



SWISS PRIME SITE

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# **CORPORATE GOVERNANCE & COMPENSATION REPORT**

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**2016**

# 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.sps.swiss](http://www.sps.swiss).**

## PART 01

### STRATEGY & MANAGEMENT REPORT

- > Reports featuring strategy, business model, values-oriented corporate management, sustainability as well as opportunities and risks
- > Information about the real estate portfolio
- > Management Report with comprehensive information about business performance, earnings, financial and asset situation

## PART 02

### CORPORATE GOVERNANCE & COMPENSATION REPORT

- > Corporate Governance Report according to the guidelines of the SIX Swiss Exchange
- > Compensation Report according to the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance)

## PART 03

### FINANCIAL REPORT

- > Valuation Expert's Report
- > The audited consolidated financial statements of Swiss Prime Site AG comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes.
- > The audited financial statements of Swiss Prime Site AG comprise the income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

## NOTES FOR READERS

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# **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 AND SHAREHOLDER STRUCTURE**

### **1.1 Group structure**

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

- > Acquisition of 100% of the shares in BOAS Senior Care as at 29 February 2016
- > Acquisition of 100% of the shares in Résidence les Sources BOAS SA as at 1 July 2016
- > Acquisition of 100% of the shares in immoveris ag and immoveris properties ag as at 27 May 2016 and merger of immoveris properties ag in Wincasa AG as at 30 June 2016
- > Founding of Tertianum Management AG as at 18 March 2016
- > Merger of Ensemble artisanal et commercial de Riantbosson SA in SPS Immobilien AG as at 1 January 2016
- > Merger of WGDM Papillon AG in Perlavita AG as at 1 January 2016
- > Merger of SPS Beteiligungen Alpha AG in SPS Beteiligungen Beta AG as at 1 July 2016 and change of name to SPS Beteiligungen Alpha AG
- > Founding of Tertianum Gruppe AG as at 20 December 2016

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under securities number 803838 and ISIN number CH 0008038389. Swiss Prime Site AG reported market capitalisation of CHF 5957.8 million [CHF 5467.6 million] as at 31 December 2016.

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

		31.12.2015 Capital in CHF 1 000	Shareholding in %	31.12.2016 Capital in CHF 1 000	Shareholding in %
Clos Bercher SA, Bercher <sup>5</sup>	Assisted living	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	Real estate	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	Real estate services	–	–	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	Assisted living	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	Assisted living	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	Assisted living	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	Assisted living	–	–	20	100.0
Perlavita AG, Zurich	Assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	300	100.0
Quality Inside SA, Crissier <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	Assisted living	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	Assisted living	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	Assisted living	–	–	100	100.0
SENIOfcare AG, Wattwil <sup>3</sup>	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>8</sup>	Investments	650 000	100.0	450 000	100.0
SPS Beteiligungen Beta AG, Olten <sup>8</sup>	Investments	450 000	100.0	n/a	n/a
SPS Beteiligungen Gamma AG, Olten	Investments	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services	100	100.0	100	100.0
Tertianum AG, Zurich	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich <sup>9</sup>	Investments	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	Services	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	Services	–	–	100	100.0
Vitadomo AG, Zurich	Assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	Assisted living	100	100.0	n/a	n/a
Wincasa AG, Winterthur	Real estate services	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden <sup>3</sup>	Assisted living	1 000	51.0	1 000	51.0

<sup>1</sup> increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016

<sup>2</sup> acquisition as at 27.05.2016

<sup>3</sup> acquisition as at 01.10.2015

<sup>4</sup> founded as at 18.03.2016

<sup>5</sup> acquisition as at 29.02.2016

<sup>6</sup> acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016

<sup>7</sup> acquisition as at 01.07.2016

<sup>8</sup> SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG

<sup>9</sup> founded as at 20.12.2016

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

Field of activity	31.12.2015	Shareholding in %	31.12.2016	Shareholding in %	
	Capital in CHF 1 000		Capital in CHF 1 000		
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

### 1.2 Business fields

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

## SWISS PRIME SITE GROUP

### REAL ESTATE BUSINESS FIELD

- > immoveris ag, Berne
- > SPS Beteiligungen Alpha 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
- > Wincasa AG, Winterthur

### RETAIL BUSINESS FIELD

- > Jelmoli AG, Zurich

### ASSISTED LIVING BUSINESS FIELD

- > Clos Bercher SA, Bercher
- > Home Médicalisé Vert-Bois SA, Val-de-Ruz
- > Hôtel Résidence Bristol SA, Montreux
- > La Fontaine SA, Court
- > La Résidence des Marronniers SA, Martigny
- > Le Manoir AG, Gampelen
- > Leora S.à.r.l., Villeneuve
- > Les Tourelles S.à.r.l., Martigny
- > Perlavita AG, Zurich
- > Perlavita Rosenau AG, Kirchberg
- > Quality Inside SA, Crissier
- > Résidence Bel-Horizon Sàrl, Ecublens
- > Résidence de la Jardinerie SA, Delémont
- > Résidence du Bourg SA, Aigle
- > Résidence Joli Automne SA, Ecublens
- > Résidence le Pacific SA, Etoy
- > Résidence l'Eaudine SA, Montreux
- > Résidence les Sources Saxon SA, Saxon
- > SENIOcare AG, Wattwil
- > Tertianum AG, Zurich
- > Tertianum Gruppe AG, Zurich
- > Tertianum Management AG, Zurich
- > Tertianum Romandie Management SA, Crissier
- > Vitadomo AG, Zurich
- > Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

### 1.3 Shareholder structure as at 31.12.2016

#### 1.3.1 Shareholder structure by number of shares

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % <sup>1</sup>
1 to 5 000	9 678	94.6	5 489 926	7.7
5 001 to 50 000	425	4.2	6 318 452	8.8
50 001 to 500 000	117	1.1	17 752 823	24.8
500 001 to 1 800 349	13	0.1	11 559 050	16.2
1 800 350 and above	2	–	5 947 740	8.3
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>65.8</b>
Unregistered shares			24 410 926	34.2
<b>Total shares issued</b>			<b>71 478 917</b>	<b>100.0</b>

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



## 1.3.2 Registered shareholder structure by countries/regions

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	9 500	92.8	33 509 967	71.2
Europe (excluding Switzerland)	553	5.4	10 544 203	22.4
Other countries	182	1.8	3 013 821	6.4
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>100.0</b>

## 1.3.3 Registered shareholder structure by shareholder categories

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	9 145	89.4	7 639 785	16.2
Legal entities	453	4.4	16 793 996	35.7
Pension funds	217	2.1	9 694 673	20.6
Insurance companies	35	0.3	1 917 635	4.1
Funds	211	2.1	8 527 899	18.1
Other	174	1.7	2 494 003	5.3
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>100.0</b>

## 1.4 Major shareholders

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

Major shareholders (shareholding interest > 3%)	31.12.2015 Shareholding interest in %	31.12.2016 Shareholding interest in %
BlackRock Inc., New York	>3.0	>3.0
State Street Corporation, Boston	4.0	3.7
Credit Suisse Funds AG, Zurich	3.5	3.2

## 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<sup>1</sup>/<sub>3</sub>, 50 or 66<sup>2</sup>/<sub>3</sub> of the voting rights in Swiss Prime Site AG or traverses such percentages to the upside or downside. The disclosure notifications issued in the reporting year – according to article 120 of the Swiss Financial Market Infrastructure Act (FMIA) and the provisions of the Swiss Financial Market Infrastructure Ordinance (FMIO) – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange.

## Cross-investments

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

## 2 CAPITAL STRUCTURE

### 2.1 Capital structure as at 31.12.2016

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
<b>Share capital</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>
<b>Authorised capital</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
<b>Conditional capital</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
of which for exercising options and/or conversion rights granted with bonds or similar issues	2 662 617	15.30	40 738
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 71 478 917 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. According to articles 3a and 3b of the Company's overall effective Articles of Association (authorised and conditional capital), share capital may be increased by a maximum CHF 63.841 million.

### 2.3 Authorised capital

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 12 April 2018. 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 (download at [www.sps.swiss](http://www.sps.swiss)).

### 2.4 Conditional capital

The conditional capital of 4 172 617 [4 142 910] registered shares amounting to CHF 63.841 million [CHF 63.387 million] is divided into the following amounts:

- > CHF 40.738 million [CHF 40.284 million] (2 662 617 [2 632 910] shares) for exercising options and/or conversion rights granted in connection with bonds or similar issues, and
- > an amount of up to CHF 23.103 million [CHF 23.103 million] (1 510 000 [1 510 000] shares) for option rights allocated to shareholders.

In the reporting year, convertible bonds with a volume of nominal CHF 149.650 million [CHF 203.035 million] were converted to shareholders' equity (1 827 383 [2 860 803] shares). The precise wording regarding authorised capital can be found in article 3b of Swiss Prime Site AG's Articles of Association (download at [www.sps.swiss](http://www.sps.swiss)).

### 2.5 Share capital changes over the last three years

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
<b>Share capital as at 31.12.2013</b>	<b>60 503 081</b>	<b>15.30</b>	<b>925 697</b>
Conversion of 4 507 units of the CHF 300 million convertible bond	317 521	15.30	4 858
<b>Share capital as at 31.12.2014</b>	<b>60 820 602</b>	<b>15.30</b>	<b>930 555</b>
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
<b>Share capital as at 31.12.2015</b>	<b>69 651 534</b>	<b>15.30</b>	<b>1 065 668</b>
Conversion of 29 930 units of the CHF 190.35 million convertible bond	1 827 383	15.30	27 959
<b>Share capital as at 31.12.2016</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>

Additional details on the changes to share capital can be found in Note 25 «Shareholders' equity» of the consolidated financial statements, on page 68 of the Financial Report (part 3). Swiss Prime Site AG has no other equity instruments (for example, 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. The Articles of Association are available for download on the website at [www.sps.swiss](http://www.sps.swiss). 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

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
Nominal value as at 31.12.2016	CHF m	0.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>243.241</b>
Book value as at 31.12.2015	CHF m	189.589	0.000
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.250
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)

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.

Conversions took place in 2016 with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million], resulting in an increase in share capital of CHF 27.959 million [CHF 43.770 million] or 1 827 383 [2 860 803] registered shares, and an addition to capital reserves of CHF 119.752 million [CHF 155.976 million]. The residual amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016. Further information on convertible bonds is included in Note 22 «Financial liabilities», on page 61 of the Financial Report (part 3).

## 3 BOARD OF DIRECTORS

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised eight members. All members are non-executive members of the Board of Directors in the context of the Swiss Code of Best Practice for Corporate Governance. None of the members of the Board of Directors maintain 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
Mario F. Seris	Vice-Chairman	CH	2005
Dr. Elisabeth Bourqui	Member	CH/F/CA	2016
Christopher M. Chambers	Member	CH/UK	2009
Markus Graf	Member	CH	2016
Dr. Bernhard Hammer	Member	CH	2002
Dr. Rudolf Huber	Member	CH	2002
Klaus R. Wecken	Member	DE	2009

### 3.2 Members of the Board of Directors

#### Prof. Dr. Hans Peter Wehrli, 1952, Zurich

Chairman of the Board of Directors

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

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

> **Other mandates:**

Stock exchange-listed companies: chairman of the board of directors of 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

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

Vice-Chairman of the Board of Directors

> **Education:** lic. phil. I; Mario F. Seris graduated with a degree in English and education from the University of Zurich in 1981.

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

> **Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

None

#### Dr. Elisabeth Bourqui, 1975, Zurich

Member of the Board of Directors

> **Education:** Dr. sc. math. ETH Zurich; Dipl. Math. ETH Zurich

> **Professional activity:** Dr. Elisabeth Bourqui has held various risk management positions, including at Credit Suisse Group in Switzerland and Société Générale in New York (USA) and Montréal (Canada), as well as at consulting firm Mercer in Montréal (Canada). In 2012, she departed Canada and returned to Switzerland, where she holds the position of Head of Pension Management at ABB Group.

> **Other mandates:**

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: member of the board of directors and member of the Risk and Audit Committee of Bank Vontobel AG, Zurich

Unlisted companies: none

**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: chairman of the Supervisory Board of Moneta Money Bank, Prague, Czech Republic; 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

**Markus Graf**, 1949, Feldbrunnen

Member of the Board of Directors

> **Education:** graduated as 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:

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; delegate to the board of directors of Wasserstadtsolothurn AG, Solothurn; member of the university council of the University of Zurich

**Dr. Bernhard Hammer**, 1950, Kammersrohr

Member of the Board of Directors

> **Education:** Dr. Bernhard 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 Tertianum 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:** PhD (oec. publ.); licentiate 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 Geberit Group, Rapperswil-Jona, from 1992 to 2004. He works as an independent business consultant and lecturer at the University of 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: member of the board of directors of Arbonia AG, Arbon

Unlisted companies: chairman of the board of directors of Fageb Verwaltungs AG, Rapperswil-Jona; member of the boards of directors of Hoerbiger Holding AG, Zug; Wicor Holding AG, Rapperswil-Jona; CHRIST & HEIRI Holding AG, Zug; member of the foundation board of Hoerbiger Stiftung, Zug; chairman of the advisory board of PERI GmbH & Co. KG, Weisshorn (Germany)

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

Member of the Board of Directors

**> Education:** studies in economics at the University of Freiburg im Breisgau

**> Professional activity:** since 1974, Klaus R. Wecken has been the 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 a member of the board of directors of Jelmoli Holding AG, Zurich. Since 2007, he has built up more than 40 investments 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 a major shareholder in Deutsche Mittelstands Real Estate AG (DEMIRE), Frankfurt/Berlin, Germany, as well as Adler Real Estate AG, Berlin, 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. Since end-2015, Adler also acquired 25% of the shares in Conwert Immobilien Invest SE, Vienna – a stock exchange-listed company in Austria and Germany – which, in turn, was sold to Vonovia AG Bochum at end-2016.

**> 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 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.

**3.3 Departures from and additions to the Board of Directors during the reporting period**

Departure: Dr. Thomas Wetzel, additions: Markus Graf, Dr. Elisabeth Bourqui

**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, Nomination and 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 Nomination 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 controlling the Executive Board. The Board of Directors makes the fundamental decisions that determine the activity of the Company. Within the framework of its activities, the Board of Directors ensures profit-focused and competent management of the Company by its Executive Board, according to the provisions of the Articles of Association, the regulations and the applicable legislation.

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

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

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

business. 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 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 Nomination and Compensation Committee oversee the control and information functions relative to the Executive Board. These functions are coordinated with the Board of Directors and defined in the relevant regulations and records.

The Audit Committee, Investment Committee and Nomination and Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and 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, which were expanded with a process landscape in 2016. By means of a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets and sustainability roadmap. The Audit Committee assesses the group's risk situation through risk reporting. Risk management is subsequently assessed, approved and controlled in terms of implementation by the Board of Directors based on the request of the Audit Committee.

The Board of Directors is also supported by the internal and external auditors. The internal auditors receive audit and analysis assignments from the Board of Directors. Internal auditors have an unrestricted right to information and right of inspection of records relative to all group companies and positions. 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:

- > The Audit Committee monitors the Executive Board of Swiss Prime Site with respect to financial reporting, compliance with legislation, requirements, internal rules and guidelines, as well as with respect to risk management and monitoring external corporate activities.
- > The Audit Committee monitors and assesses the independence, 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.
- > The Audit Committee monitors and assesses the independence and activities of the valuation experts and 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, five meetings and three 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 Nomination and Compensation Committee**

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

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

- > The Nomination and Compensation Committee prepares the guidelines and proposals for the nomination (including authority to sign) for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts.
- > The Nomination and Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.

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

The Nomination and Compensation Committee implemented a generally envisaged upgrade within the body in 2016 with the nominations of two new Board of Directors members – Elisabeth Bourqui and Markus Graf – and already initiated additional future active measures. Further relevant upgrades are envisaged for the coming years, with the focus to be directed at competencies in the realms of the healthcare industry and digitalisation. During the reporting period, two meetings and one conference call of the Nomination and Compensation Committee took place.

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

### **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:

- > The Investment Committee monitors compliance with the investment guidelines defined in the investment regulations.
- > The Investment Committee reviews the acquisition and divestment of properties and submits the proposal for the purchase or sale of properties to the Board of Directors and Executive Board.

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

During the reporting period, one meeting and three conference calls of the Investment Committee took place.

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

## COMPOSITION OF THE COMMITTEES

-- BOARD OF DIRECTORS ..... COMMITTEES .....

	AUDIT COMMITTEE	NOMINATION AND COMPENSATION COMMITTEE	INVESTMENT COMMITTEE
<b>HANS PETER WEHRLI</b> Prof. Dr. oec. publ. Member since 29.04.2002 <b>Chairman</b>			
<b>MARIO F. SERIS</b> Lic. phil. I Member since 27.04.2005 <b>Vice-Chairman</b>		●	●
<b>KLAUS R. WECKEN</b> Member since 22.10.2009			●
<b>RUDOLF HUBER</b> Dr. oec. publ. Member since 29.04.2002	●		
<b>CHRISTOPHER M. CHAMBERS</b> Member since 22.10.2009	●	●	
<b>BERNHARD HAMMER</b> Dr. iur., attorney at law and notary Member since 29.04.2002	●		●
<b>ELISABETH BOURQUI</b> Dr. sc. math. ETH Zurich; Dipl. Math. ETH Zurich Member since 12.04.2016		●	
<b>MARKUS GRAF</b> Member since 12.04.2016			
<b>RENÉ ZAHND<sup>1</sup></b> CEO since 01.11.2015			●

● Member    ● Chairman

<sup>1</sup> 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 Nomination 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
René Zahnd	Chief Executive Officer	CH	2015
Markus Meier	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

### 4.2 Members of the Executive Board

**René Zahnd**, 1966, Berne

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

> **Education:** attorney at law

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

> **Other mandates:**

Mandates within Swiss Prime Site:

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

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: none

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 Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten; Tertianum AG, Zurich; Wincasa AG, Winterthur; member of the foundation board of SPS and Jelmoli pension fund, Zurich; member of the foundation board of 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 Financial Officer since 1 March 2002

**> Education:** graduated as a 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: SPS Beteiligungen Alpha 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: member of the Investment Committee of SPS/Jelmoli pension fund; 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 from 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 of IBM (Switzerland) Ltd, he previously worked at UBS AG for more than 15 years with other intermittent activities (investment advisor in wealth management, corporate finance, build-up of Swiss real estate advisory services). From 2007 to 2012, he held the position of

head of real estate advisory Switzerland at UBS AG. From 2010 to September 2013, he served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. Oliver Hofmann is also a member of the G15 – Group of Fifteen.

**> Other mandates:**

Mandates within Swiss Prime Site:

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; chairman of the board of directors of immoveris ag, Berne

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 and member of the Swiss Prime Site AG Executive Board since 1 April 2012. 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 SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli charitable foundation, 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. 2013 Certificate from the Executive School of Management, Technology and Law from the University of St. Gallen (ES HSG) in Advanced Management.

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

**> Other mandates:**

Mandates within Swiss Prime Site:

Chairman of the board of directors of Perlavita AG, Zurich; chairman of the board of directors of Perlavita Rosenau AG, Kirchberg; chairman of the board of directors of WGDM Papillon AG, Winterthur, chairman of the board of directors of Vitadomo AG, Zurich, chairman of the board of directors of SENIOcare AG, Wattwil; chairman of the board of directors of Les Tourelles S.à.r.l., Martigny (VS); chairman of the board of directors of Résidence des Marronniers SA, Martigny (VS); chairman of the board of directors of Résidence Les Sources BOAS SA, Saxon (VS); chairman of the board of directors of Clos Bercher SA, Bercher (VD); chairman of the board of directors of Résidence du Bourg SA, Aigle (VD); chairman of the board of directors of Résidence Bel-Horizon SA, Ecublens (VD); chairman of the board of directors of Résidence Le Pacific SA, Etoy (VD); chairman of the board of directors of Résidence Joli Automne SA, Ecublens (VD); chairman of the board of directors of Leora S.à.r.l., Villeneuve (VD); chairman of the board of directors of Hôtel Résidence Le Bristol SA, Montreux (VD); chairman of the board of directors of Le Manoir AG, Gampelen (BE); chairman of the board of directors of La Fontaine SA, Court (BE); chairman of the board of directors of Home Médicalisé Vert-Bois SA, Val-de-Ruz (NE); chairman of the board of directors of Résidence la Jardinerie SA, Delémont (JU); chairman of the board of directors of Quality Inside SA, Crissier (VD); chairman of the board of directors of Tertianum Romandie Management SA, Crissier (VD)

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, Zurich

**4.3 Additions to the Executive Board during the reporting period**

None.

**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 on page 30 (part 2): Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as additional amounts 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.sps.swiss](http://www.sps.swiss) 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, paragraph 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 et seq.), 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:

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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) amendment of the Company's purpose;
- b) creation of shares with increased voting power;
- c) transfer restrictions on registered shares;
- d) authorised or conditional capital increase;
- e) capital increases from shareholders' equity, against contribution in kind or for the purpose of acquiring assets as well as granting of special rights;
- f) restriction or exclusion of pre-emptive rights;
- g) change of the Company's registered office;
- h) dissolution of the Company without liquidation;
- i) dissolution of the Company with liquidation;
- j) conversion of bearer shares into registered shares;
- k) 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:

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

<sup>2</sup> 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.

<sup>3</sup> Subject to the provisions regarding universal meetings of shareholders, no resolutions can be passed on matters not thus announced except with respect to the application to convene an extraordinary shareholders' meeting or to conduct a special audit. Proposals made after 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.

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

<sup>5</sup> The Annual Report, 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, paragraph 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:

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

<sup>2</sup> 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.

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

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

<sup>5</sup> The Board of Directors is 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 of 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 Fees

The following fees were booked for the current reporting period: audit fees in the amount of CHF 1.160 million [CHF 1.167 million], fees for tax advisory services of CHF 0.017 million [CHF 0.085 million] and fees for property sales of CHF 0.430 million [CHF 0 million].

### 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 towards any special events. The Audit Committee decides whether the individual and consolidated financial statements can be submitted to the Board of Directors for approval and publication, before the Board of Directors actually approves and publishes these.

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

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

## **8 INFORMATION POLICY**

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

Swiss Prime Site presents the Semi-Annual and Annual Reports at the half-yearly and annual financial results press conference as well as at the Annual General Meeting.

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

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

## **9 SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE**

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

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# COMPENSATION REPORT

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# Report of the Statutory Auditor

To the General Meeting of Shareholders of Swiss Prime Site AG, Olten

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2016. 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 of the Board of Directors, 6.2 Compensation of the Executive Board, 6.3 Loans and credits to members of the Board of Directors and Executive Board and 6.4 Compensation, loans and credits to former members and related persons on pages 36 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 compensation system and defining individual remuneration packages.

## Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

## Opinion

In our opinion, the compensation report for the year ended 31 Dezember 2016 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, 24 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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# COMPENSATION REPORT 2016 OF SWISS PRIME SITE AG

The Compensation Report is written in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation in Listed Companies (hereinafter referred to as «Ordinance»), the standard relating to information on corporate governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

The Compensation Report describes governance framework, the compensation principles and programmes as well as the compensation awarded to the members of the Board of Directors and of the Executive Board in the financial year 2016.

## 1 LETTER OF THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

Dear Shareholders,

On behalf of the Board of Directors and of the Nomination and Compensation Committee, I am pleased to introduce the Compensation Report 2016.

Following the election of the Nomination and Compensation Committee members at the 2016 Annual General Meeting, we welcomed Elisabeth Bourqui as a new member of the Nomination and Compensation Committee.

Swiss Prime Site succeeded in realising another boost in earnings in the financial year 2016 as well as favourably positioning itself for achieving future profitable growth. The Compensation Report clarifies how the business performance impacted the compensation of the Executive Board members in the reporting year.


Following the appointment of our new CEO and CFO to the Executive Board at the end of 2015, the Nomination and Compensation Committee felt that it was the right opportunity to conduct a thorough review of the compensation system in order to ensure that it is still aligned with our business strategy and the long-term interests of our shareholders, while complying with the various regulatory requirements. This thorough review of the compensation system had been planned and announced in 2015 and was carried out in 2016. As a result, the compensation system for the Executive Board has been revised as follows:

- > From the financial year 2017, the compensation structure will be readjusted in order to emphasise the variable compensation. Concretely, part of the fixed compensation will be converted into variable compensation, which means that the fixed compensation will decrease while the variable compensation will increase, in line with the pay-for-performance principle.
- > From the financial year 2017, 62.5% of the variable compensation will be effected as a short-term incentive (STI) in cash while 37.5% of the variable compensation will be effected as performance share awards within the scope of a newly introduced long-term incentive plan (LTI). The STI will reward the annual financial performance of the business under responsibility and individual performance, while the LTI will reward the performance of Swiss Prime Site over a multi-year performance period. Therefore, the variable compensation will recognise the achievement of annual performance goals and the sustainable, long-term success of Swiss Prime Site in a well-balanced manner.
- > All performance targets will be defined on the basis of the mid-term financial planning of Swiss Prime Site, which ensures a robust, transparent and sustainable measurement of performance. From the financial year 2016, there will be no possibility for the Board of Directors to apply management discretion in the determination of the variable compensation effectively paid out.

Further details regarding these amendments and the compensation plans can be found in section 7: Outlook: Compensation changes for 2017, on page 39 and following. As a shareholder, you will have the opportunity to express your opinion on the compensation system by way of consultative vote on this Compensation Report.

Going forward, we will continue to assess and refine our compensation system to ensure that it is still suitable for its purpose. We welcome shareholders' feedback on compensation matters and would like to thank you for sharing your views with us. We trust that you will find this report interesting and informative.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mario F. Seris', is written over a light grey rectangular background.

Mario F. Seris,  
Nomination and Compensation Committee Chairman  
mario.seris@sps.swiss

## 2 GOVERNANCE

The determination of compensation of the Board of Directors and the Executive Board follows the governance principles described in this section.

The role of shareholders in compensation matters has been strengthened in recent years. Shareholders approve the maximum amount of compensation of the Board of Directors and the Executive Board by way of a binding vote at the Annual General Meeting. Furthermore, they also approve the Articles of Association that outline the principles of compensation.

### 2.1 Provisions on compensation in the Articles of Association

The Articles of Association can be found in their entirety on the Company's corporate governance website ([www.sps.swiss](http://www.sps.swiss)). The provisions on compensation are summarised in the following figure.

<b>PRINCIPLES OF COMPENSATION OF THE BOARD OF DIRECTORS</b> <hr/> <small>article 28</small>	The members of the Board of Directors receive fixed compensation for their activities. Additional compensation may be paid for memberships in committees and for assuming special tasks or assignments. The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company.
<b>PRINCIPLES OF COMPENSATION OF THE EXECUTIVE BOARD</b> <hr/> <small>articles 30 &amp; 31</small>	The members of the Executive Board receive fixed annual compensation for their activities as well as variable performance-based compensation. The variable compensation is based on quantitative and individual objectives that are determined annually by the Board of Directors in the Company's and the shareholders' long-term interests. The variable compensation may be paid in cash or partly in restricted or unrestricted shares of the Company.
<b>APPROVAL OF COMPENSATION BY THE SHAREHOLDERS</b> <hr/> <small>articles 29 &amp; 32</small>	<p>The Annual General Meeting annually approves with binding effect the maximum amount of compensation of the Board of Directors for the current financial year and the maximum amount comprising both the fixed and variable compensation of the Executive Board for the current financial year.</p> <p>The compensation effectively paid to the Board of Directors and the Executive Board is disclosed in the Compensation Report, which is subject to consultative vote by the shareholders.</p>
<b>ADDITIONAL AMOUNT FOR NEW MEMBERS OF THE EXECUTIVE BOARD</b> <hr/> <small>article 32</small>	In case of appointment of new members of the Executive Board after the approval of the maximum amount of compensation by the Annual General Meeting, the maximum additional amount available for each new member corresponds to 150% of the highest compensation paid to a member of the Executive Board in the financial year preceding the last ordinary Annual General Meeting.

The proposed maximum amounts of compensation submitted to shareholders' vote are maximum figures that would be paid out in case of substantial over-achievement of all relevant performance objectives. Therefore, the effective compensation paid out is likely to be below the approved maximum amounts. The effective compensation is disclosed in the Compensation Report, which is subject to a consultative vote by the shareholders at the Annual General Meeting. The combination of the prospective binding vote on the maximum amounts of compensation and retrospective consultative vote on the Compensation Report provides a true say-on-pay to shareholders.



## 2.2 Nomination and Compensation Committee

The Board of Directors has appointed a Nomination and Compensation Committee (CC) to provide support in compensation matters. In accordance with the Articles of Association (article 22), the Nomination and Compensation Committee consists of at least three members of the Board of Directors who are elected individually by the Annual General Meeting for a period of one year until the conclusion of the subsequent ordinary Annual General Meeting. Re-election is permitted. Mario F. Seris (Chairman), Elisabeth Bourqui and Christopher M. Chambers are the current members of the Nomination and Compensation Committee.

The responsibilities of the Nomination and Compensation Committee are defined in a separate regulation and include in summary:

- > Preparation of proposals to the Board of Directors regarding the compensation principles, including the design of variable compensation
- > Preparation of proposals to the Board of Directors regarding the maximum amounts of compensation of the members of the Board of Directors and the Executive Board to be submitted to shareholders' vote at the Annual General Meeting
- > Preparation of proposals to the Board of Directors regarding the individual compensation of the members of the Board of Directors and the Executive Board within the limits approved by the shareholders
- > Preparation of proposals to the Board of Directors on the performance objectives relevant for the determination of the variable compensation
- > Evaluation of the achievement of the performance objectives for the calculation of the variable compensation and preparation of the corresponding proposals to the Board of Directors
- > Monitoring compliance of the compensation principles with the law, the Articles of Association and internal regulations as well as the resolutions of the Annual General Meeting regarding compensation
- > Preparation of the Compensation Report
- > Preparation of the guidelines and proposals for the nomination (including authority to sign) and for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts
- > Monitoring compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board
- > Any other activities assigned by law or by the Board of Directors

The Nomination and Compensation Committee acts in an advisory capacity while the Board of Directors retains the decision-making authority on compensation matters, except for matters concerning the maximum amounts of compensation of the Board of Directors and Executive Board, which are subject to the approval of shareholders at the Annual General Meeting. The authority levels of the different bodies on compensation matters are detailed in the following table.

### AUTHORITY LEVELS IN COMPENSATION MATTERS

	CEO	CC	BoD	AGM
Compensation principles and variable compensation design		Proposes	Approves	
Maximum amounts of compensation of Board of Directors and Executive Board		Proposes	Reviews	Approves (binding vote)
CEO compensation		Proposes	Approves	
Individual compensation of the members of the Executive Board	Proposes	Reviews	Approves	
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of the members of the Executive Board	Proposes	Reviews	Approves	
Individual compensation of the members of the Board of Directors		Proposes	Approves	
Compensation Report		Proposes	Approves	Consultative vote

In 2016, the Nomination and Compensation Committee held two meetings and one conference call. All members attended all meetings and conference calls. The Nomination and Compensation Committee focused its efforts on redefining the compensation system that is applicable to the members of the Executive Board, including the re-adjustment of the compensation structure towards a stronger focus on the variable compensation, the introduction of a long-term incentive plan (LTI) and the redefinition of the performance indicators for the purpose of calculating the variable compensation. These changes are described in detail in section 7: Outlook: compensation changes for 2017. Furthermore, the Nomination and Compensation Committee performed its regular activities throughout the year, such as the performance goal setting at the beginning of the year and the performance assessment following the year-end, the annual review and determination of the individual compensation of the members of the Board of Directors and the Executive Board, as well as the preparation of the Compensation Report and of the say-on-pay compensation votes for the Annual General Meeting.

The Chairman of the Nomination and Compensation Committee reports the activities of the committee to the Board of Directors after each meeting. The minutes of the committee meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In 2016, no such external advisor was mandated.

### **2.3 Method of determination of compensation**

#### **Periodic benchmarking**

Swiss Prime Site regularly reviews the compensation of its Board of Directors and Executive Board. This includes regular benchmarking analysis – for example, every two to three years – of the compensation of similar functions in other stock exchange-listed companies that are comparable in size (market capitalisation, revenues, headcount), including real estate companies such as PSP Swiss Property, Mobimo, Allreal and Intershop. However, Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of roughly 5 621 employees – implies a higher degree of complexity than pure real estate companies. Therefore, for the comparison of the compensation of members of the Executive Board who manage operating group companies, the composition of the benchmark is determined according to the respective areas of activity: in other words, real estate services or retail and assisted living business.

The last benchmarking analysis was conducted in 2016 and served as the basis for the annual review and the determination of compensation of the members of the Board of Directors and Executive Board for the financial year 2017.

#### **Performance management**

The actual compensation paid to the individual members of the Executive Board in a given year depends on the Company and individual performance. Individual performance is assessed through the annual performance management process, which aims to align individual and collective objectives, to stretch performance and to support personal development. The Company and individual objectives are determined at the beginning of the financial year and achievement against these objectives is assessed at year-end. In discussing the individual performance of the members of the Executive Board, the Nomination and Compensation Committee considers the achievement of the individual performance objectives pre-determined during the performance management process as well as the extent to which the executives have conducted themselves in line with Swiss Prime Site's DNA. The Company's DNA includes Swiss Prime Site's vision, the corporate culture, the Company's values and its commitment towards sustainability. The performance assessment is the basis for the determination of the actual compensation, as illustrated in the following figure.



**3 COMPENSATION PRINCIPLES**

Swiss Prime Site’s compensation principles reflect the Company’s commitment to attract, develop and retain qualified and talented executives. Compensation drives performance, rewards for the achievement of business and individual objectives as well as supports the long-term creation of value for the shareholders. In order to ensure market competitiveness, the compensation structure and levels are subject to regular reviews. Compensation decisions are fair and transparent. The compensation principles are outlined in the following figure.

<p><b>PAY FOR PERFORMANCE</b></p>	<p>Compensation of the Executive Board is directly linked to Company and individual performance. Both the annual performance and sustainable success of Swiss Prime Site are rewarded through a well-balanced combination of performance objectives.</p>
<p><b>ALIGNMENT TO SHAREHOLDERS’ INTERESTS</b></p>	<p>A portion of compensation is delivered in the form of shares in order to align the interests of the members of the Executive Board with those of the shareholders.</p>
<p><b>COMPETITIVENESS</b></p>	<p>Compensation is regularly benchmarked against that of comparable companies in order to ensure market competitiveness.</p>
<p><b>INTERNAL EQUITY AND FAIRNESS</b></p>	<p>Compensation decisions are based on objective factors such as scope of function, external value of role and performance of the individual and are communicated in an open and transparent manner.</p>

**4 COMPENSATION SYSTEM OF THE BOARD OF DIRECTORS**

In order to ensure their independence in exercising their supervisory duties towards the Executive Board – and to strengthen their focus on the long-term strategy and good corporate governance of the Company – the members of the Board of Directors receive a fixed compensation only, including an annual retainer reflecting the respective member’s role on the Board of Directors and on the boards of group companies, as well as a lump-sum expense allowance.

Half of the compensation of the members of the Board of Directors is paid in cash and the other half is paid in the form of Swiss Prime Site AG shares. This reinforces the alignment of their interests with those of the shareholders. The shares are allocated at the end of the financial year on the basis of the market value at the beginning of the financial year, less a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 50% of the fixed compensation, depending on the share price performance during the financial year. The allocated shares are subject to blocking for a period of four years and are also blocked for members who are leaving the Board of Directors.

The compensation levels of the Board of Directors are shown in the following table.

## COMPENSATION LEVELS OF THE BOARD OF DIRECTORS

<b>Fixed annual retainer for members of the Board of Directors</b>	<b>CHF</b>
Chairman of the Board of Directors	350 000
Vice-Chairman of the Board of Directors	190 000
Member of the Board of Directors <sup>1</sup>	180 000
<b>Additional compensation</b>	<b>CHF</b>
Lump-sum expense allowance	6 000

<sup>1</sup> additional fee of CHF 10 000 for audit committee chairman

## 5 COMPENSATION SYSTEM OF THE EXECUTIVE BOARD (VALID UNTIL 31.12.2016)

The members of the Executive Board receive an annual base salary and variable compensation as well as benefits. The compensation structure of the Executive Board applicable to the financial year 2016 is outlined in the following table.

### COMPENSATION STRUCTURE OF THE EXECUTIVE BOARD

	<b>Element</b>	<b>Purpose</b>	<b>Drivers</b>	<b>Performance measures</b>
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role, as well as skills and experience	
Variable compensation	Cash bonus and restricted shares	Pay for performance and alignment with shareholders' interests	Achievement of annual business and individual objectives	NAV, EPS and individual goals
Benefits	Social contributions, retirement plans and fringe benefits	Provide a reasonable level of income in case of retirement, death or disability	Market practice and function	

The Board of Directors considers several factors when reviewing and setting the individual compensation of each member of the Executive Board:

- > Market value of the role (external benchmark)
- > Internal salary structure (internal benchmark)
- > Individual profile of the incumbent in terms of experience and skill set
- > Individual performance and potential
- > Affordability for the Company

#### 5.1 Annual base salary

The annual base salary reflects the scope of the role and its responsibilities, the experience and skills required to perform the role and the profile of the incumbent in terms of seniority and experience. The annual base salary is paid in cash, typically in monthly instalments and serves as the basis for determining the size of the variable compensation.

#### 5.2 Variable compensation

The variable compensation rewards for the business results of Swiss Prime Site and the operating group companies, as well as for the achievement of individual performance objectives. Therefore, it allows executives to participate in the Company's success while being rewarded for their individual contributions.

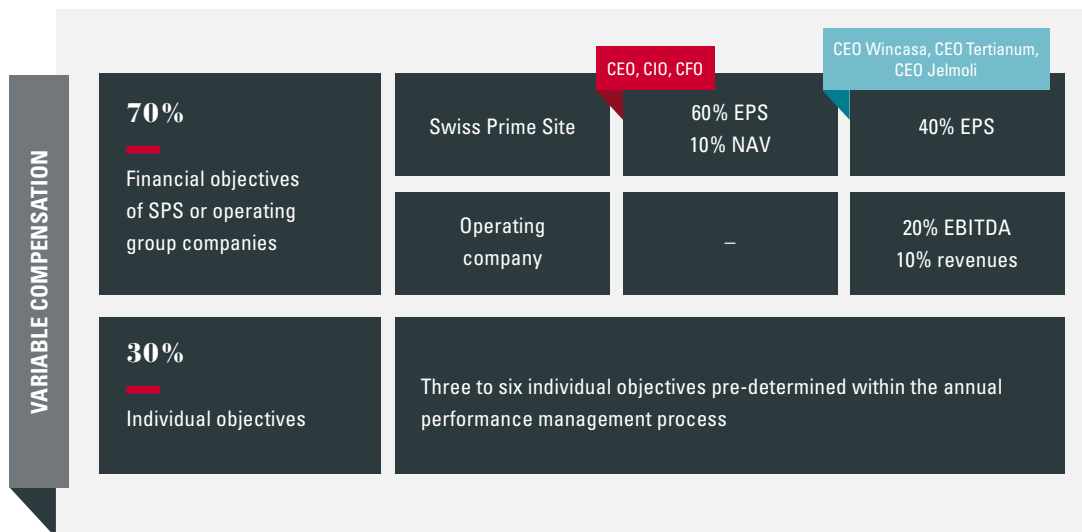
At target (for 100% achievement of all performance objectives), the variable compensation amounts to 25% of the annual base salary. At maximum, it amounts to 50% of the annual base salary. The variable compensation depends on the achievement of financial and individual objectives.

The financial objectives make up 70% of the variable compensation. For the members of the Executive Board employed by Swiss Prime Site, the business objectives of Swiss Prime Site include earnings per share (EPS) excluding revaluation effects, weighted at 60%, and net asset value (NAV) of Swiss Prime Site, weighted at 10%. For the members of the Executive Board who manage the operating group companies Jelmoli AG, Tertianum AG and Wincasa AG, financial objectives include EPS of Swiss Prime Site, weighted at 40%, earnings before interest, tax, depreciation and amortisation (EBITDA) of the respective operating company, weighted at 20%, and revenues of the respective operating company, weighted at 10%. This combination of objectives rewards the success of Swiss Prime Site as a whole and of the operating group companies in a balanced manner. In order to strengthen the Company's market position and continuously strive for superior performance, financial objectives are determined in line with the Company's ambitious financial plan.

The individual objectives make up 30% of the variable compensation, consisting of individual objectives that are determined and agreed upon within the annual performance management process. These objectives are set in the following three categories:

- > Standard objectives inherent to the scope of the function and including various operational measures such as external financing ratios, vacancy rates or the completion of strategic initiatives or projects
- > Innovation objectives determined in the context of the development of new services or new organisations
- > Development objectives including personal development and leadership goals

The following figure provides an overview of the performance objectives in 2016 for each member of the Executive Board.



The variable compensation is paid in March of the subsequent financial year. For members of the Executive Board employed by Swiss Prime Site Group AG, the variable compensation is paid half in cash and half in restricted shares. The other members of the Executive Board may decide to invest up to 25% of their variable compensation in shares. 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 shares are allocated on the basis of the market price at the beginning of the financial year minus a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 25% or 50% of the fixed compensation, depending on the share price performance during the financial year. The shares are subject to a blocking period of three years during which they cannot be pledged, sold or transferred.

### **5.3 Benefits**

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, the risk of disability and death and risks to health. The members of the Executive Board are covered by the respective pension plans of the employing company. These pension plans contain no provisions for members of the Executive Board that deviate from the regulations valid for all other 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 separate insurance solution. The maximum contribution limits (maximum insured salary) range from CHF 0.3 million to CHF 0.5 million. The employer contributions depend on age and position and range between 10% and 14%.

Furthermore, all members of the Executive Board are entitled to a representation allowance in line with the regulations applicable to all members of the Executive Board approved by the tax authorities.

### **5.4 Contracts of employment**

According to article 23 of the Articles of Association, the contracts determining the compensation of the members of the Board of Directors and the Executive Board may be of fixed or unlimited term. The maximum duration of fixed-term contracts is one year. The notice period for unlimited contracts may not exceed one year. These contracts may stipulate post-contractual non-competition clauses with a duration of up to one year. The compensation corresponds to no more than the last effected fixed annual compensation in proportion to the duration.

The current employment contracts of the members of the Executive Board are of unlimited term and include notice periods of six to twelve months. These contracts contain no unordinary provisions, particularly no severance pay, no extraordinary clauses in the event of change of control over the Company and no non-competition clauses.

## **6 COMPENSATION AWARDED IN 2016**

The compensation is disclosed in gross terms and according to the accrual accounting principle: in other words, all compensation is reported in the respective period (in other words, financial year) in which it is recorded in the financial statements. Contributions made by the employer to pension funds are considered compensation and disclosed as such.

### **6.1 Compensation of the Board of Directors**

In 2016, the total compensation of the Board of Directors amounted to CHF 1.7 million [2015: CHF 1.5 million] in the form of cash payments of CHF 0.7 million [2015: CHF 0.6 million], restricted shares of CHF 0.8 million [2015: 0.7 million], social contributions of CHF 0.1 million [2015: CHF 0.1 million] and other forms of compensation of CHF 0.1 million [2015: CHF 0.1 million].

The total amount of compensation of CHF 1.7 million awarded to the Board of Directors in 2016 is within the maximum amount of compensation of CHF 1.8 million for the financial year 2016 approved by the shareholders at the Annual General Meeting on 12 April 2016.

This constitutes an increase of 13.3% compared with the previous year's figure, which is attributable to a different number of Board of Directors members versus the prior year.

The Board of Directors comprised seven members in 2015. At the Annual General Meeting of 2016, one existing member declined to seek re-election and two new members were elected to the Board of Directors. Consequently, the Board of Directors now comprises eight members since the Annual General Meeting of 2016.

## 01.01.–31.12.2016

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions OASI/DI	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	175	201	6	24	406	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD <sup>3</sup>	34	41	–	5	80	2
Mario F. Seris, Vice-Chairman of the BoD	95	109	6	14	224	6
Dr. Elisabeth Bourqui, Member of the BoD <sup>4</sup>	60	69	6	9	144	4
Christopher M. Chambers, Member of the BoD	90	103	6	–	199	6
Markus Graf, Member of the BoD <sup>4</sup>	60	69	5	–	134	4
Dr. Bernhard Hammer, Member of the BoD	90	103	5	13	211	6
Dr. Rudolf Huber, Member of the BoD	95	109	6	14	224	6
Klaus R. Wecken, Member of the BoD <sup>5</sup>	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2016, gross</b>	<b>699</b>	<b>804</b>	<b>46</b>	<b>79</b>	<b>1 628</b>	<b>52</b>

<sup>1</sup> the shares are subject to blocking for four years, fair value upon transfer of shares

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

<sup>3</sup> until 12.04.2016

<sup>4</sup> since 12.04.2016

<sup>5</sup> waived the annual fee and received a CHF 12 000 lump-sum expense allowance

## 01.01.–31.12.2015

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions OASI/DI	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 <sup>3</sup>	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2015, gross</b>	<b>627</b>	<b>715</b>	<b>42</b>	<b>80</b>	<b>1 464</b>	<b>48</b>

<sup>1</sup> the shares are subject to blocking for four years, fair value upon transfer of shares

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

<sup>3</sup> waived the annual fee and received a CHF 12 000 lump-sum expense allowance

## 6.2 Compensation of the Executive Board

In 2016, the members of the Executive Board received total compensation of CHF 6.2 million [2015: CHF 6.7 million]. This amount comprises fixed salaries of CHF 3.5 million [2015: CHF 3.8 million], variable compensation in cash of CHF 1.1 million [2015: CHF 1.2 million], variable compensation in shares of CHF 0.6 million [2015: CHF 0.7 million], other expenses of CHF 0.01 million [2015: 0.1 million] and contributions to social security and post-employment benefits of CHF 1.0 million [2015: CHF 0.9 million].

The total amount of compensation of CHF 6.2 million awarded to the Executive Board in 2016 is within the maximum amount of compensation of CHF 7.0 million for the financial year 2016 approved by the shareholders at the Annual General Meeting on 12 April 2016.

### 01.01.–31.12.2016

in CHF 1 000	Total Executive Board	Of which René Zahnd (CEO) <sup>1</sup>
Fixed compensation in cash, gross	3 500	1 000
Variable compensation in cash, gross	1 082	235
Share-based variable compensation <sup>2</sup>	605	235
Other compensation components <sup>3</sup>	13	6
Pension fund contributions	591	96
Other social security contributions	395	107
<b>Total compensation to the Executive Board 2016, gross</b>	<b>6 186</b>	<b>1 679</b>
Expense allowance	105	18

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

<sup>2</sup> the shares are subject to blocking for three years, fair value upon transfer of shares

<sup>3</sup> includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss Federal Railways (SBB) general pass, gross

### 01.01.–31.12.2015

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

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

<sup>2</sup> the shares are subject to blocking for three years, fair value upon transfer of shares

<sup>3</sup> includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss Federal Railways (SBB) general pass, gross

This constitutes a decrease of 8.25% compared with the previous year's figure, which is attributable to the following factors:

- > The annual base salary of Executive Board members was raised for just one member by 6.7% compared with the previous year, while the other base salaries remained unchanged. Based on the new composition of the Executive Board (new CEO and CFO), the overall fixed compensation declined.
- > The payout factor for short-term compensation in cash for 2016 was higher on average than in 2015 due to the solid financial results in 2016. Swiss Prime Site's earnings per share (EPS) excluding revaluation effects and the NAV result significantly surpassed the previously set target values, while the operating group companies overall exceeded their financial targets as well. Consequently, the payout factor for the CEO corresponded to 47.0% [previous year: 50% for the previous CEO] of the annual base salary and for the other Executive Board members corresponded to 48.2% on average [average for 2015: 49.3%] of the annual base salary. Based on the new



composition of the Executive Board (new CEO and CFO), the absolute value of compensation in cash declined compared with the previous year.

- > The value of share-based compensation was somewhat lower versus the previous year's figure due to the new composition of the Executive Board (new CEO and CFO). The entitlement to Executive Board members employed by the operating group companies remained largely unchanged.

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 2016 other than that referred to in sections 6.1 and 6.2.

### **6.3 Loans and credits to members of the Board of Directors and Executive Board**

No loans or credits were granted to present or former members of the Board of Directors or the Executive Board in 2016, and there were no loans or credits outstanding as at 31 December 2016.

### **6.4 Compensation, loans and credits to former members and related persons**

No compensation was paid, nor loans or credits granted, to former members of the Board of Directors and the Executive Board or to persons related to members of the Board of Directors and the Executive Board, and there were no such loans or credits outstanding as at 31 December 2016.

### **6.5 Shareholdings of members of the Board of Directors and Executive Board**

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.

### **6.6 Business relations of members of the Board of Directors**

No member of the Board of Directors has any significant business relationship with Swiss Prime Site AG or its group companies.

## **7 OUTLOOK: COMPENSATION CHANGES FOR 2017**

Following the leadership changes in the Executive Board in 2015, the Nomination and Compensation Committee had announced that it would conduct a thorough review of the compensation policy applicable to the Executive Board to ensure that it is still aligned with the business strategy and long-term interests of the Company's shareholders, while complying with the various regulatory requirements. This review took place in 2016 and was driven by the strategic alignment of the compensation policy with the business strategy and the mid-term financial planning. The feedback received from shareholders on compensation matters in recent years has been taken into consideration as well. As a result of the review, the Nomination and Compensation Committee proposed the following fundamental changes that were approved by the Board of Directors:

- > Re-adjustment of the compensation structure in order to emphasise the variable compensation: part of the fixed compensation will be converted into variable compensation. Concretely, the fixed compensation portion will decrease while the variable compensation will increase, in line with the pay-for-performance principle.
- > Split of the variable compensation into two components: 62.5% awarded as a short-term incentive (STI) in cash and 37.5% delivered in the form of performance share awards under a new long-term incentive plan (LTI).
- > Refinement of performance objectives for the purpose of calculating the variable compensation: the STI will reward the annual financial performance of the business under responsibility and the individual performance, while the LTI will reward the performance of Swiss Prime Site as a whole over a performance period of several years. Therefore, the performance of Swiss Prime Site as a group and the performance of the individual operating group companies will be rewarded in a balanced manner.
- > Direct link to the mid-term financial planning: all performance indicators will be determined on the basis of the mid-term financial planning of the Company, which ensures a robust, transparent and sustainable measurement of performance. From the financial year 2016, there will be no possibility for the Board of Directors to apply management discretion in the determination of the effective variable compensation awarded.

The amended structure of compensation is summarised in the following table.

**COMPENSATION STRUCTURE OF THE EXECUTIVE BOARD AS AT THE FINANCIAL YEAR 2017**

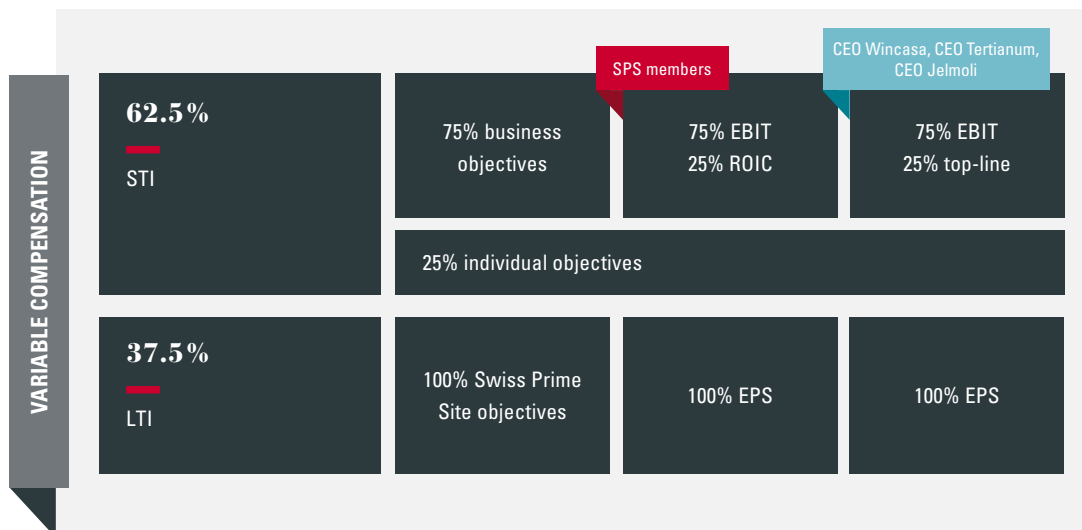
	Element	Purpose	Drivers	Performance measures
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role, as well as skills and experience	
Variable compensation	STI (cash bonus)	Pay for performance	Achievement of annual business and individual objectives	EBIT, ROIC and top-line performance
	LTI (performance share awards)	Pay for performance and alignment with shareholders' interests	Group performance over three years and continued employment	Earnings per share (EPS)
Benefits	Social contributions, retirement plans and fringe benefits	Provide a reasonable level of income in case of retirement, death or disability	Market practice, function and local regulations	

**7.1 Annual base salary**

Part of the annual base salary will be converted into variable compensation, in line with the pay-for-performance principle. Therefore, the annual base salary of Executive Board members will be reduced, with effect for the financial year 2017.

**7.2 Variable compensation**

The variable compensation amounts to 75% (target value) and a maximum of 100% of the annual base salary (at maximum payout level) and will be split into STI and LTI, as shown in the following figure.



**STI – cash bonus**

The STI will amount to 62.5% of the variable compensation and reward for the business and the individual performance over a time horizon of one year.

The business-related objectives will make up 75% of the STI. For the members of the Executive Board employed by Swiss Prime Site, business objectives will include earnings before interest and tax (EBIT) of Swiss Prime Site excluding revaluation effects weighted at 75%, and return on invested capital (ROIC) of Swiss Prime Site weighted at 25%.

For the members of the Executive Board who manage Jelmoli AG, Tertianum AG and Wincasa AG, and are employed by the respective operating company, business objectives will include EBIT of the respective operating company and a top-line performance indicator, such as assets under management or development of new businesses.

For each business objective, a target will be set corresponding to the expected level of performance that will generate a 100% payout if achieved. A threshold of performance, below which there will be no payout, and a maximum payout will be determined as well. The objectives and the target level of performance will be determined on the basis of the mid-term financial planning. Therefore, the target setting is very robust and ambitious.

The individual objectives are weighted with 25% of the STI, consisting of annual personal objectives that are determined and agreed upon within the performance management process. For the CEO, the individual objectives will include implementation of innovation and sustainability initiatives, strategic management of the operating group companies and perception of Swiss Prime Site as a leading real estate company in line with the Company's vision. For the other members of the Executive Board, individual objectives will be set in the areas of risk management, reduction of the fluctuation and vacancy rates, customer satisfaction, contract renewals and people management.

#### LTI – performance share awards

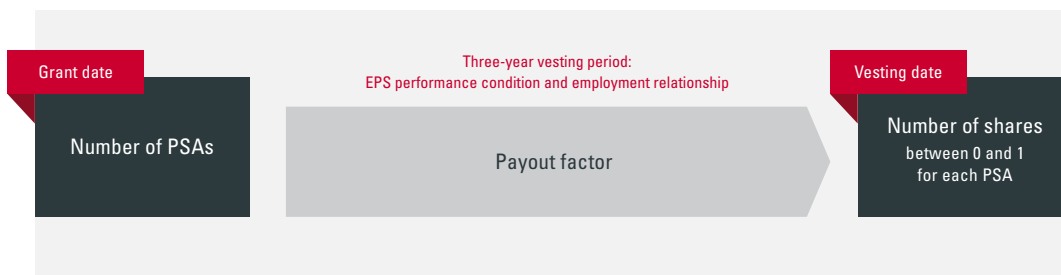
The LTI will amount to 37.5% of the variable compensation, to be delivered in the form of performance share awards that reward for the long-term performance of Swiss Prime Site and align the interests of the members of the Executive Board with those of the shareholders.

At the grant date, the LTI amount will be converted into a number of performance share awards based on the average volume-weighted share price during the last 60 trading days prior to the grant date.

The performance share awards will be subject to a three-year cliff vesting conditional upon the achievement of a performance condition and the continuous employment of the individual during the vesting period. The performance condition will be the earnings per share (EPS) excluding revaluation effects of Swiss Prime Site, predefined for the three-year vesting period based on Swiss Prime Site's ambitious mid-term financial planning.

At the vesting date, the performance share awards will vest and be converted into Swiss Prime Site shares on the basis of the payout factor, based on the achievement of the EPS performance condition. The payout factor ranges from 0% to 100%.

The mechanism of the performance share awards under the LTI plan is described in the following figure.



The performance share awards (PSAs) are subject to forfeiture clauses in case of termination of employment during the vesting period. In case of termination for cause, all PSAs are forfeited. In case of resignation or termination (not for cause), PSAs granted in the year of termination are forfeited. PSAs granted in previous years are subject to the regular vesting schedule. In cases of retirement, disability or death, the PSAs are subject to a pro-rata vesting for the number of full months of employment in the respective vesting period that have expired until the termination date. The determination of the payout factor and the vesting date remain unchanged (no acceleration of vesting). In case of change of control, the PSAs are subject to an accelerated pro-rata vesting for the number of full months of the respective

vesting period that have expired until the date of change of control, on the basis of the effective EPS performance at the date of change of control, as determined by the Board of Directors.

The new compensation system applicable to the members of the Executive Board is well balanced: it is performance oriented with a larger portion of variable compensation, and it reflects the business strategy by rewarding Swiss Prime Site's profitability as well as the top-line and bottom-line contributions of the operating group companies, while aligning with the shareholders' long-term interests by rewarding EPS of Swiss Prime Site over a three-year period.

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Headquarters

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Swiss Prime Site AG  
Frohburgstrasse 1  
CH-4601 Olten

Zurich Office

---

Swiss Prime Site AG  
Prime Tower, Hardstrasse 201  
CH-8005 Zurich

Geneva Office

---

Swiss Prime Site AG  
Rue du Rhône 54  
CH-1204 Geneva

Phone +41 58 317 17 17 | [info@sps.swiss](mailto:info@sps.swiss) | [www.sps.swiss](http://www.sps.swiss)