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# ANNUAL REPORT

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Part  
**02**

CORPORATE GOVERNANCE  
AND COMPENSATION REPORT

**2014**



SWISS PRIME SITE



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# ABOUT THE ANNUAL REPORT 2014

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Swiss Prime Site's Annual Report is now divided into three parts, all of which are available for download at [www.swiss-prime-site.ch/](http://www.swiss-prime-site.ch/). Due to sustainability-relevant factors, only part one is available in a print version.



## PART 1: STRATEGY AND MANAGEMENT REPORT

- > Reporting on strategy, business model, value-oriented corporate management and sustainability as well as opportunities and risks
- > Management report with comprehensive information on business performance and the earnings, financial and asset situation
- > Information to the property portfolio



## PART 2: CORPORATE GOVERNANCE AND COMPENSATION REPORT

- > Corporate governance report according to SIX Swiss Exchange guidelines
- > Compensation report according to the «Ordinance Against Excessive Compensation in Listed Companies»



## PART 3: FINANCIAL REPORT

The financial report was produced in accordance with International Financial Reporting Standards (IFRS) and corresponds to article 17 of the Guidelines to Financial Accounting of the SIX Swiss Exchange as well as Swiss law.

- > Information on Swiss Prime Site AG's audited consolidated financial statements, comprising income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes
- > Valuation expert's report
- > Information on Swiss Prime Site AG's audited financial statements, comprising income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

Translation: The original of this annual report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.



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# CORPORATE GOVERNANCE

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This corporate governance report contains the requisite disclosures according to the guidelines effective as at 01.10.2014 regarding corporate governance information of the SIX Swiss Exchange and basically follows their structure in terms of presentation.

## 1 GROUP AND SHAREHOLDER STRUCTURE

### 1.1 GROUP STRUCTURE

#### 1.1.1 Fully consolidated investments in subsidiaries (direct or indirect)

		31.12.2013 Share capital in CHF 1 000	Shareholding in %	31.12.2014 Share capital in CHF 1 000	Shareholding in %
Clouds Gastro AG, Zurich	Restaurant business	500	100.0	500	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Frauenfeld <sup>8</sup>	Real estate company	n/a	n/a	1 000	57.4
GLPH SA, Lancy <sup>1</sup>	Real estate company	100	100.0	–	–
Jelmoli AG, Zurich	Retail company	6 600	100.0	6 600	100.0
Perlavita AG, Zurich <sup>2</sup>	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg <sup>2</sup>	Operation of private senior residence and care facility with related services	300	100.0	300	100.0
Permed AG, Zurich <sup>3</sup>	Personnel services provider in healthcare industry	100	100.0	–	–
SPS Beteiligungen Alpha AG, Olten	Investment company	650 000	100.0	650 000	100.0
SPS Beteiligungen Beta AG, Olten	Investment company	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	Investment company	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate company	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II <sup>4</sup>	Management, administration and general partner of a collective investment scheme	–	–	100	100.0
Swiss Prime Site Group AG, Olten <sup>5</sup>	Services company	100	100.0	100	100.0
Tertianum AG, Zurich <sup>2</sup>	Services provider in the residential sector, particularly assisted living	9 562	100.0	9 562	100.0
Tertianum Ticino SA, Muralto <sup>6</sup>	Management of senior residences	100	100.0	–	–
Vitadomo AG, Zurich <sup>7</sup>	Services provider in the residential sector, particularly assisted living	–	–	100	100.0
Wincasa AG, Winterthur	Real estate services company	1 500	100.0	1 500	100.0

<sup>1</sup> operating business was sold end of 2013; merged with SPS Immobilien AG as at 30.06.2014

<sup>2</sup> acquired as at 12.07.2013

<sup>3</sup> acquired as at 12.07.2013, sold as at 17.03.2014

<sup>4</sup> founded as at 28.03.2014

<sup>5</sup> founded as at 25.11.2013

<sup>6</sup> acquired as at 12.07.2013; merged with Tertianum AG as at 01.01.2014

<sup>7</sup> founded as at 05.11.2014

<sup>8</sup> increase of shareholding interest to 57.4% and full consolidation

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

- > acquisition of further 26.4% stake in Ensemble artisanal et commercial de Riantbosson S.A. as at 15.01.2014
- > divestment of Permed AG as at 17.03.2014
- > foundation of Swiss Prime Site Fund Advisory AG II as at 28.03.2014
- > foundation of Vitadomo AG as at 05.11.2014



All investments in subsidiaries are unlisted companies. These companies were fully consolidated and non-controlling interests recognised separately. The registered shares of the Holding Company itself – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under the securities number 803 838 and ISIN number CH 000 803 838 9. Swiss Prime Site AG reported market capitalisation of CHF 4 439.9 million [CHF 4 177.7 million] as at 31.12.2014.

### 1.1.2 Investments in associates valued according to the equity method

Purpose	31.12.2013 Share capital in CHF 1 000	Shareholding in %	31.12.2014	
			Share capital in CHF 1 000	Shareholding in %
Ensemble artisanal et commercial de Riantbosson S.A., Frauenfeld <sup>1</sup>	Real estate company	1 000	31.0	n/a
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160

<sup>1</sup> increase of shareholding interest to 57.4% and full consolidation

Additional shareholding interests in Ensemble artisanal et commercial de Riantbosson S.A., Frauenfeld, were acquired on 15.01.2014, resulting in a shareholding interest of 57.4% and full consolidation following the acquisition.

## 1.2 OPERATING SEGMENTS

Swiss Prime Site is divided into three operating segments: Real Estate, Retail and Gastronomy as well as Assisted Living. The major subsidiaries were allocated to these operating segments as follows:

SWISS PRIME SITE GROUP		
REAL ESTATE SEGMENT	RETAIL AND GASTRONOMY SEGMENT	ASSISTED LIVING SEGMENT
Swiss Prime Site AG, Olten	Jelmoli AG, Zurich	Tertianum AG, Zurich
SPS Beteiligungen Alpha AG, SPS Beteiligungen Beta AG, SPS Beteiligungen Gamma AG, all Olten	Clouds Gastro AG, Zurich	Perlavita AG, Zurich
SPS Immobilien AG, Olten		Perlavita Rosenau AG, Zurich
Swiss Prime Site Group AG, Olten		Vitadomo AG, Zurich
Wincasa AG, Winterthur		

## 1.3 SHAREHOLDER STRUCTURE AS AT 31.12.2014

### 1.3.1 Shareholder structure by number of shares

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % <sup>1</sup>
1 to 5 000	7 612	93.8	4 537 489	7.5
5 001 to 50 000	383	4.7	5 812 894	9.6
50 001 to 500 000	112	1.4	16 300 586	26.7
500 001 to 1 824 618	12	0.1	11 362 660	18.7
1 824 619 and above	1	–	3 343 291	5.5
<b>Total registered shareholders/shares</b>	<b>8 120</b>	<b>100.0</b>	<b>41 356 920</b>	<b>68.0</b>
Unregistered shares			19 463 682	32.0
<b>Total shares issued</b>			<b>60 820 602</b>	<b>100.0</b>

<sup>1</sup> as % of shares issued

### 1.3.2 Registered shareholder structure by countries/regions

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	7 586	93.4	29 519 879	71.4
Europe (excluding Switzerland)	403	5.0	8 354 323	20.2
Other countries	131	1.6	3 482 718	8.4
<b>Total registered shareholders/shares</b>	<b>8 120</b>	<b>100.0</b>	<b>41 356 920</b>	<b>100.0</b>

### 1.3.3 Registered shareholder structure by shareholder categories

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	7 191	88.6	6 255 511	15.1
Legal entities	385	4.7	14 180 123	34.4
Pension funds	195	2.4	9 010 222	21.8
Insurance companies	33	0.4	1 672 373	4.0
Funds	176	2.2	7 131 856	17.2
Other	140	1.7	3 106 835	7.5
<b>Total registered shareholders/shares</b>	<b>8 120</b>	<b>100.0</b>	<b>41 356 920</b>	<b>100.0</b>

## 1.4 MAJOR SHAREHOLDERS

As at the balance sheet date, the Company acknowledged the following major shareholders:

Major shareholders (shareholding interest >3.0%)	31.12.2013 Shareholding interest in % <sup>1</sup>	31.12.2014 Shareholding interest in % <sup>1</sup>
Credit Suisse Funds AG, Zurich	5.3	4.5
BlackRock Investment Management (UK) Ltd, London	5.1	5.0
State Street Corporation, Boston	3.1	4.9

<sup>1</sup> according to entry in the register of shareholders or the notifications received by the Company

#### 1.4.1 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 of disclosure of investments is in effect a notification-obliged person or group reaches a percentage of 3, 5, 10, 15, 20, 25, 33<sup>1</sup>/<sub>3</sub>, 50 or 66<sup>2</sup>/<sub>3</sub> of the voting rights in Swiss Prime Site AG or traverses such percentages to upside or downside. The disclosure notifications issued in the reporting year – according to article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority (FINMA) on Stock Exchanges and Securities Trading – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange.

### 1.5 CROSS-INVESTMENTS

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

## 2 CAPITAL STRUCTURE

### 2.1 CAPITAL STRUCTURE AS AT 31.12.2014

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
<b>Share capital</b>	<b>60 820 602</b>	<b>15.30</b>	<b>930 555</b>
<b>Authorised capital</b>	<b>6 000 000</b>	<b>15.30</b>	<b>91 800</b>
<b>Conditional capital</b>	<b>7 003 713</b>	<b>15.30</b>	<b>107 157</b>
of which for exercising options and/or conversion rights granted with bonds or similar issues	5 493 713	15.30	84 054
of which for option rights granted to shareholders	1 510 000	15.30	23 103

### 2.2 SHARE CAPITAL

As at the balance sheet date, Swiss Prime Site AG's share capital comprised 60 820 602 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.

### 2.3 AUTHORISED CAPITAL

Through the resolution of the Annual General Meeting of 15.04.2014, the Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 15.04.2016. 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 refinancing such transactions. The precise wording regarding authorised capital can be found in article 3a of Swiss Prime Site AG's Articles of Association.

### 2.4 CONDITIONAL CAPITAL

The conditional capital of 7 003 713 [7 321 234] registered shares amounting to CHF 107.157 million [CHF 112.015 million] is divided into an amount of CHF 84.054 million [CHF 88.912 million] (5 493 713 [5 811 234] shares) for exercising options and/or conversion rights granted in connection with bonds or similar issues, and into an amount of up to CHF 23.103 million [CHF 23.103 million] (1 510 000 [1 510 000] shares) for option rights allocated to shareholders. In the reporting year, convertible bonds with a volume of nominal CHF 22.535 million [CHF 34.880 million] were converted to shareholders' equity (317 521 [491 470] shares). The precise wording regarding conditional capital can be found in article 3b of Swiss Prime Site AG's Articles of Association.

## 2.5 SHARE CAPITAL CHANGES OVER THE LAST THREE YEARS

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
<b>Share capital as at 31.12.2011</b>	<b>54 368 714</b>	<b>15.30</b>	<b>831 841</b>
Conversion of 2 693 units of the CHF 300 million convertible bond	187 296	15.30	2 866
Capital increase on 05.12.2012	5 455 601	15.30	83 471
<b>Share capital as at 31.12.2012</b>	<b>60 011 611</b>	<b>15.30</b>	<b>918 178</b>
Conversion of 6 976 units of the CHF 300 million convertible bond	491 470	15.30	7 519
<b>Share capital as at 31.12.2013</b>	<b>60 503 081</b>	<b>15.30</b>	<b>925 697</b>
Conversion of 4 507 units of the CHF 300 million convertible bond	317 521	15.30	4 858
<b>Share capital as at 31.12.2014</b>	<b>60 820 602</b>	<b>15.30</b>	<b>930 555</b>

Additional details on the changes to share capital can be found in Note 29 «Shareholders' equity» of the consolidated financial statements. Swiss Prime Site AG has no other equity instruments (e.g. participation or profit share certificates) outstanding other than registered shares.

## 2.6 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. 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 recognises 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, that is required by federal law. Otherwise, there are no restrictions on registration or voting rights.

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

## 2.7 CONVERTIBLE BONDS

		CHF m 300 2015	CHF m 190.35 2016
Issuing volume, nominal	CHF m	300.000	190.350
Nominal value as at 31.12.2014	CHF m	229.120	190.350
<b>Book value as at 31.12.2014</b>	<b>CHF m</b>	<b>227.800</b>	<b>188.821</b>
Book value as at 31.12.2013	CHF m	249.182	188.052
Conversion price	CHF	70.97	82.89
Interest rate	%	1.875	1.875
Term to maturity	Years	5	5
Maturity	Date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)

Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. The new shares to be issued are secured by conditional capital.

In 2014, conversions took place with a volume amounting to nominal CHF 22.535 million [CHF 34.880 million] of the CHF 300 million convertible bond, resulting in an increase in share capital of CHF 4.858 million [CHF 7.519 million], or 317 521 [491 470] registered shares, and addition to capital reserves of CHF 17.298 million [CHF 26.557 million]. Information regarding conversions in 2015 can be viewed under section 9 «Significant changes since the balance sheet date». Further information on convertible bonds is included in Note 27 «Financial liabilities».

## 3 BOARD OF DIRECTORS

According to article 15 of the Articles of Association, the Board of Directors consists of at least three members. As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised seven members, all of whom are non-executive Board members not belonging to the Company's management or one of its subsidiaries in the three financial years prior to the reporting period. None of the members of the Board of Directors has any significant business relationship with Swiss Prime Site AG or Swiss Prime Site Group.

### 3.1 COMPOSITION OF THE BOARD OF DIRECTORS

	Role	Nationality	Member since
Prof. Dr. Hans Peter Wehrli	Chairman	CH	2002
Dr. Thomas Wetzel	Vice-Chairman	CH	1999
Christopher M. Chambers	Member	CH/UK	2009
Dr. Bernhard Hammer	Member	CH	2002
Dr. Rudolf Huber	Member	CH	2002
Mario F. Seris	Member	CH	2005
Klaus R. Wecken	Member	DE	2009

### 3.2 MEMBERS OF THE BOARD OF DIRECTORS

**Prof. Dr. Hans Peter Wehrli**, 1952, Zurich  
Chairman of the Board of Directors

**Education:** PhD (Dr. oec. publ.)

Hans Peter Wehrli graduated in 1977 with a degree in business management studies from the University of Zurich, received a PhD (Dr. oec. publ.) in 1980, with various study visits to American universities

**Professional activity:** Professor of business management studies and chair for marketing at the University of Zurich since 1993

**Other mandates:**

Stock exchange-listed companies:

Chairman of the board of directors Belimo Holding AG, Hinwil; member of the board of directors of Datacolor AG, Lucerne

Non-stock exchange-listed companies:

Member of the board of directors of Gebäudeversicherung Berne (GVB), Ittigen; vice-chairman of the board of directors of Härdi Holding AG, Oberentfelden; member of the board of directors of Horvath & Partner AG, Zurich

**Dr. Thomas Wetzel**, 1956, Zumikon  
Vice-Chairman of the Board of Directors

**Education:** Dr. iur., Attorney at Law

Graduated with a degree in law from the University of Zurich 1981; dissertation at the University of Basel in 1983; admitted to the bar of the Canton of Schaffhausen in 1985

**Professional activity:** Thomas Wetzel has been a partner at the law office Wenger Plattner, Basel, Zurich and Berne since 2003. Prior to that, he worked as a legal consultant and solicitor for several law offices and served as secretary to the Court of Appeals of the canton of Schaffhausen. From 1988 to 1997, he was a member of the management board, and in recent years, deputy chairman of Intershop Holding AG, Zurich. Thomas Wetzel lectures at the Institute for Banking and Finance/CUREM (Center for Urban & Real Estate Management) at the University of Zurich, Zurich.

**Other mandates:**

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Chairman of the investment committee of Swiss Foundation for International Real Estate Investments (AFIAA), Zurich; chairman of the board of directors of Brandenberger + Ruosch AG, Dietlikon; member of the board of directors of Caretta + Weidmann Baumanagement AG, Zurich; chairman of the board of directors of EBV Immobilien AG, Urdorf; member of the board of directors of Energie 360 Grad AG, Zurich; member of the board of directors of Geschäftshaus City AG Dübendorf, Dübendorf; member of the board of directors of Immobilien ETHZF AG, Zurich; member of the board of directors of VERIT Holding AG, Zurich; chairman of the board of directors of VERIT Investment Management AG, Zurich

Activities in non-profit-oriented associations, organisations and foundations:

Chairman of the board of Grasshopper Club's Tennis Section, Zurich; member of the foundation board of Swiss Foundation for Anaesthesia Research

**Christopher M. Chambers**, 1961, London, UK  
Member of the Board of Directors

**Professional activity:** Christopher M. Chambers began his professional career in investment banking, before becoming chief executive officer of global hedge fund Man Investments, from which he departed in 2005.

**Other mandates:**

Stock exchange-listed companies:

Vice-chairman of the board of directors of Cembra Money Bank AG, Zurich; member of the board of directors of Pendragon Plc, Nottingham, UK

Non-stock exchange-listed companies:

Member of the board of directors of Berenberg Bank (Switzerland) AG, Zurich; chairman of the board of directors of GVO Investment Management Ltd, London, UK; chairman of the board of directors of Lonrho Ltd, London, UK

**Dr. Bernhard Hammer**, 1950, Kammersrohr  
Member of the Board of Directors

**Education:** PhD in law (Dr. iur.) and notary

He received his PhD in law (Dr. iur.) from the University of Zurich in 1978 and qualified as an attorney and notary in 1979.

**Professional activity:** Chief executive officer of Stuaag Holding, Berne, from 1987 to 1997; member of the board of directors and executive board of Batigroup AG, Basel, from 1997 to 1999; chairman of the board of directors of Comet Holding AG, Wünnewil-Flamatt, from 1990 to 2007

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of Tertium AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

Member of the board of directors of Sofisa SA, Fribourg (Luxembourg Stock Exchange)

Non-stock exchange-listed companies:

Member of the board of directors of Flumroc AG, Flums; member of the board of directors of Palladio Real Estate AG, Zurich; member of the board of directors of Sasolim Holding AG, Solothurn; member of the board of directors of VINCI Energies Switzerland AG, Zurich; member of the board of directors of Zentrum für Immobilien AG, Zug

Activities in non-profit-oriented associations, organisations and foundations:

Chairman of the foundation board of Bill de Vigier Foundation, Solothurn; member of the foundation board of Theodora Foundation, Lonay

**Dr. Rudolf Huber**, 1955, Pfäffikon SZ

Member of the Board of Directors

**Education:** Dr. oec. publ.

PhD in business management studies in 1982 and doctorate in business management studies in 1985 from the University of Zurich

**Professional activity:** Rudolf Huber worked in the financial department of various industrial companies, including as member of the executive board and chief financial officer of the Geberit group from 1992 to 2004, Rapperswil-Jona. He works as an independent business consultant and lecturer at the University of St. Gallen. Since 2006, he has been chairman of the CFO Forum Switzerland – CFOs.

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of Clouds Gastro AG, Zurich; member of the board of directors of Jelvoli AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

Member of the board of directors of Georg Fischer AG, Schaffhausen; chairman of the board of directors of Looser Holding AG, Arbon; member of the board of directors of Repower AG, Poschiavo

Non-stock exchange-listed 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 directors of Wicor Holding AG, Rapperswil-Jona

**Mario. F. Seris**, 1955, Klosters-Serneus

Member of the Board of Directors

**Education:** lic. phil. I

Mario F. Seris graduated with a degree in English and education from the University of Zurich in 1981.

**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.

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

None

**Klaus R. Wecken**, 1951, Bürgenstock

Member of the Board of Directors

**Education:** Studies in economics at the University of Freiburg in Breisgau

**Professional activity:** Since 1974, Klaus R. Wecken has been founder, partner and chairman of various companies in Germany and Switzerland. From 1984, he was co-founder and director of KHK Software AG, Frankfurt am Main, which he sold to SAGE Group, Newcastle, UK, in 1997. From 1999, he was co-founder and principal shareholder of the real estate company Tivona AG, Basel, which was integrated through Jelmoli Holding AG, Zurich, into Swiss Prime Site Group in 2009. From 2001 to 2002, he was member of the board of directors of Jelmoli Holding AG, Zurich. Since 2007, he has established more than 40 stakes focused on fields such as the Internet, software and medical technology as well as real estate, through his family office Wecken & Cie, Basel. Wecken & Cie is major shareholder in Westgrund AG, Berlin, Germany, as well as prominent shareholder in Adler Real Estate, Hamburg, Germany, among other firms. Both real estate companies are stock exchange-listed firms in Germany.

**Other mandates:**

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Chairman of the board of directors of Care4 AG, Basel, member of the board of directors of FAIRRANK Swiss AG, Basel; member of the board of directors of SIC invent AG, Basel; chief executive officer of W & W Immobilien GmbH, Weil am Rhein, Germany, as well as of other related real estate companies and member of the advisory board of some of his investment companies

### 3.3 DEPARTURES DURING THE REPORTING PERIOD

None

### 3.4 ARTICLES OF ASSOCIATION PROVISIONS REGARDING THE NUMBER OF PERMITTED ACTIVITIES

According to article 20 of the Articles of Association of Swiss Prime Site AG regarding 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 associations, organisations and foundations are not subject to any restrictions.

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



### 3.5 ELECTIONS AND PERIOD OF OFFICE

In accordance with the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance), members of the Board of Directors and its Chairman as well as Compensation Committee members are elected for a respective one-year term of office.

Members of the Board of Directors shall submit their resignation at the ordinary Annual General Meeting in the year in which they reach the age of 70.

### 3.6 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 regulated in detail in the organisation and competence regulations.

The Board of Directors is responsible for the ultimate management of the Company and the supervision and monitoring of 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 joint body. If needed, it can form committees from among its members and allocate powers to these committees in separate sets of regulations or by amending the existing organisational regulations.

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 shall have no personal authority over the Company, and for this reason cannot issue any instructions of their own accord.

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 course of business.

The Board of Directors can delegate the preparation and implementation of all resolutions or the monitoring of activities to one or more committees or to individual members or the Executive Board. It shall ensure appropriate reporting to its members.

During the reporting period, six meetings and three conference calls of the Board of Directors took place.

The Executive Board is responsible for the operating management of the Group and represents the Group publicly. The Chief Financial Officer, as representative of the Executive Board, also participates in the meetings of the Audit Committee and Compensation Committee. The external auditor participates in the Audit Committee meeting in the spring as well.

Executive Board members are invited to attend the Board of Directors meetings.

### 3.7 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 as well as by 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 Swiss Prime Site Group from other Board of Directors members or Executive Board members that they require to fulfill their duties. Members of the Board of Directors must be immediately notified of any extraordinary incidents.

The Chairman of the Board of Directors attends the Executive Board meetings, where he is briefed by the Chief Executive Officer and other Executive Board members regarding the course of business and significant business operations.

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 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 Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and adopted. The reports and analyses are then presented by the respective chairmen of the committees 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. By means of a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets. 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. Furthermore, the Executive Board in consultation with the Audit Committee can assign internal auditors tasks outside the scope of the planned auditing activities, for example, executing special investigations and analyses. The internal auditor in charge reports to the Audit Committee. The external auditors attend relevant meetings of the Audit Committee and, if required, are enlisted to resolve issues.

### 3.8 AUDIT COMMITTEE

The following Board of Directors members were represented on the Audit Committee:

Role	
Dr. Rudolf Huber	Chairman
Christopher M. Chambers	Member
Dr. Bernhard Hammer	Member

The Audit Committee enlisted Rolf Krummenacher, Lucerne, as regular advisor for the reporting year.

The functions, duties and powers of the Audit Committee are set out in separate rules and essentially comprise the following areas:

The Audit Committee monitors the Executive Board of Swiss Prime Site with respect to financial reporting, compliance with legislation, requirements, internal rules and guidelines, as well as with respect to risk management and monitoring external corporate activities.

The Audit Committee monitors and assesses the independence, the work, the auditing costs, the scope of audit and the findings of the external auditors, the quality, implementation and disclosure of the accounting principles as well as the adequacy of the financial control mechanisms.

The Audit Committee monitors and assesses the independence and the work of the valuation experts and the valuation principles.

The Audit Committee has the right to give 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.

During the reporting period, three meetings and two conference calls 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 for this reason 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.

### 3.9 COMPENSATION COMMITTEE

The Compensation Committee comprised the following members:

Role	
Dr. Thomas Wetzel	Chairman
Christopher M. Chambers	Member
Mario F. Seris	Member

Swiss Prime Site's Compensation Committee acts as the relevant body 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 Compensation Committee are set out in separate rules and essentially comprise the following areas:

The 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 subsidiaries, the real estate asset manager, the property/facility managers, related persons and the external valuation experts.

The Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.

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

During the reporting period, five meetings and two conference calls of the Compensation Committee took place.

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

### 3.10 INVESTMENT COMMITTEE

The following members were represented on the Investment Committee:

Role	
Dr. Bernhard Hammer	Chairman
Markus Graf	Member (as Chief Executive Officer)
Mario F. Seris	Member
Klaus R. Wecken	Member
Dr. Thomas Wetzol	Member

The functions, duties and powers of the Investment Committee are defined in the investment regulations and essentially comprise the following tasks:

The Investment Committee monitors compliance with the investment guidelines defined in the investment regulations.

The Investment Committee reviews the acquisition and divestment of properties and submits the proposal for the purchase or sale of properties to the Executive Board and the Board of Directors.

The Investment Committee exercises its powers as a joint and collective body. Its members have no personal authority over the Company, and for this reason cannot issue instructions of their own accord. The Investment Committee has the right to submit proposals to the Executive Board or the Board of Directors.

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 the Executive Board and submits the necessary proposals.

## 4 EXECUTIVE BOARD

### 4.1 COMPOSITION OF THE EXECUTIVE BOARD

The Executive Board corresponds to the «executive management» according to the Articles of Association of Swiss Prime Site AG and Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

	Role	Nationality	Member since
Markus Graf	Chief Executive Officer	CH	2000
Peter Wullschleger <sup>1</sup>	Chief Financial Officer	CH	1999
Peter Lehmann	Chief Investment Officer	CH	2002
Oliver Hofmann	Member, CEO of Wincasa AG	CH	2013
Franco Savastano	Member, CEO of Jelmoli AG	CH/Italy	2012
Dr. Luca Stäger	Member, CEO of Tertium AG	CH	2014

<sup>1</sup> Peter Wullschleger, Chief Financial Officer of Swiss Prime Site and Member of the Executive Board, resigned from his role as CFO as per end 2014 and departed from the Executive Board.

## 4.2 MEMBERS OF THE EXECUTIVE BOARD

**Markus Graf**, 1949, Feldbrunnen

Member of the Executive Board, Chief Executive Officer

**Education:** graduated as HTL/STV architect

**Professional activity:** Markus Graf has been Chief Executive Officer of Swiss Prime Site since 2000. He was head of Real Estate Asset Management, Credit Suisse AG, Zurich (managing director), from 1995 to 30.11.2012. Prior to that, he held management positions with several construction and real estate companies.

**Other mandates:**

Mandates within Swiss Prime Site:

Chairman of the board of directors of the following subsidiaries: Clouds Gastro AG, Zurich; Jelmoli AG, Zurich; SPS Beteiligungen Alpha AG, Olten; SPS Beteiligungen Beta AG, Olten; SPS Beteiligungen Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten; Tertianum AG, Zurich; Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Member of the board of directors of Bekon-Koralle AG, Dagmersellen; member of the board of directors of Credit Suisse Funds AG, Zurich; vice-chairman of the board of directors of Feriendorf Schlüssellacker AG, Obergoms; member of the board of directors of Société Internationale de Placements SA, Basel

**Peter Wullschleger**, 1965, Erlinsbach

Member of the Executive Board, Chief Financial Officer (departure as at end 2014)

**Peter Lehmann**, 1958, Wilen bei Wollerau

Member of the Executive Board, Chief Investment Officer

**Education:** graduated as construction planner from GIB Solothurn in 1978

**Professional activity:** Peter Lehmann is Chief Investment Officer of Swiss Prime Site and was senior advisor of Real Estate Asset Management, Credit Suisse AG, Zurich (managing director), up until 31.12.2012. He began his career with Credit Suisse AG in 1991 as head of construction and acquisition Switzerland and from 2004 to 2009 as head of development. Prior to his positions at Credit Suisse AG, he was a regional manager for construction for the fund management arm of Schweizerische Volksbank and an architectural project manager at W. Thommen AG, Trimbach.

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of the following subsidiaries: Clouds Gastro AG, Zurich; Ensemble artisanal et commercial de Riantbosson S.A. (EACR), Frauenfeld; SPS Beteiligungen Alpha AG, Olten; SPS Beteiligungen Beta AG, Olten; SPS Beteiligungen Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Chairman of the board of directors of DUK AG, Freienbach

**Oliver Hofmann**, 1970, Horgen

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 01.01.2013 as well as member of the Executive Board of Swiss Prime Site since 01.06.2013. In addition to spending a few years of his professional career in the finance department at 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, Oliver Hofmann served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. He is also a member of the G15 – Group of Fifteen.

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the foundation board of the pension fund SPS and Jelvoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelvoli, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Member of the board of directors of Siegmund & Hofmann AG, Basel

**France Savastano**, 1965, Stallikon

Member of the Executive Board, chief executive officer of Jelvoli AG

**Education:** 1984 retail business diploma in men's fashion sales, 1986 business school degree types R and S from the Limania commercial school in Baden; 1989 advanced degree in economics from the Kaufmännischen Lehrinstitut Zurich

**Professional activity:** Franco Savastano has been chief executive officer of Jelvoli –The House of Brands department store in Zurich since 01.04.2012 and member of the Swiss Prime Site Executive Board. From 2001 to 2012, he held the position of director of the Grieder fashion stores in German-speaking Switzerland, as well as procurement director for Grieder throughout Switzerland. From 1997 to 2001, Mr. Savastano held positions as head of the creative teams for the fashion labels Strellson and Tommy Hilfiger Clothing. From 1988 to 1996, he worked as procurement director at Fein-Kaller Uomo and Donna; and from 1986 to 1988, as assistant to the director of sales at Hugo Boss Switzerland Ltd.

**Other mandates:**

Mandates within Swiss Prime Site:

Member of the foundation board of the pension fund SPS and Jelvoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelvoli, Zurich

Mandates outside Swiss Prime Site:

Chairman of the Zurich Bahnhofstrasse Association, Zurich

**Dr. Luca Stäger**, 1967, Zurich

Member of the Executive Board, chief executive officer of Tertianum AG since 01.03.2010

**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 Executive Program in Health Care Policy at the University of Lausanne in cooperation with Harvard Medical International

**Professional activity:** Luca Stäger has held the position of chief executive officer of Tertianum Group since 01.03.2010. He began his professional career at Price Waterhouse as a consultant with focal point 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

**Other mandates:**

Mandates within Swiss Prime Site:

Chairman of the board of directors of Perlavita AG, Zurich; chairman of the board of directors of Perlavita Rosenau AG, Kirchberg; chairman of the board of directors of Vitadomo AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies:

None

Non-stock exchange-listed companies:

Member of the board of directors of Clinica Luganese SA, Lugano; chairman of the board of directors of Swiss Paraplegic Centre, Nottwil

#### 4.3 DEPARTURES DURING THE REPORTING PERIOD

**Peter Wullschleger**, 1965, Erlinsbach

Member of the Executive Board, Chief Financial Officer (departure as at end-2014)

#### 4.4 ARTICLES OF ASSOCIATION PROVISIONS REGARDING THE NUMBER OF PERMITTED ACTIVITIES

According to article 20 of the Articles of Association of Swiss Prime Site AG regarding 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 associations, organisations and foundations are not subject to any restrictions.

#### 4.5 MANAGEMENT CONTRACTS

There are no management contracts.

## 4.6 COMPENSATION, SHAREHOLDINGS AND LOANS

The Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as additional amount for those members of the Executive Board who are designated as such following the vote by the Annual General Meeting on compensation, the Articles of Association provisions regarding loans, credit and pension benefits to members of the Board of Directors and Executive Board, and the Articles of Association provisions regarding the vote at the Annual General Meeting on compensation, are all contained in the compensation report where they are explained.

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.

## 5 SHAREHOLDER PARTICIPATION RIGHTS

The current Articles of Association can be found on the homepage at [www.swiss-prime-site.ch](http://www.swiss-prime-site.ch) under the heading corporate governance. The following are references to selected articles:

- > share register and registration provisions (article 5)
- > powers of the shareholders' meeting (article 8)
- > convening/agenda of the shareholders' meeting (article 9, para. 4 and article 10)
- > voting rights and adoption of resolutions, independent proxy and issuing instructions (article 12 and article 13)
- > special quorums (article 14)
- > compensation of the Board of Directors and Executive Board (article 28), see the compensation report

The texts of some Articles of Association provisions are presented in the following section:

### 5.1 VOTING RIGHTS RESTRICTIONS

According to article 12 of the Articles of Association:

«<sup>1</sup> Each share entitles its holder to one vote.

<sup>2</sup> Representation by proxy at the shareholders' 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 ensures that shareholders can grant a power of attorney and issue their instructions to the independent proxy electronically.

<sup>3</sup> The shareholders' 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 tie vote, the chairman shall have the casting vote for resolutions, while elections shall be decided by lot.

<sup>4</sup> Elections and resolutions are taken in an open ballot or electronically, unless the shareholders' 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 case the previous open or electronic election or vote is considered not to have occurred.»



## 5.2 SPECIAL QUORUMS

According to article 14 of the Articles of Association:

«A resolution of the shareholders' meeting with at least two thirds of the represented votes and with the absolute majority of the represented nominal value is required for:

- a) The amendment of the company's purpose;
- b) the creation of shares with increased voting power;
- c) transfer restrictions on registered shares;
- d) an authorized or conditional capital increase
- e) capital increases by way of conversion of equity, against contribution in kind or for the purpose of acquiring assets, as well as the granting of special rights;
- f) the restriction or exclusion of pre-emptive rights;
- g) the change of the company's registered office;
- h) the dissolution of the company without liquidation;
- i) the dissolution of the company with liquidation;
- k) the conversion of bearer shares into registered shares;
- l) the conversion of registered shares into bearer shares;
- m) the abolishment of statutory restrictions regarding the adoption of resolutions at the shareholders' meeting pursuant to the above sub-sections i, k and l.»

## 5.3 CONVENING THE ANNUAL GENERAL MEETING

According to article 10 of the Articles of Association:

«<sup>1</sup> The shareholders' meeting shall be convened by the Board of Directors or, if necessary, by the auditor.

<sup>2</sup> The shareholders' 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 a shareholders' 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 a shareholders' meeting be convened.

<sup>3</sup> 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 the convening of the shareholders' meeting or during the shareholders' meeting may be allowed for discussion if the shareholders' meeting so decides. However, resolutions in relation to such proposals may only be made at the next shareholders' meeting.

<sup>4</sup> 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.

<sup>5</sup> The annual report, the compensation report and the 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 must refer to this fact and to the right of every shareholder to request that copies of these documents be sent to him.»

## 5.4 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 forty days before the date of the shareholders' meeting.

## 5.5 SHARE REGISTER AND REGISTRATION PROVISIONS

According to article 5 of the Articles of Association:

«<sup>1</sup> A share register is kept for the registered shares in which the owners and usufructuaries are entered with their name, given name, place of residence, address and nationality (in case of legal persons 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 shareholder if such person is entered in the share register. The company acknowledges only one beneficiary per share.

<sup>2</sup> Upon request, acquirers of 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 (3) CO remains reserved.

<sup>3</sup> 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.

<sup>4</sup> The board of directors takes the necessary steps and makes the necessary arrangements in order to comply with the above provisions.

<sup>5</sup> The board of directors is entitled to refuse foreign acquirers of registered shares as shareholders with the right to vote if their acknowledgement could prevent the company from providing proof as to the composition of its shareholders required under federal laws. There are no other restrictions on registration or voting.»

## 5.6 INDEPENDENT VOTING RIGHTS PROXY

The Articles of Association provisions regarding independent voting rights proxy 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 voting rights proxy electronically as well. Detailed information and instructions are provided to shareholders together with the invitation documentation for attendance of the shareholders' meeting. These are also published on the Company's homepage.

## 6 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 ⅓% of the voting rights, whether exercisable or not, must submit an offer for all listed shares of the Company. There are no other provisions, agreements or plans.

## 7 STATUTORY AUDITOR

### 7.1 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 has been KPMG AG, Badenerstrasse 172, 8004 Zurich. KPMG AG also acts as independent auditor for all significant fully consolidated subsidiaries. The auditors are elected each year by the Annual General Meeting.

The auditor in charge has been in this role since 01.01.2013. The auditor's period of office ends with the financial year 2019.

### 7.2 FEE

For the current reporting period, audit fees in the amount of CHF 0.940 million [CHF 0.897 million] and CHF 0.135 million [CHF 0.006 million] for other consulting services were booked.

### 7.3 INFORMATION INSTRUMENTS OF THE EXTERNAL AUDIT

The Audit Committee holds a meeting with the auditors on annual basis regarding the financial statements as well as 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 as well as 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 towards 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.

## 8 INFORMATION POLICY

Swiss Prime Site Group's detailed financial reporting occurs in the form of semi-annual and annual reports. The published financial reporting complies with the provisions of Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and International Financial Reporting Standards (IFRS) regulations.

Swiss Prime Site presents the semi-annual and annual reports at its half-yearly financial results press conference and at the Annual General Meeting. In addition, the Company publishes quarterly selected corporate figures in the form of media releases.

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to article 21 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) 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.

In addition, media releases are published as required. Further information about the Group can be found on the website [www.swiss-prime-site.ch](http://www.swiss-prime-site.ch).

## 9 SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE

The CHF 300 million-convertible bond, with maturity date on 20.01.2015 was converted to shareholders' equity at more than 90%. Of the remaining nominal amount of CHF 229.120 million as at 31.12.2014, CHF 203.035 million was converted into 2 860 803 shares and CHF 26.085 million was redeemed in January 2015. As a result, the number of outstanding shares increased to 63 681 405 and share capital grew to CHF 974.325 million.

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

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# COMPENSATION REPORT

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REPORT OF THE STATUTORY AUDITOR  
ON THE COMPENSATION REPORT

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COMPENSATION REPORT 2014 OF SWISS PRIME SITE AG

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# REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT TO THE GENERAL MEETING OF SHAREHOLDERS

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SWISS PRIME SITE AG, OLTEN

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2014. 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 6.1 Compensation to the Board of Directors, 6.2 Compensation to the Executive Board, 8.1 Loans and credit, contributions to pension schemes for the Board of Directors and Executive Board and 8.2 Compensation, loans and credit to related parties on pages 30 to 40 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 remuneration 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 remuneration 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 December 2014 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

Claudius Rügsegger  
Licensed Audit Expert

Zurich, 9 March 2015



# COMPENSATION REPORT 2014 OF SWISS PRIME SITE AG

In accordance with the «Ordinance Against Excessive Compensation in Listed Companies» («Ordinance») of 20 November 2013

## 1. INTRODUCTION

Swiss Prime Site immediately implemented the new reporting requirements in accordance with the Swiss Ordinance Against Excessive Compensation in Listed Companies (hereinafter referred to as «Ordinance»), in the context of achieving transparency and straight-forward compliance with the broader guidelines for ensuring proper corporate governance. The Company submitted an optional compensation report already for the financial year 2013, in accordance with the Ordinance, to the Annual General Meeting of 15.04.2014 for approval on a consultative basis.

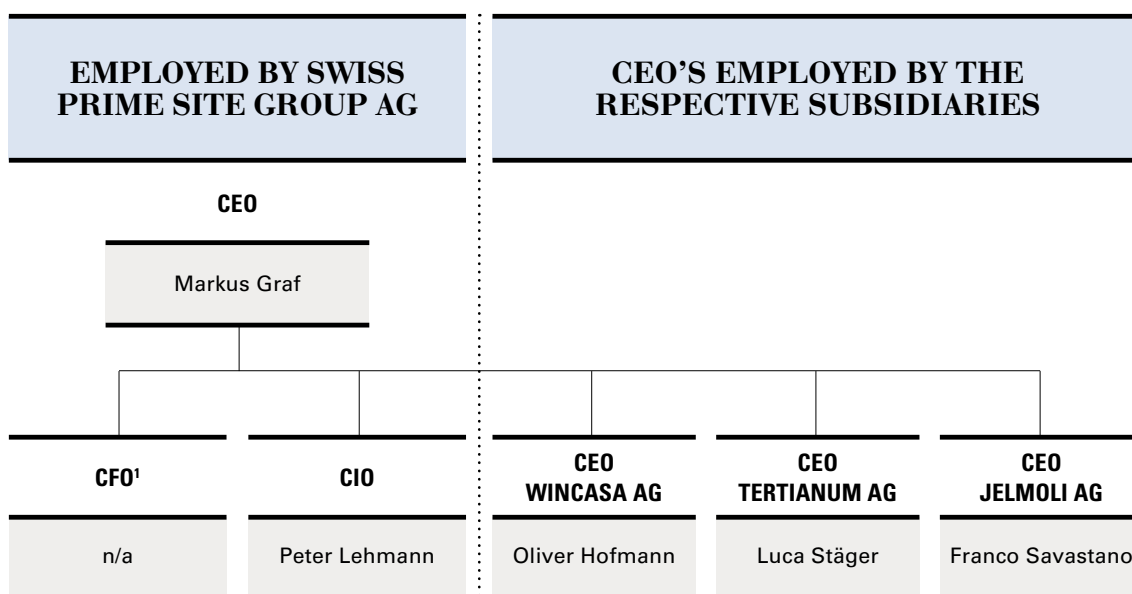
In striving for continuously improving the reporting process and in accordance with the corporate governance guidelines revised in 2014, this compensation report 2014 includes amendments and more detailed explanations versus the previous year's report.

## 2. BOARD OF DIRECTORS AND EXECUTIVE BOARD

The Board of Directors comprises non-executive members who did not belong to the Executive Board of Swiss Prime Site or a Group company in the past three years. The members of the Board of Directors and its Chairman as well as the members of the Compensation Committee are each elected by the Annual General Meeting for a term of office of one year.

The Executive Board comprises the members of the Management Board of Swiss Prime Site AG (Group Holding Company) and Swiss Prime Site Group AG (Group services company), respectively, as well as chief executive officers of the operating subsidiaries Jelmoli AG, Tertium AG and Wincasa AG. The term Executive Board corresponds to «Management Board» according to the Articles of Association of Swiss Prime Site AG and the Ordinance.

Dr. Luca Stäger, chief executive officer of Tertium AG, has been member of the Executive Board since 01.01.2014. Peter Wullschleger, Chief Financial Officer of Swiss Prime Site and member of the Executive Board, stepped down from his position as CFO as at end-2014 and departed the Executive Board.



<sup>1</sup> Peter Wullschleger until end 2014



### 3. COMPENSATION POLICY

Compensation to members of the Board of Directors and the Executive Board should conform to market conditions, correspond appropriately to performance and responsibility, correlate to the size of the Company and the Group, as well as adapt to the complexity of overall business activities.

A performance- and profit-based variable compensation component should bring the endeavours of the Executive Board members into alignment with the quantitative and individual targets to be re-determined annually by the Board of Directors, in the long-term interests of the Company and shareholders.

The compensation of the Board of Directors and Executive Board is subject to review on a regular basis regarding the amounts (fixed and variable compensation components) in addition to systematic process and selected incentives, in compliance with the Company's strategic and operating targets as well as relative to comparable firms.

### 4. ARTICLES OF ASSOCIATION PROVISIONS, PRINCIPLES AND ELEMENTS AS WELL AS AUTHORITY AND DETERMINATION OF COMPENSATION

#### 4.1 Articles of Association provisions relating to Board of Directors' compensation

According to article 28 of the Articles of Association of Swiss Prime Site AG:

The members of the board of directors receive a fixed annual compensation for their work (para. 1).

Additional compensation may be paid for memberships in committees and special tasks or assignments (para. 2).

For activities in legal entities controlled directly or indirectly by the company and for mandates carried out as part of the function as a member of the board of directors (Art. 20 (3)), the respective legal entities may make compensation payments to the members of the board of directors if such compensation is covered by the maximum amount approved by the shareholders' meeting (para. 3).

The compensation may be paid entirely in cash or in restricted or unrestricted shares, in stock units or in options for shares of the company (para. 4).

To the extent permitted by law, the company may indemnify members of the board of directors for any losses suffered in connection with lawsuits, trials or settlements relating to their work for the company or advance appropriate amounts and take out insurance (para. 5).

#### 4.2 Implementation of these Articles of Association provisions, elements of Board of Directors' compensation

According to the wording of the Articles of Association revised in the course of implementing the Ordinance, the Board of Directors' compensation could also be effected in reversionary subscription rights or options on the Company's stock (see article 28, para. 4). Since the Board of Directors was never granted options in the past and there is no intention to do so in the future either, the deletion of the relevant provision in the Articles of Association will be proposed to the Annual General Meeting in spring 2015.

Members of the Board of Directors receive fixed compensation and a lump-sum expense allowance for their activities. Fixed compensation includes remuneration for the activities of members of the Board of Directors as members on committees of the Board of Directors and members of the board of directors of subsidiaries. This regulation replaces the system in effect up until 2012 consisting of basic fees and additional compensation for the activity on Board of Directors' committees.

Waiver of the variable compensation component for the Board of Directors should strengthen its focus on a long-term strategy, supervision and governance, thereby ensuring the Board's independence from operating management.

A percentage of the compensation (50%) is remunerated in the form of Swiss Prime Site AG shares. Members of the Board of Directors had the option to select an increased percentage of shares to 75% or 100% up to and including 2013.

With payment of half the compensation in shares, the Board of Directors participates in the Company's profits, as well as assumes the relevant risks, and its interests should be focused as much as possible on those of the shareholders, too. 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. The delivered shares are subject to blocking for a period of four years. The blocking provides for a tax rebate on the issue price, but includes no obligation to return or expiration, for example, given departure during the blocking period. The allocation mechanism and change in value of the shares in the course of the financial year may result in deviation in the value of the share-based compensation from the aforementioned percentages.

#### **4.3 Articles of Association provisions relating to Executive Board's compensation**

According to article 30 of the Articles of Association of Swiss Prime Site AG:

Members of the Executive Board receive a fixed compensation and a variable performance and success-based compensation for their work (para. 1).

For activities in legal entities controlled directly or indirectly by the company and for mandates carried out as part of the function as member of the executive management (Art. 20 (3)), the respective legal entities may make compensation payments to the members of the executive management if such compensation is covered by the maximum amount approved by the shareholders' meeting or by the additional amount pursuant to art. 32 (3) (para. 2).

To the extent permitted by law, the company may indemnify members of the executive management for any losses suffered in connection with lawsuits, trials or settlements relating to their work for the company or advance appropriate amounts and take out insurance (para. 3).

According to article 31 of the Articles of Association of Swiss Prime Site AG:

The variable performance and success-based compensation for the members of the executive management is based on quantitative and individual goals that are in the company's and the shareholders' long-term interest and that are defined annually by the board of directors (para. 1).

The variable performance and success-based compensation for the members of the executive management may be paid in cash or partly in restricted or unrestricted shares, in stock units or in options for shares of the company (para. 2).

#### **4.4 Implementation of Articles of Association provisions, elements of Executive Board's compensation**

According to the wording of the Articles of Association revised in the course of implementing the Ordinance, the executive management's compensation could also be effected in reversionary subscription rights or options on the company's stock (see article 31, para. 2). Since the Executive Board was never granted options in the past and there is no intention to do so in the future either, the deletion of the relevant provision in the Articles of Association will be proposed to the Annual General Meeting in spring 2015.

Members of the Executive Board receive fixed annual compensation as well as performance- and profit-based variable compensation for their activities.

The performance- and profit-based variable compensation for members of the Executive Board is based on the quantitative and individual targets to be re-determined annually by the Board of Directors, in the long-term interests of the Company and shareholders.

In the reporting year, the compensation system within the Executive Board was harmonised and, to the extent possible and reasonable, standardised.

#### 4.4.1 Executive Board's variable compensation

The variable compensation of the members of the Executive Board is effected partially in cash and partially in Swiss Prime Site AG shares, according to the regulations. The variable compensation of the members of the Executive Board employed by Swiss Prime Site Group AG is paid in shares at 50%. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The option to select shares for the current financial year must be exercised in each case no later than ten days following publication of the media release regarding the last annual financial results.

The individual goals to be stipulated include quantitative and qualitative targets, which in each case are based on the current financial year. The following elements, targets and relevant weightings are applicable here:

	INDIVIDUAL TARGETS (3–6 TARGETS)	BUSINESS-BASED TARGETS		COMPANY-BASED TARGETS		DISCRETION
EB (SPS) <sup>1</sup>	30%	10%	NAV <sup>3</sup> SPS	60%	EPS <sup>4</sup> SPS	+/- 20%
EB (CEOs of the operating companies) <sup>2</sup>	30%	30%	Weighted quantitative targets, e.g. revenues, EBITDA	40%	EPS <sup>4</sup> SPS	+/- 20%

<sup>1</sup> Executive Board member, employed by Swiss Prime Site Group AG

<sup>2</sup> Executive Board member, employed by the respective subsidiaries

<sup>3</sup> net asset value

<sup>4</sup> earnings per share

The individual targets for the new financial year are stipulated on an annual basis before end-December. These comprise three to six standard, innovation and development targets. Depending on the functional area and sphere of influence, these include various operating standards such as strategic or project-based targets, external financing ratios or vacancy rates.

The business-related targets for the members of the Executive Board not employed by Swiss Prime Site Group AG who manage the operating businesses of Jelmoli AG, Tertianum AG and Wincasa AG pertain particularly to profit and revenue targets of the respective subsidiaries.

Upon the request of the Compensation Committee, the Board of Directors determines the amount of target bonus as well as range for the two values earnings per share (EPS) and net asset value (NAV) on an annual basis. Achievement of the quantitative targets is calculated based on the definitive annual results following the close of the financial year. Achievement of the individual targets is determined by the Board of Directors as recommended by the Compensation Committee, by means of weighting of the designated evaluation criteria and the specified range.

The individual targets are weighted at 30% when determining the variable compensation; the business- and company-related targets are weighted at 70% (for details see table above).

The ratio of base salary and performance-based share of compensation for the Executive Board (in percent of base salary) in the reporting and previous year is depicted in sections 5 and 6.

Regarding the individual and quantitative performances of the Executive Board members as well as the realised results, the Board of Directors is entitled to apply a percentage scope of discretion of maximum +/- 20% based on the effective calculated bonus. In any case, the upper ceiling of the variable compensation is limited to 50% of the fixed compensation.

The variable compensation (cash and proportion of shares) is effected in March of the subsequent year. The shares are allocated on the basis of the market price at the beginning of the financial year minus a 10% discount. The delivered shares are subject to blocking for a period of three years. The blocking provides for a tax rebate on the issue price, but includes no obligation to return or expiration, for example, given departure during the blocking period. The allocation mechanism and change in value of the shares in the course of the financial year may result in the value of the variable compensation exceeding 50% of the fixed compensation.

#### 4.5 Authority and determination of compensation

##### 4.5.1 Articles of Association provisions for approval of Board of Directors' compensation

According to article 29 of the Articles of Association of Swiss Prime Site AG: at the ordinary shareholders' meeting, the shareholders' meeting gives binding approval each year of the aggregate maximum amount of the compensation for the members of the board of directors for the respective current financial year (para. 1).

If the shareholders' meeting refuses approval, the board of directors may make new proposals to the same shareholders' meeting. If the board of directors does not make any new proposals or if the shareholders' meeting rejects the new proposals, the board of directors may convene a new shareholders' meeting (para. 2).

##### 4.5.2 Articles of Association provisions for approval of Executive Board's compensation

According to article 32 of the Articles of Association of Swiss Prime Site AG: at the ordinary shareholders' meeting, the shareholders' meeting gives binding approval each year of the aggregate maximum amount covering both the fixed and the variable compensation of the members of the executive management for the respective current financial year (para. 1).

If the shareholders' meeting refuses approval, the board of directors may make new proposals to the same shareholders' meeting. If the board of directors does not make any new proposals or if the shareholders' meeting rejects the new proposals, the board of directors may convene a new shareholders' meeting (para. 2).

In the case of the appointment of new members of the executive management after the approval by the shareholders' meeting, the additional amount per new member is 150% of the highest compensation paid to a member of the executive management in the year preceding the last ordinary shareholders' meeting. No approval by the shareholders' meeting is required for such additional compensation (para. 3).

##### 4.5.3 The Compensation Committee

The compensation committee comprises at least three members of the board of directors. Members of the compensation committee are each elected by the shareholders' meeting for a period of one year until the conclusion of the subsequent ordinary shareholders' meeting. Re-elections are permitted (article 22, para. 1).

The board of directors appoints the chairman from among the members of the compensation committee, issues regulations defining the compensation committee's tasks, taking into account the law and the Articles of Association (article 22, para. 2).

According to paragraph 3:

Subject to the powers of the shareholders' meeting, the compensation committee has the following duties:

- > submitting proposals to the board of directors with regard to establishing principles, performance targets and assessment criteria regarding the fixed and variable compensation, subject to the law and the Articles of Association;
- > evaluation of the achievement of performance targets for the calculation of the variable compensation;

- > submitting proposals to the board of directors with regard to the determination of the maximum amount of the fixed compensation for the members of the board of directors and of the fixed and variable compensation for the members of the executive management to be proposed to the shareholders' meeting;
- > supervision in respect of compliance with the principles of compensation pursuant to the law, the Articles of Association and regulations as well as the resolutions of the shareholders' meeting with regard to compensation;
- > proposal of the compensation report;
- > carrying out all other activities assigned to it by law, the Articles of Association or regulations.

Determining the compensation of the Board of Directors and Executive Board is carried out at the request of the Compensation Committee through the Board of Directors, which submits the relevant proposals to the Annual General Meeting. The compensation of the Board of Directors and fixed compensation of the Executive Board are subject to review on an annual basis and re-determined if necessary. The determination is basically carried out within the scope of discretion taking into account a benchmark that is derived from similar large listed companies, preferably real estate companies. Noteworthy in comparing the compensation of the Board of Directors and members of the Executive Board employed by Swiss Prime Site Group AG is the fact that Swiss Prime Site's business model with operating subsidiaries exhibits a heightened degree of complexity versus pure real estate companies. With the comparison of the compensation of members of the Executive Board that manage operating subsidiaries, 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 Compensation Committee prepares the proposal for submission to the full Board of Directors regarding compensation among the Board of Directors. All members are present during the discussion and approval of the proposal by the Board of Directors.

The Annual General Meeting is responsible for the approval of the fixed compensation of the Board of Directors as well as fixed and variable compensation of the Executive Board starting from 2015. Respective budgets for the compensation of the Board of Directors as well as for the fixed and variable compensation of members of the Executive Board will be submitted to the Annual General Meeting for approval. The proposed budget amounts are regarded as maximum figures that would be expended in the case of achievement of the maximum targets and corresponding determination of bonus. The budget amounts also include a precautionary additional allowance for covering any increase in value of the share-based portion of the Board of Directors' compensation (50% mandatory) as well as the variable portion of the Executive Board's compensation that is remunerated in shares (see section 4.4.1).

The effective compensation paid out in the prior financial year in each case is submitted to the following Annual General Meeting in the consultation process for approval.

The Board of Directors intends to maintain this system of retroactive approval via the consultation process for effective compensation paid out in the prior financial year as a supplementary procedure, in addition to the advance approval as stipulated by the Articles of Association in each case for the current financial year by means of maximum budgets.

#### **4.6 Activity of the Compensation Committee in financial year 2014**

Since the Compensation Committee acts as an advisory body reporting to the full Board of Directors, the Committee submits its proposals regarding assessments to the Board of Directors for approval.

The Compensation Committee held seven meetings in the financial year 2014, of which two were carried out via conference call.

The topics here included the compensation of the Board of Directors and Executive Board, in particular, as well as the compensation of the executive management and employees of Swiss Prime Site Group AG, in addition to the executive management and employees of the Group companies. At the same time, the targets and ranges for the variable compensation of the Executive Board and others entitled to a bonus were determined as well. Comparisons of selected compensations were carried out

with employees engaged by other companies. Standardisation of the compensation system for the Executive Board was subject to review and implemented. Other topics included analysis of the human resources process of the operating subsidiaries and safeguarding the representative positions and emergency scenarios at the executive levels of the Group companies.

The Compensation Committee enlisted the services of external specialists for selected issues in the reporting year and garnered detailed information at the occasion of a full-day event from the relevant personnel and heads of the operating companies revolving around human resources processes and other selected topics, particularly the compensation process as well as topics in the area of social responsibility and equal opportunity.

The Compensation Committee held two meetings in the current year for the purpose of determining the achievement of targets and specifying the variable compensation (proposal to the Board of Directors) for the financial year 2014 as well as preparing for the relevant Annual General Meeting agenda items and enacting reports.

## **5. FIXED AND VARIABLE COMPENSATION IN 2014, ACHIEVEMENT OF TARGETS IN FINANCIAL YEAR 2014**

The amount of fixed compensation of the Board of Directors (last revision for 2013) was unchanged in 2014.

The amount of fixed compensation of the Executive Board members has been in effect since 2013 and remained unchanged in 2014.

In the course of the evaluation of a standardised system of variable compensation for the Executive Board, the total compensation of Executive Board members was subject to comparison with market-conforming standards, in consultation with an expert. The compensation proved to be in conformity with the sector standards and hovers within the noted ranges. By third-party comparison, noteworthy is that Swiss Prime Site's business model featuring operating subsidiaries in real estate-related business fields and a total workforce of around 3000 employees exhibits a heightened degree of complexity versus pure real estate companies. This was also noted in the comparison of Board of Directors' compensation.

The variable compensation for the members of the Executive Board reflects the solid 2014 financial results:

The members of the Executive Board that manage the operating companies of Jelvoli, Tertium and Wincasa have each achieved the maximum variable compensation – i.e. 50% of fixed compensation – with a high level of individual target achievement as well as high degree of achievement of the business targets and Group targets, according to the management's discretion (see section 4.4.1).

The members of the Executive Board employed by Swiss Prime Site Group AG have each achieved two-thirds of the individual targets. The achievement of the quantitative targets (NAV and EPS, business targets and Group targets, see section 4.4.1) amounted to three-fourths. According to the management's discretion, the target achievement amounted to between 76% and 86% of the maximum variable compensation: i.e. 38% to 43% of the fixed compensation. These percentages are roughly 15% below the total target achievement of the previous year (48% of fixed compensation).

The resulting total compensation to the Executive Board is depicted in section 6.2.

## **6. COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD**

The effected compensation is disclosed according to the accrual accounting principle: i.e. all compensation is reported in the respective period (i.e. financial year) in which it is recorded in the financial statements.

The contributions made by the employer to pension funds, but no payments made by such funds in accordance with their regulations, are part of the compensation (article 21, para. 2 of the Articles of Association).

The following tables show a gross depiction of the compensation: i.e. including employer contributions.

## 6.1 Compensation to the Board of Directors

### 01.01.–31.12.2014

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	172	199	6	26	403	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD	102	118	6	16	242	6
Christopher M. Chambers, member of the BoD	87	100	6	–	193	6
Dr. Bernhard Hammer, member of the BoD	87	100	6	13	206	6
Dr. Rudolf Huber, member of the BoD	92	106	6	14	218	6
Mario F. Seris, member of the BoD	87	100	6	13	206	6
Klaus R. Wecken, member of the BoD	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2014, gross</b>	<b>627</b>	<b>723</b>	<b>42</b>	<b>82</b>	<b>1 474</b>	<b>48</b>

<sup>1</sup> The shares are subject to blocking for four years.

<sup>2</sup> services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

### 01.01.–31.12.2013

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	157	182	6	28	373	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD	141	61	6	18	226	6
Christopher M. Chambers, member of the BoD	92	80	6	15	193	6
Dr. Bernhard Hammer, member of the BoD	119	53	6	15	193	6
Dr. Rudolf Huber, member of the BoD	74	107	6	15	202	6
Mario F. Seris, member of the BoD	64	106	6	14	190	6
Klaus R. Wecken, member of the BoD	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2013, gross</b>	<b>647</b>	<b>589</b>	<b>42</b>	<b>105</b>	<b>1 383</b>	<b>48</b>

<sup>1</sup> The shares are subject to blocking for four years.

<sup>2</sup> services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

## 6.2 Compensation to the Executive Board

### 01.01.–31.12.2014

in CHF 1 000	Total Executive Board	Of which Markus Graf (CEO) <sup>1</sup>
Fixed compensation in cash, gross	4 217	1 400
Variable compensation in cash, gross	1 140	297
Share-based variable compensation <sup>2</sup>	678	297
Other compensation components <sup>3</sup>	22	6
Termination benefits <sup>4</sup>	1 500	–
AVS/invalidity insurance contributions	605	91
Other social security contributions	410	128
<b>Total compensation to the Executive Board 2014, gross</b>	<b>8 572</b>	<b>2 219</b>
Expense allowance	51	–

<sup>1</sup> highest compensation to the Executive Board

<sup>2</sup> The shares are subject to blocking for three years.

<sup>3</sup> 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

<sup>4</sup> including AVS/invalidity insurance contributions and other social security contributions of CHF 0.397 million

In connection with the departure of an Executive Board member effective as at end 2014, the compensation comprising variable compensation for 2014 as well as fixed and variable compensation for 2015 that was owed during the period of termination was deferred in the consolidated financial statements of the reporting period. The total deferral for 2015 including the social security and pension fund benefits accounted for by the Company amounting to CHF 1.500 million were included in total compensation to the Executive Board in 2014. This amount was not taken into account in determining the highest total compensation for 2014.

In addition to this differentiation, the following deviations are noted versus the previous year:

One new member of the Executive Board (Dr. Luca Stäger) assumed his position as at 01.01.2014; another member of the Executive Board (Oliver Hofmann) was taken into account for just seven months in 2013 (i.e. joined the Executive Board as at 01.06.2013).

### 01.01.–31.12.2013

in CHF 1 000	Total Executive Board	of which Markus Graf (CEO) <sup>1</sup>
Fixed compensation in cash, gross	3 640	1 400
Variable compensation in cash, gross	985	336
Share-based variable compensation <sup>2</sup>	686	338
Other compensation components <sup>3</sup>	17	6
AVS/invalidity insurance contributions	382	95
Other social security contributions	367	100
<b>Total compensation to the Executive Board 2013, gross</b>	<b>6 077</b>	<b>2 275</b>
Expense allowance	29	–

<sup>1</sup> highest compensation to the Executive Board

<sup>2</sup> The shares are subject to blocking for three years.

<sup>3</sup> 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



## 7. ADDITIONAL INFORMATION REGARDING CONTRACTUAL RELATIONSHIPS WITH THE BOARD OF DIRECTORS AND EMPLOYMENT CONTRACTS WITH THE EXECUTIVE BOARD

### 7.1 Additional activities of members of the Board of Directors and Executive Board

According to article 20 of the Articles of Association the number of activities permitted in the supreme managing or supervisory body of legal entities outside Swiss Prime Site is restricted. Further information and details can be found in the corporate governance report.

### 7.2 Employment contracts of Executive Board members

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. Renewal is permitted. 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 may not exceed the amount of the last fixed annual compensation in proportion to the duration of the non-competition undertaking.

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 extraordinary provisions, particularly no severance pay, no extraordinary clauses in the event of change of control over the Company, or no non-competition clause.

### 7.3 Summary of Executive Board's pension plans

Members of the Executive Board are covered by the respective pension plans of the relevant Group companies as employer.

These plans contain no provisions for members of the Executive Board that deviate from the regulations valid for all employees. There are three pension plans within the SPS and Jelmoli pension funds for the employees of Swiss Prime Site Group AG, Jelmoli AG and Wincasa AG. Tertium AG has another insurance solution. The maximum contribution limits (maximum insured salary) are CHF 0.300 million to CHF 0.500 million. The employer contributions are graduated in a range between 10% and 14% depending on age and/or position.

### 7.4 No additional compensation for Board of Directors and Executive Board

Any compensation other than that referred to in the Articles of Association and in this report to members of the Board of Directors and Executive Board is prohibited.

In connection with the departure of an Executive Board member effective as at end 2014, the compensation owed during the period of termination was deferred in the consolidated financial statements and included in the table in section 6.2.

No compensation was paid to former members of the Board of Directors and Executive Board in 2014. No compensation was effected relating to past activities as corporate body (article 14, para. 1, section 4 of the Ordinance).

## **8. ADDITIONAL INFORMATION AND COMMENTS**

No compensation was effected to members of the Board of Directors and Executive Board in 2014 other than that referred to in section 6.

### **8.1 Loans and credits, contributions to pension schemes for the Board of Directors and Executive Board**

According to article 21, para. 1 of the Articles of Association loans and credits to the members of the Board of Directors and the Executive Board may only be granted as an exception in justified cases. The total sum of such loans and credits may not exceed CHF 0.500 million per member.

No loans or credit were granted to present or past members of the Board of Directors or the Executive Board in 2014, and there were none outstanding as at 31.12.2014.

### **8.2 Compensation, loans and credits to related persons**

No compensation was paid, nor loans or credits granted, to related persons under non-market conditions in 2014, and there were none outstanding as at 31.12.2014.

The Audit Committee of Swiss Prime Site AG's Board of Directors enlisted an external expert in the past financial year on a contractual basis as regular observer and effected compensation thereto totaling CHF 0.015 million plus CHF 0.003 million lump-sum expense allowance for the financial year 2014.

### **8.3 Enlisting compensation experts**

In the process of enlisting external experts for structuring the compensation system, only those advisors are approached that hold no other position within Swiss Prime Site Group.

### **8.4 Investments**

Information regarding investments held by members of the Board of Directors and Executive Board in Swiss Prime Site AG is included in note 3.4 «Shareholding rights for Board of Directors and Executive Board» to the Swiss Prime Site AG financial statements.

### **8.5 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.









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