

CORPORATE GOVERNANCE & COMPENSATION REPORT



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STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website www.swiss-prime-site.ch.

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MANAGEMENT REPORT**

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NOTES FOR READERS

[] Previous year's figures are enclosed in brackets.

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.

..... **CORPORATE GOVERNANCE**

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CORPORATE GOVERNANCE

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

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Fully consolidated investments in group companies (direct or indirect)

		31.12.2014		31.12.2015	
		Share capital	Shareholding	Share capital	Shareholding
		in CHF 1 000	in %	in CHF 1 000	in %
Purpose					
Clouds Gastro AG, Zurich ¹	Restaurant business	500	100.0	n.a.	n.a.
Ensemble artisanal et commercial de Riantbosson S.A., Olten ²	Real estate company	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	Retail company	6 600	100.0	6 600	100.0
Perlavita AG, Zurich	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Operation of private senior residence and care facility with related services	300	100.0	300	100.0
SENIOcare AG, Wattwil ³	Operation, maintenance and creation of senior, residential and geriatric care accommodation	–	–	2 400	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, Olten ⁴	Management, administration and general partner of a collective investment scheme	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services company	100	100.0	100	100.0
Tertianum AG, Zurich	Services provider in the residential sector, particularly assisted living	9 562	100.0	9 562	100.0
Vitadomo AG, Zürich ⁵	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur ⁶	Geriatric care for people afflicted with dementia in shared accommodation	–	–	100	100.0
Wincasa AG, Winterthur	Real estate services company	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden ³	Operation of senior residences and geriatric care facilities	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

² increase shareholding interest to 100% as at 17.12.2015

³ acquisition as at 01.10.2015; acquisition through Curo Holdings AG, which was merged with SPS Beteiligungen Alpha AG

⁴ founded as at 28.03.2014

⁵ founded as at 05.11.2014

⁶ acquisition as at 01.07.2015

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

- > merger of Clouds Gastro AG into SPS Immobilien AG with retroactive effect as at 1 January 2015, following transfer of «Clouds» Restaurant operating business to Candrian Catering AG as at mid-year

- > increase of stake in Ensemble artisanal et commercial de Riantbosson S.A. to 100% as at 17 December 2015
- > acquisition of 100% stake in SENIOcare AG as at 1 October 2015, including acquisition of 51% of Wohn- und Pflegezentrum Salmenpark AG
- > acquisition of 100% stake in WGDM Papillon AG as at 1 July 2015

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under the securities number 803838 and ISIN number CH 0008038389. Swiss Prime Site AG reported market capitalisation of CHF 5467.6 million [CHF 4439.9 million] as at 31 December 2015.

1.1.2 Investments in associates valued according to the equity method

		31.12.2014 Share capital in CHF 1 000	Shareholding in %	31.12.2015 Share capital in CHF 1 000	Shareholding in %
Parkgest Holding S.A., Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

1.2 Business fields

Swiss Prime Site is divided into three business fields: Real Estate, Retail and Assisted Living. The major investments in group companies were allocated to these business fields as follows:

SWISS PRIME SITE GROUP

REAL ESTATE BUSINESS FIELD

- > Swiss Prime Site AG, Olten
- > SPS Beteiligungen Alpha AG, Olten
- > SPS Beteiligungen Beta AG, Olten
- > SPS Beteiligungen Gamma AG, Olten
- > SPS Immobilien AG, Olten
- > Swiss Prime Site Group AG, Olten
- > Wincasa AG, Winterthur
- > Ensemble artisanal et commercial de Riantbosson S.A., Olten

RETAIL BUSINESS FIELD

- > Jelmoli AG, Zurich
- > Clouds Gastro AG, Zurich (until 30.06.2015)

ASSISTED LIVING BUSINESS FIELD

- > Tertianum AG, Zurich
- > Perlavita AG, Zurich
- > Perlavita Rosenau AG, Zurich
- > Vitadomo AG, Zurich
- > SENIOcare AG, Wattwil
- > WGDM Papillon AG, Winterthur
- > Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

1.3 Shareholder structure as at 31.12.2015

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 % ¹
1 to 5 000	8 509	94.0	5 120 718	7.4
5 001 to 50 000	419	4.6	6 562 711	9.4
50 001 to 500 000	122	1.3	19 646 217	28.3
500 001 to 1 800 349	12	0.1	11 168 149	16.0
1 800 350 and above	1	–	3 656 245	5.2
Total registered shareholders/shares	9 063	100.0	46 154 040	66.3
Unregistered shares			23 497 494	33.7
Total shares issued			69 651 534	100.0

¹ 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	8 431	93.0	33 499 236	72.5
Europe (excluding Switzerland)	480	5.3	9 723 058	21.1
Other countries	152	1.7	2 931 746	6.4
Total registered shareholders/shares	9 063	100.0	46 154 040	100.0

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	8 054	88.8	7 849 418	17.0
Legal entities	430	4.7	15 637 085	33.9
Pension funds	213	2.4	9 981 881	21.6
Insurance companies	34	0.4	2 015 800	4.4
Funds	186	2.1	8 234 225	17.8
Other	146	1.6	2 435 631	5.3
Total registered shareholders/shares	9 063	100.0	46 154 040	100.0

1.4 Major shareholders

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

Major shareholders (shareholding interest > 3%)	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
BlackRock Investment Management (UK) Ltd, London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

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 when a notification-obliged person or group reaches a percentage of 3, 5, 10, 15, 20, 25, 33 ¹/₃, 50 or 66 ²/₃ of the voting rights in Swiss Prime Site AG or traverses such percentages to the 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 31.12.2015

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
Share capital	69 651 534	15.30	1 065 668
Authorised capital	29 871	15.30	457
Conditional capital	4 142 910	15.30	63 387
of which for exercising options and/or conversion rights granted with bonds or similar issues	2 632 910	15.30	40 284
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 69 651 534 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

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 15 April 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 re-financing 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 4 142 910 [7 003 713] registered shares amounting to CHF 63.387 million [CHF 107.157 million] is divided into the following amounts:

- > CHF 40.284 million [CHF 84.054 million] (2 632 910 [5 493 713] shares) for exercising options and/or conversion rights granted in connection with bonds or similar issues, and
- > 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 203.035 million [CHF 22.535 million] were converted to shareholders' equity (2 860 803 [317 521] 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
Share capital as at 31.12.2012	60 011 611	15.30	918 178
Conversion of 6 976 units of the CHF 300 million convertible bond	491 470	15.30	7 519
Share capital as at 31.12.2013	60 503 081	15.30	925 697
Conversion of 4 507 units of the CHF 300 million convertible bond	317 521	15.30	4 858
Share capital as at 31.12.2014	60 820 602	15.30	930 555
Conversion of 40 607 units of the CHF 300 million convertible bond	2 860 803	15.30	43 770
Capital increase on 29.05.2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668

Additional details on the changes to share capital can be found in Note 25 «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 acknowledges only one beneficiary per share.

Each share is entitled to a vote at the Annual General Meeting. The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as and as long as their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights.

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

2.7 Convertible bonds

		CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Nominal value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2015	CHF m	0.000	189.589
Book value as at 31.12.2014	CHF m	227.800	188.821
Conversion price	CHF	70.97	81.89
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 2015, conversions took place with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million] of the CHF 300 million convertible bond, resulting in an increase in share capital of CHF 43.770 million [CHF 4.858 million] or 2 860 803 [317 521] registered shares, and an addition to capital reserves of CHF 155.976 million [CHF 17.298 million]. Further information on convertible bonds is included in note 23 «Financial liabilities».

3 BOARD OF DIRECTORS

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised seven members. All members are non-executive Board members – in accordance with the Swiss Code of Best Practice for Corporate Governance – not belonging to the Executive Board of Swiss Prime Site AG or management of one of its group companies in the three financial years prior to the reporting period. None of the members of the Board of Directors maintains 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.)

He 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

Unlisted 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

He graduated with a degree in law from the University of Zurich in 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 Inter-shop Holding AG, Zurich. Thomas Wetzel is a lecturer 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

Unlisted 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; 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, Zurich

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

Unlisted companies: Member of the board of directors of Berenberg Bank (Switzerland) AG, Zurich; 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 Stuag 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: None

Unlisted 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 (Freienbach)

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, Rapperswil-Jona, from 1992 to 2004. He works as an independent business consultant and lecturer at the University St. Gallen. From 2006 to 2015, he was chairman of CFO Forum Switzerland – CFOs.

> **Other mandates:**

Mandates within Swiss Prime Site: Member of the board of directors of Jelmoli AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: Chairman of the board of directors of Looser Holding AG, Arbon; member of the board of directors of Repower AG, Poschiavo

Unlisted companies: Chairman of the board of directors of Fageb Verwaltungen 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; member of the board of directors of CHRIST & HEIRI Holding AG, Zug; member of the foundation board of Hoerbiger Stiftung, Zug; chairman of the advisory board of PERI GmbH & Co. KG, Weissenhorn (Germany)

Mario F. Seris, 1955, Klosters-Serneus

Member of the Board of Directors

> **Education:** lic. phil. I

He 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 adviser.

> **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 Deutsche Mittelstands Real Estate AG (DEMIRE), Frankfurt, Germany, as well as Adler Real Estate AG, Hamburg, Germany, among other firms. The latter also acquired Westgrund AG, Berlin, following Accentro (formerly Estavis) AG, Berlin, in 2015. All four real estate companies are stock exchange-listed firms in Germany. At end-2015, Adler also acquired a roughly 25% stake in Conwert Immobilien Invest SE, Vienna, which is a stock exchange-listed company in Austria and Germany.

> **Other mandates:**

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Chairman of the board of directors of Care4 AG, Basel; chairman of the board of directors of IRESI International Real Estate Investors 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

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

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

Members of the Board of Directors must submit their resignation to 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 stipulated in the organisation and competence regulations.

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

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

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

The Board of Directors delegates all executive management activities to the Executive Board unless otherwise provided by law, the Articles of Association or the organisational regulations. It issues directives on the business and investment policy and keeps itself regularly informed of the course of business.

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

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 the 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 members of the Board of Directors or the Executive Board that they require to fulfil 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 chairman 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 or Board of Directors and, as required, are enlisted to resolve issues.

3.8 Audit Committee

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

- > 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
- > Monitors and assesses the independence, work, auditing costs, scope of audit and findings of the external auditors, as well as the quality, implementation and disclosure of the accounting principles, in addition to the adequacy of the financial control mechanisms
- > Monitors and assesses the independence and work of the valuation experts and the valuation principles

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

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

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 therefore cannot issue instructions of their own accord. The Audit Committee has a right of proposal to the Board of Directors.

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

3.9 Compensation Committee

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:

- > 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 and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts
- > 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 therefore 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, three meetings and one conference call 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 functions, duties and powers of the Investment Committee are defined in the investment regulations and essentially comprise the following tasks:

- > Monitors compliance with the investment guidelines defined in the investment regulations
- > 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 Compensation Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Investment Committee has the right to submit proposals to the Executive Board or Board of Directors.

During the reporting period, four meetings and one conference call of the Compensation Committee took place.

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

COMPOSITION OF THE COMMITTEES

BOARD OF DIRECTORS COMMITTEES

	AUDIT COMMITTEE	COMPENSATION COMMITTEE	INVESTMENT COMMITTEE
HANS PETER WEHRLI CHAIRMAN Member since 29.04.2002			
DR. THOMAS WETZEL VICE-CHAIRMAN Member since 11.05.1999		●	●
KLAUS R. WECKEN Member since 22.10.2009			●
DR. RUDOLF HUBER Member since 29.04.2002	●		
CHRISTOPHER M. CHAMBERS Member since 22.10.2009	●	●	
DR. BERNHARD HAMMER Member since 29.04.2002	●		●
MARIO F. SERIS Member since 29.04.2002		●	●
MARKUS GRAF¹ Executive Board since 01.12.2000			●

● Member ● Chairman

¹ non-Board of Directors member

4 EXECUTIVE BOARD

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

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 participated in the Audit Committee meeting in the spring as well.

4.1 Composition of the Executive Board

	Role	Nationality	Member since
Markus Graf ¹	Chief Executive Officer	CH	2000
René Zahnd ²	Designated Chief Executive Officer	CH	2015
Markus Meier ³	Chief Financial Officer	CH	2015
Peter Lehmann	Chief Investment Officer	CH	2002
Oliver Hofmann	Member, CEO Wincasa AG	CH	2013
Franco Savastano	Member, CEO Jelmoli AG	CH/Italy	2012
Dr. Luca Stäger	Member, CEO Tertianum AG	CH	2014

¹ Markus Graf, Chief Executive Officer of Swiss Prime Site and member of the Executive Board, resigned as CEO and member of Executive Board as per the end of 2015

² René Zahnd has been a member of the Executive Board since 01.11.2015 and Chief Executive Officer of Swiss Prime Site since 01.01.2016

³ since 01.06.2015

4.2 Members of the Executive Board

Markus Graf, 1949, Feldbrunnen

Member of the Executive Board, Chief Executive Officer until end-2015

> **Education:** Graduate HTL/STV architect

> **Professional activity:** Markus Graf was Chief Executive Officer of Swiss Prime Site from 2000 to 2015; he was head of Real Estate Asset Management, Credit Suisse AG, Zurich (managing director), from 1995 to 30 November 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 group companies: Jelmoli AG, Zurich (until end-2015); SPS Beteiligungen Alpha AG, Olten (until end-2015); SPS Beteiligungen Beta AG, Olten (until end-2015); SPS Beteiligungen Gamma AG, Olten (until end-2015); SPS Immobilien AG, Olten (until end-2015); Swiss Prime Site Fund Advisory AG II, Olten (until end-2015); Swiss Prime Site Group AG, Olten (until end-2015); Tertianum AG, Zurich; Wincasa AG, Winterthur (until end-2015); Foundation Board Chairman of Swiss Prime Investment Foundation, Olten

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Bekon-Koralle AG, Dagmersellen; vice-chairman of the board of directors of Feriendorf Schlüsselacker AG, Obergoms; member of the board of directors of Société Internationale de Placements SA, Basel

René Zahnd, 1966, Berne

Member of the Executive Board, Chief Executive Officer since 1 January 2016

> **Education:** Attorney at Law

> **Professional activity:** René Zahnd has been Chief Executive Officer of Swiss Prime Site AG since 1 January 2016; prior to that, he was employed at Implen AG from 2009 to 30 October 2015 – as member of the executive management from 2010 – first as director of Implen Real Estate, and thereafter as director of Modernisation & Development from February 2014; previously, he was director of Project Development at general contractor Losinger/Marazzi as well as head of Legal Services at Losinger Construction AG

> **Other mandates:**

Mandates within Swiss Prime Site (from beginning of 2016):

Chairman of the board of directors of the following group companies: 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; Tertium AG, Zurich; Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: None

Markus Meier, 1964, Winterthur

Member of the Executive Board, Chief Financial Officer since 1 June 2015

> **Education:** Business Economist FH and Certified Public Accountant

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

> **Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of the following group companies: 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; Tertium AG, Zurich; Wincasa AG, Winterthur; member of the foundation board of the SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli charitable foundation, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: None

Peter Lehmann, 1958, Wilen bei Wollerau

Member of the Executive Board, Chief Investment Officer since 1 March 2002

> **Education:** Graduated as construction planner from GIB Solothurn in 1978

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

> Other mandates:

Mandates within Swiss Prime Site:

Member of the board of directors of the following group companies: 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

Unlisted companies: Chairman of the board of directors of DUK AG, Freienbach

Activities in non-profit-oriented associations, organisations and foundations: Member of the board of the Association of Real Estate Investors (VII)

Oliver Hofmann, 1970, Horgen

Member of the Executive Board, chief executive officer of Wincasa AG since 1 January 2013

> Education: Banking studies, bachelor in economics and business administration, master of science in real estate at CUREM (University of Zurich)

> Professional activity: Oliver Hofmann has held the positions of chief executive officer of real estate services company Wincasa AG since 1 January 2013 as well as member of the Executive Board of Swiss Prime Site AG since 1 June 2013. In addition to spending a few years of his professional career in the finance department 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, he served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. Oliver Hofmann 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 Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Siegmund & Hofmann AG, Basel

Franco Savastano, 1965, Stallikon

Member of the Executive Board, chief executive officer of Jelmoli AG since 1 April 2012

> 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 Jelmoli – The House of Brands department store in Zurich since 1 April 2012 and member of the Swiss Prime Site AG Executive Board. From 2001 to 2012, he was a member of the management of Brunschwig & Cie. SA, holding the positions of director of the Grieder fashion stores in German-speaking Switzerland, as well as procurement director for Grieder throughout Switzerland. From 1997 to 2001, Franco Savastano held positions as head of the creative teams for 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 Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, 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 1 March 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 been chief executive officer of Tertianum Group since 1 March 2010 and a member of the Executive Board of Swiss Prime Site AG since 1 January 2014. He began his professional career at PriceWaterhouse as a consultant with a focus on NGOs. Thereafter, he held the following positions: deputy project leader at the Canton Zurich Healthcare Directorate, consulting project leader at PuMaConsult GmbH, Zurich and Berne, chief executive officer of Spital Lachen AG, Lachen, and director of Private Clinic Bethanien AG, Zurich, as well as recently as chief executive officer of Swiss Paraplegic Group in Nottwil.

> 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 WGDM Papillon AG, Winterthur; chairman of the board of directors of Vitadomo AG, Zurich; chairman of the board of directors of SENIOcare AG, Wattwil

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Clinica Luganese SA, Lugano; chairman of the board of directors of Swiss Paraplegic Centre, Nottwil; member of the foundation board of Swiss Paraplegic Group, Nottwil; member of the foundation board of Swiss University Sports Foundation, St. Gallen; member of the board of directors of Sanitas Beteiligungen AG, Zürich

4.3 Arrivals during the reporting period

> Markus Meier, 1964, Winterthur

Member of the Executive Board, Chief Financial Officer since 1 June 2015

> René Zahnd, 1966, Berne

member of the Executive Board since 1 November 2015 and Chief Executive Officer of Swiss Prime Site since 1 January 2016

4.4 Articles of Association provisions regarding the number of permitted activities

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

Several mandates within the same group of companies and mandates carried out as part of the member's position on the board of directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in non-profit 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

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

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

5 SHAREHOLDER PARTICIPATION RIGHTS

The current Articles of Association can be found on the homepage at 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 Annual General Meeting (article 8)
- > convening/agenda of the Annual General Meeting (article 9, para. 4 and article 10)
- > voting rights and adoption of resolutions, independent voting rights 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 and adoption of resolutions

According to article 12 of the Articles of Association:

«¹ Each share entitles its holder to one vote.

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

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

⁴ Elections and resolutions are taken in an open ballot or electronically, unless the Annual General Meeting resolves that an election or resolution shall be taken in writing or the chairman decides to do so. The chairman may always have an open or electronic ballot repeated as a written ballot if in his opinion there are doubts as to the result of the vote. In such 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 Annual General Meeting with at least two thirds of the represented votes and with the absolute majority of the represented nominal value is required for the following:

- a) the amendment of the company's purpose;
- b) the creation of shares with increased voting power;
- c) transfer restrictions on registered shares;
- d) an authorised 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;
- j) the conversion of bearer shares into registered shares;
- k) the conversion of registered shares into bearer shares;
- l) the abolishment of statutory restrictions regarding the adoption of resolutions at the Annual General Meeting pursuant to the above subsections i, k and l.»

5.3 Convening the Annual General Meeting

According to article 10 of the Articles of Association:

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

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

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

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

⁵ The Annual Report, Compensation Report and corresponding audit report, the auditor's report and the auditor's report for the group of companies must be made available to the shareholders at the Company's registered office no less than 20 days before the ordinary shareholders' meeting. The invitation 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 40 days before the date of the shareholders' meeting.

5.5 Share register and registration provisions

According to article 5 of the Articles of Association:

«¹ A share register is kept for the registered shares in which the owners and usufructuaries are entered with their 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.

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

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

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

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

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 at the Annual General 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 33⅓% 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 AG has been KPMG Ltd., Badenerstrasse 172, 8004 Zurich. KPMG Ltd. also acts as independent auditor for all significant fully consolidated group companies. The auditors are elected each year by the Annual General Meeting.

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

7.2 Fee

For the current reporting period, audit fees in the amount of CHF 1.167 million [CHF 0.940 million] and CHF 0.085 million [CHF 0.135 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 an 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 toward any special events. The Audit Committee decides whether the individual and consolidated financial statements can be submitted to the Board of Directors for approval and publication, before the Board of Directors actually approves and publishes these.

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

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 accounting standards comply 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 these semi-annual and annual reports at the half-yearly financial results press conference and at the Annual General Meeting. In addition, the Company publishes selected corporate figures on a quarterly basis in the form of media releases.

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Markets Infrastructure Act (FMIA) as well as the ad-hoc publicity of the SIX Swiss Exchange. The ad-hoc releases can be retrieved concurrently with the reports to the SIX Swiss Exchange.

In addition, media releases are published as required. Further information about the Group can be found on the website www.swiss-prime-site.ch.

9 SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE

René Zahnd succeeded Markus Graf as Chief Executive Officer as at 1 January 2016.

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

..... COMPENSATION REPORT

COMPEN SATION REPORT

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 2015. 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, 6.3 Supplemental amount for new Executive Board members, 7.4 No additional compensation for Board of Directors and Executive Board, 8.1 Loans and credits, contributions to pension schemes for the Board of Directors and Executive Board and 8.2 Compensation, loans and credits to related persons on pages 28 to 39 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2015 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, 7 March 2016

COMPENSATION REPORT 2015 OF SWISS PRIME SITE AG

1 INTRODUCTION

The Compensation Report is compiled in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation in Listed Companies of 20 November 2013 (hereinafter referred to as «Ordinance»). The report replaces the information in the notes to the balance sheet, according to article 663b^{bis} of the Swiss Code of Obligations.

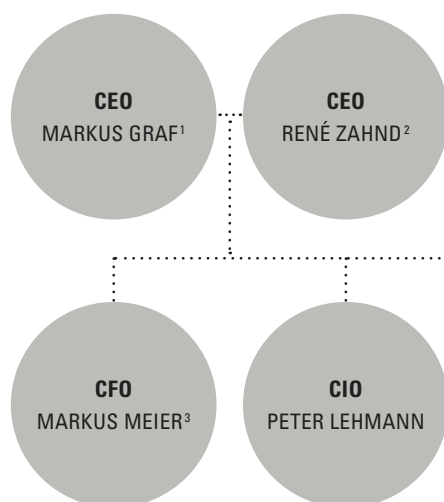
The compensation system remained unchanged in the reporting period versus the previous one. Two new members joined the Executive Board during the financial year 2015: Markus Meier as at 1 June 2015 as Chief Financial Officer (CFO), and René Zahnd as at 1 November 2015 and as designated Chief Executive Officer (CEO) starting from 1 January 2016. Both new Executive Board members were remunerated according to the existing and following summarised compensation system starting from the dates they became members. René Zahnd received only fixed compensation for the months of November and December 2015.

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 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 group companies Jelmoli AG, Tertianum AG and Wincasa AG. The Executive Board corresponds to the «Management Board» according to the Articles of Association of Swiss Prime Site AG and the Ordinance.

EMPLOYED BY SWISS PRIME SITE GROUP AG



EMPLOYED BY THE RESPECTIVE GROUP COMPANY

¹ until 31.12.2015

² member of the Executive Board since 01.11.2015 and Chief Executive Officer of Swiss Prime Site since 01.01.2016

³ since 01.06.2015

The Board of Directors appointed Markus Meier as new CFO of Swiss Prime Site and member of the Executive Board as at 1 June 2015. As the previous deputy CFO, he succeeds Peter Wullschleger, who stepped down from his position as CFO and departed the Executive Board as at end-2014. The employment contract with Peter Wullschleger was terminated as at 31 December 2015.

René Zahnd assumed the position of CEO and Chairman of the Executive Board as at 1 January 2016, succeeding Markus Graf. René Zahnd joined the Executive Board as a member as at 1 November 2015 for the purpose of integration and orderly transition.

3 COMPENSATION POLICY

Compensation to members of the Board of Directors and the Executive Board is fair, transparent, conforms to market conditions and corresponds appropriately to performance and responsibility. Furthermore, compensation correlates to the size of the Company and Group, as well as adapts to the complexity of overall business activities.

The performance- and profit-based variable compensation should bring the endeavours of the Executive Board members into alignment with the quantitative and qualitative targets 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.

A description of the compensation principles as well as an explanation of the compensation system are provided in the following section 4.4.

In the context of integrated and values-oriented management, the compensation system applicable to the Executive Board also applies to the executive employees of Swiss Prime Site Group AG (the Group services company).

The compensation system described in the following section also forms the basis for the compensation for the Board of Directors and Executive Board to be proposed to the Annual General Meeting for the financial year 2016. The compensation system for the Executive Board will be subject to review in the financial year 2016.

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

4.1 Articles of Association provisions for approval of Executive Board's compensation

According to article 28 of Swiss Prime Site AG's Articles of Association, the members of the Board of Directors receive fixed compensation for their activities (para. 1).

Additional compensation may be paid for memberships in committees and assuming 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 of a member of the Board of Directors (article 20, para.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 Annual General Meeting (para. 3).

The compensation may be paid entirely in cash or in restricted or unrestricted 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 duties for the Company or advance appropriate amounts and take out insurance (para. 5).

4.2 Implementation of these Articles of Association provisions

The previous Articles of Association provision, according to which the Board of Directors' compensation could also be effected in reversionary subscription rights or options on the Company's stock, was deleted at the last ordinary shareholders' meeting at the request of the Board of Directors.

Members of the Board of Directors receive fixed compensation and a lump sum expense allowance for their activities. The fixed compensation includes remunerations for activities of board members on committees, the Board of Directors and the boards of group companies.

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 (50%) of the compensation is remunerated in the form of Swiss Prime Site AG shares. 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. Moreover, the Board's interests should be focused as much as possible on those of the shareholders. The shares are allocated at the end of the financial year on the basis of the market price at the beginning of the financial year, less a 10% discount. 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 of 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 share-based compensation slightly exceeding 50% of the fixed compensation.

4.3 Articles of Association relating to compensation of the Executive Board

According to article 30 of the Articles of Association, members of the Executive Board receive fixed annual compensation as well as variable performance- and profit-based compensation for their activities (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 a member of the Executive Board (article 20, para. 3), the respective legal entities may make compensation payments to the members of the Executive Board if such compensation is covered by the maximum amount approved by the Annual General Meeting, or by the additional amount pursuant to article 32, para. 3 (para. 2).

To the extent permitted by law, the Company may indemnify members of the Executive Board for any losses suffered in connection with lawsuits, trials or settlements relating to their activities 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 profit-based compensation for the members of the Executive Board is based on quantitative and individual targets that are in the Company's and the shareholders' long-term interests and re-determined annually by the Board of Directors (para. 1).

The variable performance- and profit-based compensation for the members of the Executive Board may be paid in cash or partly in restricted or unrestricted shares of the Company (para. 2).

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

The previous Articles of Association provision, according to which the Executive Board's compensation could also be effected in reversionary subscription rights or options on the Company's stock, was deleted at the last ordinary shareholders' meeting at the request of the Board of Directors.

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 that are in the Company's and shareholders' long-term interests and re-determined annually by the Board of Directors.

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. Applicable are the following elements, targets and relevant weightings¹:

	INDIVIDUAL TARGETS (3–6 TARGETS)	BUSINESS-BASED TARGETS	COMPANY- BASED TARGETS	SCOPE OF DISCRETION
EB (SPS) ²	15% [30%]	5% [10%] NAV ⁴ SPS	30% [60%] EPS ⁵ SPS	+/- 10% [+/- 20%]
EB (CEOs of operating companies) ³	15% [30%]	15% [30%] weighted quantitative targets of group companies e.g. revenues, EBITDA	20% [40%] EPS ⁵ SPS	+/- 10% [+/- 20%]

¹ adjustment of weighting to 50% versus 100% in 2014, for enhanced transparency of variable compensation relative to fixed compensation; similar to upper limit of variable compensation

² Executive Board member employed by Swiss Prime Site Group AG

³ Executive Board member employed by the respective group company

⁴ net asset value

⁵ earnings per share

The individual targets for the new financial year are stipulated on an annual basis before the end of December. These comprise three to six standard, innovation and development targets. Depending on the functional area and sphere of influence, these are subdivided into 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 Jelvoli AG, Tertium AG and Wincasa AG – pertain particularly to profit and revenue targets of the respective group companies.

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 of 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 definition of earnings per share (EPS) according to applicable internal regulations (bonus regulations) corresponds to that stated in the Financial Report: i.e. earnings per share (weighted) excluding revaluation effects and deferred taxes (see Financial Report, page 4), adjusted for the unforeseen extraordinary non-recurring effect of a shift of deferred taxes to taxes due, resulting from the package transaction between SPS Immobilien AG and the Swiss Prime Investment Foundation.

The definition of net asset value (NAV) according to bonus regulations is consistent with NAV after deferred taxes (see Financial Report, page 4).

When determining the variable compensation, the individual targets are weighted at 15% while the business- and company-based targets are weighted at 35% (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 (so-called management discretion) of maximum $\pm 10\%$ based on the effective calculated bonus. In any case, the upper ceiling of the variable compensation is limited to 50% of the fixed compensation, even when the maximum scope of discretion is exhausted.

The scope of discretion ranging from the downside to the upside is applied on an individual basis according to necessity and at the sole discretion of the Board of Directors. The Board of Directors acts to the best of their knowledge and belief in exercising this scope of discretion, while at the same time taking into account various elements and influences, particularly qualitative factors such as contribution to corporate development and culture. From the viewpoint of the Board of Directors of Swiss Prime Site AG, this process also enables the management of a detailed and well-thought-out system for determining the variable compensation, without the potential of corrective measures in individual cases leading to unsatisfactory results. Such readjustments are not carried out arbitrarily, but rather determined by the Compensation Committee, taking into consideration the overall personal performance of the relevant person eligible for a bonus, and proposed to the Board of Directors.

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 slightly 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, the Annual General Meeting gives approval with binding effect each year at the ordinary shareholders' meeting of the aggregate maximum amount of compensation for the members of the Board of Directors for the respective current financial year (para. 1).

If the Annual General Meeting refuses approval, the Board of Directors may submit new proposals to the same Annual General Meeting for approval. If the Board of Directors does not submit any new proposals, or if the Annual General Meeting rejects the new proposals, the Board of Directors may convene a new Annual General 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, the Annual General Meeting gives approval with binding effect each year at the ordinary shareholders' meeting of the aggregate maximum amount comprising both the fixed and variable compensation of the members of the Executive Board for the respective current financial year (para. 1).

If the Annual General Meeting refuses approval, the Board of Directors may submit new proposals to the same Annual General Meeting for approval. If the Board of Directors does not submit any new proposals, or if the Annual General Meeting rejects the new proposals, the Board of Directors may convene a new Annual General Meeting (para. 2).

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

An additional amount was paid for members of the Executive Board in two cases in the reporting year.

Markus Meier, previously ad interim CFO, was appointed CFO and member of the Executive Board as at 1 June 2015. His base salary as well as resulting bonus share incurred are included in the reported aggregate compensation of the Executive Board on a pro rata temporis basis (i.e. seven months in 2015). Only the remunerations that exceed the salary to date are depicted as additional expenditure in the consolidated financial statements. The additional expenditure that is not covered by the approved budget accordingly qualifies as additional compensation.

René Zahnd assumed the position as new the Chairman of the Executive Board as at 1 January 2016 and joined the Company as a member of the Executive Board on November 2015. His base salary is also included in the reported aggregate compensation of the Executive Board on a pro rata temporis basis (i.e. two months in 2015).

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 Annual General 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 issues a regulation defining the Compensation Committee's duties, taking into account the law and the Articles of Association (article 22, para. 2).

According to paragraph 3, subject to the powers of the Annual General 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 Board to be proposed to the Annual General 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 Annual General 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 group companies in real estate-related business fields and a total workforce of roughly 4,500 employees – 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 group companies, the composition of the benchmark is derived according to the respective areas of activity: i.e. in the real estate services, retail and assisted living business fields.

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 has been responsible for the approval of the fixed compensation of the Board of Directors as well as fixed and variable compensation of the Executive Board since 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 are 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 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 to the Board of Directors and Executive Board in the past financial year in each case is submitted to the next Annual General Meeting in the consultation process for approval. As proposed by the Board of Directors at the last Annual General Meeting, 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 in each case for the current financial year by means of maximum budgets has been formally incorporated into the Articles of Association (article 29 para. 3 and article 32 para. 4).

4.6 Activity of the Compensation Committee in the financial year 2015

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 three meetings generally lasting two hours in the current year – of which one was carried out as a conference call – for the purpose of determining the achievement of targets and specifying the variable compensation (proposal to the Board of Directors) for the financial year 2015 as well as preparing for the relevant Annual General Meeting agenda items and enacting reports.

The topics here included the compensation of the Board of Directors and Executive Board, in particular, as well as the compensation of the executives and employees of Swiss Prime Site Group AG, in addition to the business performances 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 compensation were carried out with employees of other companies, and the compensation system was subject to review. Proposals regarding compensation for the Executive Board and the compensation system were the subjects of discussion, under exclusion of the Executive Board.

The Compensation Committee enlisted the services of external specialists for selected topics in the reporting year.

5 FIXED AND VARIABLE COMPENSATION IN 2015, ACHIEVEMENT OF TARGETS IN FINANCIAL YEAR 2015

The amount of fixed compensation to the Board of Directors (last revision for 2013) is still in effect and unchanged in 2015.

The amount of fixed compensation to the Executive Board members has been in effect since 2013 and was revised slightly in two cases in 2015. The increase amounted to a total of CHF 0.050 million.

The compensation of Executive Board members was also subject to comparison with market-conforming standards in 2015, 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 4500 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 very good 2015 financial results.

The members of the Executive Board that manage the operating companies of Jelvoli AG, Tertium AG and Wincasa AG have achieved the maximum value thanks to the Group's excellent financial results in terms of achievement of company-based targets (EPS). Furthermore, the members achieved an overall average of 47.16% of the possible 50% maximum variable compensation, with a high level of individual target achievement as well as high degree of achievement of the business-based targets. Consequently, the application of management discretion has been waived except for one case (Jelvoli AG). The application of management discretion acknowledges the remarkable business results achieved by the Jelvoli group company amid a very challenging market environment.

The members of the Executive Board employed by Swiss Prime Site Group AG have achieved an average of 14.25% of the possible maximum 15% individual target achievement. The quantitative target achievement (NAV and EPS, business- and company-based targets, see section 4.4.1) amounted to 35% of the maximum achievable value, so no management discretion was applied. Consequently, the overall target achievement amounted to an average of 49.33% of possible 50% of maximum variable compensation. This percentage is roughly 8% above the total target achievement of the previous year (41.4% of variable compensation).

The management discretion share in the reporting year amounted to a total of CHF 0.038 million, corresponding to roughly 0.6% of the total sum of compensation of the Executive Board.

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

Contributions made by the employer to pension funds, but not payments made by such funds in accordance with their regulations, are regarded as part of the compensation.

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.–31.12.2015

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	172	197	6	25	400	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD	102	116	6	15	239	6
Christopher M. Chambers, member of the BoD	87	99	6	–	192	6
Dr. Bernhard Hammer, member of the BoD	87	99	6	13	205	6
Dr. Rudolf Huber, member of the BoD	92	105	6	14	217	6
Mario F. Seris, member of the BoD	87	99	6	13	205	6
Klaus R. Wecken, member of the BoD	–	–	6	–	6	12
Total compensation to the Board of Directors 2015, gross	627	715	42	80	1 464	48

¹ The shares are subject to blocking for four years.

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

01.01.–31.12.2014

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	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
Total compensation to the Board of Directors 2014, gross	627	723	42	82	1 474	48

¹ The shares are subject to blocking for four years.

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

6.2 Compensation to the Executive Board

01.01.–31.12.2015

in CHF 1 000	Total Executive Board	Of which Markus Graf (CEO) ¹
Fixed compensation in cash, gross	3 832	1 400
Variable compensation in cash, gross	1 214	350
Share-based variable compensation ²	670	350
Other compensation components ³	130	123
AVS/invalidity insurance contributions	473	–
Other social security contributions	423	148
Total compensation to the Executive Board 2015, gross	6 742	2 371
Expense allowance	72	6

¹ highest compensation to the Executive Board

² The shares are subject to blocking for three years.

³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

01.01.–31.12.2014

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

¹ highest compensation to the Executive Board

² The shares are subject to blocking for three years.

³ 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

⁴ 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 – termination of employment was carried out according to contract as at end-2015 – the compensation comprising variable remuneration for 2014 as well as fixed and variable remuneration for 2015 that was owed during the period of termination was deferred in the financial year 2014. The total deferral for 2015 including the social security and pension fund benefits accounted for by the Company amounting to CHF 1.5 million are 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 deferral, the following deviations are noted versus the previous year:

One new member (Markus Meier, CFO) was appointed to the Executive Board as at 1 June 2015. Another new member (René Zahnd as designated successor to Markus Graf as CEO) joined the Executive Board as at 1 November 2015. The relevant base salaries including variable share of compensation are depicted on a pro rata temporis basis in the preceding table, showing compensation to the Executive Board for the period 1 January to 31 December 2015.

6.3 Supplemental amount for new Executive Board members

The total compensation to the Executive Board reported for the financial year 2015 exceeded the maximum amount authorised by the Annual General Meeting of 14 April 2015 by CHF 0.242 million (depicted as follows), due to additional compensation to the two newly appointed members of the Executive Board, according to the Annual General Meeting resolution.

in CHF 1 000

Maximum amount approved by the Annual General Meeting	8 000
Less share of accrued compensation in the previous year by reason of termination of employment relationship (included in compensation 2014)	– 1 500
Approved budget for Executive Board compensation for 2015	6 500
Total Executive Board compensation for 2015	6 742
Additional compensation for Executive Board members	242

The Board of Directors expended additional compensation for the remuneration of the two new Executive Board members amounting to CHF 0.242 million, according to article 32, para. 3 of the Articles of Association, for which approval by the Annual General Meeting is not required.

Amount and expenditure of the additional compensation is depicted in the following table:

Executive Board member	Position in financial year 2015	Date of appointment	Expenditure of additional compensation in CHF 1 000
Markus Meier	CFO	1 June 2015	47
René Zahnd	Designated CEO	1 November 2015	195
Total additional compensation			242

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 management 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 corresponds to the maximum amount of the last effected fixed annual compensation in proportion to the duration.

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, and 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 pension 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. Tertianum AG has a different 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 stipulated in the Articles of Association and referred to in this report to members of the Board of Directors and Executive Board is prohibited. No compensation was effected to members of the Board of Directors and Executive Board in 2015 other than that referred to in section 6.

In connection with the departure of an Executive Board member as at end-2014 – termination of employment was carried out according to contract as at end-2015 – the compensation that was owed during the period of termination was deferred in the 2014 consolidated financial statements and included in the table in section 6.2 for the period 1 January to 31 December 2014.

No compensation was paid to former members of the Board of Directors and Executive Board in 2015. No compensation was effected relating to past activities as a corporate body (article 14, para. 1, section 4 of the Ordinance).

8 ADDITIONAL INFORMATION AND COMMENTS

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

The previous article 21, para. 1 of the Articles of Association – according to which 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, and the total sum of such loans and credits may not exceed CHF 0.500 million per member – was deleted without substitution at the last ordinary shareholders' meeting.

No loans or credits were granted to present or past members of the Board of Directors or the Executive Board in 2015, and there were none outstanding as at 31 December 2015.

8.2 Compensation, loans and credits to related persons

No compensation was paid, nor loans or credits granted, to related persons under non-market-conforming conditions in 2015, and there were none outstanding as at 31 December 2015.

The Audit Committee of Swiss Prime Site AG's Board of Directors enlisted external experts in the past financial year on a contractual basis as regular observers and effected compensation thereto totalling CHF 0.015 million plus CHF 0.003 million lump-sum expense allowance for the financial year 2015.

8.3 Enlisting compensation experts

In the process of enlisting external experts for structuring the compensation system, only those advisers 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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