451
Vacancy rate	%	5.2	4.8	4.7
Innovation				
Floorspace development projects	m ²	375 000	325 000	350 000
Ecology (Services)				
Total energy consumption	MWh	395.1	373.5	381.5
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	36	33.8	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	n.a.	38.1
CO ₂ intensity per m ²	kg CO ₂ e/m ²	15.7	16.46	18.5
CO ₂ intensity per FTE	kg CO ₂ e/FTE	612.2	642.6	597.9
Water use	m ³	1 496.5	945	911.9
Ecology (Portfolio)				
Total energy consumption	MWh	211 833	216 476	192 912
Energy intensity	kWh/m ²	141.6	144.5	140.0
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	38 372	39 074	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	n.a.	31 229
CO ₂ intensity per m ²	kg CO ₂ e/m ²	25.65	26.08	22.66
Water consumption	m ³	888 586	874 334	722 407
Properties with contaminated soil	ha	32.35	32.35	32.35
Decontamination measures	CHF million	2	1.3	1.1
Employees				
Employees	number	51	59	70
Fluctuation rate	%	2	8.33	6.38
Absentee rate	%	1.32	0.94	1.36
Women in executive positions	%	n.a.	41	40

Wincasa

	Unit	2017	2018	2019
Stakeholders				
Branches	number	24	27	28
Direct suppliers	number	70	70	67
Proportion of Top 10 clients	%	90.3	92.9	91
Finance				
Operating income (segment Services)	CHF million	142	144	148
Investments in training and development	% of total payroll	1.33	1.01	0.83
Assets under management	CHF million	66	68	71
Rental income for clients	CHF million	3 137	3 290	3 294
Volume of transactions advised	CHF million	500	450	440
Monetary value of Kaizen	CHF million	0.435	0.21	0.045
Infrastructure				
Properties managed	number	233 000	233 300	240350
Construction projects	number	1 670	1 766	1 634
Share of residential in portfolio	%	38.4	36.8	44
Share of office and retail in portfolio	%	61.6	63.2	56
Innovation				
Kaizen ideas put into effect	number	404	350	290
Ecology (Services)				
Total energy consumption	MWh	3 328.8	3 776.4	3890.9
Energy intensity	kWh/m ²	143.5	156.4	159.4
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	493	502	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	n.a.	672
CO ₂ intensity per m ²	kg CO ₂ e/m ²	21.26	20.79	27.87
CO ₂ intensity per FTE	kg CO ₂ e/FTE	620.05	647.7	806.77
Water use	m ³	15 557.6	17 465	17 800.5
Employees				
Employees	number	940	920	915
Fluctuation rate	%	18.59	21.51	24.12
Absentee rate ¹	%	2.71	2.8	3.68
Women in executive positions	%	n.a.	43	37

¹ The absentee rate 2018 was corrected retroactively. In the Annual Report 2018, the value 2.17% was published.

Tertianum

	Unit	2017	2018	2019
Stakeholders				
Residential guests	number	1 637	1 658	1 759
Nursing care guests	number	2 544	2 805	3 122
Guest satisfaction	% satisfied/ very satisfied	n.a.	n.a.	82.2%
Finance				
Operating income (segment Services)	CHF million	360	397	424
Investments in training and development	% of total payroll	0.97	0.85	1.24
Costs of care supplies and medication	CHF million	3.44	3.94	4.35
Infrastructure				
Operations	number	76	77	80
Care capacity utilisation	%	89.2	85.2	91.6
Residential capacity utilisation	%	84.8	84.8	81.2
Ecology (Services)				
Total energy consumption	MWh	50 649.3	49 261.2	71 234.5
Energy intensity	kWh/m ²	111.56	112.99	168.53
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	6 933	5 908	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	n.a.	11 984
CO ₂ intensity per m ²	kg CO ₂ e/m ²	15.27	13.55	28.35
CO ₂ intensity per FTE	kg CO ₂ e/FTE	2 001.45	1 582.8	3 032.05
Water use	m ³	429 218	499 961	478 981
Employees				
Employees	number	4 303	4 679	4 860
Fluctuation rate	%	22.84	26.64	27.97
Absentee rate	%	4.8	5.65	6.09
Women in executive positions ¹	%	n.a.	7	56.98
Proportion of care staff with secondary or tertiary educational qualifications	%	>50	>50	>50

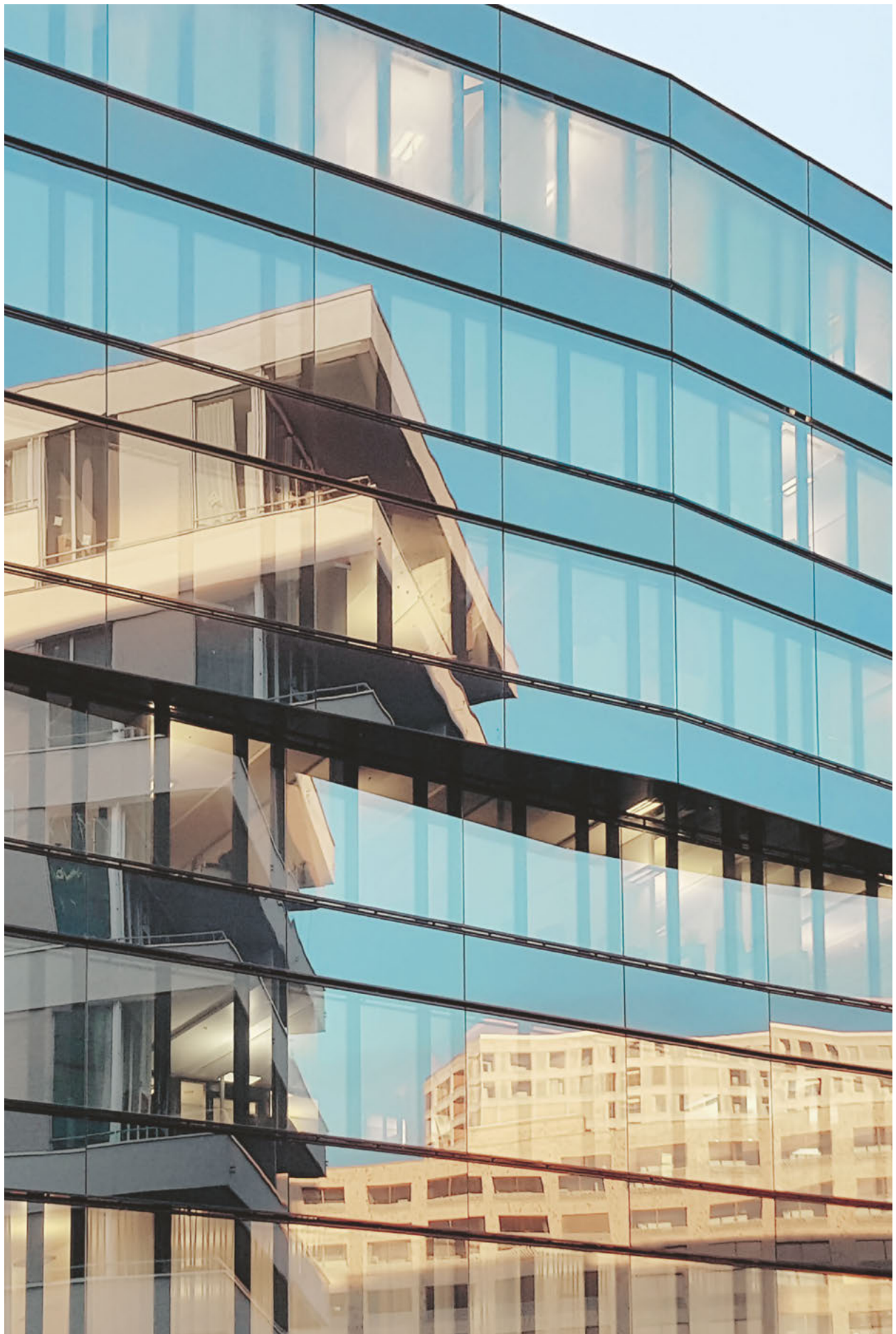
¹ The sharp increase in the proportion of women in 2019 is due to a new categorisation of management staff. In addition to the executive management and the managing directors, also the divisional managers are counted as management staff.

Jelmoli

	Unit	2017	2018	2019
Stakeholders				
Customers with J-Card	number	>250 000	281 600	300 740
Customer satisfaction (word of mouth n = 100)	Net Promoter Score (NPS), %	96	93	n.a.
Finance				
Operating income (segment Services)	CHF million	136	131	128
Investments in training and development	% of total payroll	1.06	0.99	0.51
Infrastructure				
Retail floor space (total floor space 33 000 m ²)	m ²	24 000	24 000	25 000
Items sold per sales receipt	number	1.94	1.98	2.01
Innovation				
Brands	number	approx. 1 000	approx. 1 000	approx. 1 000
Items	number	approx. 1 000 000	approx. 1 000 000	approx. 1 000 000
Ecology (Services)				
Total energy consumption	MWh	12 663.7	9 397.2	3 579.8
Energy intensity	kWh/m ²	344.40	255.57	243.39
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	1 382	440	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	n.a.	149
CO ₂ intensity per m ²	kg CO ₂ e/m ²	38	12	10
CO ₂ intensity per FTE	kg CO ₂ e/FTE	2 760.14	887.1	300.1
Water use	m ³	39 755	33 448	13 900
Employees				
Employees	number	623	628	624
Fluctuation rate	%	19.4	28.4	26.3
Absentee rate	%	3.73	4.5	3.2
Women in executive positions	%	n.a.	46	50

Swiss Prime Site Solutions

	Unit	2018	2019
Stakeholders			
Pension funds/investors of Swiss Prime Investment Foundation	number	250	280
Finance			
Operating income (segment Services)	CHF million	8.5	13.5
Investments in training and development	% of total payroll	0.46	1.04
Infrastructure			
Assets under management	CHF billion	1.6	2.3
Acquisitions in the reporting year	number of objects	12	25
Value of the development pipeline	CHF million	122.7	161.0
Innovation			
Floor space of development projects	m ²	28 350	42 789
Ecology (Services)			
Total energy consumption	MWh	44.3	41.9
Energy intensity	kWh/m ²	182.0	184.6
CO ₂ emissions (Scope 1, 2)	tCO ₂ e	4	n.a.
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	n.a.	4.2
CO ₂ intensity per m ²	kg CO ₂ e/m ²	16.5	18.5
CO ₂ intensity per FTE	kg CO ₂ e/FTE	615.4	445.3
Water use	m ³	127.2	100.1
Employees			
Employees	number	9	10
Fluctuation rate	%	0.00	12.12
Absentee rate	%	0.33	0.58
Women in executive positions	%	0.00	16.67



GRI Content Index



For the Materiality Disclosures Service, GRI Services reviewed whether the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 accord with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the German version of the report.

This report has been prepared in accordance with the GRI Standards: «Core» option.

Universal Standards

		Page/Information
GRI 101: 2016	Foundation	
GRI 102: 2016	General disclosures	
Organizational profile		
102-1	Name of the organization	114
102-2	Activities, brands, products, and services	20–23
102-3	Location of headquarters	CH-4601 Olten
102-4	Location of operations	28
102-5	Ownership and legal form	Corporate Governance Report, p. 6
102-6	Markets served	22
102-7	Scale of the organization	20
102-8	Information on employees and other workers	97
102-9	Supply chain	70
102-10	Significant changes to the organization and its supply chain	22
102-11	Precautionary Principle or approach	24
102-12	External initiatives	70
102-13	Membership of associations	70
Strategy		
102-14	Statement from senior decision-maker	7
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	71
Governance		
102-18	Governance structure	18–19
Stakeholder engagement		
102-40	List of stakeholder groups	71
102-41	Collective bargaining agreements	73
102-42	Identifying and selecting stakeholders	71
102-43	Approach to stakeholder engagement	71
102-44	Key topics and concerns raised	71
Reporting practice		
102-45	Entities included in the consolidated financial statements	Corporate Governance Report, p. 3–5
102-46	Defining report content and topic boundaries	38
102-47	List of material topics	41

		Page/Information
102-48	Restatements of information	Are explained at the relevant place in the report.
102-49	Changes in reporting	38
102-50	Reporting period	01.01.2019–31.12.2019
102-51	Date of most recent report	February 2018
102-52	Reporting cycle	annually
102-53	Contact point for questions regarding the report	113
102-54	Claims of reporting in accordance with the GRI Standards	106
102-55	GRI content index	106
102-56	External assurance	110

Topic-specific Standards

		Page	Reason for omission
GRI 200	Economic topics		
GRI 201: 2016	Economic performance		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	74	
201-1	Direct economic value generated and distributed	75	
201-2	Financial implications and other risks and opportunities due to climate change	76	
201-4	Financial assistance received from government	76	
GRI 203: 2016	Indirect economic impacts		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	76	
203-1	Infrastructure investments and services supported	76	
Innovation culture and partnerships			
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	77	
GRI 205: 2016	Anti-corruption		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	78	
205-2	Communication and training about anti-corruption policies and procedures	78	
205-3	Confirmed incidents of corruption and actions taken	78	
GRI 206: 2016	Anti-competitive behavior		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	78	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	79	
GRI 300	Environmental topics		
GRI 302: 2016	Energy		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	79	
302-1	Energy consumption within the organization	83–86	
302-3	Energy intensity	83–86	
302-4	Reduction of energy consumption	83–86	

		Page	Reason for omission
GRI 303: 2016	Water		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	81	
303-1	Water withdrawal by source	83–86	
GRI 305: 2016	Emissions		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	79	
305-1	Direct (Scope 1) GHG emissions	83–86	
305-2	Energy indirect (Scope 2) GHG emissions	83–86	
305-4	GHG emissions intensity	84	
305-5	Reduction of GHG emissions	83–86	
GRI 306: 2016	Effluents and waste		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	81	
306-2	Waste by type and disposal method	83–86	
CRE5	Land degradation, contamination, and remediation	82	
GRI 307: 2016	Environmental compliance		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	96	
307-1	Non-compliance with environmental laws and regulations	96	
GRI 308: 2016	Supplier environmental assessment		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	91	
308-1	New suppliers that were screened using environmental criteria	92	
GRI 400	Social topics		
GRI 401: 2016	Employment		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	87	
401-1	New employee hires and employee turnover	87	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	88	
GRI 403: 2016	Occupational health and safety		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	88	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	98	
403-3	Workers with high incidence or high risk of diseases related to their occupation	89	
GRI 404: 2016	Training and education		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	89	
404-1	Average hours of training per year per employee	100–104	not applicable
404-2	Programs for upgrading employee skills and transition assistance programs	89	
404-3	Percentage of employees receiving regular performance and career development reviews	90	

		Page	Reason for omission
GRI 405: 2016	Diversity and equal opportunity		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	90	
405-1	Diversity of governance bodies and among employees	97, 100–104	
GRI 406: 2016	Non-discrimination		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	91	
406-1	Incidents of discrimination and corrective actions taken	91	
GRI 414: 2016	Supplier social assessment		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	91	
414-1	New suppliers that were screened using social criteria	92	
GRI 416: 2016	Customer health and safety		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	92	
416-1	Assessment of the health and safety impacts of product and service categories	93	
GRI 417: 2016	Marketing and labeling		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	93	
417-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	93	
CRE8	Product and service labeling	94	
GRI 418: 2016	Customer privacy		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	95	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	95	
GRI 419: 2016	Socioeconomic compliance		
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	96	
419-1	Non-compliance with laws and regulations in the social and economic area	96	



Independent Limited Assurance Report on selected GRI Disclosures

To the Board of Directors of Swiss Prime Site AG, Olten

We were engaged to carry out a limited assurance engagement on the selected GRI disclosures set out below, which are disclosed in the GRI report in the appendix of the integrated annual report 2019 of Swiss Prime Site Group (hereafter "company") on the pages 70-109.

Our independent assurance engagement to obtain limited assurance covers the following GRI disclosures (hereafter "selected GRI disclosures") for the business year ended 31 December 2019:

- GRI 302:2016 Energy: 302-1 Energy consumption within the organization	page 81; 83-86
- GRI 302:2016 Energy: 302-3 Energy intensity	page 81; 83-86
- GRI 303:2016 Water: 303-1 Water withdrawal by source	page 82; 83-86
- GRI 305:2016 Emissions: 305-1 Direct (Scope 1) GHG emissions	page 81; 83-86
- GRI 305:2016 Emissions: 305-2 Energy indirect (Scope 2) GHG emissions	page 81; 83-86
- GRI 305:2016 Emissions: 305-4 GHG emissions intensity	page 81; 83-86

Our engagement neither covers GRI disclosures not set out above, nor prior-year disclosures, forward-looking information, information from external documentation sources or expert opinions.

Board of Directors' Responsibility

The Board of Directors of Swiss Prime Site AG is responsible for the preparation and presentation of the GRI disclosures 2019 in accordance with the reporting criteria. The company applies the GRI Standards of the Global Reporting Initiative (GRI Standards), option "core" as reporting criteria and publishes the report under the title „GRI Report“.

This responsibility includes the selection and application of appropriate methods for the integrated annual report (in particular the selection of material topics) as well as the use of assumptions and estimates for individual sustainability disclosures that are appropriate under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls to enable the preparation and presentation of an integrated annual report that is free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion, based on our procedures performed and the evidence obtained, as to whether any matters have come to our attention that cause us to believe that the selected GRI disclosures have not been prepared, in all material respects, in accordance with the GRI Standards (option "core").

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). That standard requires that we plan and perform the engagement to obtain limited assurance about whether the selected GRI disclosures of the company are presented in accordance with the GRI Standards (option "core") in all material respects.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement, and consequently the level of assurance obtained is substantially lower. The procedures selected depend on the auditor's judgment. Taking into account risk and materiality considerations, we have carried out procedures in order to obtain sufficient appropriate evidence.



These procedures included amongst others:

- Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of disclosures on sustainability performance, including the consolidation of the data;
- Inquiries with staff at group level responsible for the collection and consolidation as well as the performance of internal control procedures with regard to the disclosures;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by appropriate evidence and presented in an accurate and balanced manner;
- Assessment of data collection, validation and reporting processes as well as of the reliability of the reported data on the basis of sample testing and the examination of selected calculations;
- Analytical evaluation of the quantitative data and development of the selected GRI disclosures in scope, which were submitted for consolidation at group level;
- Evaluation of the consistency of the requirements applicable to the company for the selected GRI disclosures with other disclosures and key figures in the integrated annual report 2019;
- Evaluation of the overall presentation of the disclosures by critical reading of the integrated annual report 2019.

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

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the selected GRI disclosures may occur and not be detected. Our engagement is not designed to detect all weaknesses in internal controls over the preparation and presentation of the selected GRI disclosures, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Independence and quality assurance

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected GRI disclosures of the company for the business year ended 31 December 2019 are not presented, in all material respects, in accordance with the GRI Standards (option "core").

KPMG AG

Silvan Jurt
Licensed Audit Expert

Anna Pohle
Licensed Audit Expert

Zurich, 20 February 2020



Information policy

Swiss Prime Site complies with all legal requirements and strives to meet best practice standards. The Company fosters close relations with the financial industry and the broad public sector through all appropriate communication channels. Share-price relevant news is reported by the Company on an ad-hoc basis. Furthermore, comprehensive information about various topics and disclosure requirements is published on the group's website www.sps.swiss.

The Investor Relations and Corporate Communications department is responsible for the management of all contacts with investors, analysts and media representatives. Regular conferences with the media, institutional investors and analysts are held to report important corporate news, which can be followed by shareholders and other interest groups personally or via the Swiss Prime Site website.

24 March 2020

Annual General Meeting financial year 2019

25 August 2020

Semi-annual report as at 30 June 2020

Autumn 2020

Capital Markets Day 2020



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A high-angle, low-key photograph of a person walking away from the camera on a wide, light-colored concrete path. The person is wearing a grey hoodie, dark trousers, and a black backpack with a red and white logo. To the right of the path is a large, green, textured structure, possibly a wall or a large planter, with several circular manhole covers visible. The scene is brightly lit, casting long, dark shadows. The overall composition is minimalist and modern.

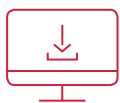
SWISS PRIME SITE

2019

— CORPORATE GOVERNANCE REPORT

Corporate Governance Report

3	Group structure
5	Segments
6	Shareholder structure
7	Capital structure
10	Board of Directors
17	Executive Board
22	Shareholder participation rights
24	Statutory auditor



Reporting structure

Reporting consists of the online report (sps.swiss/en/reporting) and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.

This Corporate Governance report contains the requisite disclosures according to the guidelines regarding corporate governance information of the SIX Swiss Exchange and basically follows their structure in terms of presentation.

Group structure

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under securities number 803 838 and ISIN number CH000803838 9. Swiss Prime Site AG reported market capitalisation of CHF 8 498.4 m [CHF 6 041.5 m] as at 31 December 2019.

During the reporting year, the group implemented the following changes:

Acquisition of 100% of the shares	30.04.2019	EMS Le Martagon SA, Les Ponts-de-Martel
Acquisition of 100% of the shares	24.06.2019	Zimmermann Vins SA, Carouge
Acquisition of 100% of the shares	01.07.2019	ACRON HELVETIA V Immobilien AG, Münchenstein
Merger	01.07.2019	EMS Le Martagon SA, Les Ponts-de-Martel to Leben im Alter AG, Zurich
Acquisition of 100% of the shares	20.08.2019	EMS Chantevent SA, La Grande Béroche
Acquisition of 100% of the shares	20.08.2019	Home Les Lauriers S.A., Saint-Imier

Fully consolidated investments (direct or indirect)

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 Capital in CHF 1 000	Shareholding in %
EMS Chantevent SA, La Grande Béroche ¹	Assisted living	–	–	100	100.0
Home Les Lauriers S.A., Saint-Imier ¹	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	100	100.0
immooveris ag, Bern	Real estate services	200	100.0	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court	Assisted living	100	100.0	100	100.0
Leben im Alter AG, Zurich ²	Assisted living	100	100.0	600	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	Assisted living	20	100.0	20	100.0
Quality Inside SA, Crissier	Assisted living	150	100.0	150	100.0
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	100	100.0
Résidence Joli Automne SA, Ecublens	Assisted living	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	Assisted living	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	Assisted living	100	100.0	100	100.0
SPS Baselland Dreispitz AG, Münchenstein ³	Real estate	–	–	5 295	100.0
SPS Beteiligungen Alpha AG, Olten	Investments	450 000	100.0	450 000	100.0
streamnow ag, Zurich	Real estate services	100	100.0	100	100.0
Swiss Prime Site Finance AG, Olten ⁴	Financial services	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	Asset management	1 500	100.0	1 500	100.0
Tertianum AG, Zurich	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Assisted living	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Assisted living	500	100.0	500	100.0
Tertianum Romandie SA, Crissier ⁵	Assisted living	20	100.0	100	100.0
Tertianum Romandie Management SA, Crissier	Assisted living	100	100.0	100	100.0
Tertianum Vaud SA, Crissier ⁶	Assisted living	50	100.0	50	100.0
Wincasa AG, Winterthur	Real estate services	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	Assisted living	1 000	51.0	1 000	51.0
Zentrum Schönberg AG, Bern	Assisted living	1 000	51.0	1 000	51.0
Zimmermann Vins SA, Carouge ⁷	Real estate	–	–	350	100.0

¹ acquisition as at 20.08.2019² merger of EMS Le Martagon SA in Leben im Alter AG as at 01.07.2019³ acquisition as at 01.07.2019; rebranded from ACRON HELVETIA V Immobilien AG to SPS Baselland Dreispitz AG as at 20.01.2020⁴ rebranded from Swiss Prime Site Fund Advisory AG II to Swiss Prime Site Finance AG as at 14.06.2019⁵ rebranded from Résidence Bel-Horizon Sàrl, Ecublens to Tertianum Romandie SA, Crissier as at 06.12.2019⁶ rebranded from Résidence du Bourg SA, Aigle to Tertianum Vaud SA, Crissier as at 16.10.2019⁷ acquisition as at 24.06.2019

Investments in associates valued according to the equity method

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

Segments

Swiss Prime Site comprises two segments: Real Estate and Services. The investments in group companies are allocated to these segments as follows:

Real Estate

70

Employees

Swiss Prime Site Immobilien AG, Olten

- SPS Baselland Dreispitz AG, Münchenstein
- SPS Beteiligungen Alpha AG, Olten
- Swiss Prime Site AG, Olten
- Swiss Prime Site Finance AG, Olten
- Swiss Prime Site Management AG, Olten
- Zimmermann Vins SA, Carouge

Services

6 436

Employees

Tertianum Gruppe AG, Zurich
Jelmoli AG, Zurich
Wincasa AG, Winterthur
Swiss Prime Site Solutions AG, Zurich

- EMS Chantevent SA, La Grande Béroche
- Home Les Lauriers S.A., Saint-Imier
- Hôtel Résidence Bristol SA, Montreux
- immoveris ag, Bern
- La Fontaine SA, Court
- Leben im Alter AG, Zurich
- Le Manoir AG, Gampelen
- Leora S.à r.l., Villeneuve
- Les Tourelles S.à r.l., Martigny
- Quality Inside SA, Crissier
- Résidence de la Jardinerie SA, Delémont
- Résidence Joli Automne SA, Ecublens
- Résidence le Pacific SA, Etoy
- Résidence l'Eaudine SA, Montreux
- streamnow ag, Zurich
- Tertianum AG, Zurich
- Tertianum Management AG, Zurich
- Tertianum Romandie SA, Crissier
- Tertianum Romandie Management SA, Crissier
- Tertianum Vaud SA, Crissier
- Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden
- Zentrum Schönberg AG, Bern

Shareholder structure

Shareholder structure as at 31.12.2019

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % ¹
1 to 1 000	9 290	82.5	2 776 826	3.7
1 001 to 10 000	1 605	14.2	4 348 902	5.7
10 001 to 100 000	293	2.6	8 700 760	11.5
100 001 to 1 000 000	71	0.6	18 064 064	23.7
1 000 001 and above	7	0.1	14 473 028	19.1
Total registered shareholders/shares	11 266	100.0	48 363 580	63.7
Unregistered shares			27 582 769	36.3
Total shares issued			75 946 349	100.0

¹ as % of shares issued

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	10 425	92.5	33 146 947	68.6
Europe (excluding Switzerland)	649	5.8	12 254 194	25.3
Other countries	192	1.7	2 962 439	6.1
Total registered shareholders/shares	11 266	100.0	48 363 580	100.0

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	10 203	90.5	7 301 076	15.1
Legal entities	524	4.7	20 917 716	43.2
Pension funds	190	1.7	7 163 470	14.8
Insurance companies	31	0.3	2 110 601	4.4
Funds	163	1.4	8 448 849	17.5
Other	155	1.4	2 421 868	5.0
Total registered shareholders/shares	11 266	100.0	48 363 580	100.0

Major shareholders (shareholding interest >3%)	31.12.2018 Shareholding interest in %	31.12.2019 Shareholding interest in %
BlackRock Inc., New York	>10.0	>10.0
Credit Suisse Funds AG, Zurich	4.1	6.1
State Street Corporation, Boston	3.6	3.7
UBS Fund Management (Switzerland) AG, Basel	3.2	3.0

Disclosure notifications of major shareholders

Information regarding major shareholders is based on the register of shareholders or the notifications received by Swiss Prime Site AG. The obligation to disclose investments exists when a person or group subject to this obligation has 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ percent of the voting rights in Swiss Prime Site AG or their holding falls above or below this level. The disclosure notifications issued in the reporting year – according to article 120 of the Swiss Financial Market Infrastructure Act (FMIA) and the provisions of the Swiss Financial Market Infrastructure Ordinance (FMIO) – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

Cross-investments

As at the balance sheet date, there were no cross-investments.

Capital structure

Share capital

As at the balance sheet date, Swiss Prime Site AG's share capital comprised 75 946 349 registered shares at a nominal value of CHF 15.30. All outstanding shares are entitled to voting rights and dividends. There are no preferential rights. In accordance with articles 3a and 3b of the Articles of Association, share capital (authorised and conditional capital) may be increased by a maximum of CHF 107.100 million or 9.2% of existing share capital.

Authorised and conditional capital

The authorised and conditional capital comprises 7 000 000 [2 532 568] registered shares amounting to CHF 107.100 million [CHF 38.748 million].

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 26 March 2021. The Board of Directors is entitled to exclude shareholders' subscription rights in favour of third parties, in the event that the new shares should be utilised for acquiring other companies, stakes in companies, investments or real estate, or for financing or re-financing such transactions. Additional details on the changes to share capital can be found in note 19 «Shareholders' equity» of the consolidated financial statements, on page 46 of the Financial Report. Swiss Prime Site AG has no equity instruments (e.g. participation or profit share certificates) outstanding other than registered shares.

The precise wording regarding authorised and conditional capital can be found in articles 3a and 3b of Swiss Prime Site AG's Articles of Association (download at www.sps.swiss under Governance).

Restrictions on transferability and nominee registrations

Pursuant to article 5 of the Articles of Association, every shareholder and usufructuary may request to be registered in the share register. The Articles of Association are available for download on the website www.sps.swiss under Governance. Only those persons whose names appear in the share register and who have acquired shares in their own name and on their own account are registered as shareholders or usufructuaries by the Company. The Company acknowledges only one beneficiary per share.

Each share is entitled to a vote at the Annual General Meeting. The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as, and as long as, their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights. The Annual General Meeting may resolve to suspend these restrictions on transferability with a majority of valid votes according to article 12, paragraph 3 of the Articles of Association (download at www.sps.swiss under Governance).

Shareholdings not subject to notification held by nominees and fiduciaries are entered into the register without voting rights.

Capital structure as at 31.12.2019

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
Share capital	75 946 349	15.30	1 161 979
Authorised and conditional capital	7 000 000	15.30	107 100
of which for exercising options and/or conversion rights granted with bonds or similar issues	7 000 000	15.30	107 100

Share capital changes over the last three years

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
Share capital as at 31.12.2016	71 478 917	15.30	1 093 627
Share capital as at 31.12.2017	71 478 917	15.30	1 093 627
Capital increase on 28.09.2018	4 467 432	15.30	68 352
Share capital as at 31.12.2018	75 946 349	15.30	1 161 979
Share capital as at 31.12.2019	75 946 349	15.30	1 161 979

Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Nominal value as at 31.12.2019	CHF m	250.000	300.000
Book value as at 31.12.2019	CHF m	246.380	297.560
Book value as at 31.12.2018	CHF m	245.334	297.077
Conversion price	CHF	104.24	100.51
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)

Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. New shares will be guaranteed using conditional capital of CHF 107.100 million. This is equal to 9.2% of share capital prior to the convertible bond issue.

No conversions took place in the reporting year. Further information on convertible bonds is available in note 17 «Financial liabilities» on page 44 of the Financial Report.



Board of Directors

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised seven members. All members are non-executive Board of Directors members in the context of the Swiss Code of Best Practice for Corporate Governance. None of the members of the Board of Directors maintains any significant business relationship with Swiss Prime Site AG or the Swiss Prime Site Group.

Composition of the Board of Directors

Name	Position	Nationality	Member since
Prof. em. Dr. Hans Peter Wehrli	Chairman	Swiss	2002
Mario F. Seris	Vice-Chair	Swiss	2005
Christopher M. Chambers	Member	Swiss/ British	2009
Dr. Barbara Frei-Spreiter	Member	Swiss	2018
Dr. Rudolf Huber	Member	Swiss	2002
Thomas Studhalter	Member	Swiss	2018
Gabrielle Nater-Bass	Member	Swiss	2019

Departures during the reporting period

Klaus R. Wecken as of 26 March 2019

Additions to the Board during the reporting period

Gabrielle Nater-Bass as of 26 March 2019

Articles of Association provisions regarding the number of permitted activities

Members of the Board of Directors may simultaneously carry out no more than ten additional mandates outside the group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than four in listed entities.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the Board of Directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in non-profit-oriented associations, organisations and foundations are not subject to any restrictions.

The Board of Directors currently has three committees (Audit Committee, Nomination and Compensation Committee and Investment Committee) and a Sustainability Board, which are described in more detail in the following sections.

Elections and period of office

The Chairman as well as members of the Board of Directors and the Nomination and Compensation Committee are individually elected by the Annual General Meeting for a one-year term of office.

Members of the Board of Directors place their mandate at the disposal of the ordinary Annual General Meeting in the year in which they reach the age of 70.

Regulation of the powers and duties of the Board of Directors

The basic principles and the separation of the functions and powers between the Board of Directors and Executive Board are stipulated in the organisational and competence regulations as well as Executive Board regulations.

The Board of Directors is responsible for the general management of the Company as well as supervising and controlling the Executive Board. The Board of Directors makes the fundamental decisions that determine the activity of the Company. Within the framework of its activities, the Board of Directors ensures profit focused and competent management of the Company by its Executive Board, according to the provisions of the Articles of Association, the regulations and the applicable legislation.

The Board of Directors acts as a collective body. Unless otherwise provided in the resolutions of the Board of Directors and the organisational regulations, its members may not have any personal authority over the Company and therefore cannot issue any instructions of their own accord.

As required, the Board of Directors can form committees from among its members and allocate powers to these committees in separate sets of regulations, or by amending the existing organisational regulation. The Board of Directors has taken advantage of this opportunity and formed an Audit Committee, an Investment Committee and a Nomination and Compensation Committee. The Board of Directors can delegate the preparation and implementation of its resolutions or the monitoring of activities to one or more committees or to individual members or the Executive Board. It ensures appropriate reporting to its members.

The Board of Directors delegates all executive management activities to the Executive Board unless otherwise provided by law, the Articles of Association or the organisational regulations. It issues directives on the business and investment policy and keeps itself regularly informed of the course of business. The Board of Directors holds meetings as often as business requires, but a minimum of once per quarter. During the reporting period, six meetings and two conference calls of the Board of Directors took place. Executive Board members are invited to attend meetings of the Board of Directors.

Information and control instruments applied to the Executive Board

The Board of Directors controls the Executive Board and monitors its method of operation by means of reporting processes and right of inspection of business procedures and business transactions.

The Board of Directors is briefed by the Chief Executive Officer and the other Executive Board members at each meeting regarding the ongoing course of business and significant business operations. At these meetings, members of the Board of Directors can request any information regarding the Swiss Prime Site Group from other members of the Board of Directors or Executive Board that they require to fulfil their duties. Members of the Board of Directors must be immediately notified of any extraordinary incidents.

The internal auditor, risk management and external auditors provide support to the Board of Directors in exercising its monitoring and controlling functions. In addition, the Audit Committee, Investment Committee and Nomination and Compensation Committee oversee the control and information functions relative to the Executive Board. These functions are coordinated with the Board of Directors and defined in the relevant regulations and records.

The Audit Committee, Investment Committee and Nomination and Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and relevant proposals are submitted to the Board of Directors. The reports and analyses are then presented by the chairman of the respective committee in the subsequent board meetings and approved by the Board of Directors.

The Board of Directors defines and evaluates any risks that are significant for the group. This evaluation is based on group-wide coordinated and consistent risk management and internal control systems, which were expanded with a process landscape in 2016. Using a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets and sustainability roadmap. The Audit Committee assesses the group's risk

situation through risk reporting. Risk management is subsequently assessed, approved and controlled in terms of implementation by the Board of Directors based on the request of the Audit Committee.

The Board of Directors is also supported by the internal and external auditors. The internal auditors receive audit and analysis assignments from the Board of Directors. Internal auditors have an unrestricted right to information and right of inspection of records relative to all group companies and positions. Moreover, the Executive Board in consultation with the Audit Committee can assign internal auditors tasks outside the scope of the planned auditing activities, such as executing special investigations and analyses. The internal auditor in charge reports to the Audit Committee.

Audit Committee

Chair: Thomas Studhalter; members: Rudolf Huber, Christopher M. Chambers.

The functions, duties and powers of the Audit Committee are set out in separate rules. The Audit Committee manages all business activities of the Board of Directors in the areas of financial management (such as accounting, finance control and financial planning), assurance (risk management, internal control system, compliance and internal audit), external audit. It also manages additional business activities of the Board of Directors that require specific financial expertise (for example, regarding taxes and dividend policy).

The Audit Committee has the right to issue instructions and obtain information with regard to the internal audit. The Audit Committee proposes the internal audit charter, which determines the organisation and operation of Swiss Prime Site's internal audit, to the full Board of Directors.

The Audit Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings and one conference call of the Audit Committee took place.

Each year, at least one meeting with the external auditors is held. On the basis of this meeting, the Audit Committee forms an in-depth picture of the activities of the auditors and informs the Board of Directors about its findings.

The Audit Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Audit Committee has a right of proposal to the Board of Directors. The Audit

Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

Nomination and Compensation Committee

Chair: Barbara Frei-Spreiter; members: Gabrielle Nater-Bass, Christopher M. Chambers.

Swiss Prime Site's Nomination and Compensation Committee assumes the relevant responsibilities in accordance with the Ordinance Against Excessive Compensation in Listed Companies (Ordinance) and the Articles of Association amended based on this Ordinance.

The functions, duties and powers of the Nomination and Compensation Committee are set out in separate rules. The Nomination and Compensation Committee manages all of the Board of Directors' business activities in the areas of nomination for the highest level managing body (members of the Executive Board and members of the Executive Boards of the group companies), as well as proposals for members of the Board of Directors and for compensation.

The Nomination and Compensation Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Nomination and Compensation Committee has the right to submit proposals to the full Board of Directors.

The Nomination and Compensation Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings of the Nomination and Compensation Committee took place.

The Nomination and Compensation Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

Investment Committee

Chair: Mario F. Seris; members: Hans Peter Wehrli, René Zahnd, Peter Lehmann, Markus Meier.

The functions, duties and powers of the Investment Committee are set out in separate rules. The Investment Committee manages all business activities of the Board of Directors in the areas of real estate and real estate investments as well as additional business activities of the Board of Directors that require specific real estate expertise.

The Investment Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Investment Committee has the right to submit proposals to the Executive Board or Board of Directors.

The Investment Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings and two conference calls of the Investment Committee took place.

The Investment Committee reports regularly on its activities to the Board of Directors and Executive Board and submits the necessary proposals.

Sustainability Board

In the reporting year, the Sustainability Board comprised Chairman of the Board of Directors Hans Peter Wehrli, member of the Board of Directors Barbara Frei-Spreiter, CEO René Zahnd, Head of Sustainability & Innovation Urs Baumann and Director of Project Management & Sustainability Wincasa Martin Pfenninger. The Board will focus on higher level, group-wide issues regarding sustainable management. In 2019, the Board held two meetings, in which the strategy and objectives regarding sustainability, particularly reporting and further action to be taken in connection with the CO₂ reduction pathway, were discussed and approved.



Prof. em. Dr. Hans Peter Wehrli

1952, Zurich

«Building a good strategy always starts with the customer.»

Position

Chairman of the Board of Directors, member since 2002, Chairman since 2005

Committees

Investment: Member

Education

Prof. Dr.oec.publ.; University of Zurich

Professional activity

Professor of business management studies and chair for marketing at the University of Zurich from 1993 to 2017.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Board of Directors of Datacolor AG, Lucerne

Unlisted companies: Member of the Board of Directors of Gebäudeversicherung Bern (GVB), Ittigen; Vice-Chairman of the Board of Directors of Händi Holding AG, Oberentfelden



Mario F. Seris

1955, Klosters-Serneus

«We are totally committed to our shareholders as well as to society.»

Position

Vice-Chairman of the Board of Directors, member since 2005

Committees

Investment: Chair

Education

Lic.phil.I; English and Education at the University of Zurich

Professional activity

From 1978 to the beginning of 2013, Mario F. Seris held various national and global management positions at Credit Suisse AG, including as Chief Executive Officer of Credit Suisse Asset Management Switzerland from 2002 to 2005. He was also Global Head of Real Estate Asset Management at Credit Suisse AG from 2005 to 2010. He represented Credit Suisse AG as senior adviser on various boards of directors and investment committees in the real estate and fund sectors from 2011 to 2012. Since March 2013, he has been an independent advisor.

Mandates within Swiss Prime Site

Member of the advisory board of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site

None



Dr. Barbara Frei-Spreiter

1970, Männedorf

«We have all the key skills we need to continue our success.»

Position

Member of the Board of Directors, member since 2018

Committees

Nomination and Compensation: Chair

Education

Degree in Mechanical Engineering, Swiss Federal Institute of Technology; Dr. sc. Techn., Swiss Federal Institute of Technology; Master of Business Administration, IMD Lausanne

Professional activity

Between 1998 and 2016, Barbara Frei held several senior roles in the ABB Group, most recently as Head of Strategic Portfolio Reviews for the Power Grids division. Since January 2019, Barbara Frei has been Executive Vice President Europe Operations for Schneider Electric.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Board of Directors of Swisscom AG, Berne

Unlisted companies: Mandates due to her roles in the Schneider Electric Group: Chair (Formand) of Schneider Nordic Baltic A/S, Ballerup, DK



Thomas Studhalter

1969, Horw

«We make effective use of our resources and leverage them fully.»

Position

Member of the Board of Directors, member since 2018

Committees

Audit: Chair

Education

Business Economist, Certified Public Accountant

Professional activity

Thomas Studhalter is partner and member of the Regional Board of Management for Central Switzerland at BDO. He manages the trust division in the Central Switzerland region. Prior to his role at BDO, Thomas Studhalter was a partner at KPMG and managed the Central Switzerland market region and the Audit department.

Mandates within Swiss Prime Site

Member of the advisory board of Tertium Gruppe AG, Zurich

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Board of Directors of Datacolor AG, Lucerne

Unlisted companies: Member of the Board of Directors of Bataillard AG, Rothenburg; Eisner Holding AG, Hergiswil; Inhag AG, Hergiswil



Christopher M. Chambers

1961, London, UK

«Strategic positioning is the key to success and provides support in all market situations.»

Position

Member of the Board of Directors, member since 2009

Committees

Audit: Member

Nomination and Compensation: Member

Education

Fellow of the Royal Society of Arts (FRSA); United Kingdom

Professional activity

Christopher M. Chambers began his professional career in investment banking, before becoming Chief Executive Officer of global hedge fund Man Investments, which he left in 2005.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Chairman of the Board of Directors of Leonteq AG, Zurich

Unlisted companies: Chairman of the Board of Directors of Lonrho Ltd., London, UK; member of the Board of Directors of Oxford Sciences Innovation PLC, Oxford, UK; Chairman of the Board of Directors of Leonteq Securities AG, Zurich



Dr. Rudolf Huber

1955, Pfäffikon SZ (Freienbach)

«Clearly defined key performance indicators are decisive for the long-term success of the Company.»

Position

Member of the Board of Directors, member since 2002

Committees

Audit: Member

Education

Dr. oec. publ.; University of Zurich

Professional activity

Rudolf Huber has held positions as member of management and CEO of various internationally active industrial companies, including as member of the executive board and Chief Financial Officer of Geberit Group, Rapperswil-Jona from 1992 to 2004. As CEO of Axega GmbH, Rudolf Huber subsequently assumed various board of director, advisory, teaching and interim management mandates. From 2015 to the end of 2016, he held the position of acting CEO of Looser Holding AG.

Mandates within Swiss Prime Site

Member of the advisory board of Jelmoli AG, Zurich

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of Fageb Verwaltungs AG, Rapperswil-Jona; member of the Board of Directors of Hoerbiger Holding AG, Zug; member of the Board of Trustees of the Hoerbiger Foundation, Zug



Gabrielle Nater-Bass

1968, Meilen

«Our national and international networks enable us to be close to both the market and our clients.»

Position

Member of the Board of Directors, member since 2019

Committees

Nomination and Compensation: Member

Education

Lic. iur., University of Zurich; admitted to the Zurich bar;
LL.M., University of Virginia School of Law

Professional activity

Gabrielle Nater-Bass has been working for Homburger, a leading Swiss corporate law firm, since 1997. She became a partner in 2006. She has many years' experience appearing before national courts and courts of arbitration, both in Switzerland and abroad. As a member of Homburger's specialist real estate team, she has extensive knowledge of infrastructure projects and real estate transactions.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Member of the Board of Directors of LGT Bank AG and LGT Bank (Schweiz) AG.

Executive Board

The Executive Board is responsible for the operational management of Swiss Prime Site and represents the group publicly. The Executive Board corresponds to the «Executive Management» according to the Articles of Association of Swiss Prime Site AG and the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

Members of the Executive Board generally attend the Board of Directors meetings in an advisory capacity. They leave the meeting if the Chair so directs.

Composition of the Executive Board

Name	Position	Nationality	Member since
René Zahnd	CEO	Swiss	2015
Markus Meier	CFO	Swiss	2015
Peter Lehmann	Member, CEO Swiss Prime Site Immobilien AG	Swiss	2002
Oliver Hofmann	Member, CEO Wincasa AG	Swiss	2013
Dr. Luca Stäger	Member, CEO Tertianum Gruppe AG	Swiss	2014

Departures during the reporting period

Franco Savastano, CEO Jelmoli AG, as of 30 September 2019

Additions to the Board during the reporting period

None.

Articles of Association provisions regarding the number of permitted activities

Members of the Executive Board may simultaneously carry out no more than five additional mandates outside the group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than one in a listed entity.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the Board of Directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities in which the company has a substantial investment) are counted as one mandate. Activities in non-profit-oriented associations, organisations and foundations are not subject to any restrictions.

Management contracts

There are no management contracts.

Compensation, shareholdings and loans

The following information is provided in the Compensation Report on pages 5 to 19: Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as an additional amount for those members of the Executive Board who are designated as such following the vote by the Annual General Meeting on compensation; Articles of Association provisions regarding loans, credit and pension benefits to members of the Board of Directors and Executive Board; Articles of Association provisions regarding the vote by the Annual General Meeting on compensation.

Shareholdings in Swiss Prime Site AG held by members of the Board of Directors and Executive Board are reported in the Company's notes to the financial statements of Swiss Prime Site AG on page 68.





René Zahnd

1966, Berne

«Turn challenges into opportunities.»

Position

Member of the Executive Board, Chief Executive Officer

Committees

Investment: Member

Education

Attorney at Law

Professional activity

Chief Executive Officer of Swiss Prime Site AG since 1 January 2016. René Zahnd began his professional career at Bratschi Emch & Partner Attorneys at Law in Berne and Zurich from 1994 to 1996. Thereafter, he held the following positions: co-head of Legal Services at BEKB and Dezennum AG from 1996 to 1998; head of Legal Services as well as Director of Project Development and member of the Executive Management at general contractor Losinger/Marazzi from 1998 to 2009; Implenia AG from 2009 to 30 October 2015 – as member of the Executive Management from 2010 and member of the Group Executive Board of Implenia AG from 2013 – first as director of Implenia Real Estate and thereafter as director of Modernisation & Development from February 2014.

Mandates within Swiss Prime Site

Chairman of the Board of Directors of the following group companies: Jelvoli AG, Zurich; SPS Beteiligung Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Finance AG, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertium Gruppe AG, Zurich; Wincasa AG, Winterthur; immoveris ag, Berne

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Supervisory Board of DIC Asset AG, Frankfurt



Markus Meier

1964, Winterthur

«Being successful on the market also means utilising resources in the right place.»

Position

Member of the Executive Board, Chief Financial Officer

Committees

Investment: Member

Education

Business Economist FH and Certified Public Accountant

Professional activity

Markus Meier has been Chief Financial Officer of Swiss Prime Site AG since 1 June 2015 and previously ad interim Chief Financial Officer from 1 January 2015. From 2009 to 31 December 2014, he held positions at Swiss Prime Site AG in the areas of Finance, Accounting and Investor Relations. Prior to that, he was Chief Financial Officer of Jelvoli AG and Mobimo AG as well as Head of Corporate Accounting and Tax at Ascom. He was also group controller at BZ Group after years of employment at Arthur Andersen (today Ernst & Young).

Mandates within Swiss Prime Site

Member of the Board of Directors of the following group companies: Jelvoli AG, Zurich; SPS Beteiligung Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Finance AG, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertium Gruppe AG, Zurich; Wincasa AG, Winterthur; immoveris ag, Berne; streamnow ag, Zurich; member of the foundation board of the SPS and Jelvoli pension fund, Zurich; member of the foundation board of the SPS and Jelvoli welfare foundation, Zurich

Mandates outside Swiss Prime Site

None



Peter Lehmann

1958, Wilen bei Wollerau

*«We do not buy locations.
We create them.»*

Position

Member of the Executive Board, Chief Executive Officer of Swiss Prime Site Immobilien AG

Committees

Investment: Member

Education

Construction planner

Professional activity

Peter Lehmann has been Chief Executive Officer of Swiss Prime Site Immobilien AG since 1 March 2017; previously he was Chief Investment Officer of Swiss Prime Site AG from 1 March 2002. He was head of various departments at Real Estate Asset Management, Credit Suisse AG, Zurich (managing director) from 1991 to the end of 2012. From 2004 to 2009, he was head of development – and, prior to that, head of construction and acquisitions & sales Switzerland – at Credit Suisse AG. Previously, he worked in the construction sector for the fund management of a big bank and as architectural project manager at a general contractor.

Mandates within Swiss Prime Site

Member of the Investment Committee of the SPS and Jelmoli pension fund

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of DUK AG, Freienbach

Activities in non-profit-oriented associations, organisations and foundations: Member of the Executive Board of Verband Immobilien Schweiz (VIS)



Oliver Hofmann

1970, Richterswil

*«Pursuing efficiency and focusing
on the essentials are what make our
business model successful.»*

Position

Member of the Executive Board, Chief Executive Officer of Wincasa AG

Education

Banking studies, bachelor in economics and business administration, Master of Science in Real Estate of CUREM (University of Zurich)

Professional activity

Oliver Hofmann has held the positions of Chief Executive Officer of real estate services company Wincasa AG since 1 January 2013 and member of the Executive Board of Swiss Prime Site AG since 1 June 2013. In addition to spending a few years of his professional career in the finance department of IBM (Switzerland) Ltd, he previously worked at UBS AG for more than 15 years with other intermittent activities (investment advisor in Wealth Management, Corporate Finance, build-up of Swiss real estate advisory services). From 2007 to 2012, he held the position of head of Real Estate Advisory Switzerland at UBS AG. From 2010 to September 2013, he served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. Oliver Hofmann is also a member of «G15 – Group of Fifteen».

Mandates within Swiss Prime Site

Chairman of the Board of Directors of streamnow ag, Zurich

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Vice-Chairman of the Board of Directors of Siegmund & Hofmann AG, Basel; member of the Board of Directors of Crédit Agricole next bank (Suisse) SA, Lancy



Dr. Luca Stäger

1967, Zurich

«We offer people with their own history a home.»

Position

Member of the Executive Board, Chief Executive Officer of Tertianum Gruppe AG

Education

1991 Degree in Economics (lic. oec.) and 1994 Doctorate in Economics (Dr. oec.) from the University of St. Gallen (HSG); 2002 further studies in integrated services management at the University of St. Gallen; 2003 training as EFQM assessor and 2005 completion of the Executive Programme in Health Care Policy at the University of Lausanne in cooperation with Harvard Medical International; 2013 Certificate from the Executive School of Management, Technology and Law of University of St. Gallen (ES HSG) in Advanced Management.

Professional activity

Luca Stäger has been Chief Executive Officer of the Tertianum Group since 1 March 2010 and member of the Swiss Prime Site AG Executive Board since 1 January 2014. He began his professional career at Price Waterhouse as a consultant with a focus on NGOs. Thereafter, he held the following positions: deputy project leader at the Canton Zurich Healthcare Directorate, consulting project leader at PuMaConsult GmbH, Zurich and Berne, Chief Executive Officer of Spital Lachen AG, Lachen, and director of Private Clinic Bethanien AG, Zurich, as well as recently as Chief Executive Officer of Swiss Paraplegic Group in Nottwil.

Mandates within Swiss Prime Site

Chairman of the Board of Directors: Les Tourelles S.à r.l., Martigny; Tertianum Vaud SA, Crissier; Tertianum Romandie SA, Crissier; Résidence le Pacific SA, Etoy; Résidence Joli Automne SA, Ecublens; Leora S.à r.l., Villeneuve; Hôtel Résidence Bristol SA, Montreux; Le Manoir AG, Gampelen; La Fontaine SA, Court; Résidence de la Jardinerie SA, Delémont; Quality Inside SA, Crissier; Tertianum Romandie Management SA, Crissier; Leben im Alter AG, Zurich; Tertianum Management AG, Zurich; Tertianum AG, Zurich; Résidence l'Eaudine SA, Montreux; Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden; Zentrum Schönberg AG, Berne; EMS Chantevent SA, La Grande Béroche; Home Les Lauriers S.A., Saint-Imier

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Vice-Chairman of the Board of Directors of Sanitas Beteiligungen AG, Zurich; Vice-Chairman of the Board of Directors of Clinica Luganese Moncucco SA, Lugano; Chairman of the Board of Directors of Clos Bercher SA, Bercher; Vice-Chairman of the Board of Directors of Compact Grundversicherungen AG, Zurich; Vice-Chairman of the Board of Directors of Sanitas Privatversicherungen AG, Zurich; Vice-Chairman of the Board of Directors of Sanitas Grundversicherungen AG, Zurich; Chairman of the foundation board of Fondation Espace, La Grande Béroche; member of the foundation board of Sanitas Krankenversicherung, Zurich; member of the Board of Directors of Patria Genossenschaft, Basel

Shareholder participation rights

The current Articles of Association are available at www.sps.swiss under Governance. The following are references to selected articles:

- Share register and registration provisions (article 5)
- Powers of the Annual General Meeting (article 8)
- Convening/agenda of the Annual General Meeting (article 9, para. 4 and article 10)
- Voting rights and adoption of resolutions, independent shareholder representative and issuing instructions (article 12 and article 13)
- Special quorums (article 14)
- Compensation of the Board of Directors and Executive Board (article 28 et seq.), see the Compensation Report

The wording of some provisions of the Articles of Association is provided in the following section:

Voting rights and adoption of resolutions

According to article 12 of the Articles of Association:

«¹ Each share entitles the holder to one vote.

² Representation by proxy at the Annual General Meeting is only permissible with a written power of attorney. The chairman of the shareholders' meeting decides on the recognition of proxies. The Board of Directors may issue rules on the participation, representation and the issuing of voting instructions. The Board of Directors ensures that shareholders can grant a power of attorney and issue their instructions to the independent proxy electronically.

³ The Annual General Meeting passes its resolutions and effects its elections with a majority of the validly cast votes, unless the law or the Articles of Association provide otherwise. Abstentions shall not be counted. In the event of a tied vote, the Chairman shall have the casting vote for resolutions, while elections shall be decided by lot.

⁴ Elections and resolutions are taken in an open ballot or electronically, unless the Annual General Meeting resolves that an election or resolution shall be taken in writing or the Chairman decides to do so. The Chairman may always have an open or electronic ballot repeated as a written ballot if in his opinion there are doubts as to the result of the vote. In such cases, the previous open or electronic election or vote is considered not to have occurred.»

Any shareholder that is registered in the share register on 10 March 2020 (effective date) is eligible to vote at the ordinary shareholders' meeting of 24 March 2020. Shareholders that sell their shares after this date are not eligible to participate in the ordinary shareholders' meeting. No entries are recorded in the share register from 11 March up to and including 24 March 2020.

Special quorums

According to article 14 of the Articles of Association:

«A resolution of the Annual General Meeting with at least two-thirds of the represented votes and with the absolute majority of the represented nominal value is required for the following:

- a) amendment of the Company's purpose;
- b) creation of shares with voting rights;
- c) transfer restrictions on registered shares;
- d) authorised or conditional capital increase;
- e) capital increases from shareholders' equity, against contribution in kind or for the purpose of acquiring assets as well as granting of special rights;
- f) restriction or cancellation of subscription rights;
- g) change of the Company's registered office;
- h) dissolution of the Company without liquidation;
- i) dissolution of the Company with liquidation;
- k) conversion of bearer shares into registered shares;
- l) conversion of registered shares into bearer shares;
- m) the abolishment of statutory restrictions regarding the adoption of resolutions at the Annual General Meeting pursuant to the above subsections i, k and l.»

Convening the Annual General Meeting

According to article 10 of the Articles of Association:

«¹ The Annual General Meeting shall be convened by the Board of Directors or, if necessary, by the auditors.

² The Annual General Meeting shall be called no less than 20 days before the date of the meeting by publication in the Swiss Official Gazette of Commerce. Shareholders recorded in the share register may also be invited by letter. The notice of an Annual General Meeting shall state the agenda items and the proposals of the Board of Directors and of the shareholders who requested that items be put on the agenda or that an Annual General Meeting be convened.

³ Subject to the provisions regarding universal meetings of shareholders, no resolutions can be passed on matters not thus announced except with respect to the application to convene an extraordinary shareholders' meeting or to conduct a special audit. Proposals made after convening or during the Annual General Meeting may be allowed for discussion if the Annual General Meeting so decides. However, resolutions in relation to such proposals may only be made at the next Annual General Meeting.

⁴ No prior notification is required for submitting proposals in the context of agenda items and for the discussion of matters without the passing of a resolution.

⁵ The Annual Report, Compensation Report and corresponding audit report, the auditor's report and the auditor's report for the group of companies must be made available to the shareholders at the Company's registered office no less than 20 days before the ordinary shareholders' meeting. The invitation to the Annual General Meeting must refer to this fact and to the right of every shareholder to request that copies of these documents be sent to them.»

Agenda

According to article 9, para. 4 of the Articles of Association, shareholders representing shares with a nominal value of half a million Swiss francs may demand that an item be put on the agenda. Such demand must be made in writing, specifying the agenda item and the proposals, no later than 40 days before the date of the shareholders' meeting.

Share register and registration provisions

According to article 5 of the Articles of Association:

«¹ A share register is kept for the registered shares in which the owners and usufructuaries are entered with their surname, given name, place of residence, address and nationality (in case of legal entities, the registered office). In the event of a change of place of residence, the Company must be notified in writing of the new place of residence, failing which the former place of residence continues to be relevant for the purpose of the relationship with the Company. The Company only acknowledges a person as a shareholder or usufructuary if such person is entered in the share register. The Company acknowledges only one beneficiary per share.

² Upon request, those acquiring registered shares are entered into the share register as shareholders with the right to vote if they expressly declare to have acquired these registered shares in their own name and for their own account. Art. 685d, para. 3 CO remains reserved.

³ After having heard the registered shareholder, the Board of Directors may delete an entry in the share register with retroactive effect as of the date of that entry if such entry was based on false information. The respective shareholder must be informed immediately about the deletion.

⁴ The Board of Directors takes the necessary steps and makes the necessary arrangements in order to comply with the above provisions.

⁵ The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as, and as long as, their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by Swiss federal law. Otherwise, there are no restrictions on registration or voting rights.»

Independent shareholder representative

The Articles of Association provisions regarding the independent shareholder representative correspond to the regulations according to the Ordinance Against Excessive Compensation in Listed Companies (Ordinance). The Board of Directors ensures that shareholders can issue authority and instructions to the independent shareholder representative electronically as well. Detailed information and instructions are provided to shareholders together with the invitation documentation for attendance of the Annual General Meeting. These are also published on the Company's website.

Change of control and defence measures

Anyone who directly, indirectly or in joint agreement with third parties acquires shares and, together with the shares already in their possession, exceeds the limit of 33 1/3% of the voting rights, whether exercisable or not, must submit an offer for all listed shares of the Company. There are no change of control clauses in the agreements and plans in favour of the members of the Board of Directors and Executive Board as well as other members of the Company's executive management.

Statutory auditor

Duration of the mandate and period of office of the auditor in charge

Since the Company was founded (1999), the statutory auditor of Swiss Prime Site AG has been KPMG Ltd, Rffelstrasse 28, PO Box, 8036 Zurich. KPMG Ltd also acts as independent auditor for all significant fully consolidated group companies. The auditors are elected each year by the Annual General Meeting.

The auditor in charge has been in this role since 1 January 2013. The auditor's period of office ends with the financial year 2019.

After a 20-year mandate term with KPMG, Swiss Prime Site put the audit mandate out for tender in 2019, with four audit companies taking part in the selection procedure. After analysing the bids and presentations in detail, the Board of Directors recommended to the Annual General Meeting that KPMG, Zurich, be re-elected as auditors. The selection process looked at criteria including relevant experience in auditing and real estate valuation, the audit team, autonomy, the use of audit tools and details of fees.

Fees

For the current reporting period, audit fees (including services relating to capital market transactions) of CHF 0.843 million [CHF 1.215 million] and CHF 0.048 million [CHF 0.027 million] for consulting services were booked.

Information tools of the external audit

The Audit Committee holds a meeting with the auditors on an annual basis regarding the financial statements and the audit thereof. Moreover, the results of the audit are recorded in writing in a comprehensive report for submission to the Board of Directors.

The Audit Committee evaluates the performance, fees and independence of the auditors on an annual basis and reports to the Board of Directors.

The Audit Committee evaluates the assessment of risks of misrepresentations in the financial statements by the Executive Board and external auditors, and evaluates and monitors the implementation of countermeasures.

The Audit Committee discusses with the Executive Board and external auditors the audited consolidated financial statements and carries out a critical analysis particularly with a view toward any special events. The Audit Committee decides whether the individual and consolidated financial statements can be submitted to the Board of Directors for approval and publication, before the Board of Directors actually approves and publishes these.

The Audit Committee discusses with the external auditors any significant problems that emerge within the scope of the audit as well as the complete report and the responses by the Executive Board to the facts therein. The Audit Committee also submits proposals to the Board of Directors, as required, for appropriate solutions and monitors the implementation of measures.

The Audit Committee discusses with the Executive Board and external auditors their assessment of the general quality of Swiss Prime Site's accounting standards policy that is applied to the financial reporting, carries out a critical analysis and reports to the Board of Directors.

Information policy

The Swiss Prime Site Group's detailed financial reporting occurs in the form of semi-annual and annual reports. The published accounting standards comply with the provisions of Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and Swiss GAAP FER regulations. Swiss Prime Site presents the Semi-Annual and Annual Reports at the half-yearly and annual financial results press conferences as well as at the Annual General Meeting. Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Market Infrastructure Act (FMIA) as well as the ad hoc publicity of the SIX Swiss Exchange. The ad hoc releases can be retrieved concurrently with the reports to the SIX Swiss Exchange at www.sps.swiss under Media. In addition, media releases are published as required, which can be subscribed to at www.sps.swiss under Media.

Further information about the group can be found on the website at www.sps.swiss.

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Swiss Prime Site AG
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CH-4601 Olten
Phone: +41 58 317 17 17
Email: info@sps.swiss

Significant changes since the balance sheet date

No significant changes have taken place since the balance sheet date.

The image shows a modern building with a glass facade and a cantilevered upper floor. The building is situated next to a train platform. The text "SWISS PRIME SITE" is overlaid on the top left. The year "2019" is overlaid in large white font at the bottom. Below the year, the text "COMPENSATION REPORT" is overlaid in red. The background shows a train platform with a train and people walking.

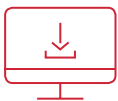
SWISS PRIME SITE

2019

— COMPENSATION REPORT

Compensation Report

3	Editorial Dr. Barbara Frei-Spreiter
5	Governance
9	Compensation principles
10	Compensation system for the Board of Directors
11	Compensation system for the Executive Board
15	Compensation in 2019
20	Report of the statutory auditor



Reporting structure

The reporting consists of the online report (www.sps.swiss/reporting) and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.



«Agile and flexible into the future»

Agility and flexibility are two key virtues these days. As a major listed real estate company, we are obliged, and indeed want, to continually develop in order to manage the changing circumstances of our environment and fulfil the needs of our stakeholders. As part of the Board of Directors' renewal process, we've taken additional steps, strengthened committees and set key focal points for the future.

The only thing that is constant is change. Few sayings are as truthful as this one. Every day, we experience progress in different ways and are made aware of the speed and pace of life. But at the same time, we are surrounded by impermanence that we need to process and deal with. In order for us to continue to develop as a society, we need to see this constant process of change as an opportunity to learn from the past and be even better in the future.

This also applies to companies. Our products, services, process, structures and organisations will not last forever; people, customers and their needs, and the market as a whole, are constantly changing. The objective of the Swiss Prime Site Board of Directors is to continuously adapt the Company's business model to the changing needs of the market. To do this, we need to renew our committees, embed expertise within the various group organisations, focus on key issues and review decisions taken in the past.

Around three years ago, we started a process to renew the Swiss Prime Site Board of Directors. In the course of this process, new personalities have joined the Board, bringing key competencies and knowledge into our Company. In addition to enriching our expertise, we have also been successful in improving our diversity through the addition of two female members to the Board of Directors. Gabrielle Nater-Bass brings many years of experience to both the Board of Directors and the Nomination and Compensation Committee. Thomas Studhalter has taken over from Rudolf Huber as Chairman of the Audit Committee.

This renewal process will continue and we will therefore propose the election of Ton Büchner as new Chairman of the Board of Directors at the 2020 Annual General Meeting. His extensive commercial experience and leadership expertise will enrich the Board. He will succeed Hans Peter Wehrli, who is not standing

for re-election. Hans Peter Wehrli was elected to the Board of Directors in 2002, and has been Chairman since 2005. During this time, Swiss Prime Site has seen strong growth both organically and through acquisitions; it has created a sustainable position in the market and developed into the leading listed real estate company in Switzerland with a portfolio of over CHF 11 billion. Hans Peter Wehrli is now handing over leadership at a time when Swiss Prime Site is solidly positioned and enjoys promising perspectives.

At the Executive Board level, we are pleased that Nina Müller has been nominated as CEO of our group company Jelmoli and that we have been able to find someone so highly qualified and with international experience in the premium retail sector to hold this important position. Knowledge transfer and the exchange of ideas is thriving within the various Swiss Prime Site group companies. In the past twelve months, a wide range of employees and directors moved between Wincasa, Jelmoli, Swiss Prime Site Immobilien and the group, taking on new areas of responsibility. At a time when demand for specialists is only going to increase, this is a positive sign. In the long term, we seek to retain our most important and sustainable capital in the Company: our employees. In order to confer more significance and strategic weight to the issue of sustainability and everything connected to it, the Board of Directors has set up a board, of which I, as Chair of the Nomination and Compensation Committee, am a member. It has the authority to work across the group and at all levels to ensure that our business model remains resilient and successful for the long term.

The first vesting period of the long-term incentive plan initiated for the Executive Board in 2017 will end in 2020. We are confident that we have chosen the right performance targets. This does not mean, however, that we will not make any adjustments necessary to ensure fair remuneration for management and secure the skills we need. We have achieved so much and are ready for the future.



Dr. Barbara Frei-Spreiter
member of the Board of Directors at Swiss Prime Site AG
and Chair of the Nomination and Compensation Committee

Governance

The Compensation Report is written in accordance with the provision of the Swiss Ordinance Against Excessive Compensation in Listed Companies (hereinafter referred to as «Ordinance»), the standard relating to information on corporate governance of the SIX Swiss Exchange and the principles of the «Swiss Code of Best Practice for Corporate Governance» of *economiesuisse*. The Compensation Report describes the governance framework, the compensation principles and programmes as well as the compensation awarded to the members of the Board of Directors and to the Executive Board in the financial year 2019.

Shareholders approve the maximum amount of compensation of the Board of Directors and the Executive Board by way of a binding vote at the Annual General Meeting. Furthermore, shareholders approve the Articles of Association that outline the principles of compensation as well as approve the Compensation Report by way of a consultative vote. The proposed maximum amounts of compensation submitted to a shareholders' vote are maximum figures that are paid out in case of substantial over-achievement of all relevant performance objectives. The effective compensation paid out is therefore likely to be below the approved maximum amounts. The effective compensation is reported in the Compensation Report, which is subject to a consultative vote by the shareholders at the Annual General Meeting. The combination of the prospective binding vote on the maximum amounts of compensation and retrospective consultative vote on the Compensation Report provides a true say-on-pay to shareholders.

Provisions on compensation in the Articles of Association

The Articles of Association can be found in their entirety on the Company's website (www.sps.swiss under governance). The following is a summary:

Principles of compensation of the Board of Directors Article 28	The members of the Board of Directors receive fixed compensation for their activities. Additional compensation may be paid for memberships in committees and for assuming special tasks or assignments. The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company.
Principles of compensation of the Executive Board Articles 30 and 31	The members of the Executive Board receive fixed annual compensation for their activities as well as variable performance-based compensation. The variable compensation is based on quantitative and individual objectives that are determined annually by the Board of Directors in the Company's and the shareholders' long-term interests. The variable compensation may be paid in cash or partly in restricted or unrestricted shares of the Company.
Approval of compensation by the shareholders Articles 29 and 32	<p>The Annual General Meeting annually approves with binding effect the maximum amount of compensation of the Board of Directors for the respective current financial year and the maximum amount, comprising both the fixed and variable compensation, of the Executive Board for the current financial year.</p> <p>The compensation effectively paid to the Board of Directors and the Executive Board is disclosed in the Compensation Report, which is subject to a consultative vote by the shareholders.</p>
Additional compensation for Executive Board members Article 32	In case of appointment of new members of the Executive Board after the approval of the maximum amount of compensation by the Annual General Meeting, the maximum additional amount available for each new member corresponds to 150% of the highest compensation paid to a member of the Executive Board in the last ordinary shareholders' meeting of the previous financial year.

Nomination and Compensation Committee

The Board of Directors has appointed a Nomination and Compensation Committee (CC) to provide support in compensation matters. Barbara Frei-Spreiter (Chair), Gabrielle Nater-Bass and Christopher M. Chambers are the current members of the Nomination and Compensation Committee.

The responsibilities of the Nomination and Compensation Committee are defined in a separate regulation and include in summary:

- Preparation of proposals to the Board of Directors regarding the compensation principles, including the design of variable compensation
- Preparation of proposals to the Board of Directors regarding the maximum amounts of compensation of the members of the Board of Directors and the Executive Board to be submitted to a shareholders' vote at the Annual General Meeting
- Preparation of proposals to the Board of Directors regarding the individual compensation of the members of the Board of Directors and the Executive Board within the limits approved by the shareholders
- Preparation of proposals to the Board of Directors on the performance objectives relevant for the determination of the variable compensation
- Evaluation of the achievement of the performance objectives for the calculation of the variable compensation and preparation of the corresponding proposals to the Board of Directors
- Monitoring compliance of the compensation principles with the law, the Articles of Association and internal regulations as well as the resolutions of the Annual General Meeting regarding compensation
- Preparation of the Compensation Report
- The Nomination and Compensation Committee prepares the guidelines and proposals for the nomination (including authority to sign) for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts

- The Nomination and Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.

- Any other activities assigned by law or by the Board of Directors

The Nomination and Compensation Committee acts in an advisory capacity while the Board of Directors retains the decision-making authority on compensation matters, except for matters concerning the maximum amounts of compensation of the Board of Directors and Executive Board, which are subject to the approval of shareholders at the Annual General Meeting. The authority levels of the different bodies on compensation matters are detailed in the following table.

Authority levels in compensation matters

	CEO	NCC	BoD	AGM
Compensation principles and variable compensation design		Proposes	Approves	
Maximum amounts of compensation of the Board of Directors and Executive Board		Proposes	Reviews	Approves (binding vote)
CEO compensation		Proposes	Approves	
Individual compensation of the Executive Board	Proposes	Reviews	Approves	
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of the Executive Board	Proposes	Reviews	Approves	
Individual compensation of the members of the Board of Directors		Proposes	Approves	
Compensation Report		Proposes	Approves	Consultative vote

The Nomination and Compensation Committee held five meetings in 2019. With the exception of one meeting, all members attended all the meetings. Furthermore, the Nomination and Compensation Committee performed its regular activities throughout the year, such as the performance goal setting at the beginning of the year and the performance assessment following the year-end, the annual review and determination of the individual compensation of the members of the Board of Directors and the Executive Board, as well as the preparation of the Compensation Report and of the say-on-pay compensation votes for the Annual General Meeting.

The Chair of the Nomination and Compensation Committee reports the activities of the committee to the Board of Directors after each meeting. The minutes of the committee meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed. The Nomination and Compensation Committee may consult an external advisor from time to time regarding special compensation issues. In 2019, no such external advisor was mandated.

Method of determination of compensation**Periodic benchmarking**

Swiss Prime Site periodically reviews the compensation of its Board of Directors and Executive Board. This includes regular benchmarking analysis – for example, every two to three years – of the compensation of similar positions in other stock exchange-listed companies that are comparable in size (i.e. market capitalisation, revenues, headcount). However, it is worth noting that Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of more than 6 000 employees – implies a higher degree of complexity than pure real estate companies. With the comparison of the compensation of members of the Executive Board that manage operating group companies, the composition of the benchmark is derived according to the respective areas of activity: i.e. in the real estate services, retail and assisted living sectors.

The last benchmarking analysis was conducted in 2016 and served as the basis for the annual review and the determination of compensation of the members of the Board of Directors and Executive Board for the financial year 2019.

Performance management

The actual compensation paid to the individual members of the Executive Board in a given year depends on the Company and individual performance. Individual performance is assessed through the annual performance management process, which aims to align individual and collective objectives, boost performance and foster personal development. The Company and individual objectives are determined at the beginning of the financial year and achievement of targets is assessed at year-end. In discussing the individual performance of the members of the Executive Board, the Nomination and Compensation Committee considers the achievement of the individual performance objectives pre-determined during the performance management process as well as the extent to which the executives have conducted themselves in line with Swiss Prime Site's DNA. The Company's DNA includes Swiss Prime Site's vision, the corporate culture, the Company's values and its commitment toward sustainability. The performance assessment is the basis for the determination of the actual compensation, as shown in the following illustration.



Compensation principles

Swiss Prime Site's compensation principles reflect the Company's commitment to attract, develop and retain qualified and talented executives. Compensation drives performance, rewards the achievement of business and individual objectives as well as supports the long-term creation of value for the shareholders. In order to ensure market competitiveness, the compensation structure and levels are subject to regular reviews. Compensation decisions are fair and transparent. The compensation principles are outlined as follows:

Pay for performance	Compensation of the Executive Board is directly linked to the Company's financial results and individual performance. Both the annual performance and sustainable success of Swiss Prime Site are rewarded through a well-balanced combination of performance objectives.
Alignment with shareholders' interests	A portion of the compensation of the Board of Directors is paid in the form of shares, for members of the Executive Board in the form of performance share units (PSUs). In this way, alignment with the interests of the shareholders is ensured.
Competitiveness	Compensation is benchmarked against that of comparable companies at regular intervals in order to ensure market competitiveness.
Internal equity and fairness	Compensation decisions are based on objective factors such as scope of responsibility of the position, external value of the position and individual performance. Compensation decisions are communicated in an open and transparent way.

Compensation system for the Board of Directors

In order to ensure their independence in exercising their supervisory duties toward the Executive Board – and to strengthen their focus on the long-term strategy and good corporate governance of the Company – the members of the Board of Directors receive a fixed compensation only, including an annual retainer reflecting the respective member's role on the Board of Directors and on the boards of group companies, as well as a lump-sum expense allowance.

Half of the compensation of the members of the Board of Directors is paid in cash and the other half is paid in the form of blocked Swiss Prime Site AG shares. This reinforces the alignment of their interests with those of the shareholders. The shares are

allocated at the end of the financial year on the basis of the market price at the beginning of the financial year, less a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 50% of the fixed compensation, depending on the share price performance during the financial year. The delivered shares are subject to blocking for a period of four years, which also applies to members who depart the Board of Directors.

The compensation levels of the Board of Directors are shown in the following table.

Compensation levels of the Board of Directors

Fixed annual retainer for members of the Board of Directors	CHF
Chairman of the Board of Directors	350 000
Vice-Chairman of the Board of Directors	190 000
Member of the Board of Directors ¹	180 000
Additional compensation	CHF
Lump-sum expense allowance	6 000

¹ additional fee of CHF 10 000 for audit committee chairman

Compensation system for the Executive Board

The compensation system for the Executive Board is based on business strategy, medium-term financial planning and the long-term interests of the Company's shareholders. The current compensation system has been in force since 2017 and is characterised by various elements.

- According to the performance-related remuneration approach, remuneration consists of three elements: fixed base salary, short-term and long-term variable remuneration.
- Split of the variable compensation into two components: 62.5% is awarded as a short-term incentive (STI) in cash and 37.5% delivered in the form of performance share units under the long-term incentive plan (LTI). STI and LTI together can in the best case achieve a maximum of 100% of the fixed base salary.
- Direct link to the business strategy: The STI rewards the annual financial performance of the business under responsibility and the individual performance, while the LTI rewards the performance of Swiss Prime Site as a whole over a performance period of several years. Therefore, the performance of Swiss Prime Site as a group and the performance of the individual operating group companies are rewarded in a balanced manner.
- Direct link to the mid-term financial planning: All performance targets are determined on the basis of the three-year rolling financial planning of the Company, which ensures a robust, transparent and sustainable measurement of performance. There is no possibility for the Board of Directors to apply management discretion in the determination of the effective variable compensation awarded.
- Direct link to shareholders' interests: In the case of long-term compensation (LTI), members of the Executive Board receive performance-related entitlements, so-called Performance Share Units (PSUs). After three years, the degree of target achievement is measured retroactively and the PSUs are converted into shares. The performance target was defined as earnings per share (EPS) before revaluations and deferred taxes, which also serves as the basis for dividend payments to shareholders. In this way, we ensure that the interests of the Executive Board and those of the shareholders are aligned.

Compensation structure of the Executive Board in the financial year 2019

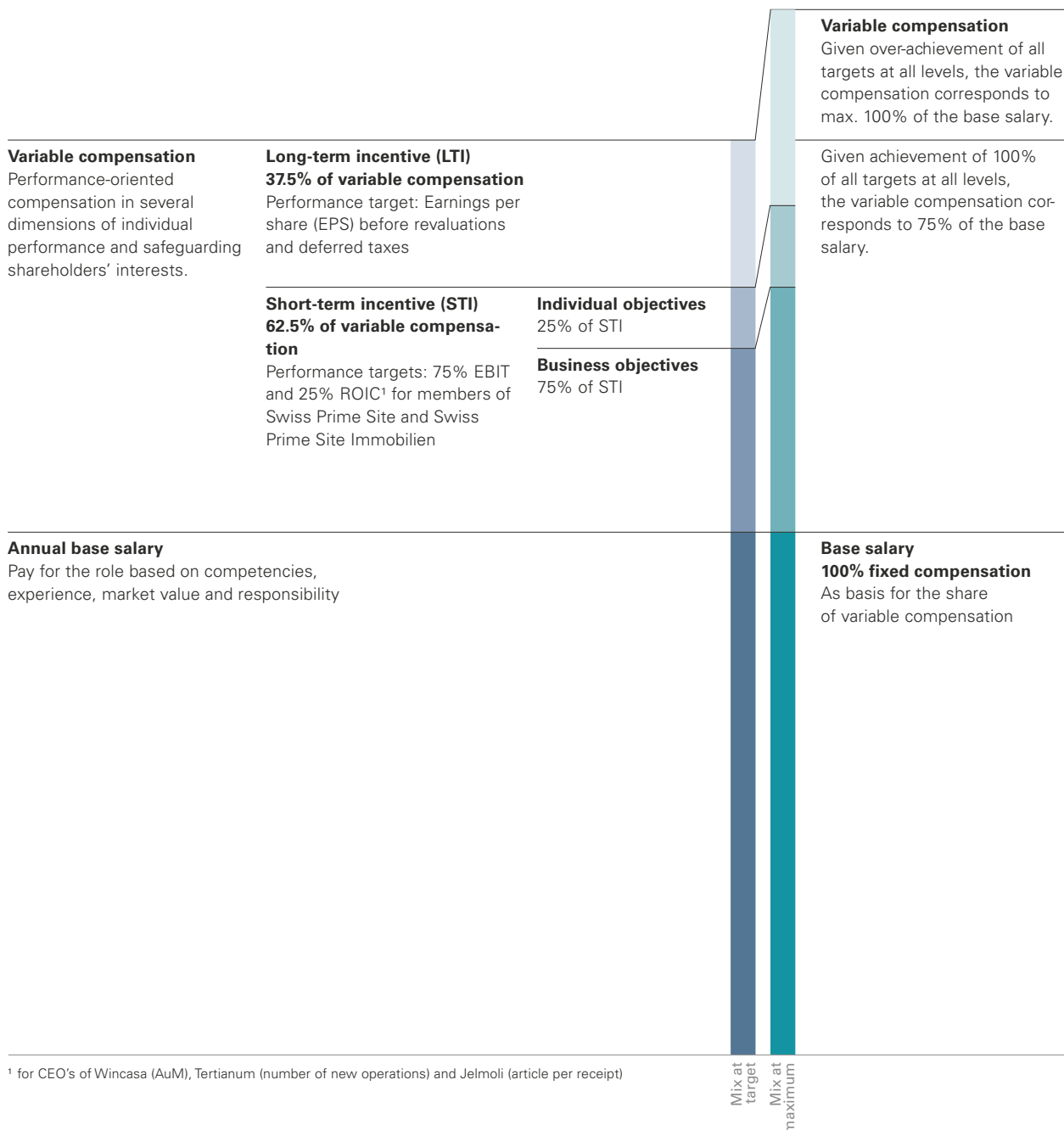
	Element	Purpose	Drivers	Performance measures
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role as well as skills and experience	
Variable compensation	STI (bonus in cash)	Pay for performance	Achievement of annual business and individual objectives	EBIT, ROIC and top-line performance
	LTI (performance share units)	Pay for performance and alignment with shareholders' interests	Group performance over three years and continued employment	Earnings per share (EPS) before revaluations and deferred taxes
Benefits	Social contributions, retirement plans and fringe benefits	Risk coverage	Market practice, function and local regulations	

Annual base salary

The annual base salary is part of the compensation. The amount of the base salary is determined particularly by individual competencies, experience, market value and responsibility of the respective Executive Board member. The base salary also serves to ensure a certain attractiveness of the Company's public image.

Variable compensation

The variable compensation amounts to 75% (target value) and a maximum of 100% of the annual base salary (at maximum payout level) without taking into account the share price performance. The variable compensation is split into short-term incentive (STI) and long-term incentive (LTI), as shown in the following illustration.



Short-term incentive (STI) Bonus in cash

The STI accounts for 62.5% of the variable compensation and reward for the business and the individual performance over a time horizon of one year.

The business-related objectives make up 75% of the STI. For the members of the Executive Board employed by Swiss Prime Site, business objectives include earnings before interest and tax (EBIT excluding revaluations) of Swiss Prime Site weighted at 75%, and return on invested capital (ROIC) of Swiss Prime Site weighted at 25%. For the members of the Executive Board who manage Jelmolli, Tertium and Wincasa – and are employed by the respective operating group company – business objectives include EBIT of the respective operating company and a top-line performance indicator, such as assets under management or development of new businesses.

For each business objective, a target is set corresponding to the expected level of performance that will generate a payout if achieved. Given achievement of 100% of all the targets, a payout of 75% of variable compensation applies. The maximum limit for the payout of variable compensation amounts to 100% of the fixed salary. Accordingly, the rule that applies to total compensation for a member of the Executive Board is that the variable component of the compensation can reach a maximum level amounting to the base salary. The business objectives and the target level of performance are determined on the basis of the mid-term financial planning, so the target setting is very robust and ambitious.

The individual objectives are weighted with 25% of the STI, consisting of annual personal objectives that are determined and agreed upon within the scope of the performance management process:

- For the CEO: implementation of innovation and sustainability initiatives, strategic management of the operating group companies and perception of Swiss Prime Site as a leading real estate firm according to the Company's vision.
- For the other members of the Executive Board: risk management, reduction of fluctuation and vacancy rates, customer satisfaction, contract renewals and personnel management.

Long-term incentive (LTI) Performance share units

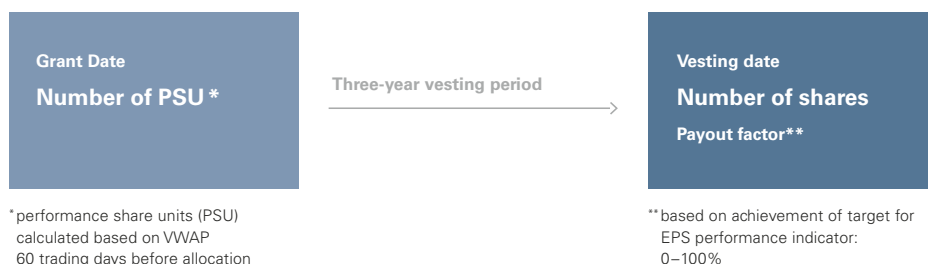
The LTI accounts for 37.5% of the variable compensation, to be delivered in the form of performance share units (PSUs) that reward for the long-term performance of Swiss Prime Site and align the interests of the members of the Executive Board with those of the shareholders.

On the date of allocation, the individual LTI amount is converted to PSUs based on the volume-weighted average share price of the last 60 trading days prior to the allocation date.

The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the performance indicators and continued employment relationship during the vesting period. Swiss Prime Site's earnings per share (EPS) before revaluations and deferred taxes constitute the performance indicator. The EPS target for the three-year vesting period is predetermined based on Swiss Prime Site's ambitious medium-term financial planning.

At the vesting deadline date, the number of allocated PSUs is multiplied by the payout factor in order to define the number of Swiss Prime Site shares that are definitively paid out. The payout factor depends on the achievement of the EPS target and hovers in a range between 0% and 100%.

The performance share units are subject to forfeiture clauses in case of termination of employment during the vesting period. In case of termination for cause, all PSUs are forfeited. In case of resignation or termination (not for cause), all PSUs granted in the year of termination are forfeited. PSUs granted in previous years are subject to the regular vesting periods. In cases of retirement, disability or death, the PSUs are subject to a pro-rata vesting for the number of full months of employment in the respective vesting periods that have expired by the termination date. The determination of the payout factor and the vesting date remain unchanged (no acceleration of vesting). In case of change of control, the PSUs are subject to an accelerated pro-rata vesting process for the number of full months of the respective vesting periods that have expired by the date of change of control. The decisive factor here is the effective EPS performance at the date of change of control as determined by the Board of Directors.

Mechanism of the performance share units (PSUs) within the scope of the long-term incentive (LTI) plan

The compensation system applicable to the members of the Executive Board is well balanced. The system is performance oriented with a larger portion of variable compensation, and it reflects the business strategy by rewarding Swiss Prime Site's profitability. In addition, the system incorporates the top-line and bottom-line contributions of the operating group companies. The compensation system also takes into account the shareholders' long-term interests by rewarding EPS of Swiss Prime Site over a three-year period.

Employment contracts

According to article 23 of the Articles of Association, the contracts determining the compensation of the members of the Board of Directors and the Executive Board may be of fixed or unlimited term. The maximum duration of fixed-term contracts is one year. The notice period for unlimited contracts may not exceed one year. These contracts may stipulate post-contractual non-competition clauses with a duration of up to one year. The compensation corresponds to the maximum amount of the last effected fixed annual compensation in proportion to the duration.

Benefits and fringe benefits

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependants with respect to retirement, the risk of disability and death, and risks to health. The members of the Executive Board are covered by the respective pension plans of the employing company. There are three pension plans within the SPS and Jelmoli pension funds for the employees of Swiss Prime Site Management AG, Jelmoli AG and Wincasa AG. Tertium Gruppe AG has a different insurance solution.

The maximum contribution limits (maximum insured salary) are CHF 0.3 million to CHF 0.5 million. The employer contributions are graduated in a range between 10% and 14% depending on age and/or position.

In addition, all members of the Executive Board are entitled to a lump-sum expense allowance, according to the regulations approved by the relevant tax authorities that are applicable to Executive Board members.

The current employment contracts of the members of the Executive Board are indefinite and include notice periods of six to twelve months. These contracts contain no unusual provisions, in particular no severance pay, no extraordinary clauses in the event of change of control over the Company and no non-competition clause.

Compensation in 2019

The compensation is disclosed in gross terms and according to the accrual principle. Contributions made by the employer to pension funds are considered as an integral part of compensation and disclosed as such.

Compensation to the Board of Directors

In 2019, total compensation of the Board of Directors amounted to CHF 1.8 million [2018: CHF 1.4 million] in the form of cash payments of CHF 0.7 million [2018: CHF 0.6 million], restricted shares valued at CHF 1.0 million [2018: 0.6 million], social contributions amounting to CHF 0.1 million [2018: CHF 0.1 million] and other forms of compensation of CHF 0.1 million [2018: CHF 0.1 million].

This corresponds to an increase by 31.9% compared with the previous year's period, which is attributable to the good perform-

ance of the Swiss Prime Site shares and the waiver of a member's annual fee in the previous year. That member of the Board of Directors did not stand for re-election in 2019.

The total amount of compensation of CHF 1.8 million effected to the Board of Directors in 2019 is within the maximum amount of compensation of CHF 1.8 million for the financial year 2019 approved by the shareholders at the Annual General Meeting on 26 March 2019.

The Board of Directors comprised seven members at the end of 2018. At the 2019 Annual General Meeting, one new member was elected to replace the retired member of the Board of Directors. Therefore, the Board of Directors comprised seven members at the end of 2019.

01.01.–31.12.2019

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	175	239	5	24	443	6
Mario F. Seris, Vice-Chairman of the BoD	95	130	6	16	247	6
Christopher M. Chambers, member of the BoD	90	123	6	–	219	6
Dr. Barbara Frei-Spreiter, member of the BoD	90	123	6	8	227	6
Dr. Rudolf Huber, member of the BoD	90	123	6	15	234	6
Gabrielle Nater-Bass, member of the BoD ³	68	92	6	6	172	5
Thomas Studhalter, member of the BoD	95	130	6	9	240	6
Klaus R. Wecken, member of the BoD ^{4, 5}	–	–	–	–	–	3
Total compensation to the Board of Directors 2019, gross	703	960	41	78	1 782	44
Compensation approved by the Annual General Meeting					1 800	

¹ the shares are subject to blocking for four years, fair value upon transfer of shares

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

³ since 26.03.2019

⁴ until 26.03.2019

⁵ waived the annual fee and received a CHF 12 000 lump-sum expense allowance

01.01.–31.12.2018

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	175	178	5	19	377	6
Mario F. Seris, Vice-Chairman of the BoD	95	96	6	13	210	6
Dr. Elisabeth Bourqui, member of the BoD ³	30	34	–	4	68	2
Christopher M. Chambers, member of the BoD	90	91	6	–	187	6
Dr. Barbara Frei-Spreiter, member of the BoD ⁴	67	69	6	5	147	5
Dr. Rudolf Huber, member of the BoD	95	96	6	13	210	6
Thomas Studhalter, member of the BoD ⁴	67	69	6	5	147	5
Klaus R. Wecken, member of the BoD ⁵	–	–	5	–	5	12
Total compensation to the Board of Directors 2018, gross	619	633	40	59	1 351	48
Compensation approved by the Annual General Meeting					1 700	

¹ the shares are subject to blocking for four years, fair value upon transfer of shares

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

³ until 23.04.2018

⁴ since 27.03.2018

⁵ waived the annual fee and received a CHF 12 000 lump-sum expense allowance

Compensation of the Executive Board

In 2019, the members of the Executive Board received total compensation of CHF 6.7 million [2018: CHF 6.9 million]. This amount comprises fixed compensation of CHF 3.2 million [2018: CHF 3.3 million], a variable compensation component in cash of CHF 1.5 million [2018: CHF 1.5 million], the performance-related entitlements, so-called Performance Share Units (PSUs) in the amount of CHF 1.1 million [2018: CHF 1.2 million] as well as other social security components totalling CHF 0.8 million [2018: CHF 0.9 million]. The target achievement rates for the short-term incentive (STI) were within the range of 68% and 89% (see table on page 18).

The total compensation of CHF 6.7 million effected to the Executive Board for the financial year 2019 fell far short of the maximum amount of CHF 8.3 million approved by the Annual General Meeting on 26 March 2019.

The long-term incentive (LTI) comprises performance share units (PSUs) whose number is based on the volume-weighted average share price (VWAP) calculated from the last 60 trading days in 2018. Due to the three-year vesting period, these entitlements (PSUs) will only result in a transfer of shares at a later date and only if the target has been achieved accordingly (measured value EPS).

The target achievement of the LTI Plan due for payment in 2020 was 103.74% (payout factor: 100%). Therefore, the Executive Board will receive 13 358 shares on 10 February 2020 (vesting date).

At the end of 2018, the Executive Board consisted of six members. Franco Savastano (CEO Jelmoli) left the Company and the Executive Board on 30 September 2019. Therefore, the Executive Board comprised five members at the end of 2019.

01.01.–31.12.2019

in CHF 1 000	Total Group Executive Board	of which René Zahnd (CEO) ¹
Fixed compensation in cash, gross	3 208	900
Variable compensation in cash, gross	1 518	381
Share-based variable compensation ²	1 088	338
Other compensation components ³	23	6
pension fund contributions	529	96
Other social security contributions	299	74
Total compensation to the Group Executive Board 2019, gross	6 665	1 795
Expense allowance	98	18
Compensation approved by the Annual General Meeting	8 300	

¹ highest compensation to the Executive Board² performance share units (LTI) with three-year vesting period³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass**01.01.–31.12.2018**

in CHF 1 000	Total Group Executive Board	of which René Zahnd (CEO) ¹
Fixed compensation in cash, gross	3 300	900
Variable compensation in cash, gross	1 453	359
Share-based variable compensation ²	1 190	325
Other compensation components ³	25	6
pension fund contributions	564	97
Other social security contributions	322	75
Total compensation to the Group Executive Board 2018, gross	6 854	1 762
Expense allowance	102	18
Compensation approved by the Annual General Meeting	8 300	

¹ highest compensation to the Executive Board² performance share units (LTI) with three-year vesting period³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

Target weighting and target achievement 2019

	Total bonus, maximum 100% of base salary				
	62.5% short term			Achievement of targets in % of maximum bonus for short-term bonus	37.5% long-term number of PSUs based on VWAP in 2018
	25% individual objectives	75% EBIT and growth targets			
CEO	25%	75%	25% ROIC	68%	100% EPS ^{1,2}
CFO	25%	75%	25% ROIC	70%	100% EPS ^{1,2}
CEO Swiss Prime Site Immobilien	25%	75%	25% ROIC	89%	100% EPS ^{1,2}
CEO Wincasa	25%	75%	25% AuM	72%	100% EPS ^{1,2}
CEO Jelvoli	25%	75%	25% article per receipt	75%	n.a.
CEO Tertianum	25%	75%	25% new business operations	83%	100% EPS ^{1,2}

¹ before revaluations and deferred taxes² Swiss Prime Site Group

Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2018	31.12.2019
Board of Directors		
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	41 652	45 096
Mario F. Seris, Vice-Chairman of the BoD	12 864	14 190
Christopher M. Chambers, member of the BoD	41 486	42 742
Dr. Barbara Frei-Spreiter, member of the BoD	833	2 089
Dr. Rudolf Huber, member of the BoD	17 500	21 071
Gabrielle Nater-Bass, member of the BoD ¹	–	942
Thomas Studhalter, member of the BoD	833	2 159
Klaus R. Wecken, member of the BoD ²	180 000	n.a.
Executive Board		
René Zahnd, member of the Executive Board (CEO)	4 535	4 535
Markus Meier, member of the Executive Board (CFO)	6 451	6 451
Peter Lehmann, member of the Executive Board and CEO of Swiss Prime Site Immobilien AG	12 375	11 845
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	–
Franco Savastano, member of the Executive Board and CEO of Jelvoli – The House of Brands ³	–	n.a.
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum Gruppe AG	1 387	1 387
Total share ownership	319 916	152 507

¹ since 26.03.2019² until 26.03.2019³ until 30.09.2019

Any compensation other than that stipulated in the Articles of Association and referred to in this report to members of the Board of Directors and Executive Board is prohibited. No compensation was effected to members of the Board of Directors and Executive Board in 2019 other than that referred to in the previous sections.

Loans and credits to members of the Board of Directors and Executive Board

No loans or credits were granted to present members of the Board of Directors or the Executive Board in 2019, and there were no loans or credits outstanding as at 31 December 2019.

Compensation, loans and credits to former members and related persons

No compensation was effected to nor loans or credits granted to former members of the Board of Directors and the Executive Board, or related persons of members of the Board of Directors or Executive Board, and there were no loans or credits or compensation outstanding as at 31 December 2019.

Business relations of Board of Directors members

No member of the Board of Directors has any significant business relationship with Swiss Prime Site AG or its group companies.



Report of the Statutory Auditor

To the General Meeting of Shareholders of Swiss Prime Site AG, Olten

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections "Compensation of the Board of Directors", "Compensation of the Executive Board", "Loans and credits to members of the Board of Directors and Executive Board and Compensation", "loans and credits to former members and related persons" on pages 15 to 19 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 Dezember 2019 of Swiss Prime Site AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zurich, 20 February 2020

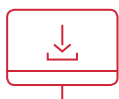
SWISS PRIME SITE

2019

— FINANCIAL REPORT

Financial Report

2	Selected group key figures
3	Annual Report for the year 2019
8	Valuation Expert's Report
17	Consolidated financial statements
17	Consolidated income statement
18	Consolidated balance sheet
19	Consolidated cash flow statement
20	Consolidated statement of changes in shareholders' equity
21	Notes to the consolidated financial statements
54	Definition of alternative performance indicators
56	Report of the statutory auditor
61	Financial statements of Swiss Prime Site AG
61	Income statement
62	Balance sheet
63	Notes to the financial statements
69	Proposed appropriation of balance sheet profit
70	Report of the statutory auditor
73	EPRA reporting
77	Five-year summary of key figures
79	Property details



Reporting structure

Reporting consists of the online report (www.sps.swiss/reporting), and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.

Selected group key figures

Key financial figures	in	01.01.– 31.12.2018 or 31.12.2018	01.01.– 31.12.2019 or 31.12.2019	Change in %
Rental income from properties	CHF m	479.4	486.9	1.6
Income from real estate developments	CHF m	72.8	79.8	9.7
Income from real estate services	CHF m	116.7	117.5	0.7
Income from retail	CHF m	131.3	127.8	–2.6
Income from assisted living	CHF m	396.9	423.9	6.8
Income from asset management	CHF m	8.5	13.5	60.2
Total operating income	CHF m	1 214.1	1 258.8	3.7
Revaluation of investment properties, net	CHF m	67.6	203.4	201.1
Result from investment property sales, net	CHF m	18.4	20.8	12.9
Operating result (EBIT)	CHF m	478.6	628.3	31.3
Profit	CHF m	310.9	608.5	95.7
Cash flow from operating activities	CHF m	334.4	406.6	21.6
Shareholders' equity	CHF m	5 145.1	5 459.2	6.1
Equity ratio	%	43.9	44.4	1.1
Borrowed capital	CHF m	6 564.2	6 841.7	4.2
Return on equity (ROE)	%	6.4	11.5	79.7
Return on invested capital (ROIC)	%	3.4	5.6	64.7
NAV before deferred taxes per share ¹	CHF	83.40	86.34	3.5
NAV after deferred taxes per share ¹	CHF	67.74	71.87	6.1
Earnings per share (EPS)	CHF	4.27	8.00	87.4
Financial figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	411.1	424.9	3.4
Profit	CHF m	287.8	315.7	9.7
Return on equity (ROE)	%	5.9	6.3	6.8
Return on invested capital (ROIC)	%	3.2	3.2	–
Earnings per share (EPS)	CHF	3.95	4.14	4.8
Real estate portfolio				
Fair value of real estate portfolio	CHF m	11 204.4	11 765.4	5.0
of which projects/development properties	CHF m	576.8	684.5	18.7
Number of properties	number	190	187	–1.6
Rental floor space	m ²	1 567 288	1 604 451	2.4
Vacancy rate	%	4.8	4.7	–2.1
Average discount rate	%	3.22	3.06	–5.0
Net property yield	%	3.6	3.5	–2.8
Employees				
Number of employees as at balance sheet date	persons	6 321	6 506	2.9
Full-time equivalents as at balance sheet date	FTE	5 115	5 402	5.6

¹ Services segment (real estate-related business fields) included at book values only

Annual Report for the year 2019

2019 was a successful year for Swiss Prime Site. Operating income rose by 3.7% to CHF 1 258.8 million, with both the Real Estate and the Services segments making a positive contribution to this pleasing growth. The core real estate business increased income by 2.0%. Real estate services increased their contribution to the group by 4.8% compared to the previous year. The value of the real estate portfolio grew by 5.0% to CHF 11.8 billion during the course of the year. The vacancy rate fell to 4.7% [4.8%] and, together with an attractive net yield of 3.5% [3.6%], reflects the quality of the portfolio. Profits rose significantly to CHF 608.5 million [CHF 310.9 million]. In addition to operating improvements, increases in value in the real estate portfolio and a one-time positive tax effect arising from tax reductions in some cantons contributed to this result. Swiss Prime Site anticipates that operating results will improve across 2020 before revaluations and deferred taxes. This includes a material profit from the sale of the Tertianum Group.

After a good start to the year, the Swiss economy had a subdued performance in the second half of 2019. Global uncertainty led to weaker international demand for Swiss goods and services, while the revaluation of the Swiss franc also hindered growth. As a result, the domestic economy slowed down despite generous refinancing opportunities. However, attractive interest rates for real estate and high demand for prime investment properties led to growth in Swiss Prime Site's area of the real estate market. Under these conditions, and thanks to active portfolio management, Swiss Prime Site once again has good results to report for 2019.

The core real estate business contributed the lion's share to the growth of the group. Viewed over the whole of the 2019 financial year, 128 000 m² (~8% of rentable space) was let or re-let. Swiss Prime Site Immobilien made some adjustments to the portfolio, selling smaller properties during the course of the year. The sale of commercial floor space in condominium ownership of a building in the Espace Tourbillon project in Geneva is proceeding as planned. The first sales of various plots were completed in the second half of the year. Some tenants have already moved into the modern and architecturally open YOND in Zurich-Albisrieden. At the Schönbürg in Berne, almost all of the 142 residential properties and retail spaces have been handed over to tenants. The hotel with 180 beds is scheduled to open in 2020. Additional projects under construction, with a total of around CHF 560 million in the pipeline, are well under way. The existing buildings in the major JED project in Schlieren will be tailored to the requirements of the two anchor tenants. In the second half of 2019, a catering provider was selected to operate a range of restaurant and event spaces on the site. This should further increase JED's appeal. In the Stücker Park in Basel, good progress is being made in the construction of the office and laboratory spaces in the first stage. At the DIY store a1 in Oftringen, the first renovated spaces are now back in use. A further eight development projects are currently planned. The total investment in this project totals around CHF 940 million. Both assisted living projects in Olten and Paradiso have been fully let to Tertianum. The construction projects in Lancy (Alto Pont-Rouge) and Basel-Stadt (Stücker Park) are in demand. The building permit for the JED new building (2226) in Schlieren has been issued. The architecture tender for the maaglie project in Zurich-West started in autumn 2019.



The Services segment grew in line with expectations. In a challenging market, Wincasa slightly increased managed real estate assets to CHF 71.0 billion. At the same time, the digital transformation of the business model is proceeding at full speed. Jelmoli expanded its range of services to optimise the customer experience on offer. As well as a Breitling bar, Pallas Kliniken opened its new aesthetics flagship location in the premium department store in the heart of Zurich in 2019. Tertianum made more progress with its growth strategy than planned, increasing operating efficiency and adding value for guests by improving its digital offering. Ahead of schedule, Swiss Prime Site Solutions renewed the contract to collaborate with the Swiss Prime Investment Foundation and significantly increased its assets under management compared to the previous year to CHF 2.3 billion.

Operating income

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
Real Estate segment	509.2	519.5	2.0
Rental income from properties	434.4	437.3	0.7
Income from real estate developments	72.8	79.8	9.7
Other operating income	2.0	2.4	19.6
Services segment	790.7	828.4	4.8
Rental income from properties	101.5	106.0	4.5
Income from real estate services	144.4	148.1	2.5
Income from retail	131.3	127.8	-2.6
Income from assisted living	396.9	423.9	6.8
Income from asset management	8.5	13.5	60.2
Other operating income	8.2	9.0	10.3
Eliminations	-85.7	-89.0	3.9
Total group	1 214.1	1 258.8	3.7

Swiss Prime Site reported a 3.7% increase in operating income to CHF 1 258.8 million in 2019, with both segments making a positive contribution to this growth. In the core real estate business, performance was in line with expectations and operating income increased to CHF 519.5 million. The increase of CHF 10.3 million or 2.0% was primarily due to the increase in income from real estate developments. Active vacancy management and forward-looking letting and renewal activities also contributed significantly to this result. The property portfolio achieved a value of CHF 11.8 billion, growing by 5.0% compared to the end of 2018. As at 31 December 2019, Swiss Prime Site's stock comprised a total 187 high-quality real estate properties [end of 2018: 190 properties]. At 3.5% [3.6%], the net yield is at an attractive level in the market for prime investment properties. The vacancy rate of 4.7% is slightly lower than the previous year.

In the Services segment, operating income rose by 4.8% to CHF 828.4 million in 2019. Wincasa increased income from real estate services by CHF 148.1 million (+2.5%) compared to the previous year. The digitalisation of the business model and the accompanying cultural change is being systematically implemented. The portfolio of real estate managed by Wincasa reached a market value of around CHF 71 billion. Jelmoli – The House of Brands achieved income from retail of CHF 127.8 million [CHF 131.3 million]. In challenging market conditions, the premium department store accelerated the expansion of its services and brand offerings. Tertianum expanded its network of residential and care centres. The company now has more than 80 locations across Switzerland and achieved income from assisted living of CHF 423.9 million (+6.8%) in 2019. Swiss Prime Site Solutions conducted two capital increases for the Swiss Prime Investment Foundation, resulting in significant acquisitions. Assets under management thus increased from CHF 1.6 billion to CHF 2.3 billion. Income from asset management rose significantly by 60.2% to CHF 13.5 million [CHF 8.5 million].

Operating result (EBIT)

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
Real Estate segment	431.1	572.9	32.9
Services segment	47.6	55.5	16.6
Total group	478.6	628.3	31.3

Swiss Prime Site's operating result (EBIT) jumped by 31.3% to CHF 628.3 million [CHF 478.6 million]. The Real Estate segment contributed the lion's share of this increase. EBIT from core business reached CHF 572.9 million (+32.9%). This includes revaluations of CHF 204.4 million [CHF 68.3 million]. The growth reflects the generally high appeal and quality of the real estate in the portfolio. In particular, the property at Müllerstrasse 16, 20 in Zurich made a major contribution to this growth due to a big revaluation gain after a new, long-term contract was signed. As at the end of 2019, the weighted average real discount rate stood at 3.06%. This was 16 basis points below the previous year's figure. Excluding revaluations, EBIT also rose by 3.4% to CHF 424.9 million [CHF 411.1 million]. The pro rata pre-tax profits of the sold development projects in Plan-les-Ouates (Espace Tourbillon) and Berne (Weltpost Park), a retail property in Geneva sold in the first half of the year and additional sales in the second half of 2019 totalled CHF 37.6 million. The operating expenses of the Real Estate segment increased by CHF 6.3 million to CHF 171.4 million [CHF 165.1 million]. This increase is primarily due to expenses in connection with the property developments sold.

The Services segment produced EBIT of CHF 55.5 million [CHF 47.6 million]. Tertium and Swiss Prime Site Solutions achieved particularly strong operating results. The growth of the network and efficiency gains enabled Tertium to contribute to this growth. With two capital increases and several portfolio acquisitions for the Swiss Prime Investment Foundation, Swiss Prime Site Solutions almost doubled its results. Despite the transformation process, Wincasa almost maintained its results from the previous year. In 2020, the real estate service provider is set to increase investment in digitalising the business model. Jelmoli's results were less than the previous year's due to the challenging bricks-and-mortar retail trade environment. The operating expenses of the Services segment rose by 3.9% to CHF 771.9 million [CHF 742.6 million]. The increase of CHF 29.3 million is due to increased personnel costs connected to the growth of the group company Tertium. The Swiss Prime Site Group employed a workforce totalling 6506 persons [6 321] on the balance sheet date.

Profit

Swiss Prime Site achieved a large profit of CHF 608.5 million [CHF 310.9 million] in 2019. This was due to operational improvements, higher revaluations and the release of deferred tax liabilities amounting to CHF 172.5 million from cantonal tax rate reductions. Attractive refinancing and higher recognised borrowing costs connected to real estate developments reduced financial expenses to CHF 70.7 million [CHF 75.8 million]. Excluding revaluations and deferred taxes, profit amounted to CHF 315.7 million (+9.7%). Earnings per share (EPS) rose clearly to CHF 8.00 [CHF 4.27]. Excluding revaluations and deferred taxes, EPS was CHF 4.14 [CHF 3.95], including an increase of 4.6% in the weighted number of shares.

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
Operating result (EBIT)	478.6	628.3	31.3
Financial expenses	–75.8	–70.7	–6.7
Financial income	1.2	1.9	62.3
Income tax expenses	–93.1	49.0	–152.6
Profit	310.9	608.5	95.7
Profit excluding revaluations and deferred taxes	287.8	315.7	9.7

Balance sheet figures

Swiss Prime Site issued two bonds on the capital market in 2019 – an 8-year, 1.25% bond of CHF 350 million and a 12-year, 0.375% bond of CHF 170 million. The weighted average interest rate fell to 1.2% [1.4%]. The weighted average residual term to maturity of interest-bearing financial liabilities was 4.2 [4.3] years. The comparison between the interest rate on financial liabilities of 1.2% and the net yield of 3.5% achieved on the property portfolio shows that the interest rate spread remains attractive at 2.3% [2.2%].

As at the end of 2019, the equity ratio of Swiss Prime Site stood at solid 44.4% [43.9%]. The loan-to-value ratio of the property portfolio was 45.7% – virtually unchanged from the previous year [45.3%]. At CHF 71.87 per share, the NAV after deferred taxes was 6.1% higher than the previous year's figure. This takes into account the withholding tax-free distribution of contribution reserves of CHF 3.80 per share as at 4 April 2019. Swiss Prime Site's return on equity reached 11.5% [6.4%] and is above the Company's long-term target, primarily due to the aforementioned one-off effect.

	in	31.12.2018	31.12.2019	Change in %
Equity ratio	%	43.9	44.4	1.1
Return on equity (ROE)	%	6.4	11.5	79.7
Net property yield	%	3.6	3.5	-2.8
Weighted average interest rate on financial liabilities	%	1.4	1.2	-14.3
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.3	4.2	-2.3
Loan-to-value ratio of property portfolio (LTV)	%	45.3	45.7	0.9
NAV before deferred taxes per share ¹	CHF	83.40	86.34	3.5
NAV after deferred taxes per share ¹	CHF	67.74	71.87	6.1

¹ Services segment (real estate-related business fields) included at book values only

Outlook

For 2020, Swiss Prime Site expects the economic and political conditions to be similar to those of the previous year. This should create opportunities, for both the Company and the real estate industry. The completion of development projects, active asset, portfolio and vacancy management, recurring income from real estate development projects and the realisation of the project pipeline will help the group achieve its operational and strategic goals in the core real estate business in 2020. Swiss Prime Site anticipates contributions from the real estate-related Services segment as planned. Selling the Tertium Group will lead to increased profit before revaluations and deferred taxes and to a change in the income statement and balance sheet structure. The Company will maintain an attractive policy on dividend distribution to shareholders.

Valuation Expert's Report

The properties of Swiss Prime Site AG are valued by Wüest Partner AG on a half-yearly basis at their fair values. The present valuation is valid as at 31 December 2019.

Valuation standards and principles

The fair values determined as at the balance sheet date 31 December 2019 coincide with the fair values as they are outlined in Swiss GAAP FER 18 sec. 14. In this context, fair value corresponds to the particular price that an independent market participant would receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price).

Definition of fair value

The exit price is the sales price stated in the purchase agreement to which the parties have mutually agreed. Transaction costs, usually consisting of brokerage commissions and transaction taxes as well as land register and notary costs, are not taken into account in determining current value. The fair value is therefore not adjusted for the transaction costs incurred by the purchaser at the time of sale (gross fair value). No liabilities on the part of Swiss Prime Site AG regarding potential taxes (with the exception of ordinary property taxes) and financing costs are taken into account either, which corresponds with valuation practice in Switzerland.

The valuation at fair value implies that the hypothetical transaction for the asset subject to valuation would take place on the market with the largest volumes and highest level of business activity (principal market) – as well as the market where transactions are executed with sufficient frequency and volume – so enough price information is available for that relevant market (active market). In the case that such a market cannot be identified, the principal market for the asset is assumed that maximises the sales price for the divestment of the particular asset.

Implementation of fair value

Fair value was determined on the basis of applying the highest-and-best-use standard for a property. Highest-and-best-use is the utilisation of a property that maximises its value. This assumption implies use that is technically/physically feasible, legally permissible and financially realisable. Since the measurement of fair value implies maximised utilisation, the highest and best use can deviate from the actual or planned use of a property. Future capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

Application of the highest-and-best-use approach is based on the principle of materiality of possible difference in value relative to the value of the particular property and total real estate assets, as well as relative to possible absolute difference in value. A property's potential added value, which fluctuates within the normal assessment tolerance of an individual valuation, is viewed as insignificant here and consequently disregarded.

Determining the value of Swiss Prime Site AG's real estate portfolio is carried out with a model-based valuation based on input parameters that are not directly observable on the market, whereby adapted, observable input parameters may be applied here as well (for example, market rents, operating/maintenance costs, discount/capitalisation rates, proceeds from the sale of owner-occupied residential property). Unobservable input factors are applied only when relevant observable input factors are unavailable.

Valuation techniques are used that are appropriate for the given circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The relevant valuation technique used here is an income-based approach, modelled on the basis of the discounted cash flow valuation method widely applied in Switzerland.

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project, according to Swiss GAAP FER 18. Any profit is taken into account on a pro rata basis, insofar as its realisation can be determined with sufficient certainty.

Properties under construction that are designated for future divestment (for example condominiums) are recognised in the balance sheet at the lower of cost or investment costs and net realisable value, according to Swiss GAAP FER 17. Consequently, current activities and investment costs are recognised and the subsequent valuation carried out at the lower value.

The valuation guarantees a high degree of transparency, uniformity, relevance and completeness. The relevant legal provisions, as well as the specific national and international standards, are complied with (i.e. regulations for real estate companies listed on SIX, Swiss GAAP FER and others). In order to ensure an independent valuation and thus the highest possible degree of objectivity, the business activity of Wüest Partner AG excludes both trading and related transactions on a commission basis, as well as the management of properties. The valuation principles are always based on the most recent information regarding the properties and the real estate market. The data and documents pertaining to the properties are provided by the owner and assumed to be accurate. All real estate market data are derived from continuously updated databases held by Wüest Partner AG (Immo-Monitoring 2020).

Valuation method

Investment properties are generally valued by Wüest Partner AG according to the discounted cash flow (DCF) method, which corresponds to national and international standards and is also used in company valuations. The method is recognised – within the scope of general freedom of choice real estate valuations – in the context of best practice. According to the DCF method, the current fair value of a property is determined through deriving the sum of all future estimated net earnings (before interest, taxes, depreciation and amortisation = EBITDA) and discounting to the present, taking into consideration investments or future repair costs. The net earnings (EBITDA) per property are individually discounted taking into account any relevant opportunities and threats, adjusting for the current market situation and risks. A detailed report for each property discloses all expected cash flows, therefore providing the greatest degree of transparency possible. In the report, attention is drawn to substantial changes compared with the previous valuation.

Trend in the real estate portfolio

In the reporting period from 1 January to 31 December 2019, four properties and one 50% co-ownership were acquired, and nine properties were divested. Four freehold properties were sold in a development project, resulting in a partial disposal. Furthermore, one property was divided, another was converted from an existing property into a project, and two properties were converted from a project to existing properties. Swiss Prime Site AG's overall real estate portfolio therefore changed on a net basis by minus three properties and now comprises a total of 187 properties. Specifically, nine existing properties were sold during the reporting period (Belp, Aemmenmattstrasse 43; Berlingen, Seestrasse 110; Geneva, Rue Céard 14/Croix-d'Or 11; Horgen, Zugerstrasse 22, 24; Rapperswil-Jona, Rathausstrasse 8; Solothurn, Amthausplatz 1; Thalwil, Gotthardstrasse 40; Zurich, Schaffhauserstrasse 339 and Schulstrasse 34, 36), with a fair value of CHF 113.72 million as at 31 December 2018. In addition, four freehold properties in the Plan-les-Quates, Chemin des Aulx «Espace Tourbillon» development project were sold. Five acquisitions were carried out in the reporting period (four existing properties: a 50% co-ownership interest in the existing property at «Rue Antoine-Jolivet 7» in Carouge, the properties at «Rue de la Prairie 17» in Les-Ponts-de-Martel, «Genuastrasse 11» in Münchenstein and «Rue de la Clef 36» in St-Imier and building land at «Rheinstrasse 54» in August) at the current value as at 31 December 2019 of CHF 67.06 million.

The total portfolio therefore comprises 167 existing investment properties, nine plots of building land and eleven development sites.

The following eleven development properties are currently in the construction phase:

- At Hochbergerstrasse 60 F-I in Basel, the existing office and laboratory space on the «Stücki Park A-E» property situated there will be expanded by roughly 27 000 square metres in two phases starting from 2018 to 2023.
- Construction of a commercial building is planned at «Alto Pont-Rouge», Esplanade de Pont-Rouge 5, 7, 9 in Lancy for 2022, as part of a development project with four construction sites.
- A residential and care centre is planned at «Rue de Venise 5-7/Avenue de la Plantaud 4» in Monthey, which is to be operated by Tertianum as the general tenant. The building is intended to house 50 geriatric care beds and 39 apartments for seniors. Construction is expected to be completed in 2021.
- At Spitalweidstrasse 1 in Oftringen, the «a1» shopping centre, which is currently closed, is being rebuilt and will reopen in stages up to the end of 2020. Bauhaus will then let around 70% of the floor space as a new tenant and be the new anchor for the centre.
- For the Riva Paradiso 3, 20 «Du Lac» property, a new replacement building is envisaged on the shore of the lake. This future aged care facility is expected to be completed by the end of 2022.
- The Chemin des Aulx «Espace Tourbillon» development project in Plan-les-Ouates involves five buildings with office, commercial and retail space, two of which have already been divested. Construction of the property should be carried out in several phases by 2021.
- A project involving residences suitable for seniors (geriatric care centre and apartments for seniors), and possibly condominium units in the existing buildings, is planned for the two properties at Gartenstrasse 7/17 and 15 as part of the «Etzelblick» project in Richterswil. Construction is expected to be completed by spring 2022.
- The «JED» property at Zürcherstrasse 39 in Schlieren houses the former NZZ printing facility with a reserve of building land. It is to be converted, with the work expected to be completed by the end of 2020 (JED conversion). Meanwhile, a new office building without conventional heating, cooling or ventilation technology will be constructed on the building land by the end of 2022 (new JED construction 2226).
- The «West-Log» building under construction at Vulkanstrasse 114, Juchstrasse 3 in Zurich is envisaged as a logistics and office building, with Elektro-Material AG leasing most of the space. Completion is planned for the middle of 2020.

The former development properties «Schönburg» at Viktoriastrasse 21, 21a, 21b in Berne and «YOND» at Albisriederstrasse in Zurich were completed at the end of 2019 and are now listed as existing properties.

Valuation results as at 31 December 2019

As at 31 December 2019, the fair value of Swiss Prime Site AG's total real estate portfolio (total 187 properties) amounted to CHF 11 765.43 million. The fair value of the portfolio therefore increased by CHF 561.01 million or 5.007% compared with the level at 31 December 2018. Details regarding the trend in value are depicted in the following table.

Changes in the real estate portfolio

in CHF m	
Fair value as at 31.12.2018	11 204.42
+ changes in value of existing properties	292.81
+ changes in value of initial valuation after completion	106.27
– changes in value of financial lease	– 0.93
+ acquisitions of existing properties	54.97
+ acquisition of building land	12.09
– minus divestments of existing properties	– 113.72
– minus divestments of projects	– 10.58
– changes in value of building land	– 0.07
+ changes in value from existing properties to project	28.87
+ changes in value of projects	191.30
Fair value as at 31.12.2019	11 765.43

The change in value in existing properties amounted to +2.81% compared with the level at 1 January 2019. Of the 160 existing properties – excluding financial leases (1), initial valuation following completion (2), acquisitions of existing properties (4), acquired building land (1), plots of building land (8) and properties under construction (11) totalling 27 properties – 99 properties were valued higher, no property was valued the same and 61 properties were valued lower than as at 1 January 2019. Including financial leases and the two initial valuations following completion, the increase in the existing properties' value was 3.76%.

The growth in the value of the Swiss Prime Site portfolio is due to the existing properties, the initial valuations following completion, the acquisitions and the properties in planning or under construction. Besides sales, only the financial lease and the building land reduced valuations. In general, the still very low interest rate environment and investors' expectations of low returns had an impact on the rise in value. Additional factors boosting the value include some newly concluded contracts at much higher revenue levels and/or durations, consummation of investments and generally high quality of the properties situated in prime locations. Value losses can be attributed primarily to changed rental potential, a temporary and structural rise in vacancies, lower levels of newly concluded contracts, adjusted revenue forecasts and higher cost estimates for future repair work.

Economic outlook

The Swiss economy is performing moderately well. In its 12 December 2019 economic forecast for the year 2019, the State Secretariat for Economic Affairs (SECO) predicted GDP growth of 0.9%. SECO justified this still positive but relatively low growth on the basis that the global economy has performed less strongly. With growing uncertainty and the appreciation in the Swiss franc in recent months, the growth in exports and investment is likely to have slowed. Statistical effects are an additional factor.

In November 2019, SECO announced that expectations for the Swiss economy were becoming gloomier. For example, the Consumer Climate Index recently stood at –10.0, below its long-term average of –5.0. Overall, the expert group is expecting GDP growth of 1.7% for 2020. In 2021, growth is expected to be lower, at 1.2%, as this year the negative impact of the lack of major sporting events will once again be felt.

The number of employees has grown every year since 2010. According to the employment statistics released by the Federal Statistical Office (FSO), a total of 5.137 million people were employed in the secondary and tertiary sectors in Switzerland in the third quarter of 2019. This corresponds to jobs growth of 1.3% (+67 000) over a year, or 1.1% in full-time equivalents. Consequently, unemployment remains low: In November 2019, the seasonally adjusted unemployment rate was 2.3%, once again falling slightly below the 2.4% in the same month of the previous year. The employment outlook indicator recently fell slightly to 1.03 (–0.2% year on year); it went down in the industrial sector, but posted a small increase in the tertiary sector. Overall, SECO does though expect employment growth to remain robust in 2020.

Relative employment momentum has recently been higher in Switzerland than Europe. Given the recent gloomier outlook, it is not unlikely that return migration will decline, particularly in the major countries of origin of immigrants, such as Germany, Portugal and Spain. In the first seven months of 2019, the number of returning migrants fell after rising for a decade. Given this trend, Wüest Partner is expecting population growth of 0.7% in both 2019 and 2020.

In 2020, consumer prices will probably continue rising but only marginally: The Swiss National Bank (SNB) is anticipating minimal growth of 0.2%. This would mean that inflation rates were below 1.0% in Switzerland for the last 12 years. The Swiss Consumer Price Index declined by 0.1% in November 2019 compared with the same month in the previous year. Moreover, in its assessment of the situation, the SNB writes that various central banks signalled that they would probably leave their policy rates at a low level for an extended period of time, and that it is leaving its expansive monetary policy unchanged. This means that the pivot in interest rates, as predicted by a number of forecasters as recently as the middle of last year, is probably off the table for now. In response to this situation, government bond yields fell to an all-time low in 2019: below –1.0% for 10-year bonds in mid-August. Since then, yields have tended to rise, but were still at –0.5% in December 2019.

Construction market

2019 was notable for continued high levels of investment in the real estate market, with many institutional real estate investors still focused on constructing new investment properties. Wüest Partner expects construction expenditure to exceed CHF 50 billion in 2019.

A trend reversal in building construction is becoming evident: Based on the budgeted investment volume in building applications and building permits, Wüest Partner believes 1.9% less will be invested in new construction over the coming year. The decline in new construction activity is likely to be most pronounced with commercial properties. Wüest Partner is forecasting a drop of 3.0% for 2020. In the case of company-owned properties in particular, new construction and expansion projects in planning will probably be postponed in many cases due to the rather uncertain economic outlook. In the residential segment, Wüest Partner is anticipating a change of «only» –2.8% for multi-family dwellings and –1.7% for single-family dwellings.

Sales in the construction industry would therefore drop off in the year to come. However, given the long period of growth in recent years and the continuing high levels of capacity utilisation, this development can be seen as manageable. Moreover, some of the decline in investment in new construction could be offset by an acceleration in renovations and renewal works. Investment volumes here are likely to rise by 1.0%.

Office property market

Despite the recent slowdown in economic growth, the demand situation for office floor space remains friendly. In the services sector, the number of employees (full-time equivalent) rose by 1.1% between the third quarter of 2018 and the third quarter of 2019. The healthcare system in particular has continued to grow: 27.5% of the new jobs created over the year are in the health or social sector. Other growth drivers include business-related services and information technology and information services. The industrial sector, which has since regained its poise, is also posting solid growth, and ever more office jobs are also being created in manufacturing industries due to the increasing shift from an industrial to a service society.

With this fundamentally positive starting base on the employment market, the recent uptake in the absorption of space in the Swiss office floor space market remains buoyant. The marketing period for office floor space was moderate in the third quarter: 76 days on average.

However, the supply of office floor space across Switzerland has been on the up again since the start of 2019 and, with a liquidity ratio of 7.3% in the third quarter, is 11.2% higher year on year, with about 4.07 million square metres of office space advertised. This was partly due to brisk new construction activity in the previous year as pressures to invest and low interest rates have also driven investment in commercial properties. This means that more space was created in the past than is being absorbed by the additional demand. Demand is also changing as a result of the structure of employment growth and changes in the workplace, and is particularly strong for small and flexibly usable areas and special properties. Mobile working, working from home and desk sharing are also still on the rise, increasing the amount of traditional office space advertised for letting.

Strong momentum in the construction of new office space is likely to weaken slightly going forward: Investment volumes approved for new construction over the year amounted to CHF 1 478 million in the third quarter of 2019, around 25.0% lower than the average for the previous two years. Building applications have also been falling in this segment.

As general demand is expected to remain stable overall, Wüest Partner is forecasting average price growth of 0.2% for 2020.

Retail property market

Compared with the challenges of recent years, the economic environment for the Swiss retail trade is somewhat friendlier: even in 2018, real sales, down 0.2%, were no longer falling as much as in the previous three years, and the situation in the first half of 2019 was also satisfactory to some degree. Jobs growth and falling unemployment have also stabilised retail sales. Supported by a healthy employment market, SECO expects private consumption to climb even more in the future.

This state of affairs may have contributed to the fact that sales per square meter of retail floor space have stabilised in many sub-markets or have even shown growth recently. However, this is also mainly due to the reduction of retail floor space and branch closures. More and more retailers also seem to be able to manage the balancing act between bricks-and-mortar and digital positioning.

The environment for local retailers, however, remains very challenging. International competition continues to squeeze retailers' margins. Ever higher levels of consumer spending are also flowing into e-commerce, which continues to grow rapidly. Non-food segments are especially affected by this.

These developments in the bricks-and-mortar retail trade are also reflected in the retail floor space segment. For example, the supply of retail floor space has recently increased again: 707 200 square metres of retail space are currently advertised for letting, which represents 2.0% of Swiss stock. Advertised retail floor space has thus grown by 21.1% within a year. This is partly due to the fact that bricks-and-mortar retailers are increasingly demanding flexible and shorter contract periods, increasing turnover of retail space and resulting in higher numbers of floor space advertisements. Demand for retail floor space is also in decline.

However, the main reason for large supply in the retail floor space segment is probably the recent brisk construction activity, which picked up again last year. Supply is increasing, most notably in the small and medium-sized centres, but also in the large centres and their agglomerations. Many new projects have also entered the pipeline, mostly relating to mixed use where retail shops are planned for ground floor use. The supply of space is likely to continue to put pressure on advertised shop lets, with Wüest Partner calculating a 1.5% decline in asking rents on average in Switzerland for 2020.

Market for senior housing

The Swiss resident population is still undergoing demographic change: currently, the number of people aged 75 and over is around 751 200 (in 2018), 3.1% higher than in the previous year. The 75 and over cohort thus accounts for 8.8% of the total resident population. In 2000 the figure was 7.3%, and its share has been rising steadily since then. The FSO's employment statistics show that the range of services on offer has also widened in recent years. In the third quarter of 2019, around 147 500 full-time equivalents were employed in healthcare homes. This corresponds to an increase of 1.9% on the same quarter of the previous year and an increase of 72.3% compared with the third quarter of 2000.

The residential and care services on offer for the elderly currently include around 1 543 old people's and care homes across Switzerland (in 2017). Of those facilities, 494 are privately operated and 401 are public, while the remainder are primarily owned by foundations and associations. These homes provided around 95 500 beds for long-term residency and generated income estimated at CHF 10.0 billion in 2017. These figures are based on the statistics published by social-medical institutes and the Swiss Federal Office of Public Health.

Hospitality

In the period from January to October 2019, Switzerland had 4 245 accommodation facilities open. During this period, around 34.56 million overnight stays were recorded, up 1.5% on the same period in the previous year. Gross room occupancy for the first ten months of 2019 was 55.1%. Employment growth was also positive: In the third quarter of 2019, around 64 400 full-time equivalents were employed in the accommodation sector. This is an increase of 2.1% on the same quarter of the previous year and already points to another positive year for the Swiss hotel industry.

With a strong Swiss franc and the structural changes under way, this achievement is very respectable. In addition, the hotel market is already undergoing decades of structural change, which has driven and will drive far-reaching processes of adjustment in several areas. One trend that has been manifesting itself in the Alpine region for some time now and will probably continue is the extension or conversion of managed second homes into hotels. This form of investment is often also economically essential to be able to handle high investment volumes. Supply is generally likely to increase in the medium term. In the third quarter, the total volume of building applications in the hospitality industry over the year stood at around CHF 760 million, 30.4% higher than in the same period of the previous year.

These positive trends in Swiss tourism could remain intact, even if the fundamentally positive outlook after the successful 2019 summer season is likely to become a little more gloomy. In its October 2019 forecast, the KOF Economic Institute said it expected overnight stays to increase by 1.8% in both 2019 and 2020. Although the softening of the economy and stronger Swiss franc are likely to curb foreign demand to some degree, domestic private consumption is set to stay robust and stimulate the tourism industry. Under average weather conditions, the KOF said it expected overnight stays to go up by 2.1% in the 2019/2020 winter season. Urban areas could see growth, especially in winter. In the Alpine region, the highest growth rates are expected in Grisons and Valais. For 2021, the KOF is forecasting an increase of 2.2%.

Summary – investor market for commercial properties

With interest rates remaining low, demand for Swiss investment properties remains very brisk – especially in the case of top-quality properties in prime locations. In some big cities, investors have even become slightly more willing again to pay for such properties, which caused initial yields to fall again between mid-2018 and mid-2019. In contrast, prices for average investment properties have been stagnating for two years now, after climbing between 2009 and 2017 – 22.0% in the case of commercial properties. This is due to the increased risk of vacancies in the wake of the recent high level of construction activity and the change in business activities, along with the associated decline in market rents for retail floor space. On user markets, commercial space is benefiting from stable employment growth in the service sector. New construction activity has also peaked. However, ongoing structural changes are changing the requirements for commercial properties and leading to falling market rents for retail floor space.

From an investor’s perspective, the story on the market for commercial properties is of low market volumes and low interest rates. Wüest Partner thinks it unlikely that interest rates will rise quickly or to any large degree. It is therefore likely that institutional investor demand to acquire investment properties for commercial use will remain high in the coming months.

Wüest Partner AG
Zurich, 16 January 2020

Andreas Ammann
Partner

Gino Fiorentin
Partner

Further real estate information is available in note 13 (page 35) and in the property details (page 79).

Annex:

Valuation assumptions

Valuation assumptions as at 31 December 2019

In addition to the previous comments on the valuation standards and methods, the most significant general valuation assumptions for the present valuations are presented in the following section.

Investment properties including building land

Property valuations are fundamentally determined on a going-concern basis applying the «highest and best use» standards. At the same time, the valuation is based on the current rental situation and present condition of the property. Beyond the expiry of the existing rental agreements, earnings forecasts are based on the current market level.

On the cost side, repair and maintenance costs as well as recurring property management costs are taken into account that are required to ensure realisation of sustainable income.

The valuation assumption is based on an average and expedient property management strategy. The specific scenarios of the owner are disregarded, or taken into account only to the extent that specific rental agreements had been made, or as far as they also seem plausible and practical to a third party. Possible optimisation measures consistent with the market – such as an improved rental situation in the future – are taken into account.

In the valuation period or period under review (DCF method), a more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are made for the remainder of the term.

The valuation implicitly assumes an annual inflation rate of 0.5%. However, cash flows and discount rates are generally reported on a real basis in the valuation reports.

The specific indexing of the existing rental agreements is taken into account. Following expiry of the agreements, an average indexing rate of 80% is used for the calculation, and rents are adjusted to the market level once every five years. Payments are generally assumed to be made monthly in advance after expiry of the rental agreements.

At the operating cost (owner's cost) level, it is generally assumed that completely separate ancillary cost accounts are maintained, and that ancillary and operating costs are outsourced, insofar as this is permitted by law. Maintenance costs (repair and maintenance costs) are determined on the basis of benchmarks and model calculations. The residual lifetime of the individual parts of the buildings is determined on the basis of a rough estimate of their condition, the regular renewal is modelled and the resulting annuities are calculated. The calculated values are subjected to a plausibility check based on benchmarks set by Wüest Partner AG and figures for comparable properties. Repair costs are included in the calculation at 100% for the first ten years, while the earnings forecast takes into account, where appropriate, possible increases in rent. From the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases. Costs for cleaning up contaminated sites are not quantified in the individual valuations and are to be considered separately by the Company.

The applied discounting method is based on ongoing monitoring of the real estate market and is derived from models with plausibility checks on the basis of a real interest rate that consists of the risk-free interest rate (long-term government bonds) plus general real estate-related risks in addition to property-specific premiums and is determined on a risk-adjusted basis per property. The average real discount rate, weighted by fair value, applied to investment properties (existing properties including initial valuation following completion) amounts to 3.06% in the current valuation. Assuming an inflation rate of 0.5%, this rate corresponds to a nominal discount rate of 3.58%. The lowest real discount rate applied to a particular property is 2.05%, while the highest is 4.95%.

The valuations are based on the rental tables of the property managers as at 1 January 2020. The valuations are based on the floor space details provided by the Company/property managers.

Risks relating to credit ratings of individual tenants are not explicitly taken into account in the valuation since it is assumed that appropriate contractual safeguards were concluded.

Properties under construction and development sites

Properties under construction and development sites with future utilisation as investment properties are recognised at project fair value according to Swiss GAAP FER 18. In this context, planned or possible construction development as at the balance sheet date is therefore valued on the basis of the same assumptions and methods used for investment properties. To determine the current fair value as at the balance sheet date, the still-outstanding investment costs are taken into account in the cash flows, and the additional risks are reported as a return premium on the discount rate or as development risk. Information regarding projected construction work, schedules, building costs and future rentals is obtained from Swiss Prime Site AG insofar as it is specifically available (building permits, plans, cost calculations/investment applications, etc.) or appears to be plausible. Any profit is taken into account on a pro rata basis, insofar as its realisation can be determined with sufficient certainty.

Properties under construction that are designated for future divestment (e.g. condominiums) are recognised in the balance sheet at the lower of cost or investment costs and net realisable value according to Swiss GAAP FER 17, i.e. current activities and investment costs are recognised and the subsequent valuation carried out at the lower value.

Disclaimer

The valuations carried out by Wriest Partner AG represent an economic assessment based on available information, most of which was provided by Swiss Prime Site AG. Wriest Partner AG did not conduct or commission any legal, structural engineering or other specific clarifications. Wriest Partner AG assumes that the information and documents received are accurate. However, no guarantee can be provided in this respect. Value and price may deviate from each other. Specific circumstances that influence the price cannot be taken into account when making a valuation. The valuation performed as at the reporting date is only valid at that specific point in time and may be affected by subsequent or yet unknown events, in which case a revaluation would be necessary.

Since the accuracy of valuation results cannot be guaranteed objectively, no liability can be derived from it for Wüest Partner AG and/or the author.

Zurich, 16 January 2020

Consolidated financial statements

Consolidated income statement

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
Rental income from properties	4	479 404	486 912
Income from real estate developments	4	72 763	79 789
Income from real estate services	4	116 714	117 523
Income from retail	4	131 259	127 811
Income from assisted living	4	396 860	423 863
Income from asset management	4	8 452	13 542
Other operating income	4	8 658	9 407
Operating income		1 214 110	1 258 847
Revaluation of investment properties, net	13	67 551	203 412
Result from investments in associates		1 148	1 000
Result from investment property sales, net	5	18 401	20 777
Real estate costs	6	– 134 636	– 139 012
Cost of real estate developments		– 57 289	– 62 927
Cost of goods sold		– 103 288	– 106 631
Personnel costs	7	– 442 651	– 457 264
Depreciation on tangible assets	14	– 15 341	– 16 120
Amortisation on intangible assets	14	– 7 271	– 8 882
Other operating expenses	8	– 62 110	– 64 852
Operating expenses		– 822 586	– 855 688
Operating result (EBIT)		478 624	628 348
Financial expenses		– 75 770	– 70 681
Financial income		1 157	1 878
Profit before income taxes		404 011	559 545
Income taxes	9	– 93 101	48 972
Profit		310 910	608 517
Attributable to shareholders of Swiss Prime Site AG		310 316	607 586
Attributable to non-controlling interests		594	931
Earnings per share (EPS), in CHF	20	4.27	8.00
Diluted earnings per share, in CHF	20	4.02	7.51

The notes form an integral part of the consolidated financial statements.

Consolidated balance sheet

in CHF 1 000

	Notes	31.12.2018	31.12.2019
Assets			
Cash		184 534	173 065
Securities		487	557
Accounts receivable	10	83 004	95 447
Other current receivables		11 163	14 784
Inventories	11	33 412	34 789
Real estate developments	12	7 511	19 650
Accrued income and prepaid expenses		32 263	37 819
Assets held for sale	13	57 708	94 136
Total current assets		410 082	470 247
Investment properties	13	11 146 710	11 671 294
Tangible assets	14	69 589	71 083
Investments in associates		53 159	52 231
Deferred income tax assets	9	5 553	1 634
Other financial investments		8 395	6 535
Intangible assets	14	15 844	27 880
Total non-current assets		11 299 250	11 830 657
Total assets		11 709 332	12 300 904
Liabilities and shareholders' equity			
Current financial liabilities	17	963 440	1 259 877
Accounts payable		12 607	32 623
Other current liabilities		142 851	149 919
Accrued expenses and deferred income	16	143 573	179 058
Total current liabilities		1 262 471	1 621 477
Non-current financial liabilities	17	4 112 964	4 120 843
Deferred tax liabilities	9	1 188 787	1 099 397
Total non-current liabilities		5 301 751	5 220 240
Total liabilities		6 564 222	6 841 717
Share capital	19	1 161 979	1 161 979
Capital reserves	19	608 218	320 629
Treasury shares	19	-47	-106
Retained earnings	19	3 374 742	3 975 536
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		5 144 892	5 458 038
Non-controlling interests	19	218	1 149
Total shareholders' equity		5 145 110	5 459 187
Total liabilities and shareholders' equity		11 709 332	12 300 904

The notes form an integral part of the consolidated financial statements.

Consolidated cash flow statement

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit		310 910	608 517
Depreciation		22 612	25 002
Revaluation of investment properties, net	13	–67 551	–203 412
Result from investment property sales, net	5	–18 401	–20 777
Result from investments in associates		–1 148	–1 000
Other non-cash items affecting net income		3 099	3 446
Financial expenses		75 770	70 681
Financial income		–1 157	–1 878
Income tax expenses / income	9	93 101	–48 972
Change in accounts receivable		1 500	–11 547
Change in inventories and real estate developments		–23 027	–13 515
Change in other receivables and accrued income and prepaid expenses		4 871	–7 930
Change in accounts payable		–7 206	19 525
Change in other current liabilities and accrued expenses and deferred income		–22 331	16 329
Income tax payments		–36 636	–27 849
Cash flow from operating activities		334 406	406 620
Investments in investment properties	13	–515 478	–413 204
Divestments of investment properties	13	61 943	145 954
Investments in tangible assets	14	–14 920	–17 605
Acquisitions of group companies, less acquired cash	3	–14 433	–36 738
Investments in financial investments		–6 460	–410
Divestments of financial investments		414	1 881
Investments in intangible assets	14	–9 188	–20 918
Interest payments received		243	244
Dividends received		2 246	2 201
Cash flow from investing activities		–495 633	–338 595
Distribution from capital contribution reserves	19	–271 618	–288 591
Purchase of treasury shares	19	–2 255	–2 503
Issue of bonds		189 859	521 727
Redemption of bond		–115 000	–200 000
Issue of convertible bond		296 615	–
Issuance/repayment of current financial liabilities		–204 071	–37 370
Issuance/repayment of non-current financial liabilities		44 026	–1 811
Interest paid		–74 042	–70 946
Share capital increase	19	323 099	–
Cash flow from financing activities		186 613	–79 494
Change in cash		25 386	–11 469
Cash at beginning of period		159 148	184 534
Cash at end of period		184 534	173 065

The notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in shareholders' equity

in CHF 1 000	Notes	Share capital	Capital reserves	Treasury shares	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2018		1 093 627	624 201	-3	3 060 212	4 778 037	-567	4 777 470
Profit		-	-	-	310 316	310 316	594	310 910
Acquisition of a majority shareholding with non-controlling interests		-	-	-	-	-	191	191
Compensation of positive and negative goodwill from acquisitions of group companies		-	-	-	4 214	4 214	-	4 214
Distribution from capital contribution reserves on 05.04.2018	19	-	-271 618	-	-	-271 618	-	-271 618
Capital increase on 28.09.2018	19	68 352	254 747	-	-	323 099	-	323 099
Share-based compensation	19	-	888	2 211	-	3 099	-	3 099
Purchase of treasury shares	19	-	-	-2 255	-	-2 255	-	-2 255
Total as at 31.12.2018		1 161 979	608 218	-47	3 374 742	5 144 892	218	5 145 110
Profit		-	-	-	607 586	607 586	931	608 517
Compensation of goodwill from acquisitions of group companies		-	-	-	-6 792	-6 792	-	-6 792
Distribution from capital contribution reserves on 04.04.2019	19	-	-288 591	-	-	-288 591	-	-288 591
Share-based compensation	19	-	1 002	2 444	-	3 446	-	3 446
Purchase of treasury shares	19	-	-	-2 503	-	-2 503	-	-2 503
Total as at 31.12.2019		1 161 979	320 629	-106	3 975 536	5 458 038	1 149	5 459 187

The notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Business activities

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space, as well as in development projects. The focus of investment is properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. Swiss Prime Site also operates in real estate-related business fields with the aim of strengthening and broadening the earnings base, in addition to diversifying risks and exploiting synergies.

Further information regarding the individual business fields can be found in note 4 «Segment reporting».

2 Summary of significant accounting principles

2.1 Principles of consolidated reporting

The consolidated financial statements of Swiss Prime Site AG were prepared in accordance with Swiss GAAP FER (Generally Accepted Accounting Principles FER) and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its subsidiaries (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are generally based on the historical cost principle. Deviations from this principle are referred to in notes 2.6 to 2.35. These apply to investment properties (undeveloped properties, existing properties, properties under construction and development sites (except those designated for sale), which are assessed at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date. The significant accounting principles are explained in the following section.

The consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, have been rounded to CHF 1 000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

2.2 Comparative figures of the previous period

The presentation of the comparative periods and figures is carried out in accordance with the Swiss GAAP FER framework. The figures for the comparative period are shown in the text in brackets [].

2.3 Scope of consolidation and consolidation methods

The consolidated financial statements of Swiss Prime Site comprise Swiss Prime Site AG and all its group companies, controlled directly or indirectly or under a single management. These group companies are included in the financial statements within the scope of full consolidation.

The scope of consolidation comprises 33 [29] companies (including the Holding Company). An overview of the group companies is provided in note 23 «Group companies and associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2019, which were prepared applying uniform accounting principles. All significant transactions and balances between the individual group companies as well as intercompany profits have been eliminated.

Investments in associates in which Swiss Prime Site exercises a decisive influence, but which it does not control, are valued according to the equity method. Recognition in the balance sheet is carried out at cost at the time of acquisition. In subsequent reporting periods after the acquisition, this value is adjusted to reflect Swiss Prime Site's share in the additional equity generated or net income earned. All balances/transactions with investments valued according to the equity method are reported separately as items with associates.

Companies in which Swiss Prime Site holds an investment of less than 20% are recognised at fair value (provided that this value can be reliably determined), either as securities or as non-current financial investments.

Investments in group companies and associates are included in the consolidated financial statements from the time when control is assumed – or when significant influence is gained – and excluded from the time when control is relinquished or significant influence is lost. These two dates are not necessarily identical to the date of acquisition or sale.

2.4 Capital consolidation

Capital consolidation is carried out using the purchase method. The difference between the purchase price of an acquired company and the fair value of the resulting net assets acquired is set off against shareholders' equity (retained earnings) as goodwill from acquisitions. Any negative goodwill is offset against shareholders' equity (retained earnings). Acquisition costs are recognised in the income statement. The effects of theoretical recognition and amortisation of goodwill are disclosed in the notes to the consolidated financial statements. Given divestment of investments in group companies, the difference between the sales proceeds and pro rata book value including historical goodwill is reported as profit or loss in the income statement.

2.5 Segment reporting

Segment reporting is carried out according to Swiss GAAP FER 31 sec. 8 «Segment reporting» in conjunction with the Company's internal financial reporting to the Executive Board and Board of Directors (i.e. management approach). The group's business activities are divided into two segments that are subject to reporting requirements: The Real Estate segment comprises the core real estate business (purchase, sale, lease and development of properties) as well as central group functions. Real estate-related services – real estate services, assisted living, retail and asset management businesses – are incorporated into the Services segment.

2.6 Cash

Cash comprises cash in hand and sight deposits held at financial institutions. Cash also consists of time deposits held at financial institutions as well as short-term money market investments with a residual term to maturity of maximum three months. They are recognised at nominal value.

2.7 Securities

Securities include tradable equities held on a short-term basis that are valued at fair value, as well as term deposits with a residual term to maturity of more than three months that are recognised at nominal value. Unrealised and realised gains as well as income from securities are recognised as financial result in the income statement.

2.8 Accounts receivable

Accounts receivable and other receivables are valued at amortised cost, which generally corresponds to the nominal value, less any requisite impairments for non-collectable receivables. Receivables can be short term (as a rule) or long term. The receivables in the Real Estate segment as well as real estate services, assisted living and asset management business fields are subject to individual valuation with strict credit-rating guidelines.

2.9 Impairments on receivables

To cover debtor risk, outstanding receivables are evaluated at the end of the reporting period by means of maturity lists and legal case reporting with respect to collectability. The necessary impairments are formed, and impairments that are no longer necessary are released. Forming/releasing these impairments is recognised in other operating expenses.

2.10 Inventories

Inventories are valued at average cost price, but not exceeding the net realisable value. Discounts are treated as reductions in acquisition price. The value of inventories with long storage periods and goods that are hard to sell is impaired.

2.11 Trading properties

Properties under construction that are intended for future sale (for example condominiums) are recognised in the balance sheet at the lower of investment cost or net realisable value, according to Swiss GAAP FER 17 «Inventories». The realisation of sales is recorded in operating income as «Income from sale of trading properties» at the time of transfer to ownership (transfer of benefits and risks). The recognised costs are reported as expense from the sale of trading properties in operating expenses upon realisation of sales.

2.12 Real estate developments

Real estate developments (long-term contracts) comprise construction projects that are sold to third parties either prior to or during the construction phase, which are developed or completed on behalf of the buyer. Notarisation of the purchase agreement is carried out following the conclusion of the project. Transfer of ownership for the respective property generally takes place after construction

is completed. Recognition in the balance sheet of real estate developments is carried out according to the percentage-of-completion method (POCM) in accordance with Swiss GAAP FER 22 «Long-term contracts». Depending on how the project is structured, the percentage of completion is determined based on the cost-to-cost method or based on building assessments and project planning (milestone approach). The method applied in each case is the method by which the percentage of completion can be determined most reliably. The cumulative costs and realised sales proceeds according to the percentage-of-completion method are reported in the income statement on an ongoing basis.

Advance payments received are recognised in the balance sheet without affecting income. They are offset against the relevant long-term contracts for which the advance payment was made. Reporting in the balance sheet is carried out on a net basis as «real estate developments» on the assets or liabilities side. Insofar as the result of a long-term contract cannot be reliably estimated, only the amount of income equal to the amount of incurred contract costs is recognised that would probably be realisable, with concurrent reporting of the contract costs incurred as expense in the corresponding period. This corresponds to a valuation at actual costs. If there is a probability that total contract costs could exceed total contract income, the expected losses are immediately recorded as expense and provision, respectively.

2.13 Assets held for sale

These are assets or groups of assets held for sale that have not yet been sold, but the sale of which is highly probable. Classifying such a divestment as highly probable necessitates the fulfilment of various criteria, including that the competent management level has determined a plan for divesting the asset (or group of assets) and actively commenced the process of searching for a buyer and executing the plan. Furthermore, the asset (or group of assets) must be actively offered for acquisition at a price that is appropriately relative to the current fair value. The divestment should also take place within a one-year period as expected. These assets are valued at the lower of book value or fair value less sales costs. Investment properties held for sale fall in this category only with respect to classification, but not for valuation purposes and are therefore recognised at fair value according to Swiss GAAP FER 18 «Tangible fixed assets».

2.14 Non-current financial investments

Non-current financial investments comprise loans with a residual term to maturity of more than one year and are valued at amortised cost less any requisite impairments. Impairments are recognised in the income statement. Under financial investments, free capital can be invested in Swiss francs and euros. Investments in first-class, stock exchange-listed shares, in bonds with a minimum rating by a leading rating agency of «A» and money market paper are permitted. These financial investments are valued similar to securities (see note 2.7 «Securities»).

2.15 Existing properties and undeveloped properties (investment properties)

The valuation at the time of initial classification is carried out at cost, taking into account directly accountable transaction costs. Thereafter, the valuation is carried out at fair value in accordance with Swiss GAAP FER 18 sec. 14. Replacement and expansion investments are recognised at the book value of the properties when it is probable that Swiss Prime Site will obtain a resulting future economic benefit. Swiss Prime Site's real estate portfolio comprises exclusively properties that are held for investment purposes in accordance with the core business.

The change in fair value is recognised in the income statement. Related deferred tax liabilities or assets on such sums are debited, or credited, to the consolidated income statement as deferred tax expense or deferred tax income, respectively. For further information regarding the calculation of the fair value, see note 13 «Investment properties».

2.16 Properties under construction and development sites (investment properties)

Properties under construction and development sites with future utilisation as existing properties are recognised at fair value already during construction – the same as other existing properties – provided that the fair value can be reliably determined. The existence of a legally valid building permit is therefore an important indicator for Swiss Prime Site to reliably determine the fair value of a property under construction or a development site. The change in fair value is recognised in the income statement.

If a reliable valuation of the fair value of properties under construction and development sites is not possible, they are recognised at cost less any required impairments.

Directly attributable borrowing costs for properties under construction are recognised as capitalised interest expenses. The relevant calculation is carried out based on actual costs starting from construction start-up date until initial operation at the average interest rate of all interest-bearing financial liabilities.

If all of the following criteria are fulfilled on a cumulative basis, existing properties are reclassified as properties under construction and development sites at the time of construction:

- Total depletion of the property (elimination of the property's usefulness)
- Planned investments of more than 30% of fair value
- Duration of renovation longer than 12 months

Following completion of the development or total modification, these properties are classified as existing properties. Existing properties are maintained under their category for the duration of modification or renovation, insofar as the aforementioned criteria are unfulfilled.

2.17 Tangible assets

Tangible assets are recognised at acquisition or production costs less cumulated depreciation and impairment. Expenses for repairs and maintenance are charged directly to the consolidated income statement. Depreciation is calculated according to the straight-line method based on the economic useful life.

2.18 Intangible assets

Intangible assets are recognised at cost less amortisation and any impairments and include software for which a license was obtained from third parties or which was developed by third parties or within the group. The depreciation period for software amounts to five years (straight line).

2.19 Depreciation and amortisation

Useful life of assets

Asset categories	Years
Equipment	20
Furniture and tenants' improvements	8
Hardware and software	5

2.20 Impairment of tangible and intangible assets including goodwill

The value of tangible and intangible assets (including goodwill) is always reviewed if changed circumstances or events indicate the possibility of an overvaluation in the book values. If the book value exceeds the realisable value (fair value less disposal costs or higher value in use), an impairment is applied to the realisable value.

Since goodwill is offset against shareholders' equity already at the time of acquisition, any impairment on goodwill does not result in a negative effect on net income, but rather to disclosure in the notes. In the case of divestment of a group company, the goodwill that was offset against shareholders' equity at a previous point in time is also taken into account when determining the profit or loss affecting net income.

2.21 Leasing

Swiss Prime Site as lessor

Property leases and land lease contracts are basically operating lease contracts, which are generally recognised in the consolidated income statement using the straight line method over the duration of the contract. In some of the rental agreements, target turnovers have been agreed upon with the tenants (i.e. turnover-based rents). If these are exceeded on an annual basis, the resulting rental income is booked or accrued in the reporting year.

Swiss Prime Site as lessee

Contracts relating to the use of land and properties, for which land lease or right of use payments are effected, should be subject to review in terms of whether they are to be classified as operating or finance lease.

Payments within the scope of operating leases are recognised in the income statement on a straight-line basis over the term of the lease or rental agreement, or duration of the land lease. Land lease payments during construction of new buildings are recognised as assets in the balance sheet.

Given finance lease transactions, the asset and leasing liability are recognised in the balance sheet. As at the balance sheet date, Swiss Prime Site held one property subject to a finance lease.

2.22 Income taxes

Income taxes consist of current income taxes and deferred taxes.

Current income taxes comprise the expected tax liability on the taxable profit calculated at the tax rates applicable on the balance sheet date, property gains taxes on real estate sales and adjustments to tax liabilities or tax assets for previous years.

Deferred taxes are calculated on temporary valuation differences between the book value of an asset or a liability in the consolidated balance sheet and its corresponding tax base (i.e. balance sheet liability method). Determination of the deferred taxes takes into account the expected date of settlement of the temporary differences. In this regard, the tax rates used are those applicable or determined at the balance sheet date. The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of minimum 20 years.

Tax effects from losses carried forward and tax credits are recognised as deferred tax assets if it seems likely that the losses carried forward can be offset against future profits within the stipulated statutory periods.

2.23 Financial liabilities

Financial liabilities include current financial liabilities that fall due for redemption within the year and non-current financial liabilities with residual terms to maturity of more than 12 months. Financial liabilities can consist of loans secured by real estate, borrowed capital components of convertible bonds, bonds and other financial debts. All loans were granted to Swiss Prime Site in Swiss francs. A maximum loan-to-value ratio of 65% of the fair value of the entire real estate portfolio is permitted. Financial liabilities are recognised in the balance sheet at cost.

2.24 Derivative financial instruments

Derivative financial instruments can be utilised within the scope of ordinary business activities (for example, to hedge interest risks). No hedge accounting in the context of Swiss GAAP FER 27 «Derivative financial instruments» is used. Derivative financial instruments are reported at fair value and, given positive or negative fair value, recognised in the balance sheet as financial investments or other financial liabilities respectively. They can be short or long term in nature. Profits and losses are reported in the financial result. Further information is provided in note 17 «Financial instruments and financial risk management».

2.25 Provisions

Provisions comprise liabilities that are uncertain because of their due date or amount. A provision is set up if a past event creates a legal or constructive obligation, and if future outflows of resources can be reliably estimated. Given any legal disputes, the amount of the provisions recognised for obligations is based on how the Executive Board judges the outcome of the dispute in good faith, according to the facts known at the balance sheet date. Expenses relating to a provision are recognised in the income statement.

2.26 Convertible bonds

The full amount of a convertible bond is recognised as a liability. If the convertible bond is issued on conditions that differ from a bond without conversion rights, it is divided into borrowed capital and equity components. The issuing costs are attributed to the borrowed capital and equity component based on their initial book values. Given premature redemption, the purchase price (less paid accrued interest) is compared with the pro rata book value. The loss or income attributable to the borrowed capital component from the redemption is recognised in the financial result. Given a conversion, the number of shares to be issued based on the conversion is determined by using the conversion price. The nominal value of the converted shares is credited to share capital and the residual amount to capital reserves.

2.27 Shareholders' equity

Shareholders' equity is subdivided into share capital, capital reserves, treasury shares, retained earnings and non-controlling interests. The nominal share capital of the Company is stated in share capital. Nominal value changes are recognised in share capital. Dividend payments are debited to retained earnings. Goodwill resulting from acquisitions is set off against shareholders' equity (retained earnings) as at the time of acquisition. Any negative goodwill is offset against shareholders' equity (retained earnings). All other changes in capital are recorded in capital reserves.

2.28 Treasury shares

Treasury shares are valued at acquisition cost and reported in shareholders' equity as a debit item. No subsequent valuations are carried out following the initial valuation. Proceeds from the sale of treasury shares are offset directly against capital reserves.

2.29 Dividends

In compliance with Swiss statutory provisions and the Company's Articles of Association, dividends are treated as an appropriation of profit in the financial year in which they were approved by the Annual General Meeting and subsequently paid out.

2.30 Pension plans

The group companies maintain different pension fund schemes, which are legally independent and financed from employer and employee contributions. Determination of overfunding or underfunding is carried out based on the prepared financial statements of the pension fund scheme, according to Swiss GAAP FER 26. The group's pension plan expense comprises the employer contributions accrued for the relevant period as well as any economic effects from overfunding or underfunding and change in employer contribution reserves. An economic obligation is recognised as a liability, insofar as the prerequisites for forming a provision are fulfilled. Recognition in the balance sheet of economic benefits is carried out insofar as these can be used for the group's future pension plan contributions. Freely disposable employer contribution reserves are recognised as cost in the balance sheet.

2.31 Share-based compensation

The variable compensation of the members of the Executive Board is designated at 37.5% as performance-based entitlements to shares (performance share units or PSUs). The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the defined conditions. The payout on the vesting date is effected in the form of Swiss Prime Site AG shares. The performance share units are valued at the current value at the time of allocation according to the principles of Swiss GAAP FER 31 sec. 3 «Share-based payments» and recognised as personnel costs and shareholders' equity (capital reserves) over the three-year vesting period. No subsequent valuations are carried out except given any changes in the relevant payout indicators.

The fees paid to the Board of Directors and the variable compensation paid to the executives employed by Swiss Prime Site Management AG as well as executive management members of the group companies are effected at a certain percentage in the form of Swiss Prime Site AG shares. The fair value of these shares on the date they are granted is recognised as personnel costs.

2.32 Operating income and realisation of income

Operating income includes all rental income from properties, income from sale of trading properties, income from real estate developments, income from real estate services, income from retail, income from assisted living and income from asset management as well as other operating income. Vacancy costs are deducted directly from the target rental income. Operating income is recorded upon maturity or upon provision of services.

Profits from the divestment of properties and investments are reported on a net basis, taking into account any incidental selling expenses incurred, after operating income. In this context, the gain or loss of sale of investment properties is calculated as the difference between the net sales price and the carrying amount of the investment property, according to the consolidated balance sheet of the past financial year plus any investments.

Realisation of income is generally recognised upon transfer of benefits and risks to the customer. Income from retail trade activities is recognised at the date of delivery of the goods, or in services operations in accordance with the extent of the services provided. For the divestment of properties, this date is designated in the sales contract (generally transfer of ownership).

Income from real estate developments (long-term contracts) is not oriented toward transfer of benefits and risks, but rather recognised according to the percentage-of-completion method (see note 2.12 «Real estate developments»).

2.33 Interest

Interest on loans as well as land lease interest for qualified properties under construction and development sites, in addition to trading properties, are attributed to cost. With this method, financial expenses or real estate costs are relieved but, at the same time, the revaluation gain is reduced accordingly.

Other interest on borrowed capital is recognised in the income statement using the effective interest rate method. Interest expense and interest income are apportioned as set out in the loan agreements and accordingly directly debited or credited, respectively, to the financial result.

2.34 Transactions with related parties

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associates and their subsidiaries as well as Swiss Prime Investment Foundation, in addition to any other group-related foundations, are all regarded as related parties. All transactions with related parties are presented and itemised including the relevant amounts in note 22 «Transactions with related parties».

2.35 Earnings per share (EPS)

Basic earnings per share are determined by dividing the consolidated profit attributable to shareholders of Swiss Prime Site AG by the weighted average number of outstanding shares. Diluted earnings per share are determined by deducting expenses in connection with the convertible bonds, such as interest (coupon), amortisation of the proportional costs and tax effects. The potential shares (options and the like) that might lead to a dilution of the number of shares must be taken into account when determining the average number of outstanding shares.

3 Changes in scope of consolidation

3.1 Acquisitions during the reporting year

The group acquired 100% of the shares of ACRON HELVETIA V Immobilien AG (Real Estate segment), Münchenstein, as at 1 July 2019 and then rebranded to SPS Baselland Dreispitz AG. The Company's assets include two logistic properties in Münchenstein, which are 100% let. The purchase price amounts to CHF 16.905 million and includes properties valued at CHF 29.400 million, other assets of CHF 0.352 million, short-term mortgages of CHF 12.150 million and other liabilities of CHF 1.627 million. The goodwill of CHF 0.930 million resulting from the acquisition was offset directly against shareholders' equity.

Further acquisitions during the reporting year were Zimmermann Vins SA, Carouge, in the Real Estate segment as well as EMS Le Martagon SA, Les Ponts-de-Martel, EMS Chantevent SA, La Grande Béroche, and Home Les Lauriers S.A., Saint-Imier in the Services segment. The goodwill of CHF 5.862 million resulting from these acquisitions was offset directly against shareholders' equity.

3.2 Acquisitions during the previous year

The group acquired 100% of the shares of ZF Iseli Immobilien AG, Regensdorf, as at 1 January 2018. The company's assets include a commercial property with an area of approximately 25 000 square metres. Located on the property are eight multi-purpose trade halls housing specialist skilled trade businesses and service businesses from the construction and engineering sector. The site is intended for commercial use and offers considerable potential for higher density development. The purchase price amounts to CHF 14.509 million and includes properties valued at CHF 26.930 million, other assets of CHF 0.551 million, mortgages of CHF 5.600 million, other liabilities of CHF 2.953 million and negative goodwill of CHF 4.419 million. The differing assessments of potential by the buyer and the seller resulted in negative goodwill, which was offset directly against shareholders' equity. The figures have been adjusted since the semi-annual report based on definitive valuations. ZF Iseli Immobilien AG was merged into Swiss Prime Site Immobilien AG, Olten, as at 1 January 2018.

The group acquired 51% of the shares of Zentrum Schönberg AG, Berne, as at 12 January 2018. Zentrum Schönberg was established by Spitex Bern and the tilia Stiftung für Langzeitpflege as a specialist institution providing care, dementia care and palliative care. The Tertianum Group replaced tilia as a result of the acquisition. The common goal of Spitex Bern and the Tertianum Group is to consolidate the activities of Zentrum Schönberg and to establish the integrated knowledge centre as a beacon for practical care research. Zentrum Schönberg was acquired for a symbolic purchase price of CHF 1. The company's balance sheet includes assets of CHF 11.061 million and liabilities of CHF 10.672 million. The negative goodwill of CHF 0.198 million resulting from the acquisition was offset directly against shareholder's equity.

The group acquired streamnow ag, Zurich, as at 19 October 2018. The goodwill of CHF 0.403 million resulting from the acquisition was offset directly against shareholders' equity.

3.3 Group internal mergers during the reporting year

In the Services segment, EMS Le Martagon S.A., Les Ponts-de-Martel, was merged into Leben im Alter AG, Zurich, as at 1 July 2019.

3.4 Group internal mergers during the previous year

In the Services segment, SENIOcare AG, Zurich, and Perlavita Rosenau AG, Kirchberg, were merged into Tertianum AG, Zurich, while La Résidence des Marronniers SA, Martigny, and Résidence les Sources Saxon SA, Saxon, were merged into Les Tourelles S.à r.l., Martigny, as at 1 January 2018. In addition, Home Médicalisé Vert-Bois SA, Val-de-Ruz, was merged into Les Tourelles S.à r.l., Martigny, with retrospective effect from 1 April 2018. In the Real Estate segment, Bellevue-Bau AG, Winterthur, was merged into Swiss Prime Site Immobilien AG, Olten, as at 1 January 2018.

4 Segment reporting

Swiss Prime Site is a group that primarily operates a real estate business (core business) comprising buying and selling, managing and developing investment properties. Swiss Prime Site also operates in real estate-related business fields.

The consolidated financial data are subdivided into the segments subject to mandatory reporting, as follows:

- Real Estate comprises the purchase, sale, lease and development of properties as well as central group functions
- Services consists of the real estate-related real estate services, assisted living and retail as well as asset management business

Segment income statement 01.01.–31.12.2019

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.– 31.12.2019 Total group
Rental income from properties	437 299	106 019	543 318	–56 406	486 912
thereof from third parties	380 893	106 019	486 912	–	486 912
thereof from other segments	56 406	–	56 406	–56 406	–
Income from real estate developments	79 789	–	79 789	–	79 789
Income from real estate services	–	148 065	148 065	–30 542	117 523
Income from retail	–	127 823	127 823	–12	127 811
Income from assisted living	–	423 909	423 909	–46	423 863
Income from asset management	–	13 542	13 542	–	13 542
Other operating income	2 399	9 034	11 433	–2 026	9 407
Operating income	519 487	828 392	1 347 879	–89 032	1 258 847
Revaluation of investment properties, net	204 442	–1 030	203 412	–	203 412
Result from investments in associates	1 000	–	1 000	–	1 000
Result from investment property sales, net	19 326	–	19 326	1 451	20 777
Real estate costs	–65 007	–159 780	–224 787	85 775	–139 012
Cost of real estate developments	–62 927	–	–62 927	–	–62 927
Cost of goods sold	–	–106 631	–106 631	–	–106 631
Personnel costs	–22 544	–435 190	–457 734	470	–457 264
Depreciation on tangible assets	–603	–15 517	–16 120	–	–16 120
Amortisation on intangible assets	–2 822	–6 060	–8 882	–	–8 882
Other operating expenses	–17 483	–48 705	–66 188	1 336	–64 852
Operating expenses	–171 386	–771 883	–943 269	87 581	–855 688
Operating result (EBIT)	572 869	55 479	628 348	–	628 348

Segment income statement 01.01.–31.12.2018

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.– 31.12.2018 Total group
Rental income from properties	434 382	101 502	535 884	– 56 480	479 404
thereof from third parties	377 902	101 502	479 404	–	479 404
thereof from other segments	56 480	–	56 480	– 56 480	–
Income from real estate developments	72 763	–	72 763	–	72 763
Income from real estate services	–	144 404	144 404	– 27 690	116 714
Income from retail	–	131 268	131 268	– 9	131 259
Income from assisted living	–	396 860	396 860	–	396 860
Income from asset management	–	8 452	8 452	–	8 452
Other operating income	2 006	8 193	10 199	– 1 541	8 658
Operating income	509 151	790 679	1 299 830	– 85 720	1 214 110
Revaluation of investment properties, net	68 281	– 730	67 551	–	67 551
Result from investments in associates	1 148	–	1 148	–	1 148
Result from investment property sales, net	17 564	184	17 748	653	18 401
Real estate costs	– 63 696	– 155 010	– 218 706	84 070	– 134 636
Cost of real estate developments	– 57 289	–	– 57 289	–	– 57 289
Cost of goods sold	–	– 103 288	– 103 288	–	– 103 288
Personnel costs	– 23 171	– 419 533	– 442 704	53	– 442 651
Depreciation on tangible assets	– 905	– 14 436	– 15 341	–	– 15 341
Amortisation on intangible assets	– 2 780	– 4 491	– 7 271	–	– 7 271
Other operating expenses	– 17 247	– 45 807	– 63 054	944	– 62 110
Operating expenses	– 165 088	– 742 565	– 907 653	85 067	– 822 586
Operating result (EBIT)	431 056	47 568	478 624	–	478 624

In the Eliminations column, the revenues realised between the segments are eliminated.

5 Result from investment property sales

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Gains from sales of properties	11 247	12 694
Gains from sales of properties held for sale	7 154	4 745
Gains from properties under construction and development sites	–	3 338
Total result from investment property sales, net	18 401	20 777

Nine [five] properties were sold in the reporting year. Four condominium units in Building A, Espace Tourbillon in Geneva were also sold. Building A in the Espace Tourbillon is under construction, the individual units will be sold on an ongoing basis and handed over in turnkey condition to the condominium owners in 2020. The transaction is therefore split into two parts: the sale of storeys under construction and the continuation of construction activity as a service. The sale includes the land portion, the project costs incurred and the construction work carried out up to the date of sale and the transfer of ownership. It was recognised as the sale of investment properties (Swiss GAAP FER 18). The service includes the completion of the condominiums up to turnkey handover. This is recognised in the consolidated financial statements as real estate development based on construction progress (Swiss GAAP FER Framework 11 and 12).

6 Real estate costs

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Property expenses	–43 347	–46 120
Third-party rents	–75 849	–76 436
Expenses for third-party services	–6 221	–6 103
Expenses for real estate services	–3 703	–4 589
Land lease expenses	–5 516	–5 764
Total real estate costs	–134 636	–139 012

Property expenses included maintenance and repair costs of CHF 13.232 million [CHF 11.865 million], ancillary costs borne by the owner of CHF 8.463 million [CHF 9.260 million] and property-related insurance costs and fees of CHF 7.410 million [CHF 7.622 million] as well as costs for cleaning, energy and water of CHF 17.015 million [CHF 14.600 million].

Expenses for third-party rents primarily resulted from additionally leased properties for services in the assisted living sector.

7 Personnel costs

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Wages and salaries	–360 550	–375 329
Social security expenses	–33 471	–34 594
Pension plan expenses	–30 410	–27 523
Other personnel expenses	–18 220	–19 818
Total personnel costs	–442 651	–457 264
Number of employees as at 31.12.	6 321	6 506
Number of full-time equivalents as at 31.12.	5 115	5 402

8 Other operating expenses

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Expenses for tangible assets and IT	–22 011	–27 451
Non-life insurance, fees	–2 245	–2 766
Capital taxes	–2 984	–2 494
Administrative expenses	–15 010	–16 116
Audit and consultancy costs	–8 517	–8 068
Marketing	–8 385	–8 368
Collection- and bad-debt-related losses	–2 958	411
Total other operating expenses	–62 110	–64 852

Capital taxes were calculated according to the effective tax rates on the basis of intercantonal tax allocation. The capital taxes of Swiss Prime Site AG, SPS Beteiligungen Alpha AG and Tertium Gruppe AG were reduced due to the holding privilege.

Administrative expenses included costs incurred for the reporting process, other administrative expenses and costs for various services provided by third parties, such as management fees and communication.

Audit and consultancy expenses comprised consulting fees of CHF 7.225 million [CHF 7.566 million] and audit fees of CHF 0.843 million [CHF 0.951 million].

9 Income taxes

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Current income taxes of the reporting period	–47 377	–41 581
Adjustments for current income taxes of other accounting periods	–1 320	1 117
Total current income taxes	–48 697	–40 464
Deferred taxes resulting from revaluation and depreciation	–60 621	–90 310
Deferred taxes resulting from real estate developments (long-term contracts)	–3 624	–3 086
Deferred taxes resulting from the sale of investment properties	23 301	14 300
Deferred taxes resulting from tax rate changes	181	172 451
Deferred taxes resulting from losses carried forward	–3 641	–3 899
Other deferred taxes	–	–20
Total deferred taxes	–44 404	89 436
Total income taxes	–93 101	48 972

The changes in various cantonal income tax rates that took place in the reporting period resulted in a release of deferred tax liabilities in the amount of CHF 172.451 million.

Current income taxes were calculated at the effective maximum tax rates. At the same time, agreements with the relevant tax authorities were considered as well.

Reconciliation of income taxes

Factors leading to the deviation of the effective tax burden from the average tax rate of 23% [23%]:

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit before income taxes	404 011	559 545
Income taxes at average tax rate of 23%	– 92 923	– 128 695
Taxes at other rates (including property gains taxes)	94	4 801
Deferred taxes resulting from tax rate changes	181	172 451
Adjustment for current income taxes for other accounting periods	– 1 320	1 117
Effect of unrecognised losses carried forward	867	– 702
Total income taxes	– 93 101	48 972

Deferred taxes

Where the revaluations according to Swiss GAAP FER versus the fiscal values were due to recaptured depreciation, the taxes were allocated per property after deduction of any applicable property gains tax and taken into account separately. In this case, tax rates of between 4.4% and 15.1% [4.9% and 17.7%] were applied.

Upward revaluations exceeding the recaptured depreciation are subject to tax using two different systems. Cantons that do not levy any special taxes also calculate taxes at the above rates. The other cantons levy a separate property gains tax using rates of between 5.0% and 25.0% [5.0% and 25.0%], depending on duration of ownership.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account.

Deferred income tax assets

Of the total deferred tax assets subject to losses carried forward, only those were recognised that can probably be offset with future profits. The other deferred tax assets on losses carried forward were not recognised due to the insufficient future probability of offsetting losses.

in CHF 1 000	31.12.2018	31.12.2019
Taxable losses carried forward of group companies	34 149	12 818
Possible tax effect on taxable losses carried forward at expected tax rate	6 145	2 948
Losses carried forward which can in all probability be offset with future profits	– 31 138	– 6 757
Total recognised deferred tax assets at expected tax rate	– 5 453	– 1 554
Total deferred tax assets not recognised at expected tax rate	692	1 394
Recognised deferred tax assets on losses carried forward	5 453	1 554
Other deferred income tax assets	100	80
Total deferred income tax assets	5 553	1 634

Expiring taxable losses carried forward

Taxable losses carried forward of group companies for which no deferred tax assets were recognised expire as follows:

in CHF 1 000	31.12.2018	31.12.2019
After 1 year	45	51
After 2 years	51	11
After 3 years	11	5
After 4 years	5	481
After 5 years	1 674	251
After 6 years	251	4 784
After 7 or more years	974	478
Total expiring taxable losses carried forward	3 011	6 061

Deferred tax liabilities

in CHF 1 000	31.12.2018	31.12.2019
Deferred tax liabilities as at 01.01.	1 145 331	1 188 787
Increase due to acquisitions of group companies	2 774	3 954
Increase due to real estate developments (long-term contracts)	3 624	3 086
Increase through revaluation and depreciation	60 621	90 310
Change through property disposals	-23 301	-14 300
Tax rate changes	-181	-172 451
Other changes	-81	11
Deferred tax liabilities as at 31.12.	1 188 787	1 099 397

10 Accounts receivable

in CHF 1 000	31.12.2018	31.12.2019
Accounts receivable, gross	89 378	101 288
Impairments	-6 374	-5 841
Total accounts receivable	83 004	95 447

Most of the accounts receivable related to claims for rent and ancillary costs as well as customer receivables from the Services segment.

Maturities of receivables

in CHF 1 000	31.12.2018 Gross receivables	Impairments	31.12.2019 Gross receivables	Impairments
Not yet due	51 232	–	67 980	–
Due between 1 and 30 days	15 245	–	14 322	-80
Due between 31 and 90 days	8 562	-128	6 013	-455
Due between 91 and 120 days	2 445	-2 086	2 504	-126
Due for more than 120 days	11 894	-4 160	10 469	-5 180
Total gross receivables and impairments	89 378	-6 374	101 288	-5 841

11 Inventories

in CHF 1 000	31.12.2018	31.12.2019
Merchandise	31 825	33 246
Other inventories	2 665	2 495
Impairments	-1 078	-952
Total inventories	33 412	34 789

Inventories include merchandise from the retail business as well as the assisted living sector, which were recognised in the balance sheet at average cost or – if lower – net realisable value.

12 Real estate developments

in CHF 1 000	31.12.2018	31.12.2019
Income from current projects since start of construction	124 511	204 300
Advance payments received	– 117 000	– 184 650
Real estate developments, net	7 511	19 650
of which real estate developments, assets	7 511	19 650
of which real estate developments, liabilities	–	–
Income from real estate developments of the period	72 763	79 789

The accruals relate to real estate developments sold during the construction phase and completed on behalf of the buyers. In the partial sale of the «Espace Tourbillon» development project in Geneva, two of the total of five buildings under construction were sold in 2017. The turnkey transfer of the two buildings will be carried out in the years 2020 and 2021, respectively, following completion. The «Weltpost Park» apartment complex in Berne was sold in 2018. The three-building complex is expected to be transferred to the buyer in the first quarter of 2020. In the reporting year, the commercial space in Building A of the «Espace Tourbillon» development project was also sold by way of condominium ownership. Completion and turnkey transfer to the condominium owners is planned for 2020.

13 Investment properties

Change in investment properties

in CHF 1 000	Undeveloped properties	Properties	Properties under con- struction/ develop- ment sites	Total investment properties	Properties held for sale	Total
Total as at 01.01.2018	25 447	10 179 529	412 850	10 617 826	15 224	10 633 050
Purchases	–	360 568	31 452	392 020	–	392 020
Follow-up investments	379	144 553	166 158	311 090	12 202	323 292
Capitalised borrowing costs	–	–	2 619	2 619	109	2 728
Additions from acquisitions	–	26 930	–	26 930	–	26 930
Reclassifications	–	7 459	–65 167	–57 708	57 708	–
Disposal by sale	–	–213 618	–	–213 618	–27 535	–241 153
Positive fair value adjustment	2	200 764	37 469	238 235	–	238 235
Negative fair value adjustment	–355	–161 735	–8 594	–170 684	–	–170 684
Fair value adjustment	–353	39 029	28 875	67 551	–	67 551
Total as at 31.12.2018	25 473	10 544 450	576 787	11 146 710	57 708	11 204 418
Purchases	12 020	–	–	12 020	–	12 020
Follow-up investments	138	144 383	263 720	408 241	793	409 034
Capitalised borrowing costs	–	1 053	5 665	6 718	–	6 718
Additions from acquisitions	–	55 005	–	55 005	–	55 005
Reclassifications	–	177 930	–260 216	–82 286	82 286	–
Disposal by sale	–	–68 804	–10 578	–79 382	–45 795	–125 177
Positive fair value adjustment	73	318 796	43 408	362 277	–	362 277
Negative fair value adjustment	–206	–142 574	–15 229	–158 009	–856	–158 865
Fair value adjustment	–133	176 222	28 179	204 268	–856	203 412
Total as at 31.12.2019	37 498	11 030 239	603 557	11 671 294	94 136	11 765 430
Actual costs as at 31.12.2018	17 111	7 884 725	523 544	8 425 380	49 749	8 475 129
Actual costs as at 31.12.2019	29 269	8 165 228	558 431	8 752 928	79 288	8 832 216
Difference between fair value and actual costs as at 31.12.2018	8 362	2 659 725	53 243	2 721 330	7 959	2 729 289
Difference between fair value and actual costs as at 31.12.2019	8 229	2 865 011	45 126	2 918 366	14 848	2 933 214
Fire insurance values on 01.01.2018 ¹	2 067	6 781 310	237 513	7 020 890	12 694	7 033 584
Fire insurance values on 01.01.2019 ¹	1 956	6 846 615	467 697	7 316 268	79 705	7 395 973
Fire insurance values on 31.12.2019¹	12 067	6 947 513	384 939	7 344 519	78 916	7 423 435

¹ there were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded

The change in investment properties in the previous year includes purchases and disposals by sale that did not affect the cash position, with each amounting to CHF 197 018 million. This resulted from a real estate exchange completed in the previous year, whereby three properties in Zurich and Worblaufen were purchased, while a co-ownership interest was sold to Sihlcity.

The book value of the investment properties recognised through finance leases amounts to CHF 14.340 million [CHF 15.270 million].

Details on future rental income from rentals under existing contracts

The following table depicts the breakdown of the contractual end of the term of individual rental agreements, based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 31 December 2019:

End of contract	31.12.2018 Future rental income in CHF 1000	Share in %	31.12.2019 Future rental income in CHF 1000	Share in %
Under 1 year ¹	46 097	10.5	52 102	11.7
Over 1 year	44 096	10.1	62 481	14.1
Over 2 years	66 101	15.1	48 644	11.0
Over 3 years	44 006	10.0	32 730	7.4
Over 4 years	30 789	7.0	40 189	9.1
Over 5 years	30 109	6.9	23 166	5.2
Over 6 years	20 022	4.6	40 608	9.2
Over 7 years	27 194	6.2	15 874	3.6
Over 8 years	16 238	3.7	8 248	1.9
Over 9 years	7 924	1.8	21 643	4.9
Over 10 years	106 071	24.1	97 813	21.9
Total	438 647	100.0	443 498	100.0

¹ includes all indefinite rental agreements (residential, parking facilities, commercial properties, etc.)

Future rental income has been presented from the Real Estate segment perspective and is based on the rental agreements of the group's properties as at 31 December 2019 [31 December 2018].

Rent losses from vacancies

Rent losses from vacancies amounted to CHF 20.581 million [CHF 21.114 million], corresponding to a vacancy rate of 4.7% [4.8%]. Rent losses from vacancies were deducted from target rental income. In the case of existing properties, neither target rental income nor rent loss from vacancies includes areas that are not usable on account of their complete refurbishment. Detailed information can be found under «Property details» starting from page 79.

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 21.3% [21.8%] of future annual rental income and land lease income (Real Estate segment perspective). The individual tenants have a good credit rating. This relates to the following companies:

in %	31.12.2018	31.12.2019
Migros	5.8	5.8
Coop	5.8	5.7
Swisscom	5.2	4.9
Zurich Insurance Group	2.5	2.5
Die Schweizerische Post	n.a.	2.4
Inditex	2.5	n.a.

According to Swiss GAAP FER 13, rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

Valuation techniques and significant, unobservable input factors

The properties are valued on a semi-annual basis by an external, independent and qualified valuation expert: Wüest Partner AG, Zurich.

Determining the value of Swiss Prime Site's real estate portfolio is carried out with a model-based valuation based on input parameters that are not directly observable on the market, whereby adapted, observable input parameters may be applied here as well (for example, market rents, operating/maintenance costs, discount/capitalisation rates, proceeds from the sale of owner-occupied residential property). Unobservable input factors are applied only when relevant observable input factors are unavailable.

The individual valuation of properties is carried out by means of the discounted cash flow method (DCF method). A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are used for the remainder of the term. Fair value is determined by applying the highest-and-best-use concept for a property.

Details on the valuation methods and assumptions can be found in the report of the valuation experts Wüest Partner AG, from page 8.

Applicable unobservable input factors as at 31.12.2019

	in	Undeveloped properties	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	37.498	10 026.819	1 016.590	684.523
Unobservable input factors					
Average discount rate	%	3.80	3.07	3.02	3.64
Maximum discount rate	%	4.95	4.95	4.95	4.15
Minimum discount rate	%	3.20	2.05	2.50	3.10
Residential	CHF per m ² p.a.	–	70 to 692	120 to 447	275 to 325
Offices	CHF per m ² p.a.	–	80 to 920	90 to 900	200 to 550
Retail/gastro	CHF per m ² p.a.	–	60 to 7 500	220 to 1 190	200 to 500
Commercial	CHF per m ² p.a.	–	30 to 560	80 to 250	120 to 280
Storage	CHF per m ² p.a.	–	40 to 560	50 to 180	90 to 175
Parking inside	CHF per piece and month	–	50 to 650	100 to 620	55 to 250
Parking outside	CHF per piece and month	–	40 to 400	40 to 120	60 to 180

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale

² commercial properties for which the valuation was based on highest and best use

Applicable unobservable input factors as at 31.12.2018

	in	Undeveloped properties	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	25.473	9 596.668	1 005.490	576.787
Unobservable input factors					
Average discount rate	%	4.12	3.25	3.15	3.17
Maximum discount rate	%	4.95	4.95	5.10	4.20
Minimum discount rate	%	3.60	2.10	2.60	3.05
Residential	CHF per m ² p.a.	–	91 to 685	118 to 192	270 to 320
Offices	CHF per m ² p.a.	–	84 to 892	90 to 855	187 to 245
Retail/gastro	CHF per m ² p.a.	–	58 to 7 350	213 to 1 154	211 to 375
Commercial	CHF per m ² p.a.	–	28 to 543	95 to 272	115 to 228
Storage	CHF per m ² p.a.	–	35 to 582	48 to 175	86 to 166
Parking inside	CHF per piece and month	–	48 to 644	80 to 760	55 to 238
Parking outside	CHF per piece and month	–	35 to 384	36 to 114	57 to 143

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale

² commercial properties for which the valuation was based on highest and best use

Sensitivity of fair value measurement to changes in unobservable input factors

An increase in the discount rate reduces fair value, whereas a rise in the market rent price and/or sales proceeds increases fair value. There are correlations between these input factors since they are to some extent dependent on market data. For properties under construction and development sites, the outstanding investments and time to completion of construction reduce fair value, whereas the incurrence of these costs over the period up until completion increases fair value.

In relation to potential changes in the market environment, sensitivity is significant particularly regarding discount rates. With a fluctuation range of ± 10 basis points [± 10 basis points], the change in fair value due to the change in the average discount rate applied of 3.06% [3.22%] had a positive impact on the fair value of existing properties of +3.5% [+3.2%] and a negative impact of -3.2% [-3.0%].

The impact of changes in market rent prices on fair value is also significant. However, substantial changes in rental income over the entire portfolio (with a varying diversity of uses and tenants) in accumulated form and within a shorter period are less probable, whereas more significant effects on the portfolio would occur with a prolonged time lag. A linear correlation between rental income and fair value can be approximately assumed, whereby the rental income forecast in the valuation comprises several components, such as current contractually guaranteed rents and market rental estimates after the present contracts have expired.

A change in the market rent price of $\pm 2.0\%$ [$\pm 2.0\%$] has a positive impact of +2.3% [+2.0%] and a negative impact of -2.2% [-2.0%] on the fair value of the existing properties.

Amid the current environment of negative interest rates, there is an investment crisis, creating strong demand for real estate investments. Against such a backdrop of negative interest rates, institutional investors in particular are willing to pay high prices for properties situated in prime locations with corresponding low expectations for returns. This can lead to sales prices for individual properties that noticeably deviate from the fair value assessment.

Current development and new building projects**Basel, Hochbergerstrasse 60: Stücki Park**

Project description	Construction of four new office and laboratory buildings and transformation of the area into a centre for innovation, experiences, health, restaurants and shopping. Investment volume: approx. CHF 180 m. Further information: stueckipark.ch
Project status	First of two stages being executed
Sale/rental status	Stage 1: Building F (office) being marketed, Building G (laboratory and office) fully let
Completion	2023

Lancy, Esplanade de Pont-Rouge 5, 7, 9: Alto Pont-Rouge

Project description	Construction of a new services building with 15 upper floors and flexible usable areas. Investment volume: approx. CHF 180 m. Further information: alto-pont-rouge.ch
Project status	Legally valid building permit has been issued
Sale/rental status	0% let, interested parties for approx. 6 200 m ² available
Completion	2022

Monthey, Rue de Venise 5-7/Avenue de la Plantaud 4

Project description	New residential and care centre with 50 beds and 39 apartments. Investment volume: approx. CHF 27 m
Project status	Project being executed
Sale/rental status	100% let
Completion	2021

Oftringen, Spitalweidstrasse 1: Shopping centre a1

Project description	Transformation into a retail park. Investment volume: approx. CHF 60 m. Further information: a-eins.ch
Project status	Handover of the standard-fit-out to the tenants for individual design Stage 1 is complete. Handover of stage 2 is scheduled for the fourth quarter of 2020
Sale/rental status	100% let
Completion	2020

Paradiso, Riva Paradiso 3, 20: Tertium Residenza Du Lac

Project description	New senior citizens' residence with 60 apartments and a geriatric care centre with 40 beds. Investment volume: approx. CHF 52 m
Project status	The legally valid building permit is expected in the first quarter of 2020
Sale/rental status	100% let
Completion	2022

Plan-les-Ouates, Chemin des Aulx: Espace Tourbillon

Project description	Construction of five new buildings for commercial, trading and service provider companies with underground logistics infrastructure. Investment volume: approx. CHF 217 m (buildings A, B and E). Further information: espacetourbillon.ch/en
Project status	Project being executed
Sale/rental status	33% let (Building B), 33% sold (Building A)
Completion	2021

Richterswil, Gartenstrasse 7/17, 15: Tertium residential care centre, Etzelblick

Project description	Construction of 26 new age-adapted apartments and 64 new care places including dementia care to replace the existing residential and care centre. Investment volume: approx. CHF 30 m
Project status	Legally valid building permit has been issued. Start of construction 1 April 2020
Sale/rental status	100% let
Completion	2022

Schlieren, Zürcherstrasse 39: JED conversion – Join. Explore. Dare.

Project description	Conversion of the site into a centre for knowledge transfer, innovation and entrepreneurship with work-places, indoor and outdoor meeting areas, a large event location and catering and leisure areas. Investment volume: approx. CHF 100 m. Further information: jed.swiss
Project status	Project being executed
Sale/rental status	70% let
Completion	2020

Schlieren, Zürcherstrasse 39: JED new building 2226– Join. Explore. Dare.

Project description	New building with the forward-looking building concept 2226 offering an optimal indoor climate without the use of heating, ventilation and cooling systems. Large connected areas for innovative companies and conferencing services. Investment volume: approx. CHF 55 m. Further information: jed.swiss
Project status	In planning. Building permit expected in the first quarter of 2020
Sale/rental status	0% let
Completion	2022

Zurich, Vulkanstrasse 114, Juchstrasse 3: West-Log

Project description	Construction of a new logistics and office building with extra-high stories for automated storage facilities. Investment volume: approx. CHF 79 m. Further information: west-log.ch
Project status	Project being executed
Sale/rental status	85% let
Completion	2020

A more detailed description of the development and new construction projects has been published on the homepage www.sps.swiss/en/real-estate/projects/projects-under-construction.

14 Tangible assets and intangible assets

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2019	12 880	144 041	156 921	39 928	39 928
Additions	2 188	15 417	17 605	20 918	20 918
Additions from acquisitions	–	9	9	–	–
Disposals	–	– 885	– 885	–	–
Cost as at 31.12.2019	15 068	158 582	173 650	60 846	60 846
Cumulative depreciation and impairment as at 01.01.2019	4 263	83 069	87 332	24 084	24 084
Depreciation	716	15 404	16 120	8 882	8 882
Disposals	–	– 885	– 885	–	–
Cumulative depreciation and impairment as at 31.12.2019	4 979	97 588	102 567	32 966	32 966
Total as at 31.12.2019	10 089	60 994	71 083	27 880	27 880

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2018	14 535	122 034	136 569	29 415	29 415
Additions	357	14 563	14 920	9 188	9 188
Additions from acquisitions	–	6 155	6 155	1 325	1 325
Disposals	–	– 723	– 723	–	–
Reclassifications	– 2 012	2 012	–	–	–
Cost as at 31.12.2018	12 880	144 041	156 921	39 928	39 928
Cumulative depreciation and impairment as at 01.01.2018	3 557	69 157	72 714	16 813	16 813
Depreciation	706	14 635	15 341	7 271	7 271
Disposals	–	– 723	– 723	–	–
Cumulative depreciation and impairment as at 31.12.2018	4 263	83 069	87 332	24 084	24 084
Total as at 31.12.2018	8 617	60 972	69 589	15 844	15 844

15 Goodwill

Goodwill resulting from acquisitions is set off against shareholders' equity as at the time of acquisition. Theoretical recognition of goodwill would have the following effects on the consolidated financial statements, assuming a useful life of five years:

Theoretical statement of changes in goodwill

in CHF 1 000	2018	2019
Cost as at 01.01.	451 715	447 501
Additions	-4 214	6 792
Cost as at 31.12.	447 501	454 293
Cumulative amortisation as at 01.01.	319 798	377 060
Additions	57 262	53 460
Cumulative amortisation as at 31.12.	377 060	430 520
Theoretical net book value as at 31.12.	70 441	23 773

Theoretical effect on shareholders' equity

in CHF 1 000	31.12.2018	31.12.2019
Shareholders' equity according to balance sheet	5 145 110	5 459 187
Theoretical recognition of net book value of goodwill in the balance sheet	70 441	23 773
Theoretical shareholders' equity including net book value of goodwill	5 215 551	5 482 960

Theoretical effect on profit

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit according to income statement	310 910	608 517
Theoretical amortisation of goodwill	-57 262	-53 460
Theoretical profit including amortisation of goodwill	253 648	555 057

16 Accrued expenses and deferred income

in CHF 1 000	31.12.2018	31.12.2019
Renovation and project costs	55 528	77 784
Cost of goods sold	10 481	6 737
Other operating expenses	42 435	41 838
Current income and capital taxes	35 129	52 547
Interests	–	152
Total accrued expenses and deferred income	143 573	179 058

17 Financial liabilities

in CHF 1 000	31.12.2018	31.12.2019
Mortgage-backed loans	762 000	1 027 978
Bonds	199 769	229 892
Other loans	1 671	2 007
Total current financial liabilities	963 440	1 259 877
Mortgage-backed loans	2 233 000	1 950 454
Convertible bonds	542 411	543 940
Bonds	1 317 544	1 609 858
Non-current loans	17 085	14 299
Other non-current financial liabilities	2 924	2 292
Total non-current financial liabilities	4 112 964	4 120 843
Total financial liabilities	5 076 404	5 380 720

On 2 April 2019, Swiss Prime Site AG issued an eight-year bond in the amount of CHF 350.000 million with an interest rate of 1.25% and, on 30 September 2019, another bond in the amount of CHF 170.000 million with a term to maturity of 12 years and a coupon of 0.375%.

Financial liabilities include current lease obligations of CHF 0.553 million [CHF 0.538 million] and non-current lease obligations of CHF 8.016 million [CHF 8.569 million].

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 45.7% [45.3%].

Bonds

		CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 190 m 2024	CHF 100 m 2024
Issuing volume, nominal	CHF m	200.000	230.000	300.000	190.000	100.000
Book value as at 31.12.2019	CHF m	0.000	229.892	299.580	189.893	99.588
Book value as at 31.12.2018	CHF m	199.769	229.759	299.255	189.870	99.505
Interest rate	%	1.0	2.0	1.75	1.0	2.0
Term to maturity	years	5	7	7	6	10
Maturity	date	10.12.2019	21.10.2020	16.04.2021	16.07.2024	10.12.2024
Securities number		25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	39 863 325 (SPS181)	25 704 217 (SPS142)
Fair value as at 31.12.2019	CHF m	0.000	233.473	306.210	198.645	109.300
Fair value as at 31.12.2018	CHF m	201.680	236.670	309.150	190.475	105.150

		CHF 250 m 2025	CHF 250 m 2026	CHF 350 m 2027	CHF 170 Mio. 2031
Issuing volume, nominal	CHF m	250.000	250.000	350.000	170.000
Book value as at 31.12.2019	CHF m	249.942	249.329	352.071	169.455
Book value as at 31.12.2018	CHF m	249.932	249.223	0.000	0.000
Interest rate	%	0.5	0.825	1.25	0.375
Term to maturity	years	9	9	8	12
Maturity	date	03.11.2025	11.05.2026	02.04.2027	30.09.2031
Securities number		33 764 553 (SPS161)	36 067 729 (SPS17)	41 904 099 (SPS19)	48 850 668 (SPS192)
Fair value as at 31.12.2019	CHF m	253.750	257.700	371.000	167.110
Fair value as at 31.12.2018	CHF m	240.250	241.875	0.000	0.000

Bonds are redeemed at their nominal value.

Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Nominal value as at 31.12.2019	CHF m	250.000	300.000
Book value as at 31.12.2019	CHF m	246.380	297.560
Book value as at 31.12.2018	CHF m	245.334	297.077
Conversion price	CHF	104.24	100.51
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)
Fair value as at 31.12.2019	CHF m	267.875	334.950
Fair value as at 31.12.2018	CHF m	244.250	285.900

No conversions took place either in the reporting or in the previous year. Creditors of the convertible bond in the amount of CHF 300.000 million who exercise their conversion right will receive the nominal value of the convertible bond in cash and any additional amount in the form of registered shares of the Company, subject to Swiss Prime Site AG exercising its right to choose, at its discretion, any combination of cash and shares to settle the bond conversions. Based on the Company's option right, no conditional capital is reserved for potential conversions. Due to the structure of the conversion option, it does not constitute an equity instrument and is therefore not separated.

Conversion price and number of possible shares given 100% conversion

	31.12.2018 Conversion price in CHF	Number of possible shares	31.12.2019 Conversion price in CHF	Number of possible shares
Convertible bonds				
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	104.41	2 394 406	104.24	2 398 311
0.325%-convertible bond 16.01.2018–16.01.2025, CHF 300.000 million	100.67	2 980 033	100.51	2 984 777
Total number of possible shares		5 374 439		5 383 088

Current and non-current financial liabilities categorised by interest rate

in CHF 1 000	31.12.2018 Total nominal value	31.12.2019 Total nominal value
Financial liabilities up to 1.00%	1 562 396	2 120 352
Financial liabilities up to 1.50%	1 131 000	1 291 000
Financial liabilities up to 2.00%	874 600	828 732
Financial liabilities up to 2.50%	1 057 400	987 400
Financial liabilities up to 3.00%	431 068	131 094
Financial liabilities up to 3.50%	–	–
Financial liabilities up to 4.00%	20 079	20 040
Financial liabilities up to 4.50%	6 176	5 134
Financial liabilities up to 5.00%	1 038	986
Total financial liabilities	5 083 757	5 384 738

Overview of future contractual cash outflows (including interest) from all financial liabilities

in CHF 1 000	31.12.2019 Book value	Contra- tual cash flows	<6 months		6 to 12 months		1 to 2 years		2 to 5 years		>5 years	
			Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Current financial liabilities	1 259 877	1 268 389	5 678	808 449	2 727	451 535	–	–	–	–	–	–
Accounts payable	32 623	32 623	–	32 623	–	–	–	–	–	–	–	–
Other current liabilities	149 919	149 919	–	149 919	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	4 118 551	4 362 141	25 739	–	25 739	–	41 270	912 882	86 648	1 102 011	57 991	2 109 861
Total non-derivative financial liabilities	5 560 970	5 813 072	31 417	990 991	28 466	451 535	41 270	912 882	86 648	1 102 011	57 991	2 109 861
Derivatives with negative fair value	2 292	2 525	–	488	–	470	–	453	–	446	–	668
Total derivative financial liabilities	2 292	2 525	–	488	–	470	–	453	–	446	–	668
Total financial liabilities	5 563 262	5 815 597	31 417	991 479	28 466	452 005	41 270	913 335	86 648	1 102 457	57 991	2 110 529

in CHF 1 000	31.12.2018 Book value	Contra- tual cash flows	<6 months		6 to 12 months		1 to 2 years		2 to 5 years		>5 years	
			Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Current financial liabilities	963 440	974 414	5 916	416 247	4 827	547 424	–	–	–	–	–	–
Accounts payable	12 607	12 607	–	12 607	–	–	–	–	–	–	–	–
Other current liabilities	142 851	142 851	–	142 851	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	4 110 040	4 377 112	28 632	–	28 632	–	53 952	564 869	86 258	1 415 666	59 552	2 139 551
Total non-derivative financial liabilities	5 228 938	5 506 984	34 548	571 705	33 459	547 424	53 952	564 869	86 258	1 415 666	59 552	2 139 551
Derivatives with negative fair value	2 924	3 205	–	486	–	453	–	847	–	366	–	1 053
Total derivative financial liabilities	2 924	3 205	–	486	–	453	–	847	–	366	–	1 053
Total financial liabilities	5 231 862	5 510 189	34 548	572 191	33 459	547 877	53 952	565 716	86 258	1 416 032	59 552	2 140 604

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.2 [4.3] years due to the contractual maturities.

18 Pension plans

Employer contribution reserves

There were no employer contribution reserves held in the reporting or previous year.

Economic benefits/obligations and pension benefit expenses

	Surplus/deficit	Economical part of the group	Contributions concerning the reporting period	Pension benefit expenses within personnel costs	
				01.01.–31.12.2018	01.01.–31.12.2019
in CHF 1 000	31.12.2019	31.12.2019			
Pension institutions without surplus/deficit	–	–	– 10 975	– 10 941	– 10 975
Pension institutions with surplus	5 852	–	– 16 428	– 19 349	– 16 428
Pension institutions with deficit	– 807	–	– 120	– 120	– 120
Total	5 045	–	– 27 523	– 30 410	– 27 523

No extraordinary recapitalisation contributions were stipulated or provided in the reporting year.

19 Shareholders' equity

Share capital

	Number of registered shares issued	Nominal value in CHF	in CHF 1 000
Share capital as at 01.01.2018	71 478 917	15.30	1 093 627
Share capital increase on 28.09.2018	4 467 432	15.30	68 352
Share capital as at 31.12.2018	75 946 349	15.30	1 161 979
Share capital as at 31.12.2019	75 946 349	15.30	1 161 979

The 1 112 [539] treasury shares held at 31 December 2019 were not entitled to dividends. As at the balance sheet date, the dividend-entitled share capital of CHF 1 161.962 million [CHF 1 161.971 million] therefore comprised 75 945 237 [75 945 810] registered shares.

Authorised and conditional capital

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised and conditional capital as at 01.01.2018	4 172 617	15.30	63 841
Approval of increase by Annual General Meeting of 27.03.2018 ¹	2 827 383	15.30	43 259
Share capital increase on 28.09.2018	– 4 467 432	15.30	– 68 352
Authorised and conditional capital as at 31.12.2018	2 532 568	15.30	38 748
Approval of increase by Annual General Meeting of 26.03.2019 ²	4 467 432	15.30	68 352
Authorised and conditional capital as at 31.12.2019 ³	7 000 000	15.30	107 100

¹ according to the resolution by the Annual General Meeting of 27 March 2018, share capital from authorised and conditional capital can be increased by a total maximum of CHF 107.100 million respectively 7 000 000 registered shares

² according to the resolution by the Annual General Meeting of 26 March 2019, share capital from authorised and conditional capital can be increased by a total maximum of CHF 107.100 million respectively 7 000 000 registered shares

³ due to the issue of a convertible bond, 2 398 311 shares (CHF 36.694 million) from conditional capital have been reserved for potential conversions. According to article 3a paragraph 2 of the Articles of Association, the Board of Directors can therefore only increase the share capital by an amount of CHF 70.406 million, which corresponds to 4 601 689 shares

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 26 March 2021.

According to articles 3a and 3b, para. 1, of the Company's effective Articles of Association, overall share capital (authorised and conditional capital) may be increased by a maximum of CHF 107 100 million. The precise wording regarding authorised and conditional capital can be found in the Company's Articles of Association.

Capital reserves

	in CHF 1 000
Capital reserves as at 01.01.2018	624 201
Distribution from capital contribution reserves on 05.04.2018	–271 618
Capital increase on 28.09.2018	254 747
Share-based compensation	886
Income from delivery of treasury shares relating to share-based compensation	2
Capital reserves as at 31.12.2018	608 218
Distribution from capital contribution reserves on 04.04.2019	–288 591
Share-based compensation	1 008
Income from delivery of treasury shares relating to share-based compensation	–6
Capital reserves as at 31.12.2019	320 629

Capital reserves are based on above-par issues on foundation, capital increases as well as changes from trading with subscription rights, treasury shares and share-based compensation.

As at the balance sheet date, Swiss Prime Site AG's reserves consisted of a non-distributable amount (legal reserves) of CHF 232.396 million [CHF 232.396 million].

Treasury shares

	in CHF 1 000
Treasury shares as at 01.01.2018	–3
Share-based compensation, 25 018 shares, CHF 88.43 average transaction price	2 213
Purchase of treasury shares, 25 518 shares, CHF 88.37 average transaction price	–2 255
Income from delivery of treasury shares relating to share-based compensation	–2
Treasury shares as at 31.12.2018	–47
Share-based compensation, 25 927 shares, CHF 94.03 average transaction price	2 438
Purchase of treasury shares, 26 500 shares, CHF 94.45 average transaction price	–2 503
Income from delivery of treasury shares relating to share-based compensation	6
Treasury shares as at 31.12.2019	–106

Treasury shares are valued at acquisition cost and reported in shareholders' equity as a debit item. Income from delivery of treasury shares relating to share-based compensation is set off directly against capital reserves. As at the balance sheet date, the group companies and the group's employee pension fund foundations held 1 112 shares [539 shares] and 290 049 shares [220 087 shares] of Swiss Prime Site AG, respectively.

Retained earnings

	in CHF 1 000
Retained earnings as at 01.01.2018	3 060 212
Profit	310 316
Compensation of positive and negative goodwill from acquisitions of group companies	4 214
Retained earnings as at 31.12.2018	3 374 742
Profit	607 586
Compensation of goodwill from acquisitions of group companies	–6 792
Retained earnings as at 31.12.2019	3 975 536

Non-controlling interests

	in CHF 1 000
Non-controlling interests as at 01.01.2018	-567
Acquisition of shareholding with non-controlling interests	191
Profit, attributable to non-controlling interests	594
Non-controlling interests as at 31.12.2018	218
Profit, attributable to non-controlling interests	931
Non-controlling interests as at 31.12.2019	1 149
Shareholders' equity as at 31.12.2019	5 459 187
Shareholders' equity as at 31.12.2018	5 145 110

Distributions

The Annual General Meeting of 26 March 2019 [27 March 2018] passed the following resolution: A distribution from capital contribution reserves of CHF 3.80 [CHF 3.80] per share.

The share capital on which the distribution was based consisted of 75 944 993 [71 478 324] shares. The distribution from capital contribution reserves amounting to CHF 288.591 million [CHF 271.618 million] was carried out on 4 April 2019 [5 April 2018].

20 Key figures per share

Profit used to calculate earnings per share or diluted earnings per share was the reported profit attributable to shareholders of Swiss Prime Site AG.

Basis for calculation of diluted earnings per share

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit attributable to shareholders of Swiss Prime Site AG	310 316	607 586
Interests on convertible bonds, amortisation of proportional costs and tax effects	3 068	3 129
Relevant profit for calculation of diluted earnings per share	313 384	610 715

Weighted average number of shares

	01.01.– 31.12.2018	01.01.– 31.12.2019
Shares issued as at 01.01.	71 478 917	75 946 349
Weighted number of shares on capital increase on 28.09.2018	1 141 677	–
Average number of treasury shares (360 days)	-377	-1 114
Total weighted average number of shares 01.01.–31.12. (360 days)	72 620 217	75 945 235
Highest possible number of shares that can be issued on conversions	5 374 439	5 383 088
Basis for calculation of diluted earnings per share	77 994 656	81 328 323

Earnings and net asset value (NAV) per share

in CHF	01.01.– 31.12.2018	01.01.– 31.12.2019
Earnings per share (EPS)	4.27	8.00
Diluted earnings per share	4.02	7.51
Shareholders' equity per share (NAV) before deferred taxes ¹	83.40	86.34
Shareholders' equity per share (NAV) after deferred taxes ¹	67.74	71.87

¹ non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV. Services segment (real estate-related business fields) included at book values only

21 Future obligations and pledged assets

Swiss Prime Site concluded agreements with various total contractors for the construction of new and modified buildings within the scope of new construction activities as well as the restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are as follows:

in CHF 1 000	31.12.2018	31.12.2019
2019	371 419	–
2020	155 763	303 497
2021	37 724	85 059
2022	–	4 015
Total future obligations based on total contractor agreements	564 906	392 571

Operating lease agreements

As at the balance sheet date, the following future obligations relating to land lease payments, leasing of office equipment and renting office, retail and residential floor space as well as properties in the assisted living sector were in effect:

in CHF 1 000	31.12.2018	31.12.2019
Lease expenses up to 1 year	82 349	81 816
Lease expenses from 1 year up to 5 years	318 809	312 347
Lease expenses over 5 years	814 737	763 531
Total future lease expenses	1 215 895	1 157 694

Pledged assets

in CHF 1 000	31.12.2018	31.12.2019
Fair value of affected investment properties	8 648 646	8 920 500
Nominal value of pledged mortgage notes	4 608 868	4 567 047
Current claim (nominal)	2 995 000	2 978 431

22 Transactions with related parties

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associates and their subsidiaries as well as Swiss Prime Investment Foundation, in addition to any other group-related foundations, are all regarded as related parties.

Board of Directors and Executive Board

Disclosure of the following fixed compensation to members of the Board of Directors and the fixed and variable compensation to the Executive Board was based on the accrual principle (i.e. recognised in the relevant period, regardless of cash flow).

Compensation paid to the Board of Directors is effected at 50% in the form of Swiss Prime Site AG shares. The number of Swiss Prime Site AG shares granted to the members of the Board of Directors was determined using the closing price as at the end of the previous year of CHF 79.55 [CHF 90.00], less 10% discount to CHF 71.60 [CHF 81.00]. The shares are subject to blocking for a period of four years. In the reporting year, 9 806 shares [7 651 shares] at a market value of CHF 0.960 million [CHF 0.633 million] were transferred to the members of the Board of Directors.

The variable compensation of the members of the Executive Board is designated at 37.5% as performance-based entitlements to shares (performance share units or PSUs) within the scope of a long-term incentive plan (LTI). At the grant date, the individual LTI amount is converted to PSUs based on the volume-weighted average share price of the last 60 trading days prior to the grant date. The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the performance indicators and continued employment relationship during the vesting period. Earnings per share (EPS) excluding revaluations and deferred taxes constitute the performance indicators. The EPS target for the three-year vesting period is predetermined based on Swiss Prime Site's medium-term financial planning. At the vesting date, the number of allocated PSUs is multiplied by the payout factor in order to define the number of Swiss Prime Site shares that are definitively paid out. The payout factor depends on the achievement of the EPS target and hovers in a range between 0% and 100%.

In the reporting year, 13 443 [14 369] performance share units were allocated to the Executive Board. The amount was recorded in the consolidated financial statements at the current price of CHF 87.25 [CHF 91.74] (stock exchange price on the grant date) and allocated over the three-year vesting period. The resulting expense booked in the consolidated income statement amounted to CHF 1.170 million [CHF 0.886 million].

Compensation to the Board of Directors and Executive Board

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Fixed compensation in cash, gross	3 919	3 910
Variable compensation in cash, gross	1 453	1 518
Share-based compensation	1 519	2 130
Other compensation components	65	66
Pension fund contributions	564	529
Other social security contributions	381	376
Total compensation to the Board of Directors and Executive Board	7 901	8 529
Expense allowance	150	141

Other related parties

There were current accounts payable to various pension funds and the SPS and Jelmoli welfare foundation of CHF 0.324 million [CHF -0.643 million]. Accounts receivable from the foundation Fondation Espace amounted to CHF 7.811 million [CHF 6.193 million]. CHF 2.772 million [CHF 1.926 million] was allocated for the provision of real estate services as well as other services for related pension fund foundations. Expenses in respect of related foundations amounted to CHF 0.394 million [CHF 0.125 million].

Liabilities from Swiss Prime Investment Foundation amounted to CHF 0.296 million [receivables: CHF 0.366 million]. Income from asset management with Swiss Prime Investment Foundation amounted to CHF 13.145 million [CHF 8.292 million]. Income from other real estate services amounted to CHF 2.930 million [CHF 0.483 million]. Swiss Prime Investment Foundation booked rent costs for properties utilised by the Swiss Prime Site Group of CHF 5.395 million [CHF 4.555 million].

There were no additional transactions with other related parties carried out either in the reporting period or previous year's period.

23 Group companies and associates

Swiss Prime Site AG holds the following investments:

Fully consolidated investments in group companies (direct or indirect)

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 Capital in CHF 1 000	Shareholding in %
EMS Chantevent SA, La Grande Béroche ¹	Assisted living	–	–	100	100.0
Home Les Lauriers S.A., Saint-Imier ¹	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	100	100.0
immoveris ag, Bern	Real estate services	200	100.0	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court	Assisted living	100	100.0	100	100.0
Leben im Alter AG, Zurich ²	Assisted living	100	100.0	600	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	Assisted living	20	100.0	20	100.0
Quality Inside SA, Crissier	Assisted living	150	100.0	150	100.0
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	100	100.0
Résidence Joli Automne SA, Ecublens	Assisted living	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	Assisted living	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	Assisted living	100	100.0	100	100.0
SPS Baselland Dreispitz AG, Münchenstein ³	Real estate	–	–	5 295	100.0
SPS Beteiligungen Alpha AG, Olten	Investments	450 000	100.0	450 000	100.0
streamnow ag, Zurich	Real estate services	100	100.0	100	100.0
Swiss Prime Site Finance AG, Olten ⁴	Financial services	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	Asset management	1 500	100.0	1 500	100.0
Tertianum AG, Zurich	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Assisted living	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Assisted living	500	100.0	500	100.0
Tertianum Romandie SA, Crissier ⁵	Assisted living	20	100.0	100	100.0
Tertianum Romandie Management SA, Crissier	Assisted living	100	100.0	100	100.0
Tertianum Vaud SA, Crissier ⁶	Assisted living	50	100.0	50	100.0
Wincasa AG, Winterthur	Real estate services	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	Assisted living	1 000	51.0	1 000	51.0
Zentrum Schönberg AG, Bern	Assisted living	1 000	51.0	1 000	51.0
Zimmermann Vins SA, Carouge ⁷	Real estate	–	–	350	100.0

¹ acquisition as at 20.08.2019

² merger of EMS Le Martagon SA in Leben im Alter AG as at 01.07.2019

³ acquisition as at 01.07.2019; rebranded from ACRON HELVETIA V Immobilien AG to SPS Baselland Dreispitz AG as at 20.01.2020

⁴ rebranded from Swiss Prime Site Fund Advisory AG II to Swiss Prime Site Finance AG as at 14.06.2019

⁵ rebranded from Résidence Bel-Horizon Sàrl, Ecublens to Tertianum Romandie SA, Crissier as at 06.12.2019

⁶ rebranded from Résidence du Bourg SA, Aigle to Tertianum Vaud SA, Crissier as at 16.10.2019

⁷ acquisition as at 24.06.2019

Investments in associates valued according to the equity method

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

24 Major shareholders

	31.12.2018 Shareholding interest in %	31.12.2019 Shareholding interest in %
Major shareholders (shareholding interest >3%)		
BlackRock Inc., New York	>10.0	>10.0
Credit Suisse Funds AG, Zurich	4.1	6.1
State Street Corporation, Boston	3.6	3.7
UBS Fund Management (Switzerland) AG, Basel	3.2	3.0

25 Risk management

Ensuring continuity and exploiting opportunities

The Swiss Prime Site Group is exposed to a broad spectrum of opportunities and risks as it progresses towards its strategic goals. To secure long-term success, it is therefore crucial to recognise changes in the economic, social, regulatory, technological and ecological environment early on. The Company sets great store by the management of opportunities and risks and has therefore implemented a systematic risk management process. Risk management therefore provides a significant contribution to the continuity and successful development of the Company.

Risk management is based on the group-wide risk policy. It establishes a homogeneous, responsible approach to tackling opportunities and risks and promotes a uniform understanding of risk management within the Swiss Prime Site Group. Each group company also issues further specific requirements.

Systematic risk management process at all levels

The Swiss Prime Site Group's risk management system is made up of the following elements: principles, control environment, communication, organisation and process.

The principles ensure all employees have a uniform understanding of risk and a high level of risk awareness. These are considered when engaging in dialogue with all stakeholders.

The control environment is influenced primarily by the Board of Directors and Executive Board through their responsibilities, risk awareness and organisational measures to safeguard effective business operations. This is supplemented by the Company's basic ethical values, the organisational structure, rules of conduct and clear responsibilities.

One fundamental pillar of risk management is transparent communication with internal and external stakeholders. All employees are required to maintain an ongoing dialogue about opportunities and risks.

In the Swiss Prime Site Group's risk organisation structure, the Board of Directors has overall responsibility within the scope of its supervisory duties by defining the risk strategy. The Executive Board is responsible for operational implementation. It is supported in this task by the Group Risk Management department, which is responsible for the group-wide coordination and steering of the risk management process. Fundamentally, all employees have a duty to take a considered approach to opportunities and risks.

The risk management process encompasses all activities for the management of opportunities and risks. Risks are identified within the scope of annual risk meetings between the Executive Board and the Risk & Audit Committee of the respective group company and between all risk owners and the Group Risk Management department (top-down). Along with an analysis of individual systems and processes (bottom-up), this produces a risk inventory for each group company.

The identified risks are assessed in relation to their causes and impact and assigned to appropriate risk categories (strategic, external, operational, financial and compliance risks) and risk owners. They are then rated according to their financial loss potential and probability of occurrence. The resulting risk profile also quantifies the effectiveness of the risk management measures that would be required and the effects that adverse media reports would have on the group's reputation.

At group level, risks are reported yearly to the Board of Directors and Executive Board. This consists of a consolidated risk report and risk inventory. At group company level, similar reports are submitted to the relevant Board of Directors and Executive Management.

Most important risks in the various business fields

In 2019, the revaluation of real estate, changes in interest rates and general financial market risk when refinancing were among the most important risks with medium loss potential and an average probability of occurrence in the real estate sector. By proactively managing vacancy risk, Swiss Prime Site kept vacancy rates stable and below 5% despite the difficult market environment.

The main challenges faced by group companies in the services sector were new regulatory requirements (Tertianum), changing customer requirements and competition in their respective markets (Wincasa, Jelmoli).

Comprehensive assessment of cyber and climate risks

In 2019, the Swiss Prime Site Group focused particular attention on cyber and climate risks. Although the advance of digitalisation is creating many opportunities in the real estate sector, especially in customer interaction and the smart control of processes, new cyber risks such as sabotage or data theft have arisen. This very important issue is addressed by means of a dedicated risk inventory, and appropriate countermeasures based on it have been defined.

Besides digitalisation, climate change is having a significant impact on the business activities of the Swiss Prime Site Group. The Company is clearly committed to the climate targets of the Paris Agreement and is aligning its environmental targets accordingly. In taking a proactive approach to climate risks, the Company is also helping to protect its own business activities. In 2019, for the first time, the Swiss Prime Site Group therefore carried out a detailed analysis of climate-related financial risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For detailed information, refer to the TCFD Report of the Swiss Prime Site Group.

26 Operations to be discontinued

In August of the reporting year, the Executive Board and Board of Directors decided to commence the process of selling the Tertianum Group. The contract with Swiss investment company Capvis AG has been signed, and this was communicated in a press release on 13 December 2019. Closing of the contract is expected in the first half of 2020. The Tertianum Group has therefore been included in full in the consolidated financial statements for the reporting year.

The Tertianum Group comprises the entire assisted living business, i.e. the operational management of over 80 residential and care centres, and residences in all parts of Switzerland. The purchase agreement covers all group companies in the field of assisted living. Information on all of the 21 companies is provided in note 23 «Group companies and associates».

The real estate held by Swiss Prime Site Immobilien AG will not form part of the sale and will therefore stay under the ownership of the Swiss Prime Site Group.

The Tertianum Group is included in the Services segment and achieved an operating income of CHF 519.602 million [CHF 488.057 million] and an operating result (EBIT) of CHF 33.954 million [CHF 27.482 million].

Swiss Prime Site anticipates a significant profit contribution in the consolidated financial statements for 2020 with the closing of the transaction.

27 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on 20 February 2020. They are subject to approval by the Annual General Meeting of Swiss Prime Site AG on 24 March 2020.

There were no other events occurring between 31 December 2019 and the date of publication of these consolidated financial statements that would result in adjustment of the carrying amounts of the group's assets and liabilities as at 31 December 2019, or which would need to be disclosed at this point.

Definition of alternative performance indicators

Cash yield

Distribution per share as a percentage of the share price at the end of the period.

Operating result before depreciation and amortisation (EBITDA)

Operating result before financial result and taxes (EBIT) plus depreciation on tangible assets and amortisation on intangible assets.

Operating result (EBIT) excluding revaluations

Operating result before financial result and taxes (EBIT) excluding revaluation of investment properties.

Equity ratio

Total shareholders' equity as a percentage of balance sheet total.

Return on equity (ROE)

Profit (attributable to shareholders of Swiss Prime Site AG) divided by average equity (attributable to shareholders of Swiss Prime Site AG).

Return on equity (ROE) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations and deferred taxes, divided by average equity (attributable to shareholders of Swiss Prime Site AG).

Loan-to-value (LTV) ratio of the real estate portfolio

Current and non-current financial liabilities as a percentage of the property portfolio at fair value.

Profit excluding revaluations and deferred taxes

Profit less revaluations of investment properties and deferred taxes.

Earnings per share (EPS) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations and deferred taxes, divided by the weighted average number of outstanding shares.

Return on invested capital (ROIC)

Profit (attributable to shareholders of Swiss Prime Site AG) plus financial expenses divided by the average balance sheet total.

Return on invested capital (ROIC) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations, deferred taxes and financial expenses, divided by average balance sheet total.

Vacancy rate

Rental income from vacancies as a percentage of target rental income from the rental of investment properties.

NAV (net asset value) after deferred taxes per share

Equity (attributable to shareholders of Swiss Prime Site AG) divided by the number of shares issued on the balance sheet date (excluding treasury shares).

NAV (net asset value) before deferred taxes per share

Equity (attributable to shareholders of Swiss Prime Site AG) plus deferred tax liabilities, divided by the number of shares issued at the balance sheet date (excluding treasury shares).

Net property yield

Real estate income as a percentage of the property portfolio at fair value as at the balance sheet date.

Interest-bearing financial liabilities

Current and non-current financial liabilities less derivative financial instruments (other non-current financial liabilities).



Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Swiss Prime Site AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting principles.

In our opinion the consolidated financial statements (pages 17 to 53, 79 to 86) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of investment properties



Completeness and accuracy of deferred tax liabilities

Key audit matters are those matters that, in our professional judgment, 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.



Valuation of investment properties

Key Audit Matter

Investment properties form a substantial part of the balance sheet and showed an overall fair value of CHF 11'671'294 as at 31 December 2019.

The Group's total investment properties are valued at fair value as at the balance sheet date.

The valuation is based on the external valuation expert's report. The fair value estimates performed every six months using the discounted cash flow model are significantly influenced by assumptions and estimates made by the Executive Board and the external valuation expert with regard to the expected future cash flows and the discount rate used for each property depending on its individual rewards and risks.

Our response

In the course of our audit, we assessed the external valuation expert's competence and independence. We met with the external valuation expert regarding the valuation of the investment properties, and discussed the valuation methodology and selected input factors applied in the valuation. We used our own real estate valuation specialists to support our audit procedures.

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- evaluating the methodical accuracy of the model used to determine the fair value;
- challenging the most important input factors applied in the valuation (such as discount rate, market rents, vacancy rates, overhead / maintenance and renovation expenses) by comparing them with past figures, benchmarks, publicly available data and our own market assessments.
- additionally concerning properties under construction / development sites: assessment of key assumptions related to construction costs, utilisation, date of completion, expected revenues as well as future market outlook and evaluation of recoverability and allocation of investment costs capitalized.

We also considered the appropriateness of disclosures in the consolidated financial statements regarding the sensitivity of the investment properties' fair value to changes in discount rates.

For further information on the valuation of the investment properties refer to the following:

- Note 2 "Summary of significant accounting principles" to the consolidated financial statements
- Note 13 "Investment properties" to the consolidated financial statements
- Valuation Expert's Report, Wüest Partner AG, Zurich



Completeness and accuracy of deferred tax liabilities

Key Audit Matter

As at 31 December 2019, deferred tax liabilities amounted to TCHF 1'099'397.

Deferred taxes arise due to temporary differences between the values in the tax accounts and the consolidated balance sheet. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The applied tax rates correspond to those that are enacted or substantively enacted at the respective locations at the balance sheet date. Deferred taxes primarily result from valuation differences between the fair values of investment properties and their values for tax purposes.

In the calculation of the deferred tax liabilities, assumptions and estimates must be made with regards to the fiscally relevant investment costs and the fair values of the properties as well as the tax rates applicable at the time the tax differences are realized. If properties are held for long periods, the fiscally relevant investment costs may be determined using an alternative measure instead of the actual investment costs, depending on the respective cantonal rules (e.g. fair value 20 years ago for Zurich properties). Moreover, in cantons with a separate property gains tax (one-tier system), the residual holding period of the properties has to be estimated, whereby SPS assumes a minimum ownership period of 20 years for properties not held for sale.

Our response

In the course of our audit, we critically assessed the calculation of deferred taxes on investment, development and commercial properties with the support of our tax specialists.

Based on the overall portfolio, we performed, amongst others, the following audit procedures:

- evaluating the calculation method used to determine deferred tax liabilities;
- critically assessing the assumed tax rates applicable to each canton at the time the tax differences are realized.

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- reconciling the fair value with the valuation documentation and the fiscally relevant investment costs with the fixed asset accounting or the client's detailed records;
- testing the mathematical accuracy of the deferred tax calculation.

For further information on the calculation of deferred tax liabilities refer to the following:

- Note 2 "Summary of significant accounting principles" to the consolidated financial statements
- Note 9 "Income taxes" to the consolidated financial statements



Responsibility of the Board of Directors 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 Swiss GAAP FER, Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange 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 and Swiss Auditing Standards 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 and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 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.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zurich, 20 February 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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Financial statements of Swiss Prime Site AG

Income statement

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
Dividend income	2.1	21 500	23 800
Other financial income	2.2	60 556	57 176
Other operating income		239	192
Total operating income		82 295	81 168
Financial expenses	2.3	– 74 590	– 73 599
Personnel costs		– 1 626	– 2 172
Other operating expenses	2.4	– 6 004	– 5 322
Total operating expenses		– 82 220	– 81 093
Result before taxes		75	75
Direct taxes		– 6	– 6
Profit	4	69	69

Balance sheet

in CHF 1 000	Notes	31.12.2018	31.12.2019
Assets			
Cash		512	321
Securities with market price		237	300
Other current receivables	2.5	21 699	23 979
Accrued income and prepaid expenses		2 173	1 658
Total current assets		24 621	26 258
Financial investments	2.6	3 336 130	3 337 369
Investments in subsidiaries	2.7	4 029 071	4 029 071
Accrued income and prepaid expenses		5 743	2 874
Total non-current assets		7 370 944	7 369 314
Total assets		7 395 565	7 395 572
Liabilities and shareholders' equity			
Current interest-bearing liabilities	2.8	962 000	1 165 800
Other current liabilities	2.9	8 966	12 123
Accrued expenses and deferred income		1 621	1 965
Total current liabilities		972 587	1 179 888
Non-current interest-bearing liabilities	2.10	4 027 000	4 109 000
Other non-current liabilities		1 889	1 144
Total non-current liabilities		4 028 889	4 110 144
Total liabilities		5 001 476	5 290 032
Share capital	2.11	1 161 979	1 161 979
Statutory reserves			
Statutory reserves from capital contributions		588 331	299 740
Legal retained earnings			
Reserves for treasury shares		25	57
Other legal retained earnings		147 378	147 378
Voluntary retained earnings			
Balance sheet profit	4	335 397	335 466
Other voluntary retained earnings		161 000	160 968
Treasury shares	2.12	-21	-48
Total shareholders' equity		2 394 089	2 105 540
Total liabilities and shareholders' equity		7 395 565	7 395 572

1 Accounting principles and valuation

1.1 In general

The financial statements of Swiss Prime Site AG, Frohburgstrasse 1, Olten, were prepared in accordance with the provisions of Swiss Accounting Law (Section 32 of the Swiss Code of Obligations). The significant valuation principles applied, but not mandatory by law, are described in the following section.

1.2 Securities

Securities held on a short-term basis are valued at stock-exchange prices at the balance sheet date. Formation of a fluctuation reserve has been waived.

1.3 Interest-bearing liabilities

Interest-bearing liabilities are recognised in the balance sheet at nominal value. Discounts on bonds and convertible bonds as well as issuing costs are recorded in accrued income and prepaid expenses and amortised over the term to maturity of the bond or convertible bond.

1.4 Treasury shares

Treasury shares are recognised at cost as a minus position in shareholders' equity at the time of acquisition. Given future re-divestment of the shares, the profit or loss is recognised in the income statement and recorded as financial income or expense, respectively.

1.5 Share-based compensation

If treasury shares are used for share-based compensation to the Board of Directors and employees, the value of the shares allocated is recognised as personnel costs. Any difference versus book value is posted to the financial result.

1.6 Dispensation of cash flow statement and additional information in the notes

Since Swiss Prime Site AG prepares the consolidated financial statements according to recognised accounting standards (Swiss GAAP FER), the Company has dispensed with providing information in the notes regarding interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement, in accordance with the relevant legal requirements.

2 Information relating to balance sheet and income statement positions

2.1 Dividend income

Dividend income includes the dividend of SPS Beteiligungen Alpha AG of CHF 23.800 million [CHF 21.500 million] for the financial year 2019. The dividends were recorded as receivables. This procedure was permissible since the companies closed their accounts on the same balance sheet date, and the resolution of the dividend payment was concluded.

2.2 Other financial income

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Interests on loans from group companies	60 020	56 339
Valuation of financial instruments	510	744
Other financial income	26	93
Total	60 556	57 176

2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Interests on loans	–52 293	–47 918
Interest expenses on bonds and convertible bonds	–20 173	–23 778
Amortisation of cost of bonds and convertible bonds	–1 869	–1 634
Other financial expenses	–255	–269
Total	–74 590	–73 599

2.4 Other operating expenses

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Administration costs	–4 290	–3 636
Capital taxes	–194	–184
Other operating expenses	–1 520	–1 502
Total	–6 004	–5 322

2.5 Other current receivables

in CHF 1 000	31.12.2018	31.12.2019
Other current receivables from third parties	199	108
Other current receivables from group companies	21 500	23 871
Total	21 699	23 979

2.6 Financial investments

in CHF 1 000	31.12.2018	31.12.2019
Loans to group companies	3 336 130	3 337 369
Total	3 336 130	3 337 369

2.7 Investments**Direct investments**

	31.12.2018 Capital in CHF 1 000	Shareholding interest in %	31.12.2019 Capital in CHF 1 000	Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten	450 000	100.0	450 000	100.0

Indirect investments

	31.12.2018 Capital in CHF 1 000	Shareholding interest in %	31.12.2019 Capital in CHF 1 000	Shareholding interest in %
EMS Chantevent SA, La Grande Béroche ¹	–	–	100	100.0
Home Les Lauriers S.A., Saint-Imier ¹	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux	100	100.0	100	100.0
immoveris ag, Bern	200	100.0	200	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
La Fontaine SA, Court	100	100.0	100	100.0
Leben im Alter AG, Zurich ²	100	100.0	600	100.0
Le Manoir AG, Gampelen	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	20	100.0	20	100.0
Parkgest Holding SA, Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1
Quality Inside SA, Crissier	150	100.0	150	100.0
Résidence de la Jardinerie SA, Delémont	100	100.0	100	100.0
Résidence Joli Automne SA, Ecublens	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	100	100.0	100	100.0
SPS Baselland Dreispitz AG, Münchenstein ³	–	–	5 295	100.0
streamnow ag, Zurich	100	100.0	100	100.0
Swiss Prime Site Finance AG, Olten ⁴	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	1 500	100.0	1 500	100.0
Tertianum AG, Zurich	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	500	100.0	500	100.0
Tertianum Romandie SA, Crissier ⁵	20	100.0	100	100.0
Tertianum Romandie Management SA, Crissier	100	100.0	100	100.0
Tertianum Vaud SA, Crissier ⁶	50	100.0	50	100.0
Wincasa AG, Winterthur	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	1 000	51.0	1 000	51.0
Zentrum Schönberg AG, Bern	1 000	51.0	1 000	51.0
Zimmermann Vins SA, Carouge ⁷	–	–	350	100.0

¹ acquisition as at 20.08.2019² merger of EMS Le Martagon SA in Leben im Alter AG as at 01.07.2019³ acquisition as at 01.07.2019; rebranded from ACRON HELVETIA V Immobilien AG to SPS Baselland Dreispitz AG as at 20.01.2020⁴ rebranded from Swiss Prime Site Fund Advisory AG II to Swiss Prime Site Finance AG as at 14.06.2019⁵ rebranded from Résidence Bel-Horizon Sàrl, Ecublens to Tertianum Romandie SA, Crissier as at 06.12.2019⁶ rebranded from Résidence du Bourg SA, Aigle to Tertianum Vaud SA, Crissier as at 16.10.2019⁷ acquisition as at 24.06.2019

2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2018	31.12.2019
Bonds	200 000	230 000
Other current interest-bearing liabilities	762 000	935 800
Total	962 000	1 165 800

2.9 Other current liabilities

in CHF 1 000	31.12.2018	31.12.2019
Other current liabilities to group companies	213	8
Other current liabilities to shareholders	192	212
Other current liabilities to third parties	8 561	11 903
Total	8 966	12 123

2.10 Non-current interest-bearing liabilities

in CHF 1 000	31.12.2018	31.12.2019
Convertible bonds	550 000	550 000
Bonds	1 320 000	1 610 000
Other non-current interest-bearing liabilities	2 157 000	1 949 000
Total	4 027 000	4 109 000

Maturity structure of non-current interest-bearing liabilities

in CHF 1 000	31.12.2018	31.12.2019
Up to five years	1 901 600	2 010 600
Over five years	2 125 400	2 098 400
Total	4 027 000	4 109 000

Further information regarding bonds and convertible bonds is included in notes 3.2 «Convertible bonds» and 3.3 «Bonds».

2.11 Share capital and capital contribution reserves

As at the balance sheet date, the share capital comprised 75 946 349 [75 946 349] registered shares with a nominal value of CHF 15.30 per share. In the previous year, a capital increase of CHF 323.099 million was implemented on 28 September 2018 (nominal value CHF 68.352 million, capital contribution reserves CHF 254.747 million).

2.12 Treasury shares

Swiss Prime Site AG held 454 [260] treasury shares on the balance sheet date. As at the balance sheet date, the group companies held an additional 658 [279] shares of Swiss Prime Site AG. Purchases and sales were carried out at the respective daily market rates.

	Volume-weighted average share price in CHF	2018 Number of treasury shares	Volume-weighted average share price in CHF	2019 Number of treasury shares
Change in number of treasury shares				
Holdings of treasury shares on 01.01.	–	39	–	260
Purchases at the volume-weighted average share price	81.67	7 872	107.41	10 000
Share-based compensation	82.73	– 7 651	111.90	– 9 806
Holdings of treasury shares on 31.12.	–	260	–	454

3 Additional information

3.1 Full-time employees

Swiss Prime Site AG has no employees.

3.2 Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Book value as at 31.12.2019	CHF m	250.000	300.000
Book value as at 31.12.2018	CHF m	250.000	300.000
Conversion price	CHF	104.24	100.51
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)

3.3 Bonds

		CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 190 m 2024	CHF 100 m 2024
Issuing volume, nominal	CHF m	200.000	230.000	300.000	190.000	100.000
Book value as at 31.12.2019	CHF m	0.000	230.000	300.000	190.000	100.000
Book value as at 31.12.2018	CHF m	200.000	230.000	300.000	190.000	100.000
Interest rate	%	1.0	2.0	1.75	1.0	2.0
Term to maturity	years	5	7	7	6	10
Maturity	date	10.12.2019	21.10.2020	16.04.2021	16.07.2024	10.12.2024
Securities number		25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	39 863 325 (SPS181)	25 704 217 (SPS142)

		CHF 250 m 2025	CHF 250 m 2026	CHF 350 Mio. 2027	CHF 170 Mio. 2031
Issuing volume, nominal	CHF m	250.000	250.000	350.000	170.000
Book value as at 31.12.2019	CHF m	250.000	250.000	350.000	170.000
Book value as at 31.12.2018	CHF m	250.000	250.000	0.000	0.000
Interest rate	%	0.5	0.825	1.25	0.375
Term to maturity	years	9	9	8	12
Maturity	date	03.11.2025	11.05.2026	02.04.2027	30.09.2031
Securities number		33 764 553 (SPS161)	36 067 729 (SPS17)	41 904 099 (SPS19)	48 850 668 (SPS192)

3.4 Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2018	31.12.2019
Board of Directors		
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	41 652	45 096
Mario F. Seris, Vice-Chairman of the BoD	12 864	14 190
Christopher M. Chambers, member of the BoD	41 486	42 742
Dr. Barbara Frei-Spreiter, member of the BoD	833	2 089
Dr. Rudolf Huber, member of the BoD	17 500	21 071
Gabrielle Nater-Bass, member of the BoD ¹	–	942
Thomas Studhalter, member of the BoD	833	2 159
Klaus R. Wecken, member of the BoD ²	180 000	n.a.
Executive Board		
René Zahnd, member of the Executive Board (CEO)	4 535	4 535
Markus Meier, member of the Executive Board (CFO)	6 451	6 451
Peter Lehmann, member of the Executive Board and CEO of Swiss Prime Site Immobilien AG	12 375	11 845
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	–
Franco Savastano, member of the Executive Board and CEO of Jelmoli - The House of Brands ³	–	n.a.
Dr. Luca Stäger, member of the Executive Board and CEO of Tertium Gruppe AG	1 387	1 387
Total share ownership	319 916	152 507

¹ since 26.03.2019

² until 26.03.2019

³ until 30.09.2019

3.5 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2018 Shareholding interest in %	31.12.2019 Shareholding interest in %
BlackRock Inc., New York	> 10.0	> 10.0
Credit Suisse Funds AG, Zurich	4.1	6.1
State Street Corporation, Boston	3.6	3.7
UBS Fund Management (Switzerland) AG, Basel	3.2	3.0

3.6 Significant events after the balance sheet date

There were no significant events after the balance sheet date that would have an impact on the book values of the reported assets or liabilities, or which would need to be disclosed at this point.

4 Proposed appropriation of balance sheet profit

The Board of Directors proposes a distribution of CHF 3.80 per share to the Annual General Meeting of 24 March 2020. Based on the total 75 970 332 shares issued as at 20 February 2020, the total amount is CHF 288.688 million. The Board of Directors proposes a distribution of CHF 1.90 from the capital contribution reserves (exempt from withholding tax) and CHF 1.90 per share from the balance sheet profit (subject to withholding tax).

With the entry into force of the legal provisions in the Federal Act on Tax Reform and OASI Funding (TROF), distributions from the capital contribution reserves are subject to new regulations. It is now mandatory to distribute other taxable reserves in at least the same amount as the capital contribution reserves.

in CHF 1 000	31.12.2018	31.12.2019
Retained earnings brought forward	335 328	335 397
Profit	69	69
Total balance sheet profit	335 397	335 466
Allocation from capital contribution reserves	288 596	144 344
Distribution to shareholders	–288 596	–288 688
Balance brought forward to new account	335 397	191 122
Total distribution	288 596	288 688
thereof from capital contribution reserves	288 596	144 344
thereof from balance sheet profit	–	144 344



Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swiss Prime Site AG, which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles.

In our opinion the financial statements (pages 61 to 69) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and Swiss Auditing Standards 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 financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 entity'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 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 entity to cease to continue as a going concern.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zurich, 20 February 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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3

EPRA reporting

EPRA performance key figures

The EPRA performance key figures of Swiss Prime Site were prepared in accordance with EPRA BPR (November 2016).

Summary table EPRA performance measures

		in	01.01.– 31.12.2018 or 31.12.2018	01.01.– 31.12.2019 or 31.12.2019
A.	EPRA earnings	CHF 1 000	236 908	418 726
	EPRA earnings per share (EPS)	CHF	3.26	5.51
B.	EPRA NAV	CHF 1 000	6 873 461	7 102 032
	EPRA NAV per share	CHF	84.52	87.33
C.	EPRA NNNAV	CHF 1 000	5 618 153	5 834 667
	EPRA NNNAV per share	CHF	69.09	71.74
D.	EPRA NIY	%	3.7	3.5
	EPRA topped-up NIY	%	3.7	3.5
E.	EPRA vacancy rate	%	4.3	4.9
F.	EPRA cost ratio (including direct vacancy costs)	%	22.5	22.5
	EPRA cost ratio (excluding direct vacancy costs)	%	20.6	20.6
G.	EPRA like-for-like change relative	%	1.0	0.8
H.	EPRA capital expenditure	CHF 1 000	744 970	462 272

A. EPRA earnings and EPRA earnings per share

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Earnings per consolidated income statement	310 910	608 517¹
Excluding:		
Revaluations of investment properties	– 67 551	– 203 412
Result from real estate developments	– 15 474	– 16 862
Result from investment property sales	– 18 401	– 20 777
Tax on profits on disposals	9 290	4 541
Negative goodwill/goodwill impairment	n.a.	n.a.
Changes in fair value of financial instruments	– 651	– 703
Transaction costs on acquisitions of group companies and associated companies	35	486
Deferred tax in respect of EPRA adjustments	18 750	46 936
Adjustments in respect of associated companies	n.a.	n.a.
Adjustments in respect of non-controlling interests	n.a.	n.a.
EPRA earnings	236 908	418 726
Average number of outstanding shares	72 620 217	75 945 235
EPRA earnings per share in CHF	3.26	5.51

¹ positive impact from the reversal of deferred tax liabilities due to cantonal tax rate reductions

B. EPRA net asset value (NAV)

in CHF 1 000	31.12.2018	31.12.2019
NAV as per consolidated balance sheet	5 144 892	5 458 038
Dilution effects from exercise of options, convertibles and other equity instruments	542 411	543 940
Diluted NAV, after the exercise of options, convertibles and other equity instruments	5 687 303	6 001 978
Including:		
Revaluation of investment properties ²	n.a.	n.a.
Revaluation of properties under construction ²	n.a.	n.a.
Revaluation of other non-current investments	n.a.	n.a.
Revaluation of tenant leases held as finance leases	n.a.	n.a.
Excluding:		
Fair value of derivative financial instruments	2 924	2 292
Deferred tax	1 183 234	1 097 762
Goodwill as a result of deferred tax	n.a.	n.a.
Adjustments in respect of associated companies	n.a.	n.a.
EPRA NAV	6 873 461	7 102 032
Number of outstanding shares (diluted)	81 320 249	81 328 325
EPRA NAV per share in CHF	84.52	87.33

² if FER 18 cost option is used

C. EPRA triple net asset value (NNNAV)

in CHF 1 000	31.12.2018	31.12.2019
EPRA NAV	6 873 461	7 102 032
Excluding:		
Fair value of derivative financial instruments	-2 924	-2 292
Revaluation of financial debts	-74 355	-179 904
Deferred tax	-1 178 029	-1 085 169
EPRA NNNAV	5 618 153	5 834 667
Number of outstanding shares (diluted)	81 320 249	81 328 325
EPRA NNNAV per share in CHF	69.09	71.74

D. EPRA net yield on rental income (NIY)

in CHF 1 000		31.12.2018	31.12.2019
Investment property – wholly owned		11 204 418	11 765 430
Investment property – share of joint ventures/funds		n.a.	n.a.
Less properties under construction and development sites, building land and trading properties		-602 260	-722 021
Value of completed property portfolio		10 602 158	11 043 409
Allowance for estimated purchasers' costs		n.a.	n.a.
Gross up value of completed property portfolio	B	10 602 158	11 043 409
Annualised rental income		450 373	442 296
Property outgoings		-59 961	-58 264
Annualised net rental income	A	390 412	384 032
Add: notional rent expiration of rent-free periods or other lease incentives		4 227	3 383
Topped-up net annualised rental income	C	394 639	387 415
EPRA NIY	A/B	3.7%	3.5%
EPRA topped-up NIY	C/B	3.7%	3.5%

E. EPRA vacancy rate

in CHF 1 000		31.12.2018	31.12.2019
Estimated rental value of vacant space	A	20 513	22 907
Estimated rental value of the whole portfolio	B	473 783	467 347
EPRA vacancy rate	A/B	4.3%	4.9%

F. EPRA cost ratio

in CHF 1 000		01.01.– 31.12.2018	01.01.– 31.12.2019
Operating expenses per Real Estate segment income statement		107 799	108 458
Net service charge costs/fees		–	–
Management fees less actual/estimated profit element		–	–
Other operating income/recharges intended to cover overhead expenses less any related profits		–	–
Share of Joint Ventures expenses		–	–
Excluding:			
Investment property depreciation		–	–
Ground rent costs		–5 516	–5 764
Service charge costs recovered through rents but not separately invoiced		–	–
EPRA costs (including direct vacancy costs)	A	102 283	102 694
Direct vacancy costs		–8 491	–8 343
EPRA costs (excluding direct vacancy costs)	B	93 792	94 351
Gross rental income less ground rents per Swiss GAAP FER		454 650	457 034
Less: service fee and service charge costs components of gross rental income		–	–
Add: share of Joint Ventures (gross rental income less ground rents)		–	–
Gross rental income	C	454 650	457 034
EPRA cost ratio (including direct vacancy costs)	A/C	22.5%	22.5%
EPRA cost ratio (excluding direct vacancy costs)	B/C	20.6%	20.6%
Overhead and operating expenses capitalised		–	–

G. EPRA like-for-like rental change

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Rental income per Real Estate segment income statement	434 382	437 299
Acquisitions	– 7 495	– 18 427
Disposals	– 14 699	– 4 294
Development and new building projects	– 9 699	– 10 051
Property operating expenses	– 12 494	– 11 649
Property leases	– 6 185	– 6 080
Conversions, modifications, renovations	–	–
Other changes	–	–
Total EPRA like-for-like rental income	383 810	386 798
EPRA like-for-like change absolute	3 756	2 988
EPRA like-for-like change relative	1.0%	0.8%
EPRA like-for-like change by areas		
Zurich	0.7%	0.8%
Lake Geneva	0.4%	0.3%
Northwestern Switzerland	0.2%	– 0.8%
Berne	0.0%	0.5%
Central Switzerland	– 0.1%	0.1%
Eastern Switzerland	– 0.2%	0.3%
Southern Switzerland	0.0%	– 0.1%
Western Switzerland	0.1%	0.0%

Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described. Like-for-like rental growth 2019 is based on a portfolio of CHF 9 891.452 million [CHF 9 703.676 million] which grew in value by CHF 187.776 million [CHF 122.312 million].

H. Property-related EPRA CAPEX

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Purchases	418 950	46 520
Development (ground-up/green field/brown field)	323 292	336 431
Like-for-like portfolio	–	71 102
Capitalised borrowing costs	2 728	6 718
Other	–	1 501
Total EPRA capital expenditure	744 970	462 272

Five-year summary of key figures

	in	IFRS	Swiss GAAP FER			
		31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Fair value of real estate portfolio	CHF m	9 686.6	10 092.1	10 633.1	11 204.4	11 765.4
Rental income from properties	CHF m	445.9	453.0	469.9	479.4	486.9
Vacancy rate	%	6.7	6.1	5.2	4.8	4.7
Net property yield	%	3.9	3.7	3.7	3.6	3.5
Income from sale of trading properties	CHF m	105.1	–	–	–	–
Income from real estate developments	CHF m	–	–	51.7	72.8	79.8
Income from real estate services	CHF m	109.0	115.6	120.0	116.7	117.5
Income from retail	CHF m	136.8	133.6	136.2	131.3	127.8
Income from assisted living	CHF m	184.2	328.2	359.9	396.9	423.9
Income from asset management	CHF m	7.9	13.2	9.9	8.5	13.5
Total operating income	CHF m	995.2	1 049.5	1 154.8	1 214.1	1 258.8
Operating result before depreciation and amortisation (EBITDA)	CHF m	582.6	483.4	487.1	501.2	653.4
Operating result (EBIT)	CHF m	553.4	459.4	470.6	478.6	628.3
Profit	CHF m	355.1	311.1	305.5	310.9	608.5
Shareholders' equity	CHF m	4 956.0	4 746.3	4 777.5	5 145.1	5 459.2
Equity ratio	%	46.4	45.0	43.1	43.9	44.4
Borrowed capital	CHF m	5 734.6	5 811.7	6 317.6	6 564.2	6 841.7
Borrowed capital ratio	%	53.6	55.0	56.9	56.1	55.6
Total shareholders' equity and borrowed capital	CHF m	10 690.6	10 558.0	11 095.1	11 709.3	12 300.9
Interest-bearing financial liabilities	CHF m	4 261.6	4 480.1	4 848.1	5 073.5	5 378.4
Interest-bearing financial liabilities in % of balance sheet total	%	39.9	42.4	43.7	43.3	43.7
Loan-to-value ratio of property portfolio (LTV)	%	44.0	44.4	45.6	45.3	45.7
Weighted average interest rate on financial liabilities	%	2.1	1.8	1.5	1.4	1.2
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.4	4.5	4.7	4.3	4.2
Return on equity (ROE)	%	7.6	6.6	6.4	6.4	11.5
Return on invested capital (ROIC)	%	4.3	3.8	3.5	3.4	5.6
Cash flow from operating activities	CHF m	388.4	277.7	458.1	334.4	406.6
Cash flow from investing activities	CHF m	100.4	–365.5	–394.6	–495.6	–338.6
Cash flow from financing activities	CHF m	–511.1	13.2	–64.7	186.6	–79.5
Key financial figures excluding revaluations and all deferred taxes						
Operating result (EBIT)	CHF m	428.9	390.1	404.8	411.1	424.9
Profit	CHF m	280.8	275.6	307.4	287.8	315.7
Return on equity (ROE)	%	6.1	5.9	6.4	5.9	6.3
Return on invested capital (ROIC)	%	3.6	3.5	3.6	3.2	3.2

Five-year summary of key figures

Key figures per share	in	IFRS			Swiss GAAP FER	
		31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Share price at end of period	CHF	78.50	83.35	90.00	79.55	111.90
Share price, highest	CHF	87.80	90.65	91.00	94.30	113.30
Share price, lowest	CHF	70.65	74.95	82.25	77.45	80.20
Earnings per share (EPS)	CHF	5.30	4.41	4.27	4.27	8.00
Earnings per share (EPS) excluding revaluations and deferred taxes	CHF	4.20	3.91	4.30	3.95	4.14
NAV before deferred taxes ¹	CHF	85.83	81.32	82.87	83.40	86.34
NAV after deferred taxes ¹	CHF	71.15	66.41	66.85	67.74	71.87
Distribution to shareholders ²	CHF	3.70	3.70	3.80	3.80	3.80
Cash yield on closing price of the previous year ²	%	4.7	4.4	4.2	4.8	3.4
Share performance (TR) p.a. in the last 12 months	%	13.7	10.9	12.6	-7.1	47.0
Share performance (TR) p.a. in the last 3 years	%	6.2	12.0	11.6	5.1	15.4
Share performance (TR) p.a. in the last 5 years	%	7.8	8.8	8.4	7.9	14.2
Market capitalisation	CHF m	5 467.6	5 957.8	6 433.1	6 041.5	8 498.4
Employees						
Number of employees	people	4 446	5 621	5 910	6 321	6 506
Full-time equivalents	FTE	3 311	4 558	4 868	5 115	5 402
Share statistics						
Shares issued	number	69 651 534	71 478 917	71 478 917	75 946 349	75 946 349
Average treasury shares held	number	-6 506	-2 098	-980	-377	-1 114
Average outstanding shares	number	67 127 792	70 781 230	71 477 937	72 620 217	75 945 235
Treasury shares held	number	-2 780	-1 336	-39	-539	-1 112
Outstanding shares	number	69 648 754	71 477 581	71 478 878	75 945 810	75 945 237

¹ non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV. Services segment (real estate-related business fields) included at book values only

² 31.12.2019, according to proposal to Annual General Meeting

Property details

Summary

Property details as at 31.12.2019

Overview of type of use

	Fair Value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Total properties	11 043 409	457 376	4.5	1 077 231	1 571 795	18.0	42.6	6.2	8.6	16.9	7.7
Total undeveloped properties	37 498	133	-	77 087	28 950	-	1.0	-	-	-	99.0
Total properties under construction and development sites	684 523	371	-	116 447	3 706	84.1	-	-	-	11.1	4.8
Overall total	11 765 430	457 880		1 270 765	1 604 451	17.8	41.8	6.1	8.4	16.5	9.4
Rent losses from vacancies		-20 581									
Consolidated subtotal segment, excluding leased properties		437 299	4.5								
Intercompany eliminations		-56 406									
Rental income from third parties, Services segment		40 751									
Consolidated subtotal, excluding leased properties		421 644	4.7								
Rental income from leased properties, Services segment		65 268									
Consolidated overall total, including leased properties		486 912									

Investment properties

Property details as at 31.12.2019					Overview of type of use						
	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Aarau, Bahnhofstrasse 23	sole ownership	1946	1986	685	2 069	60.8	12.3	–	–	26.9	–
Amriswil, Weinfelderstrasse 74	sole ownership	2004		3 672	2 772	46.8	0.4	46.0	–	5.4	1.4
Baar, Grabenstrasse 17, 19	sole ownership	2015		2 084	3 685	–	95.8	–	–	4.2	–
Baar, Zugerstrasse 57, 63	sole ownership	2009		6 029	8 999	–	89.8	–	–	6.7	3.5
Baden, Bahnhofstrasse 2	sole ownership	1927	1975	212	979	93.4	–	–	–	6.6	–
Baden, Weite Gasse 34, 36	sole ownership	1953	1975	366	1 513	35.6	41.7	–	–	10.2	12.5
Basel, Aeschenvorstadt 2–4	sole ownership	1960	2005	1 362	6 219	17.3	63.6	–	–	18.6	0.5
Basel, Barfüsserplatz 3 ¹	sole ownership	1874	1993	751	1 913	5.6	66.3	–	–	27.9	0.2
		1870/									
Basel, Centralbahnplatz 9/10	sole ownership	2005	2005	403	1 445	8.5	37.9	21.0	–	11.8	20.8
Basel, Elisabethenstrasse 15	sole ownership	1933	1993	953	4 276	20.8	71.4	–	–	7.8	–
Basel, Freie Strasse 26/Falknerstrasse 3	sole ownership	1854	1980	471	2 870	43.6	50.3	–	–	6.1	–
Basel, Freie Strasse 36	sole ownership	1894	2003	517	2 429	59.3	13.6	–	–	11.5	15.6
		2015/									
Basel, Freie Strasse 68	sole ownership	1930	2016	1 461	8 200	19.5	1.2	62.9	–	15.9	0.5
Basel, Henric Petri-Strasse 9/Elisabethenstrasse 19	sole ownership	1949	1985	2 387	6 744	4.2	74.8	–	–	21.0	–
	sole ownership land lease	1976		4 209	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 40/parking	sole ownership	1958	2006	5 420	4 782	–	23.4	–	–	10.5	66.1
Basel, Hochbergerstrasse 60/building 805	sole ownership	1990		980	897	–	84.1	–	–	14.1	1.8
Basel, Hochbergerstrasse 60/building 860	sole ownership	2008		8 343	37 455	–	85.2	1.1	–	5.3	8.4
Basel, Hochbergerstrasse 60/Stücki Park	sole ownership	2005		2 680	–	–	–	–	–	–	–
		2019/									
Basel, Hochbergerstrasse 70/Stücki Park (Shopping) ²	sole ownership	2009	2020	46 416	29 460	27.7	18.7	39.5	–	10.9	3.2
	sole ownership partial land lease	2003		2 137	24 024	0.7	54.1	41.8	–	3.2	0.2
Basel, Messeplatz 12/Messeturm	freehold property	1999		19 214	9 109	–	85.3	–	–	14.7	–
Basel, Peter Merian-Strasse 80	sole ownership	1973	1998	3 713	7 125	38.1	14.0	17.2	–	28.5	2.2
Basel, Rebgrasse 20	sole ownership	1973	1998	3 713	7 125	38.1	14.0	17.2	–	28.5	2.2
Belp, Aemmenmattstrasse 43	sold 25.09.2019										
		1948–									
Berlingen, Seestrasse 83, 88, 101, 154	sole ownership	1998		10 321	8 650	–	–	–	100.0	–	–
Berlingen, Seestrasse 110	sold 19.11.2019										
Berne, Genfergasse 14	sole ownership	1905	1998	4 602	15 801	4.1	85.0	–	–	0.7	10.2
Berne, Laupenstrasse 6	sole ownership	1911	1998	503	2 067	41.4	49.8	–	–	0.3	8.5
	sole ownership land lease	1969/									
Berne, Mingerstrasse 12–18/PostFinance Arena	sole ownership	2009	2009	29 098	46 348	0.2	17.8	–	–	0.1	81.9
Berne, Schwarztorstrasse 48	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
		1970/									
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg ³	sole ownership	2020	2020	14 036	19 381	8.6	–	37.3	–	–	54.1
Berne, Wankdorfallee 4/EspacePost	sole ownership land lease	2014		5 244	33 647	–	94.2	–	–	4.9	0.9
	sole ownership land lease	1975/									
Berne, Weltpoststrasse 5	sole ownership land lease	1985	2013	19 374	25 346	–	68.7	4.3	–	19.6	7.4
Biel, Solothurnstrasse 122	sole ownership land lease	1961	1993	3 885	3 319	74.9	2.7	–	–	15.3	7.1
Brugg, Hauptstrasse 2	sole ownership	1958	2000	3 364	4 179	60.8	4.2	3.5	–	28.8	2.7
Buchs SG, St. Gallerstrasse 5	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	sole ownership	1972	1998	1 845	2 129	48.9	39.9	–	–	9.6	1.6
	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	–	–	89.3	2.4
Burgdorf, Industrie Buchmatt	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	–	–	89.3	2.4

¹ 1 826 m² cannot be used due to total refurbishment and are therefore not included in the type of use overview² 26 250 m² cannot be used due to total refurbishment and are therefore not included in the type of use overview³ reclassified from properties under construction to investment properties after new construction

Investment properties

Property details as at 31.12.2019	Overview of type of use										
	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Carouge, Avenue Cardinal-Mermillod 36–44	sole ownership	1956	2002	14 372	35 053	23.7	56.8	3.5	–	14.8	1.2
	freehold property and co-ownership land lease bought 24.06.2019										
Carouge, Rue Antoine-Jolivet 7		1975		3 693	2 164	20.4	1.2	–	–	29.2	49.2
Cham, Dorfplatz 2	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
Conthey, Route Cantonale 2	sole ownership	1989		3 057	2 480	71.6	4.6	–	–	19.8	4.0
Conthey, Route Cantonale 4	sole ownership land lease	2009		7 444	4 979	80.2	–	3.0	–	6.1	10.7
Conthey, Route Cantonale 11	sole ownership land lease	2002		10 537	7 323	79.9	1.3	0.7	–	14.3	3.8
Dietikon, Bahnhofplatz 11/Neumattstrasse 24	sole ownership	1989		1 004	1 793	19.4	55.8	–	–	24.3	0.5
Dietikon, Kirchstrasse 20	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
Dübendorf, Bahnhofstrasse 1	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
Eyholz, Kantonsstrasse 79	sole ownership land lease	1991		2 719	1 319	92.3	5.6	–	–	–	2.1
Frauenfeld, St. Gallerstrasse 30–30c	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
Frauenfeld, Zürcherstrasse 305	sole ownership	1982	2006	3 866	4 201	39.3	34.5	–	–	22.0	4.2
Frick, Hauptstrasse 132/Fricktal Centre A3	sole ownership	2007		13 365	5 011	66.0	–	3.1	–	15.5	15.4
Geneva, Centre Rhône-Fusterie	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
Geneva, Place du Molard 2–4	sole ownership	1690	2002	1 718	7 263	38.7	56.5	–	–	4.0	0.8
Geneva, Route de Malagnou 6/Rue Michel-Chauvet 7	sole ownership	1960/ 1969	1989	1 321	1 717	–	50.6	11.0	–	3.6	34.8
Geneva, Route de Meyrin 49	sole ownership	1987		9 890	10 138	–	85.5	–	–	13.0	1.5
Geneva, Rue Céard 14/Rue de la Croix-d'Or 11	sold 01.02.2019										
Geneva, Rue de la Croix-d'Or 7/Rue Neuve-du-Molard 4–6	sole ownership	1974/ 1985	1994	591	3 472	38.4	24.3	–	–	3.6	33.7
Geneva, Rue des Alpes 5	sole ownership	1860		515	2 689	10.8	45.3	–	–	0.6	43.3
Geneva, Rue du Rhône 48–50	sole ownership	1921	2002	5 166	33 243	44.6	33.5	72	–	9.0	5.7
Gossau SG, Wilerstrasse 82	sole ownership	2007		13 064	4 688	78.1	2.1	–	–	10.7	9.1
Grand-Lancy, Route des Jeunes 10/CCL La Praille	sole ownership land lease	2002		20 597	36 098	52.2	0.9	28.5	–	16.3	2.1
Grand-Lancy, Route des Jeunes 12	sole ownership land lease	2003		5 344	12 719	3.3	37.9	43.0	–	13.7	2.1
Heimberg, Gurnigelstrasse 38	sole ownership land lease	2000		7 484	1 544	83.6	2.8	–	–	7.0	6.6
Horgen, Zugerstrasse 22, 24	sold 31.12.2019										
La Chaux-de-Fonds, Boulevard des Eplatures 44	sole ownership	1972		3 021	2 506	94.7	1.7	–	–	3.0	0.6
Lachen, Seidenstrasse 2	sole ownership	1993		708	1 532	13.9	67.6	–	–	18.5	–
Lausanne, Rue de Sébeillon 9/Sébeillon Centre	sole ownership	1930	2001	2 923	10 116	8.4	54.1	–	–	24.7	12.8
Lausanne, Rue du Pont 5	sole ownership	1910	2004	3 884	20 805	50.5	23.3	9.2	–	10.1	6.9
Les Ponts-de-Martel, Rue de la Prairie 17 ⁴	sole ownership bought 30.04.2019	1983/ 1991		4 864	4 120	–	–	–	100.0	–	–
Lutry, Route de l'Ancienne Ciblerie 2	freehold property	2006		13 150	3 233	75.2	2.8	1.9	–	14.8	5.3
Lucerne, Kreuzbuchstrasse 33/35	sole ownership land lease	2010		14 402	10 533	–	–	–	100.0	–	–
Lucerne, Langensandstrasse 23/Schönbühl	sole ownership	1969	2007	20 150	9 462	69.0	9.2	1.9	–	18.5	1.4
Lucerne, Pilatusstrasse 4/Flora	freehold property	1979	2008	4 376	9 906	69.5	12.1	–	–	9.6	8.8
Lucerne, Schwanenplatz 3	sole ownership	1958	2004	250	1 512	10.8	62.6	–	–	18.7	7.9
Lucerne, Schweizerhofquai 6/Gotthardgebäude	sole ownership	1889	2002	2 479	7 261	6.8	87.9	–	–	5.3	–
Lucerne, Weggisgasse 20, 22	sole ownership	1982		228	1 285	76.8	–	–	–	23.2	–
Meilen, Seestrasse 545	sole ownership land lease	2008		1 645	2 458	–	–	–	100.0	–	–
Meyrin, Chemin de Riantbosson 19/Riantbosson Centre	sole ownership	2018		4 414	7 604	33.4	38.2	9.8	–	15.6	3.0

⁴ property included in the Services segment

Investment properties

Property details as at 31.12.2019

Overview of type of use

	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Meyrin, Route de Meyrin 210	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	–	–	15.7	14.3
Meyrin, Route de Pré-Bois 14/Geneva Business Terminal	sole ownership land lease	2003/ 2018		2 156	2 928	6.1	87.7	–	–	6.2	–
Morges, Les Vergers-de-la-Gottaz 1	sole ownership	1795/ 2003	1995	11 537	3 698	–	–	–	100.0	–	–
Münchenstein, Genuastrasse 11 / Helsinkistrasse 12	sole ownership land lease bought 17.12.2019	1993/ 1998		12 294	16 701	–	13.6	2.1	–	79.3	5.0
Neuchâtel, Avenue J.-J. Rousseau 7	sole ownership	1991	1992	1 020	3 210	–	70.7	–	–	21.9	7.4
Neuchâtel, Rue de l'Ecluse 19/parking	sole ownership	1960	1997	715	–	–	–	–	–	–	–
Neuchâtel, Rue du Temple-Neuf 11	sole ownership	1953	1993	262	1 155	18.8	57.2	–	–	13.9	10.1
Neuchâtel, Rue du Temple-Neuf 14	sole ownership	1902/ 2014		1 928	6 908	47.6	15.7	–	–	11.1	25.6
Niederwangen b. Bern, Riedmoosstrasse 10	sole ownership	1985	2006	12 709	12 855	33.3	13.2	–	–	45.5	8.0
Oberbüren, Buchental 2	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
Oberbüren, Buchental 3	sole ownership	1964		4 651	2 336	20.8	32.6	–	–	31.6	15.0
Oberbüren, Buchental 3a	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren, Buchental 4	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren, Buchental 5	sole ownership	1920		3 456	1 648	–	12.1	–	–	–	87.9
Oberwil BL, Mühlemattstrasse 23	freehold property land lease	1986		6 200	1 652	75.9	4.2	–	–	16.3	3.6
Olten, Bahnhofquai 18	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten, Bahnhofquai 20	sole ownership	1999		1 916	7 423	–	84.8	–	–	14.4	0.8
Olten, Frohburgstrasse 1	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
Olten, Frohburgstrasse 15	sole ownership	1961	1998	596	1 863	–	78.6	–	–	12.1	9.3
Olten, Solothurnerstrasse 201	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten, Solothurnerstrasse 231–235/Usego	sole ownership	1907	2011	12 922	11 515	4.9	58.6	–	–	10.0	26.5
Opfikon, Müllackerstrasse 2, 4/Bubenholz	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen, Mitteldorfstrasse 16	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Otelfingen, Industriestrasse 19/21	sole ownership	1965	2000	101 933	80 440	–	16.4	–	–	78.3	5.3
Otelfingen, Industriestrasse 31	sole ownership	1986	1993	12 135	11 828	–	36.1	0.4	–	56.0	7.5
Payerne, Route de Bussy 2	sole ownership	2006		12 400	6 017	84.0	4.4	–	–	7.1	4.5
Petit-Lancy, Route de Chancy 59	sole ownership	1990		13 052	22 213	1.9	66.3	6.1	–	21.9	3.8
Pfäffikon SZ, Huobstrasse 5	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona, Rathausstrasse 8	sold 31.12.2019										
Regensdorf, Riedthofstrasse 172–184/Iseli-Areal	sole ownership	1962/ 2009		25 003	11 372	–	18.1	–	–	65.4	16.5
Romanel, Chemin du Marais 8	sole ownership	1973	1995	7 264	6 790	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	sole ownership	1988	2004	1 039	2 669	8.7	58.3	–	–	32.6	0.4
Solothurn, Amthausplatz 1	sold 15.12.2019										
Spreitenbach, Industriestrasse/Tivoli	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach, Müslistrasse 44	sole ownership	2002		2 856	516	–	6.9	30.3	–	4.0	58.8
Spreitenbach, Pfadackerstrasse 6/Limmatpark	sole ownership	1972	2003	10 318	28 360	62.7	27.1	–	–	7.4	2.8
St. Gallen, Spisergasse 12	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3
St. Gallen, Spisergasse 12	sole ownership	1423	1984	165	617	31.6	17.7	–	–	24.1	26.6
St. Gallen, Zürcherstrasse 462–464/Shopping Arena	sole ownership parking 73/100 co-ownership	2008		33 106	39 653	58.0	9.6	11.4	–	19.5	1.5
St-Imier, Rue de la Clef 36 – Les Lauriers ⁴	sole ownership bought 20.08.2019	1986/ 2014		4 504	3 511	–	–	–	100.0	–	–
Stadel b. Niederglatt, Buechenstrasse 80 ⁴	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–

⁴ property included in the Services segment

Investment properties

Property details as at 31.12.2019					Overview of type of use						
	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Sursee, Moosgasse 20	sole ownership	1998		4 171	2 426	82.8	–	–	–	15.0	2.2
Thalwil, Gotthardstrasse 40	sold 31.12.2019										
Thônex, Rue de Genève 104–108	sole ownership	2008		9 224	11 687	56.0	0.4	3.5	–	8.2	31.9
Thun, Bälliz 67	sole ownership	1953	2001	875	3 191	20.0	63.4	2.0	–	10.9	3.7
Thun, Göttibachweg 2–2e, 4, 6, 8	sole ownership land lease	2003		14 520	11 556	–	–	–	100.0	–	–
Uster, Poststrasse 10	sole ownership	1972	2012	701	1 431	17.1	61.3	–	–	21.6	–
Uster, Poststrasse 14/20	sole ownership	1854	2000	2 449	3 194	63.3	11.7	3.8	–	19.5	1.7
Vernier, Chemin de l'Etang 72/Patio Plaza	sole ownership	2007		10 170	13 619	–	81.9	–	–	17.2	0.9
Vevey, Rue de la Clergère 1	sole ownership	1927	1994	717	3 055	15.7	73.1	–	–	11.2	–
Wabern, Nesslerenweg 30	sole ownership	1990		4 397	6 288	–	–	–	100.0	–	–
Wil, Obere Bahnhofstrasse 40	sole ownership	1958	2008	1 105	2 877	80.4	8.6	–	–	7.2	3.8
		1999/2000/									
Winterthur, Theaterstrasse 15a–c, 17	sole ownership	2004		15 069	37 233	–	71.2	0.5	–	15.4	12.9
Winterthur, Untertor 24	sole ownership	1960	2006	290	1 364	–	69.9	–	–	30.1	–
Worblaufen, Alte Tiefenaustrasse 6	sole ownership	1999		21 804	37 170	–	87.4	–	–	12.0	0.6
Zollikon, Bergstrasse 17, 19	sole ownership	1989	2004	1 768	2 126	26.1	44.1	–	–	29.8	–
		1984/									
Zollikon, Forchstrasse 452–456	sole ownership	1998		2 626	2 251	–	68.4	–	–	31.6	–
Zuchwil, Dorfackerstrasse 45/Birchi Centre	sole ownership land lease	1997		9 563	13 026	75.5	1.7	–	–	13.6	9.2
Zug, Zählerweg 4, 6/Dammstrasse 19/Landis + Gyr-Strasse 3/Opus 1	sole ownership	2002		7 400	15 888	–	90.4	–	–	9.6	–
Zug, Zählerweg 8, 10/Dammstrasse 21, 23/Opus 2	sole ownership	2003		8 981	20 169	–	91.3	–	–	8.7	–
Zurich, Affolternstrasse 52/MFO building	sole ownership	1889	2012	1 367	2 776	–	53.1	25.8	–	21.1	–
Zurich, Affolternstrasse 54, 56/Cityport	sole ownership	2001		9 830	23 529	–	92.0	–	–	7.7	0.3
		1942–									
Zurich, Albisriederstrasse 203, 207, 243	sole ownership	2003		13 631	12 281	–	63.2	21.5	–	8.6	6.7
Zurich, Albisriederstrasse/Rütiwiesweg/YOND ⁵	sole ownership	2019		9 114	17 990	15.5	83.6	–	–	–	0.9
Zurich, Bahnhofstrasse 42	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
Zurich, Bahnhofstrasse 69	sole ownership	1898	2007	230	1 124	10.8	77.9	–	–	11.0	0.3
Zurich, Bahnhofstrasse 106	sole ownership	1958		200	1 210	11.7	53.6	–	–	31.7	3.0
		1966–2013–									
Zurich, Beethovenstrasse 33, Dreikönigstrasse 24	sole ownership	1968	2016	1 347	5 811	10.0	77.7	–	–	11.4	0.9
		2015–									
Zurich, Brandschenkestrasse 25	sole ownership	1910	2017	3 902	17 164	–	–	70.6	–	20.4	9.0
Zurich, Carl-Spitteler-Strasse 68/70	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–
Zurich, Etzelstrasse 14	sole ownership	2017		1 809	2 135	–	–	–	100.0	–	–
		2013–									
Zurich, Flurstrasse 55/Medienpark	sole ownership	1979	2015	8 270	24 159	1.7	70.4	4.1	–	22.1	1.7
Zurich, Flurstrasse 89	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	sole ownership	1901	2017	2 475	8 597	15.4	73.8	–	–	10.8	–
Zurich, Giesshübelstrasse 15	sole ownership	1956	1999	1 713	2 827	–	89.0	–	–	11.0	–
Zurich, Hagenholzstrasse 60/SkyKey	sole ownership	2014		9 573	41 251	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/Prime Tower	sole ownership	2011		10 416	48 138	0.7	87.3	5.5	–	6.4	0.1
		1929–									
Zurich, Hardstrasse 219/Eventblock Maag	sole ownership	1978		8 002	7 183	–	21.7	–	–	19.1	59.2
		1962/									
Zurich, Josefstrasse 53, 59	sole ownership	1972	2001	2 931	12 114	8.5	75.4	1.4	–	14.7	–
		1900/									
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	sole ownership	1995	1996	1 630	1 829	–	–	–	100.0	–	–

⁵ reclassified from properties under construction to investment properties after new construction

Investment properties

Property details as at 31.12.2019

Overview of type of use

	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Zurich, Kappenhühlweg 9, 11/Holbrigstrasse 10/ Regensdorferstrasse 18a	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	sole ownership	2011		5 942	20 310	2.1	91.1	0.5	–	4.9	1.4
Zurich, Manessestrasse 85	sole ownership	1985	2012	3 284	8 270	4.5	66.7	–	–	24.9	3.9
Zurich, Müllerstrasse 16, 20	sole ownership	1980	2006	3 864	13 692	–	93.1	–	–	5.8	1.1
Zurich, Nansenstrasse 5/7	sole ownership	1985		1 740	5 864	39.1	27.0	–	–	6.1	27.8
Zurich, Ohmstrasse 11, 11a	sole ownership	1927	2007	1 970	6 010	54.9	23.5	2.2	–	14.4	5.0
Zurich, Querstrasse 6	sole ownership	1927	1990	280	563	13.3	–	–	–	–	86.7
Zurich, Restelbergstrasse 108	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	sold 31.12.2019										
Zurich, Schulstrasse 34, 36	sold 15.12.2019										
Zurich, Seidengasse 1/Jelmoli – The House of Brands	sole ownership	1898	2010	6 514	36 770	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdtstrasse 8	sole ownership	1981		1 114	3 687	–	91.1	–	–	8.9	–
Zurich, Sihlstrasse 24/St. Annagasse 16	sole ownership	1885	2007	1 155	2 858	3.9	71.2	13.6	–	6.5	4.8
Zurich, Stadelhoferstrasse 18	sole ownership	1983	2004	1 046	1 906	19.6	48.9	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	sole ownership partial land lease	1983	2004	1 024	3 067	11.6	50.9	4.6	–	30.7	2.2
Zurich, Steinmühleplatz 1/St. Annagasse 18/ Sihlstrasse 20	sole ownership	1957	1999	1 534	6 174	10.9	69.0	2.1	–	16.5	1.5
Zurich, Steinmühleplatz/Jelmoli parking	sole ownership with concession	1972	2009	1 970	84	100.0	–	–	–	–	–
Zurich, Talacker 21, 23	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
Total properties				10 772 31	157 179	18.0	42.6	6.2	8.6	16.9	7.7

Building land

Property details as at 31.12.2019

Overview of type of use

	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Augst, Rheinstrasse 54	sole ownership bought 20.12.2019			10 958	10 958	–	–	–	–	–	100.0
Dietikon, Bodacher	sole ownership			13 615	1 375	–	–	–	–	–	100.0
Dietikon, Bodacher/Im Maienweg	sole ownership			4 249	4 240	–	–	–	–	–	100.0
Dietikon, Bodacher/Ziegelägerten	sole ownership			3 825	4 324	–	–	–	–	–	100.0
Meyrin, Route de Pré-Bois	sole ownership			9 118	294	–	100.0	–	–	–	–
Niederwangen b. Bern, Riedmoosstrasse 10	sole ownership			5 895	–	–	–	–	–	–	–
Oberbüren, Buchental/parking	sole ownership			1 825	–	–	–	–	–	–	–
Spreitenbach, Joosacker 7	sole ownership			16 405	7 759	–	–	–	–	–	100.0
Wangen b. Olten, Rickenbacherfeld	sole ownership			11 197	–	–	–	–	–	–	–
Total undeveloped properties				77 087	28 950	–	1.0	–	–	–	99.0

Properties under construction and development sites

Property details as at 31.12.2019

Overview of type of use

	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Basel, Hochbergerstrasse 60/Stückli Park	sole ownership			5 440	–	–	–	–	–	–	–
	sole ownership with 14/100 co-ownership			5 170	–	–	–	–	–	–	–
Lancy, Esplanade de Pont-Rouge 5, 7, 9/Alto Pont-Rouge				1 785	–	–	–	–	–	–	–
Monthey, Rue de Venise 5–7/Avenue de la Plantaud 4	sole ownership			1 785	–	–	–	–	–	–	–
Oftringen, Spitalweidstrasse 1/shopping centre a1 ⁶	sole ownership	2006		42 031	3 706	84.1	–	–	–	11.1	4.8
	sole ownership partial land lease			3 086	–	–	–	–	–	–	–
Paradiso, Riva Paradiso 3, 20/Du Lac				3 086	–	–	–	–	–	–	–
Plan-les-Ouates, Chemin des Aulx/Espace Tourbillon	sole ownership			17 768	–	–	–	–	–	–	–
Richterswil, Gartenstrasse 7, 17/Etzelblick	sole ownership			5 197	–	–	–	–	–	–	–
Richterswil, Gartenstrasse 15/Etzelblick	sole ownership			1 553	–	–	–	–	–	–	–
		1992/									
Schlieren, Zürcherstrasse 39/JED ⁷	sole ownership	2003		26 684	–	–	–	–	–	–	–
Schlieren, Zürcherstrasse 39/JED Neubau ⁷	sole ownership			–	–	–	–	–	–	–	–
Zürich, Vulkanstrasse 114, Juchstrasse 3/West-Log	sole ownership			7 733	–	–	–	–	–	–	–
Total properties under construction and development sites				116 447	3 706	84.1	–	–	–	11.1	4.8
Overall total				1 270 765	1 604 451	17.8	41.8	6.1	8.4	16.5	9.4

⁶ reclassified from investment properties to properties under construction due to total renovation⁷ splitting of the project

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