

SWISS PRIME SITE

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ANNUAL  
REPORT

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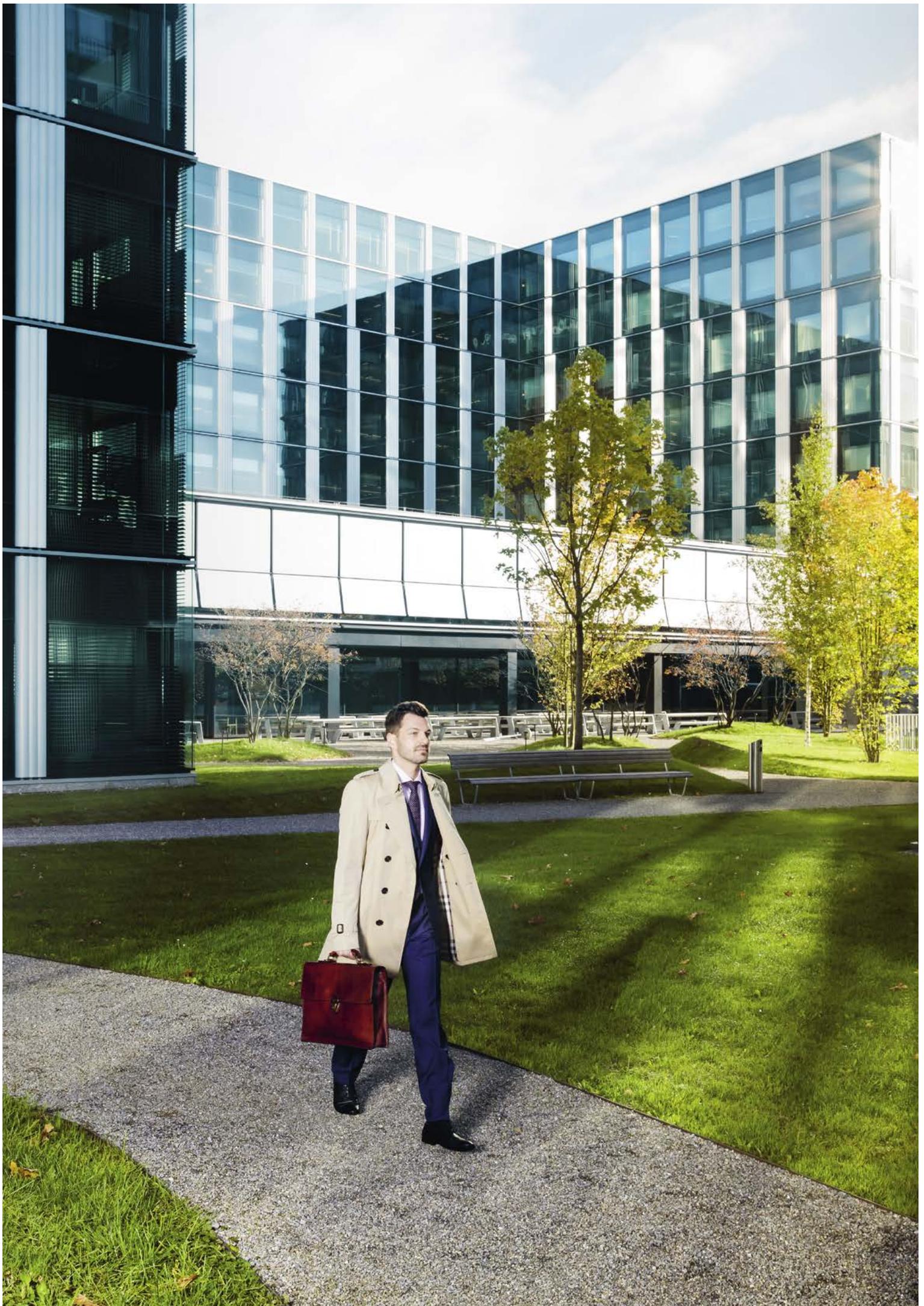
2017



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# ANNUAL REPORT

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### **Reporting structure**

Swiss Prime Site AG is the leading listed real estate company in Switzerland. The innovatively and sustainably managed real estate portfolio forms the Company's core business. The reporting structure comprises this Annual Report as well as the separately published Financial Report and Sustainability Report. In the context of innovation and sustainability, the reporting process is now carried out primarily online.



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# STRATEGY AND MANAGEMENT REPORT

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# Our strengths at a glance



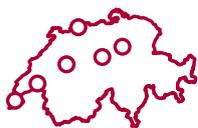
## Sustainable business model

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



## Stable financing

The Company boasts a stable financing situation through debt and shareholders' equity. The equity ratio amounts to a good 43.1%. The composition of debt equitably consists of the use of various instruments such as bonds, mortgages and loans. The loan-to-value ratio of 45.6% is hovering in the strategic target range.



## First-class quality of location

The current portfolio of 188 high-quality properties comprises value-retaining Swiss properties situated in first-class locations with a fair value of CHF 10.6 billion. In this context, the Company focuses strongly on office and retail properties. The vacancy rate amounts to 5.2% and is thus one of the lowest in Switzerland.



## High profitability and growth

The existing real estate portfolio realises an attractive net yield of 3.7%. Swiss Prime Site achieves a return on equity (ROE) of 6.4%. The project pipeline for the coming years comprises more than 20 projects totalling an investment volume of CHF 2.1 billion.



## Stock's high level of liquidity

Swiss Prime Site is the largest stock exchange-listed real estate company in Switzerland, with market capitalisation of approximately CHF 6.4 billion. The roughly 71.5 million registered shares are subject to 100% free float and exhibit a high level of liquidity on the SIX Swiss Exchange.



## Equitable dividend policy

The Board of Directors pursues a constant and investor-friendly dividend policy. Around 80% of the profits generated excluding revaluations and deferred taxes are currently repatriated to the shareholders. The dividend yield amounts to 4.2% at present.

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## Results

1 154.8

CHF million operating income  
+10.0% year-on-year

305.5

CHF million profit  
-1.8% year-on-year

3.80

CHF dividend<sup>1</sup>  
+2.7% year-on-year

---

## People

5 910

Employees  
+5.1% year-on-year

4 426

Women  
+4.2% year-on-year

478

Apprentices  
+11.7% year-on-year

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## Potential

2.1

CHF billion project pipeline  
+5.0% year-on-year

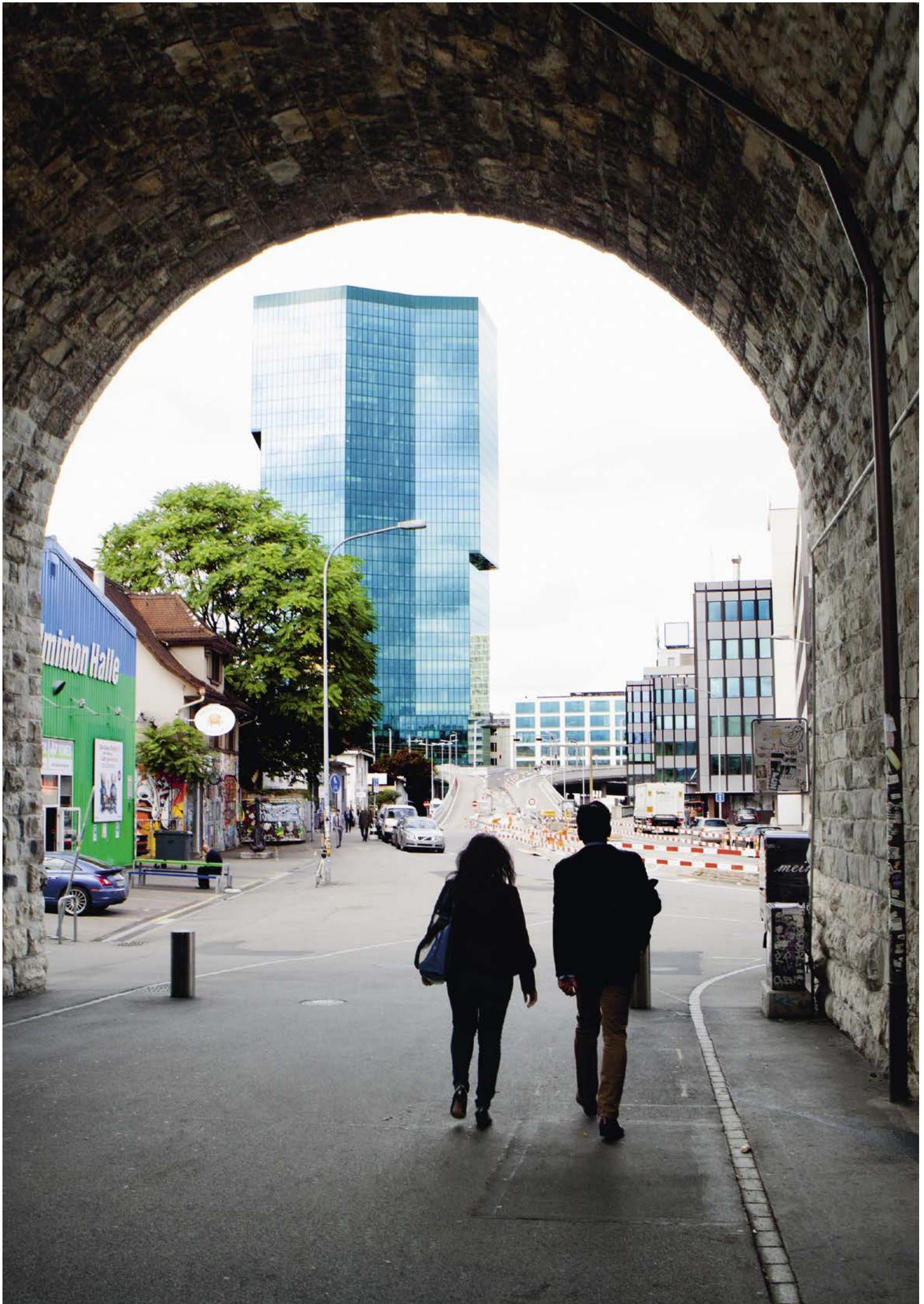
1.6

Million m<sup>2</sup> rental floor space  
+4.9% year-on-year

5.2

Percent vacancy rate  
-14.8% year-on-year

<sup>1</sup> according to proposal to Annual General Meeting of 27 March 2018





## Dear Shareholders,

Swiss Prime Site's vision is to design functional, flexible and attractive spaces. With our know-how and active project planning – which are based on the utmost customer orientation – we aim to contribute to developing concepts and products that constitute more than just office or retail space. Our aspiration is to plan spaces that complement one another, that interact with one another and, in turn, to create living spaces where people like to linger, work efficiently and find a constructive basis. We managed to successfully execute our projects in 2017 too.

Swiss Prime Site closed out the financial year 2017 with favourable results. Operating income of CHF 1 154.8 million as well as profit excluding revaluations and deferred taxes of CHF 307.4 million reached respective new record highs. We succeeded in completing some projects and initiating many new ones that precisely follow suit with our guiding principles. In the wake of the debut of the desired «Motel One» in the convention city of Basel already in 2016, «Motel One» subsequently also executed its market launch in Zurich in 2017. Swiss Prime Site thus developed the largest hotel in German-speaking Switzerland comprising 394 rooms from an office building that was no longer contemporary. A development site for research, business, entertainment, wellness and local recreation will emerge in the coming years from the former Stückerli shopping centre in Basel. Swiss Prime Site has also commenced an impressive conversion project with the «Schönburg» site in Berne. A new living space will be constructed for the city of Berne in a few years from the former Swiss Post headquarters. We are executing another one of our ground-breaking projects in Zurich City at present. The objective is aimed at offering maximum flexibility to future generations of enterprises and their employees. With «YOND», a product will emerge that has never before existed on the Swiss market.

Our driving force comprises having a vision and deriving a strategy therefrom, striving to provide society with the requisite spaces that are skilfully networked as well as consequently creating living spaces. We will address the markets with this same approach in the coming year and beyond as well.

I would like to thank our valued customers and partners for their trust in the past financial year. I wish to also express my thanks to the employees of the entire Swiss Prime Site Group, the Executive Board and my colleagues on the Board of Directors.

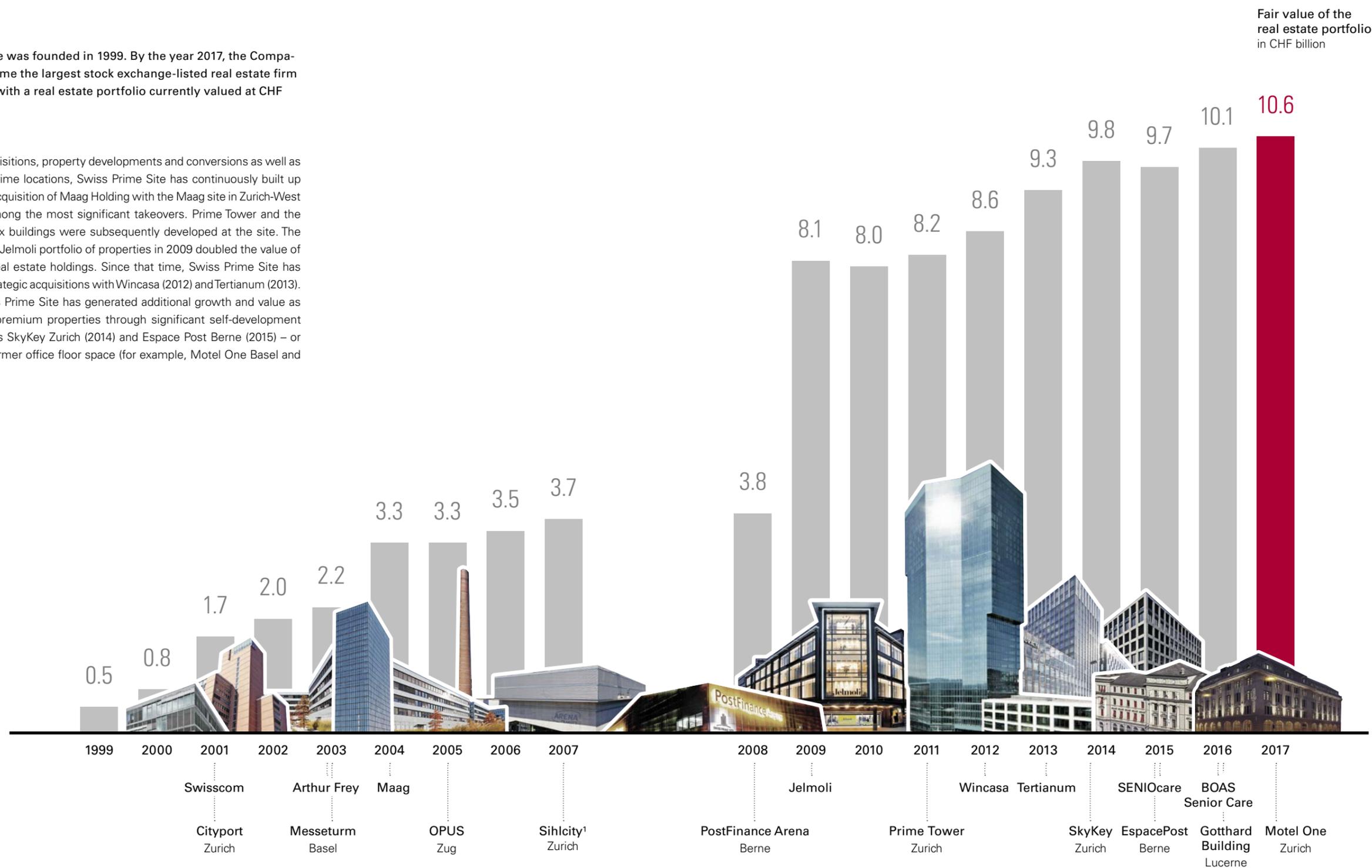
A handwritten signature in blue ink, appearing to read 'Wehrli', with a horizontal line extending to the right.

Hans Peter Wehrli  
Chairman of the Board of Directors

# Success story

Swiss Prime Site was founded in 1999. By the year 2017, the Company grew to become the largest stock exchange-listed real estate firm in Switzerland, with a real estate portfolio currently valued at CHF 10.6 billion.

By means of acquisitions, property developments and conversions as well as sharp focus on prime locations, Swiss Prime Site has continuously built up its portfolio. The acquisition of Maag Holding with the Maag site in Zurich-West in 2004 count among the most significant takeovers. Prime Tower and the surrounding annex buildings were subsequently developed at the site. The acquisition of the Jelmoli portfolio of properties in 2009 doubled the value of the Company's real estate holdings. Since that time, Swiss Prime Site has carried out key strategic acquisitions with Wincasa (2012) and Tertianum (2013). In addition, Swiss Prime Site has generated additional growth and value as well as created premium properties through significant self-development projects – such as SkyKey Zurich (2014) and Espace Post Berne (2015) – or conversions of former office floor space (for example, Motel One Basel and Zurich).



<sup>1</sup> Swiss Prime Site share 24.2%

# Our markets

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

## Rental market

The market for commercial properties on which Swiss Prime Site focuses is in motion. On the one hand, a substantial supply of floor space has been constructed in recent years, which could be absorbed very well from the growing demand. This trend was spurred on primarily by growth of the Swiss economy and the resulting partially correlating immigration of workforce. Swiss Prime Site exploited this market situation to develop and complete projects. On the other hand, digitalisation has affected all sectors and even all levels of the economy in the interim. The stationary retail sector, in particular, has come under pressure from the online retail trade. This dynamic change goes hand in hand with the growing needs of tenants and consumers. Start-ups, services providers and online enterprises are flexible and desire such real estate products. These market-influencing factors pose challenges, but also offer opportunities for Swiss Prime Site. Indeed, the Company's attractive and modern portfolio of existing properties as well as project pipeline – boasting substantial reserves and thus harbouring significant potential – is regarded as a great opportunity.

## Transactions market

The Swiss real estate market has achieved new record highs for years. This trend is based particularly on the aforementioned effects of the country's favourable economic performance as well as correlating immigration activity. Residential in addition to commercial properties have enjoyed robust demand in recent years. Furthermore, the demand for senior residential housing has increased due to demographic growth. The global financial markets also had an additional strong indirect impact on the transactions market. National and international monetary policy heavily influenced the interest rate landscape, in which capital could be obtained and invested at very attractive conditions. The positive trend in market prices continues to prevail. Pressure still looms on transaction yields in prime locations. Swiss Prime Site succeeded in achieving good growth amid

this environment, which was mostly focused on development projects rather than capital-intensive transactions.

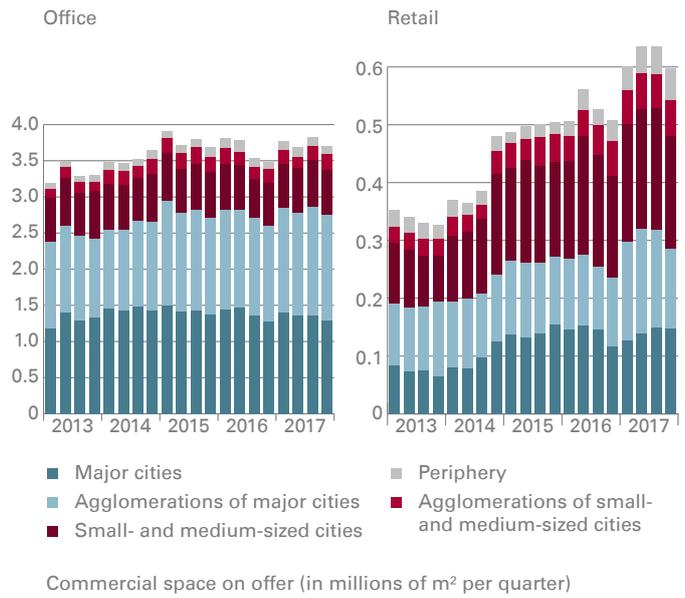
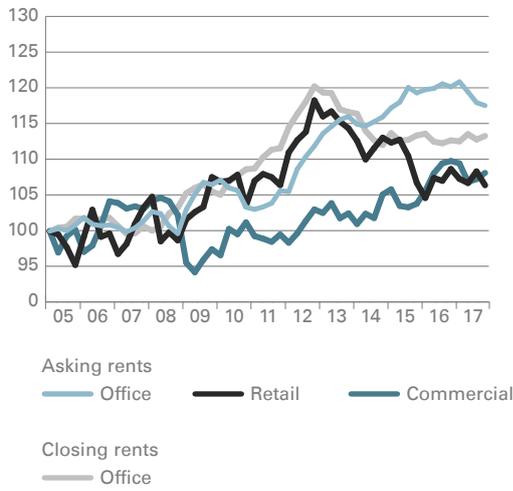
.....  
**+ 8 percent p.a.**

average annual performance (total return) of the Swiss Prime Site AG share from IPO in 2000 to end-2017  
.....

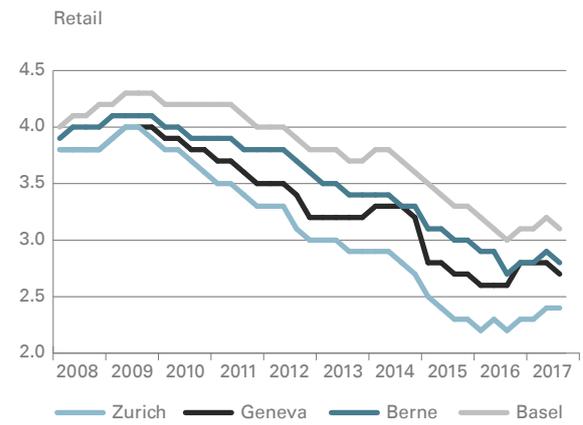
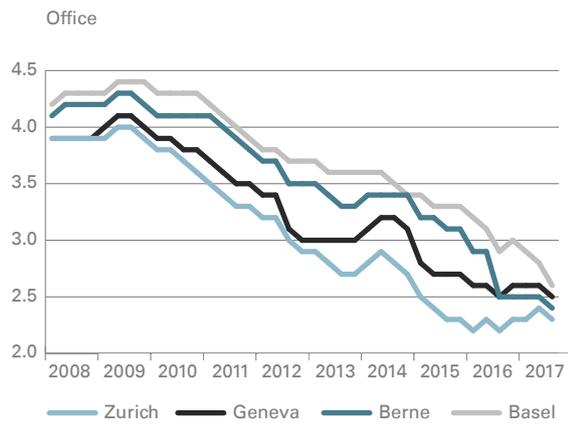
## Capital market

Investments in first-class properties with focal point on Switzerland are associated with significant capital expenditures. National and international monetary policy decisions in recent years have led to such a noticeable change in the interest rate environment that investments increased in direct as well as indirect real estate assets. From the perspective of the overall cycle, Swiss Prime Site was able to obtain favourable financing on the capital market in addition to upholding its performance on the stock market. In fact, since the Company's initial public offering, the Swiss Prime Site share has realised an above-average performance (total return) of +8% per annum, which surpassed the performances turned in by the sector and the market. The Swiss Prime Site share also achieved an outperformance in 2017, with a total return of +12.6%.

Rental market: Trend in rents and floor space



Transactions market: Trend in prime initial yields



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



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



## 1700 workplaces

Stücki Park, Basel  
Further development of the Stücki Site helps shape  
the future of Basel

# Sustainability is future viability

René Zahnd, CEO of Swiss Prime Site, believes that a strong core business, vertically integrated business fields and sustainability-oriented management are the keys to success.

**René Zahnd, real estate prices are increasingly climbing and, in turn, the value of Swiss Prime Site is rising as well. When will we see the summit?**

The trend on the markets was actually positive once again. This was also manifested in the revaluation gains amounting to CHF 65.9 million that we were able to realise in 2017. However, noteworthy is that the market trend is easing.

**Are you satisfied with the financial year 2017?**

Yes, but there's always potential for improvement. The 2017 reporting period was a successful financial year. We achieved our financial targets, expanded the real estate portfolio significantly again and with first-class properties, as well as reduced the vacancy rate to the low level of 5.2%. In addition, we forged ahead with important projects.

**Can you be more specific?**

We succeeded in boosting operating profit (EBIT) by 2.4% to CHF 470.6 million. At the same time, the core Real Estate business generated a roughly 90% contribution. The real estate portfolio currently shows a fair value of CHF 10.6 billion and grew by 5.4% in 2017. Regarding vacancy rate, we are now coming to a point that we refer to as base vacancy rate, where we still see potential.

**What were the milestones in 2017?**

I'm most pleased with the very favourable development of our project pipeline, with total value of CHF 2.1 billion. For example, we were able to start up construction of the key «Espace Tourbillon» project in Geneva. At the same time, we also succeeded in selling a significant share of the project to the Hans Wilsdorf Foundation. We commenced construction of the innovative «YOND» building complex in Zurich too, which is very closely oriented to the flexibility-related needs of our customers. And we were able to initiate a turnaround with «Stücki Park» in Basel, where we will expand the property with laboratory, research and office floor space, scale back the share of retail space and render the site more permeable for all types of use.

**There's widespread belief that Switzerland is fully built. Where do you still see growth potential for Swiss Prime Site?**

No place is ever completely constructed. Structures that were built 20 years ago or earlier can, in some cases, be subject to critical scrutiny or should be re-developed. Generation Y, which is increasingly influencing and shaping the economy, has totally different perceptions of utilising spaces and offices than past generations. But demographic changes provide potential as well. People today seek a different lifestyle than in the past. In addition to these external factors, we also have inherent favourable opportunities for achieving growth. Our project pipeline is full and we have substantial land reserves at our disposal.

**Based on the current balance sheet, can you ideally navigate a path toward growth?**

We have a solid equity ratio of 43.1% and are also able to raise money on the bond market should that be necessary for funding growth projects. Moreover, we are pursuing active capital and portfolio management with the partial divestment of development projects.

**What are your expectations regarding tightening of Lex Koller?**

There is no motive for tightening Lex Koller, which is why we reject the proposed changes overall. The acquisition of real estate by persons abroad is sufficiently regulated. The Swiss Federal Council should subject the extension proposals to another review.

**So rising rent prices have nothing to do with demand on the part of foreigners for property?**

That's correct. The Swiss real estate market is dominated by domestic investors. Rents are climbing due to demand for more floor space, a growing number of households and investment pressure from Swiss pension funds and insurance companies.

**Isn't investment pressure indeed an advantage for Swiss Prime Site?**

We're benefiting as a result because our products enjoy strong demand. However, acquiring existing properties that are as fully leased as possible and situated



in good locations at reasonable yields is almost no longer possible.

**How do you view sentiment on the Swiss office property market?**

A good overall concept and a location with ideal proximity to infrastructure are decisive factors. Another important aspect includes flexibility on the part of tenants regarding interior design standards and rental agreements. Just the supply of office floor space to be constructed in the Zurich region in the coming months will already lead to additional pressure on the market. Demand is still robust in prime locations, and office properties in city centres are popular again.

**What measures are you taking to avert vacancies in your real estate portfolio?**

The better the location and quality of the property, the less pronounced the probability of a vacancy. We invest very extensively in our portfolio and place value on a high degree of flexibility of use. We ultimately also reap benefits from the fact that we are in very close proximity to our customers through our property manager Wincasa and therefore quickly know when there's a need for action.

.....  
**«We have been able to reduce the vacancy rate to a low level of 5.2%.»**  
.....

**You highlighted the phrase in a past interview that a vacancy rate of 4%-5% could certainly be healthy. Are you sticking to that comment?**

Vacancies initially always sound negative. But taking a closer look reveals that vacancies are not so dramatic – on the contrary. There's always a certain base vacancy rate, which is normal. Given a real estate portfolio of our size, this can pose a significant advantage for our client relationships under certain circumstances. Tenants can achieve further development within the scope of our real estate holdings, since we very often find a new suitable location within our portfolio given changing needs.

**You're aiming to step up self-development activities. Why?**

Self-development projects increase independence from the transaction market. We therefore generate additional growth in rental income and can boost profitability because we are involved in the entire value-creation chain. Also noteworthy is the fact that we acquire further know-how as a result and are able to determine the degree of sustainability of properties directly.

**Can you give us a couple of examples of such self-development projects?**

Consider the Motel One hotels in Zurich and Basel, where big banks had previously occupied these locations and moved to the suburbs. Hence, two large buildings remained in the centre of these cities. We decided in favour of business hotels. The situation with the new Prizeotel in Berne painted a similar picture. The former Swiss Post headquarters was too large for the city as an office building. Now, the «Schönburg» complex featuring a hotel, fitness centre, rental apartments and retail floor space is fully leased once again.

**The term «real estate-related business fields»: What do these provide for you?**

The vertical integration of our group companies in our business model enables us to cover the value-creation chain practically seamlessly. From the acquisition of a property to analysis, development, project planning, financing, management, and utilisation until potential sale, we are able to provide support in every aspect, which presents us with a clear competitive advantage.

**How has the competition changed in this regard?**

Noteworthy is that other market participants are moving in the same direction and also «incorporating» services providers into the business model.

**With Jelmoli –The House of Brands you have your own retailer in the Group. In addition, roughly one-third of the floor space in your property is leased to other retailers. How are you dealing with the crisis in the retail trade?**

The stationary retail trade today most definitely poses a challenge. Nevertheless, our group company Jelmoli is trending on a favourable course, achieving sales growth in the past year. Much of the floor space in the portfolio is situated in exclusive locations, which continue to trend favourably.

**Will the Company therefore continue to hold on to Jelmoli?**

Certainly. Indeed, the significant success of the «House of Brands» has a decisive impact on the value of the building, which currently amounts to CHF 824 million. Without a sound tenant the building would also lose value despite the centralised location.

**You're opening a Jelmoli location at Zurich Airport. Why?**

We anticipate a positive effect from Sunday shopping in particular, in addition to economies of scale. Furthermore, the location enables us to embrace international top brands and particularly acquire new customers too.

**Everyone is talking about digitalisation in commerce. What does the picture in the real estate sector look like in this context?**

Digitalisation has grasped society as a whole. There's hardly any sector that has been unaffected by the trend. Building Information Modeling (BIM) has completely digitalised the planning and execution process today. Consequently, we have more precision, enhanced efficiency and ultimately lower costs too. Whether architect, sanitary planner or statistician: All are working on the same virtual 3-D model. Hence, workers know, for example, where the engineer plans to lay the cable precisely to the degree of a square centimetre.

.....  
**«We're growing  
all along the  
value-creation  
chain.»**  
.....

**Has digitalisation also had effects on Wincasa's property management business?**

The greatest changes will occur here. Viewing properties will no longer have to be carried out on site. Instead of us leading 100 interested parties on a tour through a property, they could view the building through a virtual tour via their home computer and submit an application online – directly through the credit rating screening system to Wincasa. In the intelligent buildings of the future, many tasks will be performed fully

automatically or requested by the residents via app regardless of location.

**Is Wincasa's business model at risk as a result?**

No. Wincasa is the leading company in the realm of digitalisation in its segment. We are investing a substantial amount in order to continue operating on the front lines here. Consequently, the job profile for property managers will adapt accordingly. We will use digitalisation in the future precisely where it really plays a significant role – for customers.

**One of your growth paths is the assisted living business field. How satisfied are you here and what do future plans look like?**

We were able to open four new locations in 2017, expanding the network to 76 business operations. The pace of growth initiated is challenging albeit achievable. The demographic trend provides benefits to us through Tertianum. People are living longer and longer lives and remaining relatively healthy, which is also reflected in our business model. We are now increasingly building geriatric care centres instead of senior residences because the age of admittance of our guests has risen. We aim to expand the number of Tertianum locations to roughly 90 to 100 in the coming three years.

**You're seeking partnerships with municipalities. Wouldn't that be a public-sector responsibility?**

The funds that the public sector invests in institutions could actually be utilised for other accomplishments. Therefore, municipalities such as Richterswil are entering into partnerships with us. We are constructing and financing a geriatric care centre there and even assuming operations with Tertianum – providing everything from one source. The standards of quality of senior care naturally define the state.

**You're one of the CEOs of a large Swiss company that is strongly committed to sustainability. Why?**

The strategic focus on sustainability is associated with a company's future viability. Without sustainability-oriented management at all levels, no company can be successful from a long-term perspective. At the same time, sustainability is a comprehensive concept. There's no use in constructing properties from the ground up as inexpensively as possible when, in terms of concept, they do not meet customers' needs, the technology is out-of-date, or the location is sub-standard. All these

factors and even many more combined determine whether a company is successful on the market. This year, we reveal the way we approach sustainability as well as how we integrate the concept in our mindset and actions in a comprehensive separate report.

**What are the challenges for Swiss Prime Site and how are you preparing to face these?**

The overall retail business field within our existing portfolio certainly continues to pose challenges. Up to now, however, we have dealt with the situation well and managed to renew significant rental agreements at the same or better conditions. Moreover, finding good acquisition properties is not very easy at present. The competition – even from other sectors – is tough. In this regard, our existing portfolio of buildings is ideal, with which we are able to forge ahead with self-development and redevelopment projects and foresee consolidation potential. In addition, we boast an attractive project pipeline with substantial reserves. In this way, we are mastering the future challenges.

**What are your goals for the financial year 2018?**

The course has been set for a prevailing positive performance. The targets set for the financial year 2018 include growing operating income and EBIT before revaluations. Successful leasing activities and a renewed reduction in the vacancy rate will lead to a significant surge in rental income. Income from real estate development will once again provide a significant contribution to EBIT. Swiss Prime Site anticipates a further boost in income from the Services segment. And finally, further growth of the real estate portfolio and a well-filled development project pipeline valued at roughly CHF 2.1 billion will pave the way for a stable and attractive distribution to the shareholders.

**Are you therefore looking to the future with optimism?**

Indeed, I am optimistic. But we must and will remain focused in all our business fields in order to continue on the road to success, which we have achieved very well to date.



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**Medienpark, Zurich**

Space for the present and future working environment

# Business model

## **From space to living spaces**

The core of Swiss Prime Site's business model is formed by development, construction and management as well as company and third-party utilisation of properties. The objective of this core process is aimed at sustainably generating value and expanding the real estate portfolio. Sites and properties are developed into projects according to the highest standards for current and future market needs. Swiss Prime Site finances these projects and designates partners for the construction process. Following completion, the properties are marketed, managed and transferred to tenants for their utilisation. At the end of their life cycle, the properties are redeveloped or converted, enabling the cycle to commence anew.

The real estate portfolio is supplemented by acquisitions and optimised through divestments within the scope of the value-creation chain. Revolving around the core of the business model, superordinate business processes ensure that the relevant know-how is expanded within the Company while access to markets and resources is secured. Furthermore, marketing and branding as well as modern information technology architecture and contemporary employee development underpin the creation of «space to living spaces».

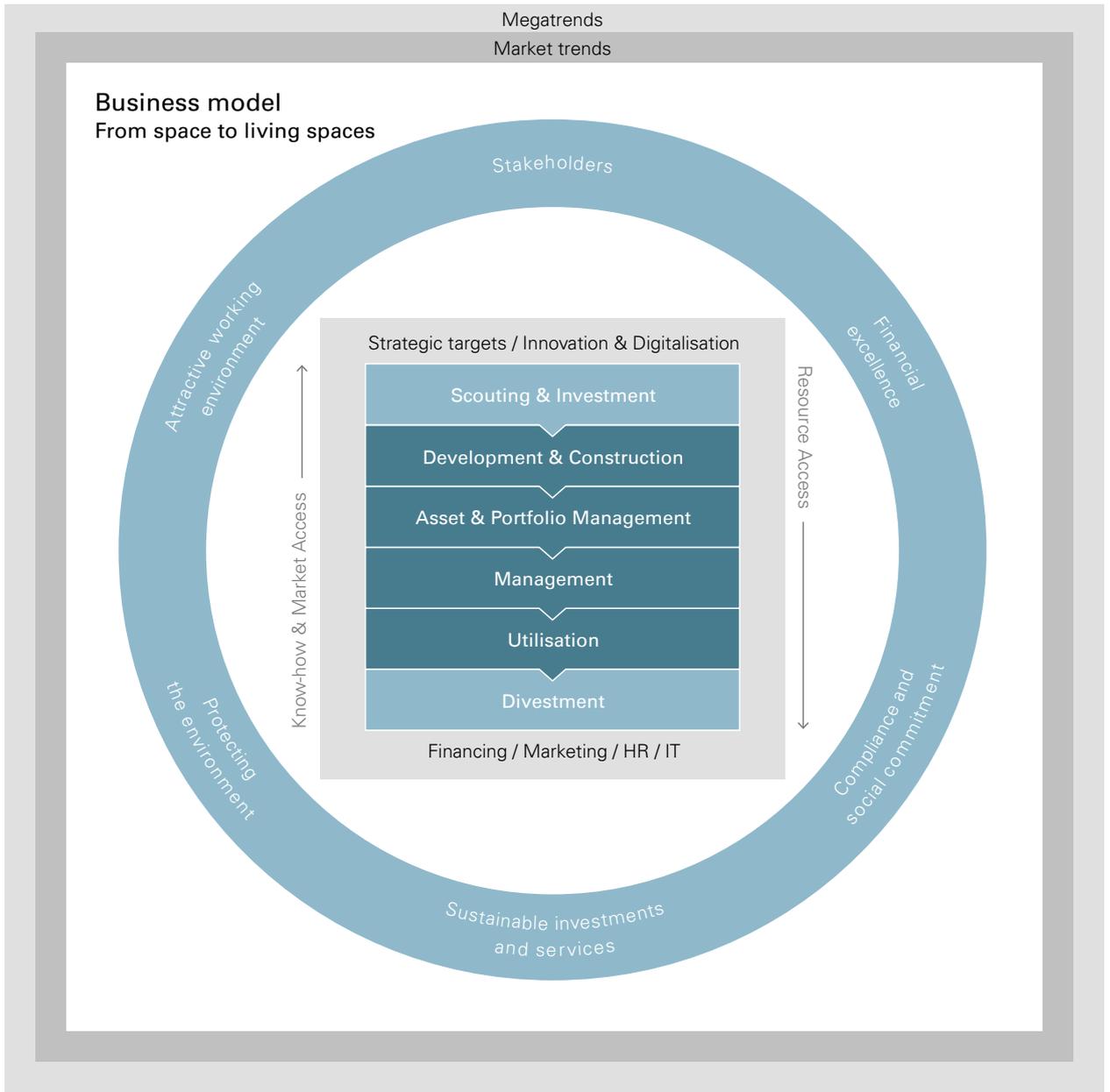
## **Sustainably developing spaces in line with needs**

At a more overriding and therefore more social level, the most notable inspirations are incorporated that have a significant impact on the business model. Relevant trends such as digitalisation, demographic changes or immigration can lead to enlargements and adjustments of the value-creation chain. Market trends like revitalisation of industrial sites that are no longer contemporary or changes in the interest rate environment count among the additional influencing factors. The most inner circle of these «macro-dimensions» forms the needs of direct stakeholders. At the same time, concerns on the part of the customers, investors, public sector, project partners and employees in particular are also integrated.

## **Vertically integrated group companies**

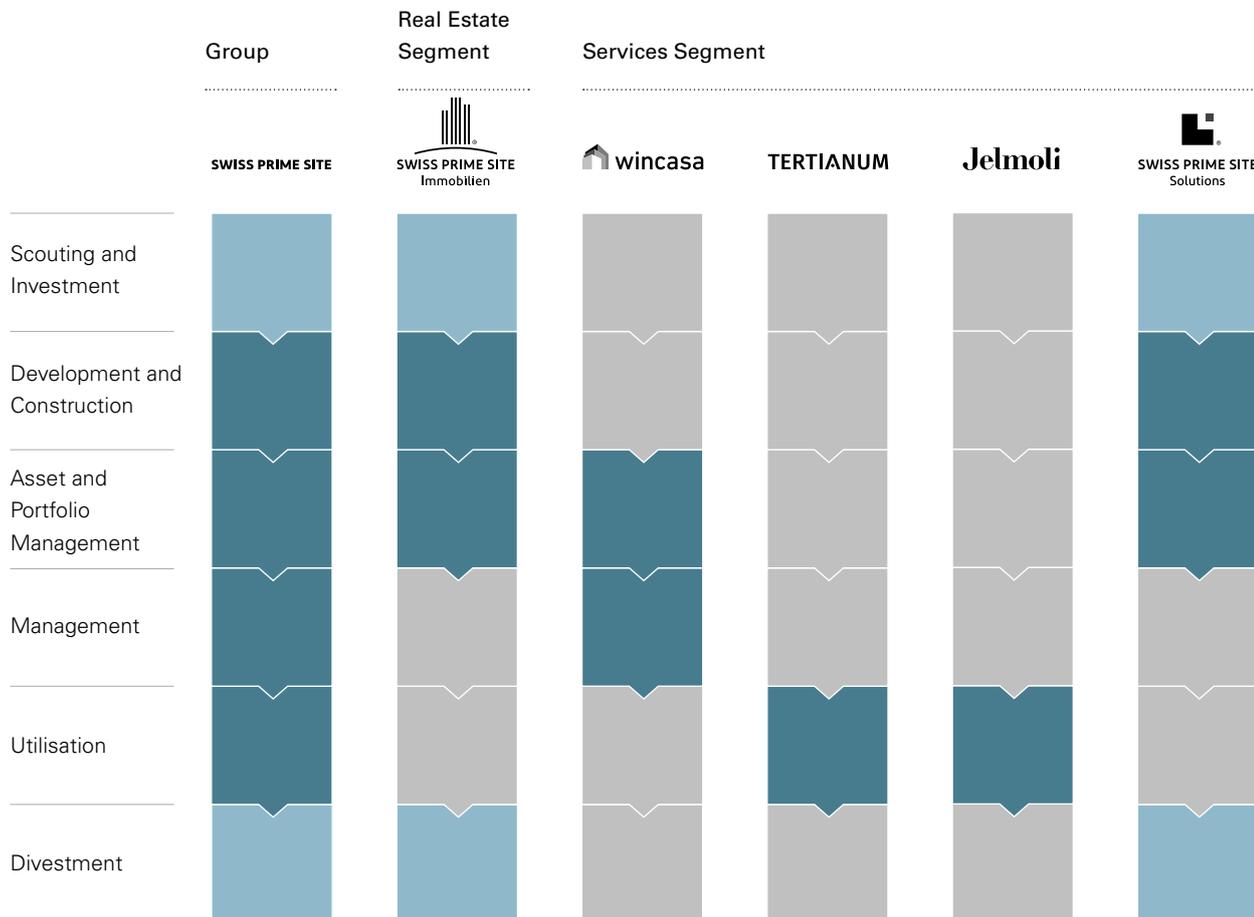
The group companies Swiss Prime Site Immobilien, Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions constitute the integral elements as well as the basis of Swiss Prime Site Group's integrated business model. The real estate portfolio comprising roughly CHF 10.6 billion in properties is actively expanded and optimised by Swiss Prime Site Immobilien through acquisitions, developments, conversions, construction, financing and where necessary divestments. Wincasa plays a role through acquiring, managing, marketing and selling properties throughout the value-creation hierarchy as a link in the chain. Tertianum as services provider in the assisted living sector in addition to Jelmoli as premium department store utilise properties in the portfolio and also contribute to further strengthening the business model. Swiss Prime Site Solutions as asset manager since 2017 provides core processes services for third parties with acquisition, development, conversion, construction, financing and sales.

The value-creation processes of the group companies are intentionally not fully centralised and generate – beyond the aforementioned integrated elements of the business model – further contributions for Swiss Prime Site Group's long-term success.



Swiss Prime Site's integrated business model

# Group companies



## Swiss Prime Site Immobilien

The investment focus of the core Real Estate business is directed at investments in high-quality properties in prime locations. These properties are mainly used by commercial tenants. Other key activities within the core business include conversion, development and modernisation of entire sites.

**469.9**

Rental income from properties in CHF million

**10.6**

Real estate portfolio in CHF billion

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## Wincasa

Wincasa is the leading integrated real estate services provider in Switzerland. The company's innovative services portfolio encompasses the entire life cycle of properties. Assets under management amount to around CHF 66 billion. Wincasa is regarded as a first mover in the field of digitalisation (tenants' portal «My Wincasa») in the real estate sector.

120.0

Income from real estate services in CHF million

66

Assets under management in CHF billion

---

## Jelmoli – The House of Brands

Jelmoli – The House of Brands in Zurich is Switzerland's leading premium department store. Roughly 40% of the retail floor space of 23 800 square metres generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. A new branch at Zurich Airport will open from 2020.

136.2

Income from retail in CHF million

23 800

Retail floor space in square metres

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## Tertianum

Tertianum Group is the leading provider in the assisted living and geriatric care sector in Switzerland. Quality-conscious living and autonomy, individual services, security as well as care and support are at the heart of Tertianum. The group operates 76 residences as well as residential and geriatric care centres throughout Switzerland.

359.9

Income from assisted living in CHF million

76

Number of business operations

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## Swiss Prime Site Solutions

Swiss Prime Site Solutions is an asset management company focusing on the real estate sector. The business field develops tailor-made services and investment products for third-party clients. The objective is aimed at generating solid and attractive earnings with low risk, regardless of the yield environment.

9.9

Income from asset management in CHF million

1.4

Assets under management in CHF billion

# Board of Directors



**Prof. Dr. Hans Peter Wehrli**  
Chairman  
Member since 29.04.2002



**Mario F. Seris**  
Vice-Chairman  
Member since 27.04.2005



**Dr. Elisabeth Bourqui**  
Member since 12.04.2016



**Christopher M. Chambers**  
Member since 22.10.2009



**Dr. Rudolf Huber**  
Member since 29.04.2002



**Klaus R. Wecken**  
Member since 22.10.2009

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

# Strategy

## Investments and focus

Swiss Prime Site Group's objective is aimed at achieving constant growth and a sustainable trend in profitability. To realise this goal, the Company has executed substantial investments in the core Real Estate business. First-class properties with attractive yields located in Switzerland are regarded as the focal point of this strategy. With a 42% share, Zurich currently accounts for the most important strategic region in the real estate portfolio valued at more than CHF 10.6 billion. The area surrounding the Lake Geneva region also plays a key role in realising growth. Swiss Prime Site focuses on commercial-use real estate and floor space, utilising its own know-how in sustainably developing, re-positioning or modernising properties and sites.

## Earnings diversification and synergies

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

## Innovation and sustainability

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

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## 2018 targets

<5 %

Vacancy rate

±45 %

Equity ratio

6–8 %

Return on equity

# Sustainable management

As a leading real estate company, Swiss Prime Site is committed to sustainability and assuming responsibility for its corporate actions, environment and society. In this context, the Company pursues a comprehensive approach focusing on six dimensions.

## Stakeholders

Credibility, reliability, integrity, trustworthiness and conscientiousness form the central pillars of Swiss Prime Site's reputation, decisively contributing to the Company's excellent image in the eyes of the stakeholders. Hence, the Company maintains regular dialogue with all stakeholder groups and coordinates communications measures in a timely and recipient-appropriate fashion. Since market presence and customer focus ultimately constitute decisive factors for the Company's success, Swiss Prime Site consistently directs its business activities toward the needs of the stakeholders.

## Financial excellence

A stable and future-oriented company is based on financially sustainable management, which, in turn, leads to additional value creation and ultimately benefits all stakeholders. Untapped potential can be identified on a continuous basis through stringent control of in-house and third-party costs. Profitability can be boosted through improving operating processes and enhancing business planning as well as constantly reducing capital costs and vacancy rates.

## Compliance and social commitment

The entire Group places a great deal of importance on acting responsibly and with integrity. In addition to compliance with legal requirements and regulatory standards, this also includes fulfilment of the Company's own principles and internal company directives. Transparency is a top priority in all business activities. The Code of Conduct is part of the values mission statement.

## Sustainable investments and services

The development and further enhancement of group-wide products and projects – as well as their orientation in the market and toward the needs of customers – constitute part of Swiss Prime Site's core mission. The real estate portfolio is continuously expanded and substantially upgraded through acquisitions and modernisation. Innovation and continuous improvements in efficiency are the drivers for long-term successful investments and services. Along with economic added

value, Swiss Prime Site always takes into account the needs of society and environmental objectives too.

## Protecting the environment

Swiss Prime Site acts to protect the environment and conserve resources, whether in its daily operations or in investments in real estate and its management. At the same time, the focus is clearly directed at the real estate portfolio, where invested capital realises the greatest impact. Swiss Prime Site is aiming for a portfolio of emission-neutral buildings in the long term. Reducing resource consumption, enhancing energy efficiency and cutting emissions as well as intelligently handling land resources are not just environmentally friendly but also economically and socially sensible. Training sessions and information events are held to raise employee awareness and, in particular, to motivate the workforce to protect the environment.

## Attractive working environment

Competent and committed employees constitute a central factor in mastering future challenges. The medium- and long-term business success depends on how well a company manages to retain and attract qualified employees, promote and expand their skills, empower them to assume more responsibility and motivate them. Swiss Prime Site and its group companies strive to be employers of first choice.

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**Swiss Prime Site is publishing a separate Sustainability Report for the first time this year, which meets the standards of the Global Reporting Initiative (GRI) and focuses on the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).**



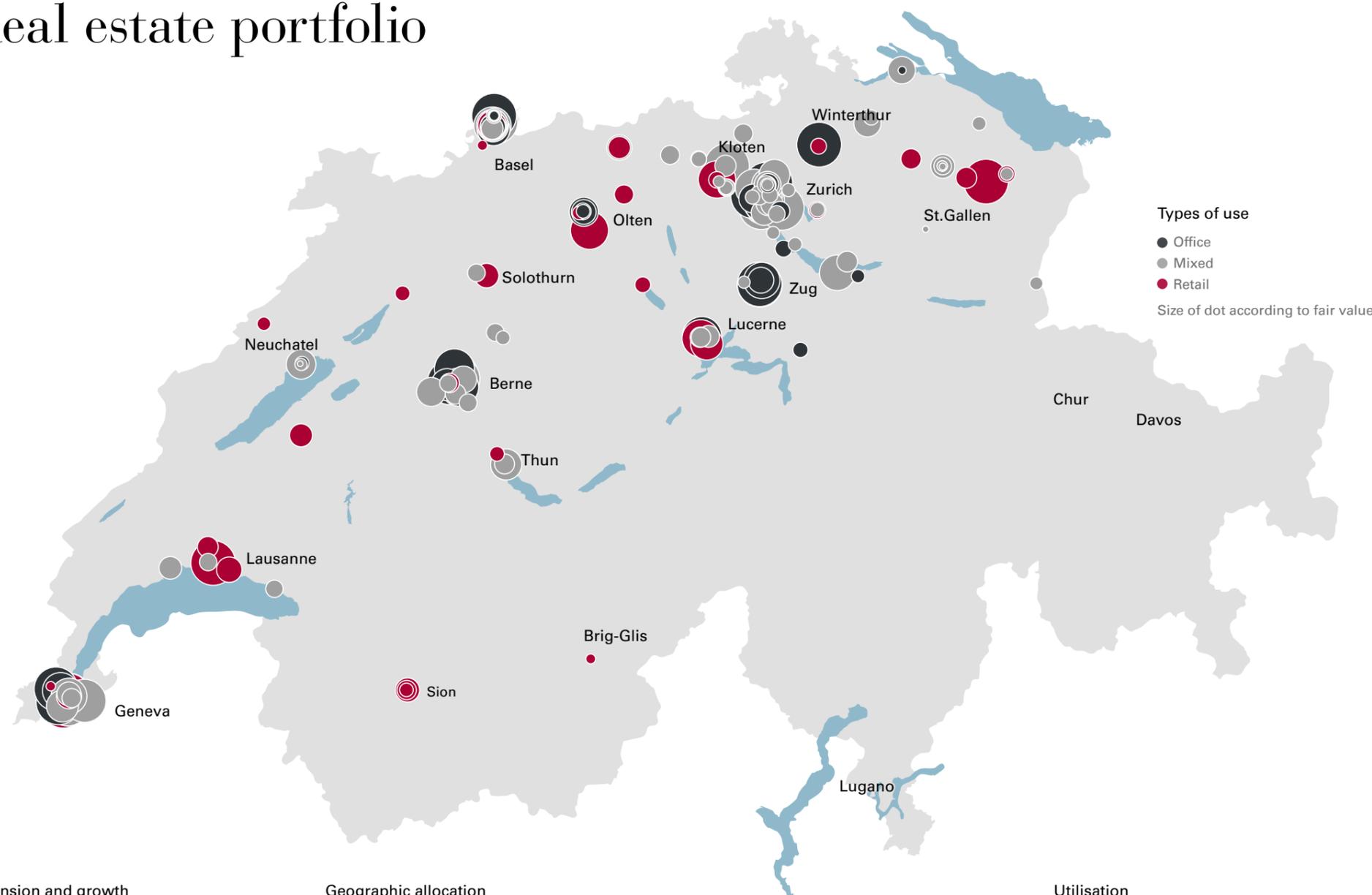
The six dimensions of sustainability

# Executive Board

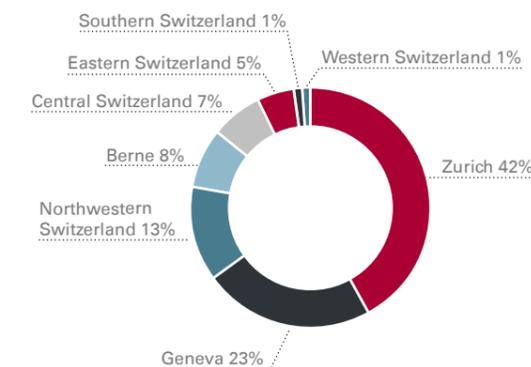


Swiss Prime Site's Executive Board comprises the Chief Executive Officers of the group companies Swiss Prime Site Immobilien, Wincasa, Jelmoli and Tertianum as well as the Group's CEO and CFO. This organisation ensures that all the central business fields as well as their interests and know-how are represented at the top operating level of the management body.

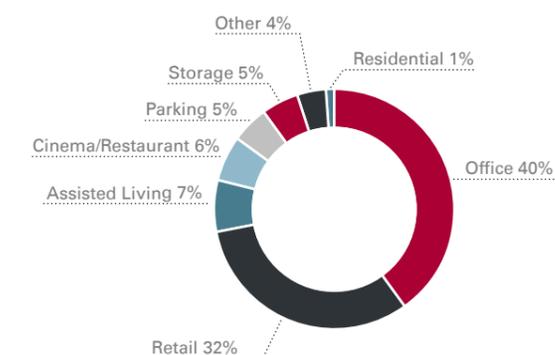
# Real estate portfolio



Portfolio split by region  
Basis: fair value as at 31.12.2017



Portfolio split by type of use<sup>1</sup>  
Basis: net rental income as at 31.12.2017



<sup>1</sup> Real Estate segment

## Expansion and growth

The founding of Swiss Prime Site in 1999 by the Credit Suisse Pension Fund, Siemens Pension Fund and Winterthur Life (today: AXA) laid the foundation for the current real estate portfolio. The value of the real estate holdings grew through acquisitions and significant self-development projects to roughly CHF 3.8 billion (2008) within less than ten years. With the acquisition of the Jelmoli properties in 2009, the Company once again more than doubled its real estate portfolio. Additional key projects such as «Prime Tower» and «SkyKey» in Zurich as well as «EspacePost» in Berne or properties like the Gotthard Building in Lucerne considerably boosted the level of quality and size of the real estate portfolio. Another spurt in growth followed with the acquisition of the three real estate-related services providers Tertianum (2013), SENIOcare (2015) and BOAS Senior Care (2016). The fair value of the real estate held by Swiss Prime Site amounted to CHF 10.6 billion as at the end of 2017.

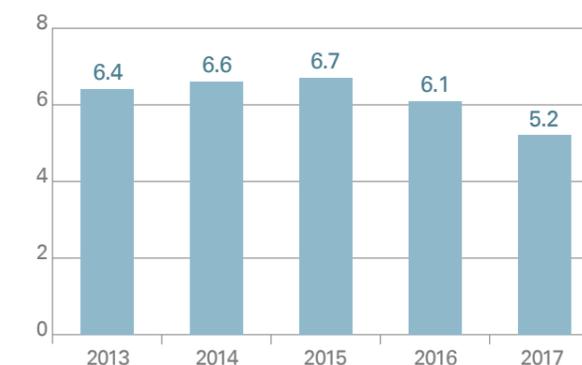
## Geographic allocation

Swiss Prime Site's real estate portfolio boasts a high level of quality of property and location, without exception. According to Wüest Partner, roughly 80% of the Group's properties rank in the quadrants with the highest quality based on the overall market. Such strategic positioning is attributable to the fact that the properties enjoy brisk demand despite the challenging market. The majority of properties (76%) are located in German-speaking Switzerland. In this context, canton Zurich and particularly Zurich City account for the lion's share in this region with 42%. Another region in the spotlight is Geneva (23%).

## Utilisation

Swiss Prime Site has focused its portfolio of high-quality, value-retaining properties situated in prime locations primarily on commercial and services businesses and their needs. Of the total 1.6 billion square metres of available floor space, 40% are leased as office and 32% as retail properties at present. Utilisation of the Company's real estate by the Tertianum group company already accounts for 7% and will likely increase in the coming years. Entertainment, parking and storage are regarded as additional supplemental types of use. The real estate portfolio's maturity profile is long term and thus attractive. Roughly 27% of net rental income is generated with rental agreements with a term of ten years or more. Another 31% of the portfolio is subject to renewed leasing at terms of between four and nine years.

## Vacancy rate in %



Swiss Prime Site succeeded in significantly shrinking the vacancy rate on its real estate holdings (188 properties) in recent years, which amounted to a low 5.2% as at end-2017.

# Project pipeline

## Development and project planning

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

Development projects are based on the Group's strategic targets aimed at boosting organic growth and increasing corporate profitability. Earnings from completed projects are realised in the form of revaluation gains, rising rental income and sales proceeds. New projects developed by Swiss Prime Site Immobilien generally exhibit above-average net yields versus the market as well as the existing portfolio. On the other hand, the key revenue streams from rental income have been continuously growing. The project pipeline currently shows estimated growth of around 3% per annum until 2023. Two projects are destined for sale or partial sale at present, which will result in around CHF 100 million in realised pre-tax profit.

The volume of Swiss Prime Site Immobilien's project pipeline amounts to CHF 2.1 billion as at end-2017, comprising projects that are already under construction or still in the planning phase. Overall, the Company plans to construct new rental floor space amounting to roughly 400 000 square metres in the coming years. And expectations point to around CHF 120 million in additional rental income as a result.

## Projects under construction

Construction projects comprise an investment volume of roughly CHF 600 million. In this context, the constructed rental floor space will amount to approximately 102 000 square metres and generate earnings of CHF 37 million per year. Overall, six projects are under construction at present. The most significant investments are being carried out in the large-scale «Espace Tourbillon» building complex in Geneva, with a volume of CHF 233 million. Two buildings of the five structures to be erected were already sold shortly after the construction start date in the second half-year 2017. The objective here is aimed at realising another partial sale. However, approximately 30% of the original floor space of 95 000 square metres should be retained in Swiss Prime Site Immobilien's portfolio in order to

provide additional rental income. «Schönburg» in Berne represents another trail-blazing project. The former Swiss Post headquarters is being totally modified at a cost of CHF 193 million and newly transformed to utilisation as hotel, retail floor space, fitness facilities and apartments. Projects under construction exhibit an average net yield that exceeds the current portfolio mean.

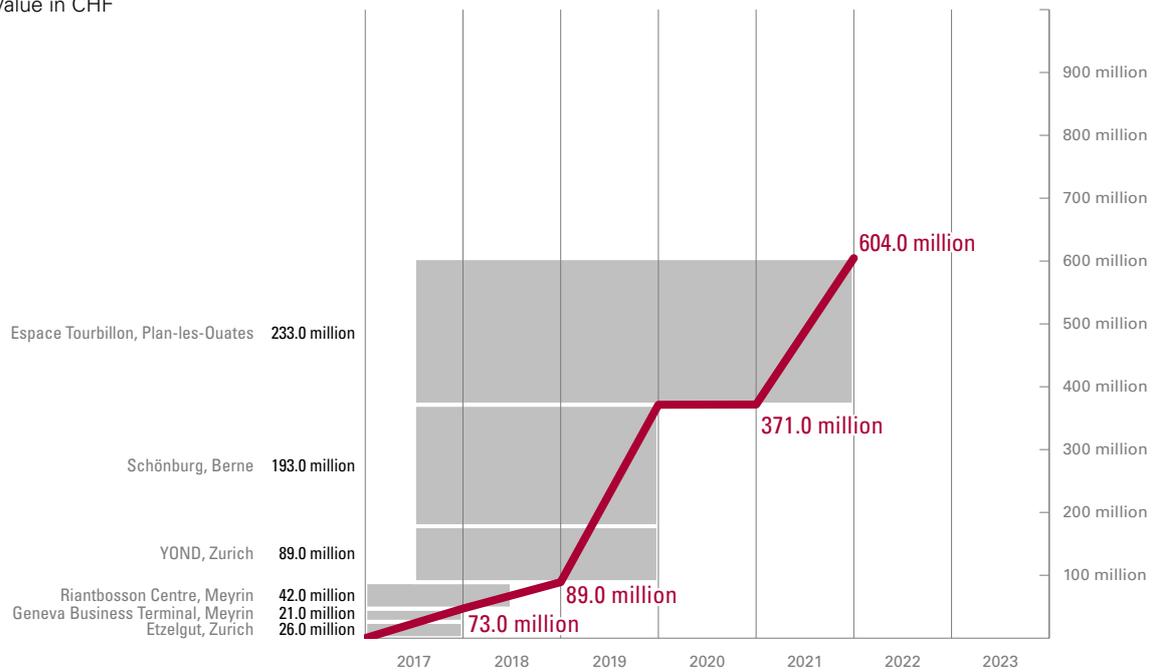
## Projects in planning phase

Projects were in the planning phase at the end of 2017 with estimated investment volumes of roughly CHF 900 million. In this context, the constructed rental floor space will probably amount to approximately 120 000 square metres and generate rental income of CHF 46 million per year. The largest individual project of all will be «Pont Rouge» in Lancy. The project plays a significant role for the Geneva region in its form and due to its location, since another transportation juncture and economic hub will be created for the city as a result. The planning envisages that investments amounting to around CHF 260 million will be carried out for construction and operations of an additional roughly 30 000 square metres of rental floor space. The Company also plans to construct very flexible projects especially directed at future generations of tenants in Schlieren and Zurich in the coming years. Traditional industrial sites there will be transformed into melting pots of knowledge transfer, research, start-ups and small businesses. In addition, the pipeline includes projects in the planning phase for the Tertianum group company (assisted living business field) located in Richterswil and Lugano.

Swiss Prime Site Immobilien holds land reserves amounting to roughly 129 000 square metres (potential investments of around CHF 600 million) that harbour further potential for future growth, in addition to substantial utilisation reserves in its portfolio.

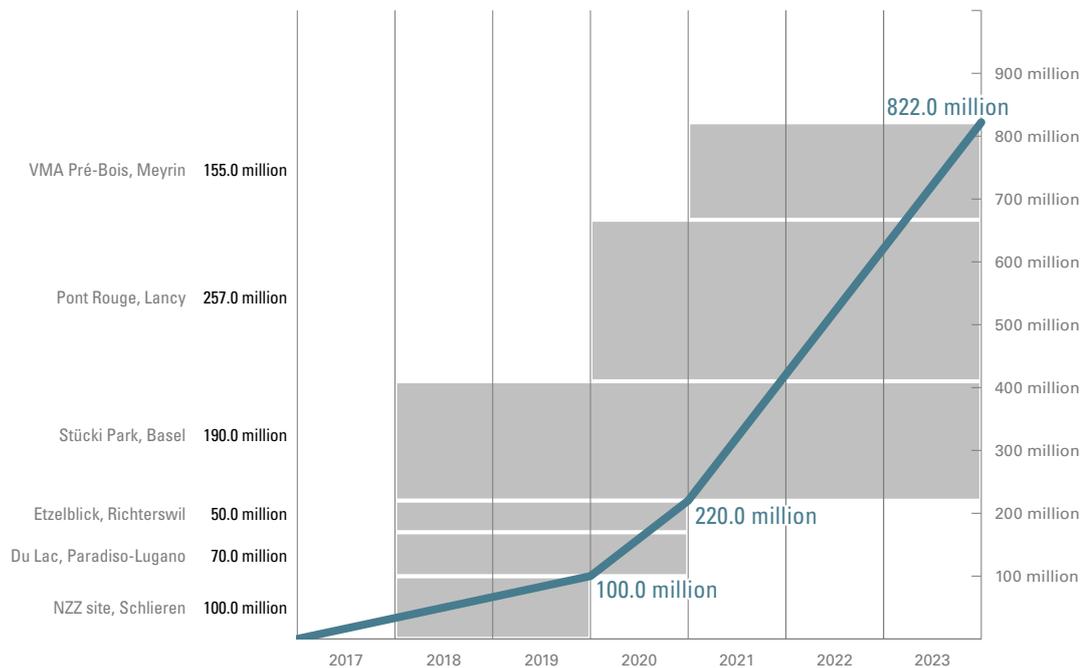
**Projects under construction**

Value in CHF



**Projects in planning phase**

Value in CHF



# We create locations!

Peter Lehmann, CEO of Swiss Prime Site Immobilien, aims to realise projects with a volume of CHF 2.1 billion in the coming years. An interview about customer and market orientation, innovative strength, consolidation potential, organic growth and his greatest asset: the know-how of employees.

**Peter Lehmann, in your new position as CEO of Swiss Prime Site Immobilien AG you're head of one of the largest real estate companies in Switzerland. What distinguishes your firm from the competition?**  
Of course our size has advantages. Our stock exchange listing paves the way for easier access to capital, which significantly improves our capabilities regarding moving swiftly and in terms of volumes. Our share is interesting for investors because of the stock's liquidity.

Moreover, the quality of our real estate portfolio is above average. Absolute prime locations in Switzerland are always in demand. Most of our tenants have long-term contracts, which makes us less dependent on market cycles.

In my view, our innovative strength provides the greatest advantage. We do not simply construct buildings, but are in a position to develop properties for our tenants' present and future needs, including the redesign and redevelopment of real estate.

**If you continue to pursue the strategy aimed at investing in prime locations, then is the growth for which you are striving only achievable through currently very expensive acquisitions?**

That would be the case at present if we had to operate solely on the free market. Our focus is currently directed clearly at organic growth. We hold enough property sites with substantial reserves that we aim to further develop. Consequently, we feel no pressure to acquire properties at distorted prices. We're willing to build reinforcements with additional property sites in the next market cycle.

**You carried out acquisitions in 2017 as well. What was the decisive factor with these properties?**

In addition to the price, the quality of location and, in turn, related potential are decisive. In order for us to realise a successful long-term project, we particularly take into account a good connection to public transportation. The macro- and micro-environment are also essential factors. We were able to conclude two very

good transactions in 2017. In Winterthur, we exploited the opportunity to acquire the buildings surrounding our «Roter Turm» property, thus achieving a self-contained site at present. Consequently, we gain numerous synergies. In Geneva, we were able to position ourselves as first mover in the prominent «Esplanade de Pont-Rouge» development project.

.....  
**«Our innovative strength provides the greatest advantage.»**  
.....

**However, isn't your primary focus directed at the existing portfolio?**

We will always pursue the one and never disregard the other. The existing portfolio holds substantial development reserves for expansion or harbours significant potential for consolidation depending on the property site. This paves the way for us to achieve organic growth. Add to this the fact that property sites look more attractive and exhibit a boost in value thanks to such expansion. We possess the know-how to create locations; we do not necessarily have to acquire properties. This has the direct consequence of boosting our profitability. Development projects are significantly more lucrative than acquisitions. Furthermore, we have the opportunity right from the ground up of forging ahead with our aspirations for sustainability and innovation. Acquisitions often require rectifications.

**Development projects act as a driver of innovation. From where do you acquire the know-how?**

It's not that we can simply recruit the requisite specialists on the free market or that the relevant services are being offered. Developing property sites at this level is an expertise that we have devised in-house and





with which we will forge ahead. We decide in favour of the best candidates and integrate them into our team. In this way, we can meet our growing needs. The innovations that we have achieved at Stücki with «YOND» or the «NZZ site» constitute a part of our core expertise, which we will expand significantly in the future through our own strengths.

#### **Which influencing factors will impact future development on the market?**

Although politics still poses difficulties at present, consolidation in Switzerland is the only way to meet the steadily growing demand for space without developing the rest of the country's land. Only limited space is available in our urban agglomerations. Not much real estate has been consolidated to date, but this process will increasingly take hold. Many residential high-rise buildings are currently being constructed. Demand for this type of residential structure is brisk. We have some examples of consolidation in the portfolio that have been very positively embraced by the populace and politicians alike.

Trends such as demographic growth through immigration, the general increase in mobility and relevance of public transportation also have a strong influence on the development of our projects. Other influencing factors emerge through demographic shifts, continuous

expansion of the healthcare sector and changes in industry. Indeed, nothing is the same as it once was, particularly due to this transformation of the economy. The requirements of so-called Industry 4.0 are totally distinct from the demands on a «normal» property. However, companies themselves cannot even define what these requirements precisely entail. Hence, we have derived solutions that are designed primarily for flexibility and development capability.

#### **Cities are the most important locations in the portfolio. Comparatively speaking, the real estate market is like an accordion: moving into the city, moving away from the city. And then back again ...**

Indeed, this is a picture that is repeatedly painted. But it's not that simple. Such movements are contingent on the sector. While the retail trade was pushed back to the city centres after years of growth in the agglomerations and popular countryside, banks have moved precisely in the other direction in recent years. This trend has already nearly come to an end too, however. In fact, companies and government entities need prime locations in city centres in order to attract decent employees. People are social beings and therefore prefer liveable cities. But some trends seem to be a paradox: For instance, people want to bring the features of rural areas to the cities, with parks, bicycle paths and subdued traffic. At the same time, people want to move

the features of the city to rural areas, where each community expects a complete infrastructure. This realm of interplay harbours significant potential for us. Indeed, with our properties we can contribute toward more attractively designing the cities and surrounding agglomerations as well as upgrading the living spaces.

.....

**«Innovation  
management is our  
core business.»**

.....

**You aim to realise projects with an investment volume of CHF 2.1 billion in the coming years. How are you dealing with the associated risks?**

We are proceeding on the right track with the projects underway, which is important and provides us with considerable stability. Financing is ensured, in addition to planning and construction. We have these factors under control. But the key factor is that we continue to focus very strongly on the market as well as customers. Our development projects are carried out for and with the customers.

My strongest conviction is that we are entrepreneurs and must therefore act accordingly. It's not just our customers who live in this «new world», but we reside here as well. We have just addressed the topics of Industry 4.0, megatrends, innovation and the know-how of employees. We cannot simply wait for years until 50% of a project is leased in advance and subsequently start up construction. When we are convinced about a project then we execute it. Our know-how and the market demand enable us to develop the relevant supply of real estate. This is particularly exemplified once again by the «Espace Tourbillon» project, which was very favourably embraced. Proactiveness coupled with intelligent risk management provides us with an edge on the market.

**You have actually always stated that the best-located properties should be retained in the portfolio in the long term. You have now sold part of the «Espace Tourbillon» project in Geneva. Why?**

The partial sale was a strategically appropriate and significant decision. We aim to ideally reinvest the re-

sulting proceeds in the «Pont-Rouge» project. Furthermore, we have found an especially important owner for the «Espace Tourbillon» project with the Hans Wilsdorf Foundation, which is comparable to an attractive anchor tenant and considerably appreciates the value of the entire property site.

**Swiss Prime Site Immobilien is not just the largest but also the most active market participant, producing significant new floor space every year. How do you succeed in reducing the vacancy rate on an ongoing basis?**

We do not just produce properties but also market the floor space. We're the leading project developer in Switzerland and boast extensive insight into the market, our customers and their needs. This forms the basis for us to develop innovative and customised solutions, anticipate needs and convert existing properties. «Out-of-the-box» mindset and innovation management are our core business – not slogans. Add to that our financial resources, which provide maneuvering room to execute our ideas, without having to first convince other partners and bring them onboard. This paves the way for us to become much more than just a traditional real estate company.

**What's the outlook for expanding the portfolio to prime locations abroad?**

Swiss Prime Site Immobilien focuses on the domestic market. Whatever boasts the name Switzerland should continue to embody Switzerland too!

## Espace Tourbillon, Plan-les-Quates

The superstructure comprises a composition of five building structures each with seven above-ground and three subterranean floors as well as its own integrated logistics. The complex will provide future tenants with flexible and state-of-the-art floor space. The building permit was legally validated on 8 June 2017. Project planning envisages construction of the property in one phase and until 2021. Upon completion, the major «Espace Tourbillon» development project will span usable floor space totalling 95 000 square metres, providing the fast-growing Geneva region space for an additional 4 000 workplaces. Two planned buildings were sold to the Hans Wilsdorf Foundation at the end of 2017 and will be fully developed and transferred to the buyer in turnkey condition in 2021.

Realisation	2017 – 2021
Investment volume including land	CHF 233 million
Usable floor space	50 400 m <sup>2</sup>
Rental income	CHF 19 million
Gross yield (on cost)	8.2%
Net yield (on cost)	7.3%





### NZZ site, Schlieren

Commercial sites can be transformed into socially valuable and interesting properties with multi-faceted opportunities for utilisation through conversions and redevelopments. In this regard, the former NZZ printing facility will undergo a significant upgrade by 2019. The ideally accessible site (with total area of 26 700 square metres) will be positioned in the long term as a centre for innovation, entrepreneurship, knowledge transfer and attractive working environments. The signing of a long-term rental agreement in 2016 secured a key anchor tenant. The partnership with this innovation services provider constitutes the first significant step in the site's development process.

Realisation	2018 – 2019
Investment volume including land	CHF 100 million
Usable floor space	23 700 m <sup>2</sup>
Rental income	CHF 5.7 million
Gross yield (on cost)	5.7%
Net yield (on cost)	5.1%



## Stücki Park, Basel

The Stücki site will be thoroughly developed, thus becoming attractive and future oriented by the year 2023. The key expansion of the already existing laboratory and office floor space will be carried out in two phases. Four new buildings situated between the already fully leased Businesspark and shopping centre will noticeably expand the total floor space. At the same time, the rental floor space will more than double from roughly 27 000 square metres to more than 60 000 square metres. Consequently, the project will meet the region's needs for laboratory and office floor space, creating room for an additional 1 700 workplaces. The laboratory and office floor space constitutes a key element for the successful and sustainable future development of the entire site, where innovation, entertainment, wellness, healthcare, research and shopping are all interwoven in an overall concept.

Realisation	2018 – 2023
Investment volume including land	CHF 190 million
Usable floor space	26 600 m <sup>2</sup>
Rental income	CHF 11.8 million
Gross yield (on cost)	6.2%
Net yield (on cost)	5.2%



### Schönburg, Berne

The Schönburg site in Berne will undergo an extensive conversion process. The architecturally interesting building (year of construction 1970) will be developed into a high-value, mixed use property. The property will house 142 high-quality and modern rental apartments, an innovative hotel concept and retail floor space as well as sports and relaxation opportunities situated in a prime location, while maintaining the existing structure. The new Schönburg will become an attractive, ground-breaking property development with national radiance.

Realisation	2017 – 2020
Investment volume including land	CHF 193 million
Usable floor space	19 600 m <sup>2</sup>
Rental income	CHF 7.2 million
Gross yield (on cost)	3.7%
Net yield (on cost)	3.4%



### YOND, Zurich

The unique building structure of the «YOND» real estate product located at the Siemens site focuses on start-ups as well as small- and medium-sized enterprises from various sectors. Starting from 2019, services providers and production facilities will be united under one roof, thus creating additional synergies for all tenants in the context of a community. Two-storey, utilisation-independent rooms will accommodate the various spatial concepts and fluctuating floor space needs. The construction project combines what embodies the spirit of the times of millennials: i.e. room and space that are individually and creatively adapted to the relevant market situation.

Realisation	2017 – 2019
Investment volume including land	CHF 89 million
Usable floor space	20 000 m <sup>2</sup>
Rental income	CHF 5.4 million
Gross yield (on cost)	6.0%
Net yield (on cost)	5.0%



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**CORPORATE  
GOVERNANCE  
REPORT**

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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.

## Group structure

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under securities number 803838 and ISIN number CH 000803838 9. Swiss Prime Site AG reported market capitalisation of CHF 6433.1 million [CHF 59578 million] as at 31 December 2017. During the reporting year, the Group implemented the following changes:

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01.01.17 **Perlavita AG, Zurich,  
in Tertianum AG, Zurich**  
Merger

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30.06.17 **Résidence Gottaz Senior SA, Morges**  
Acquisition of 100% of the shares

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01.01.17 **Vitadomo AG, Zurich,  
in Tertianum AG, Zurich**  
Merger

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01.10.17 **Résidence Gottaz Senior SA, Morges,  
in Swiss Prime Site Immobilien AG,  
Olten**  
Merger

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01.01.17 **SPS Beteiligungen Gamma AG, Olten,  
in SPS Beteiligungen Alpha AG, Olten**  
Merger

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10.11.17 **Clos Bercher SA, Bercher**  
Divestment

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24.02.17 **Swiss Prime Site Solutions AG, Zurich**  
Founding

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30.11.17 **Bellevue-Bau AG, Winterthur**  
Acquisition of 100% of the shares

Fully consolidated investments in group companies (direct or indirect)

	Field of activity	31.12.2016 Capital in CHF 1 000	Shareholding in %	31.12.2017 Capital in CHF 1 000	Shareholding in %
Bellevue-Bau AG, Winterthur <sup>1</sup>	Real Estate	–	–	6 000	100.0
Clos Bercher SA, Bercher <sup>2</sup>	Assisted living	100	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz	Assisted living	100	100.0	100	100.0
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	100	100.0
immoveris ag, Berne	Real estate services	200	100.0	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court	Assisted living	100	100.0	100	100.0
La Résidence des Marronniers SA, Martigny	Assisted living	100	100.0	100	100.0
Leben im Alter AG, Zurich <sup>3</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	Assisted living	20	100.0	20	100.0
Perlavita AG, Zurich <sup>4</sup>	Assisted living	100	100.0	n/a	n/a
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	300	100.0
Quality Inside SA, Crissier	Assisted living	150	100.0	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens	Assisted living	20	100.0	20	100.0
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	100	100.0
Résidence du Bourg SA, Aigle	Assisted living	50	100.0	50	100.0
Résidence Joli Automne SA, Ecublens	Assisted living	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	Assisted living	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	Assisted living	100	100.0	100	100.0
Résidence les Sources Saxon SA, Saxon	Assisted living	100	100.0	100	100.0
SENIOcare AG, Zurich	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>5</sup>	Investments	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten <sup>5</sup>	Investments	300 000	100.0	n/a	n/a
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten <sup>6</sup>	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten <sup>7</sup>	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich <sup>8</sup>	Asset management	–	–	1 500	100.0
Tertianum AG, Zurich <sup>4</sup>	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Investments	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Services	500	100.0	500	100.0
Tertianum Romandie Management SA, Crissier	Services	100	100.0	100	100.0
Vitadomo AG, Zurich <sup>4</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	Assisted living	1 000	51.0	1 000	51.0

<sup>1</sup> acquisition as at 30.11.2017

<sup>2</sup> sale as at 10.11.2017

<sup>3</sup> founded as at 19.12.2017

<sup>4</sup> merger of Perlavita AG and Vitadomo AG in Tertianum AG as at 01.01.2017

<sup>5</sup> merger of SPS Beteiligungen Gamma AG in SPS Beteiligungen Alpha AG as at 01.01.2017

<sup>6</sup> rebranded from SPS Immobilien AG to Swiss Prime Site Immobilien AG as at 18.01.2017

<sup>7</sup> rebranded from Swiss Prime Site Group AG to Swiss Prime Site Management AG as at 27.01.2017

<sup>8</sup> founded as at 24.02.2017

Investments in associates valued according to the equity method

	Field of activity	31.12.2016 Capital in CHF 1 000	Shareholding in %	31.12.2017 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

## Segments

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

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### Real Estate

# 51

Employees

- 
- Swiss Prime Site Immobilien AG, Olten
  
  - Bellevue-Bau AG, Winterthur
  - SPS Beteiligungen Alpha AG, Olten
  - Swiss Prime Site Management AG, Olten
  - Swiss Prime Site Fund Advisory AG II, Olten

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### Services

# 5 859

Employees

- 
- Tertianum Gruppe AG, Zurich
  - Jelmoli AG, Zurich
  - Wincasa AG, Winterthur
  
  - Home Médicalisé Vert-Bois SA, Val-de-Ruz
  - Hôtel Résidence Bristol SA, Montreux
  - immoveris ag, Berne
  - La Fontaine SA, Court
  - La Résidence des Marronniers SA, Martigny
  - Leben im Alter AG, Zurich
  - Le Manoir AG, Gampelen
  - Leora S.à r.l., Villeneuve
  - Les Tourelles S.à r.l., Martigny
  - 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, Zurich
  - Swiss Prime Site Solutions AG, Zurich
  - Tertianum AG, Zurich
  - Tertianum Management AG, Zurich
  - Tertianum Romandie Management SA, Crissier
  - Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

## Shareholder structure

### Shareholder structure as at 31.12.2017

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % <sup>1</sup>
1 to 999	8 340	79.7	2 484 047	3.5
1 000 to 9 999	1 760	16.8	4 323 006	6.0
10 000 to 99 999	279	2.7	7 653 869	10.7
100 000 to 999 999	80	0.8	20 407 485	28.6
1 000 000 and above	5	–	10 524 176	14.7
<b>Total registered shareholders/shares</b>	<b>10 464</b>	<b>100.0</b>	<b>45 392 583</b>	<b>63.5</b>
Unregistered shares			26 086 334	36.5
<b>Total shares issued</b>			<b>71 478 917</b>	<b>100.0</b>

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

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	9 726	93.0	33 060 715	72.8
Europe (excluding Switzerland)	567	5.4	9 348 819	20.6
Other countries	171	1.6	2 983 049	6.6
<b>Total registered shareholders/shares</b>	<b>10 464</b>	<b>100.0</b>	<b>45 392 583</b>	<b>100.0</b>

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	9 421	90.0	7 346 575	16.2
Legal entities	440	4.2	15 179 210	33.5
Pension funds	205	2.0	9 176 951	20.2
Insurance companies	37	0.3	2 266 195	5.0
Funds	198	1.9	9 004 417	19.8
Other	163	1.6	2 419 235	5.3
<b>Total registered shareholders/shares</b>	<b>10 464</b>	<b>100.0</b>	<b>45 392 583</b>	<b>100.0</b>

Major shareholders (shareholding interest >3%)	31.12.2016 Shareholding interest in %	31.12.2017 Shareholding interest in %
BlackRock Inc., New York	>5.0	>5.0
State Street Corporation, Boston	3.7	3.9
Credit Suisse Funds AG, Zurich	3.2	3.2

## 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 $\frac{1}{3}$ , 50 or 66 $\frac{2}{3}$  of the voting rights in Swiss Prime Site AG or traverses such percentages to the upside or downside. The disclosure notifications issued in the reporting year – according to article 120 of the Swiss Financial Market Infrastructure Act (FMIA) and the provisions of the Swiss Financial Market Infrastructure Ordinance (FMIO) – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange ([www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)).

## Cross-investments

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

## Capital structure

### Share capital

As at the balance sheet date, Swiss Prime Site AG's share capital comprised 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. Company's effective Articles of Association, overall share capital (authorised and conditional capital) may be increased by a maximum of CHF 63.841 million or 5.8% of existing share capital.

### 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) under investors/corporate governance).

### Conditional capital

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

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

The precise wording regarding conditional 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) under investors/corporate governance). Additional details on the changes to share capital can be found in note 23 «Shareholders' equity» of the consolidated financial statements, on page 63 the Financial Report. Swiss Prime Site AG has no other equity instruments (e.g. participation or profit share certificates) outstanding other than registered shares.

### 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) under investors/corporate governance. Only those persons whose names appear in the share register and who have acquired shares in their own name and on their own account are registered as shareholders or usufructuaries by the Company. The Company acknowledges only one beneficiary per share.

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

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

## Capital structure as at 31.12.2017

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
Share capital	71 478 917	15.30	1 093 627
Authorised capital	4 172 617	15.30	63 841
Conditional capital	4 172 617	15.30	63 841
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

## Share capital changes over the last three years

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
Share capital as at 31.12.2014	60 820 602	15.30	930 555
Conversion of 40 607 units of the CHF 300 million convertible bond	2 860 803	15.30	43 770
Capital increase on 29.05.2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668
Conversion of 29 930 units of the CHF 190.35 million convertible bond	1 827 383	15.30	27 959
Share capital as at 31.12.2016	71 478 917	15.30	1 093 627
Share capital as at 31.12.2017	71 478 917	15.30	1 093 627

## Convertible bonds

		CHF 250 m 2023
Issuing volume, nominal	CHF m	250.000
Nominal value as at 31.12.2017	CHF m	250.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>244.287</b>
Book value as at 31.12.2016	CHF m	243.241
Conversion price	CHF	105.38
Interest rate	%	0.25
Term to maturity	years	7
Maturity	date	16.06.2023
Securities number		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 amounting to CHF 36.297 million, corresponding to 3.3% of share capital before issuance of the convertible bond.

No conversions took place in the reporting year. Further information on convertible bonds is included in note 20 «Financial liabilities», on page 61 of the Financial Report.



**Courtyard Motel One, Zurich**

Skilful consolidation creates new spaces and enhances the quality of life.

## Board of Directors

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

### Composition of the Board of Directors

Name	Position	Nationality	Member since
Prof. Dr. Hans Peter Wehrli	Chairman	Swiss	2002
Mario F. Seris	Vice-Chairman	Swiss	2005
Dr. Elisabeth Bourqui	Member	Swiss/French/Canadian	2016
Christopher M. Chambers	Member	Swiss/British	2009
Dr. Rudolf Huber	Member	Swiss	2002
Klaus R. Wecken	Member	German	2009

### Departures during the reporting period

Dr. Bernhard Hammer as at 11 April 2017, Markus Graf as at 8 December 2017

Members of the Board of Directors place their mandate at the disposal of the ordinary shareholders' meeting in the year in which they reach the age of 70.

### 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.

### Elections and period of office

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

### Regulation of the powers and duties of the Board of Directors

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

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

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

As required, the Board of Directors can form committees from among its members and allocate powers to these committees in separate sets of regulations, or by amending the existing organisational regulation. The

Board of Directors has taken advantage of this opportunity and formed an Audit Committee, 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 course of business. The Board of Directors holds meetings as often as business requires, but a minimum of once per quarter. During the reporting period, six meetings and eight conference calls of the Board of Directors took place. Executive Board members are invited to attend the Board of Directors meetings.

#### **Information and control instruments applied to the Executive Board**

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

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

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

The Audit Committee, Investment Committee and Nomination and Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and relevant proposals are submitted to the Board of Directors. The reports and analyses are

then presented by the 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 already 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. Moreover, the Executive Board in consultation with the Audit Committee can assign internal auditors tasks outside the scope of the planned auditing activities, for example, executing special investigations and analyses. The internal auditor in charge reports to the Audit Committee. The external auditors attend relevant meetings of the Audit Committee and, as required, are enlisted to resolve issues.

The Board of Directors adapted Swiss Prime Site Group's corporate governance in 2017 and, in this context, revised the organisational regulations, committee regulations and investment regulations as well as adopted an Executive Board regulation. Furthermore, the revised competence regulations came into effect, which clarify the division of responsibilities between the Board of Directors and Executive Board as well as regulate, to some extent, restriction of the general delegation of the operating business and aim to achieve uniform regulation of the competencies of Swiss Prime Site Group. Advisory boards were also established in the operationally active group companies – which are controlled by Swiss Prime Site AG in terms of capital or voting rights – within the scope of the internal organisation as separate legal entities each structured with their own respective bodies and board members. The advisory boards provide advice to the bodies of the group companies with regard to strategic and operating issues, offer know-how to the operating business fields and, at the same time, train personnel in a talent pool for succession planning for the Board of Directors.

### **Audit Committee**

Chairman: Rudolf Huber; Members: Elisabeth Bourqui and Christopher M. Chambers.

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

The Audit Committee has the right to issue instructions and obtain information with regard to the internal audit. The Audit Committee proposes the internal audit charter, which determines the organisation and operation of Swiss Prime Site's internal audit, to the full Board of Directors. The Audit Committee enlisted Rolf Krummenacher, Lucerne, as regular advisor for the reporting year.

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

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

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

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

### **Nomination and Compensation Committee**

Chairman: Mario F. Seris; Members: Elisabeth Bourqui and Christopher M. Chambers.

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

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

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

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

### **Investment Committee**

Members: Hans Peter Wehrli, Mario F. Seris, René Zahnd, Peter Lehmann, Markus Meier.

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

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

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

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



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

«Building a good strategy always starts  
with the right people.»

**Position**

Chairman of the Board of Directors

**Committees**

Investment: Member

**Education**

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

**Professional activity**

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

**Mandates outside Swiss Prime Site**

Stock exchange-listed companies: 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 Hürdi Holding AG, Oberentfelden



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

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

**Position**

Vice-Chairman of the Board of Directors

**Committees**

Nomination and Compensation: Chairman  
Investment: Member

**Education**

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

**Professional activity**

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

**Mandates within Swiss Prime Site**

Member of the advisory board of Wincasa AG, Winterthur

**Mandates outside Swiss Prime Site**

None



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**Dr. Elisabeth Bourqui**

1975, Zurich

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«Identifying and mastering risks as controllable challenges always enables us to take the next step on the road ahead.»

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**Position**

Member of the Board of Directors

**Committees**

Audit: Member

Nomination and Compensation: Member

**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 has since held the position as Head of Pension Management at ABB Group.

**Mandates outside Swiss Prime Site**

Stock exchange-listed companies: Member of the Board of Directors and member of Risk and Audit Committee of Bank Vontobel AG, Zurich

Unlisted companies: none



### **Christopher M.Chambers**

1961, London, UK

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

#### **Position**

Member of the Board of Directors

#### **Committees**

Audit: Member

Nomination and Compensation: Member

#### **Education**

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

#### **Professional activity**

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

#### **Mandates outside Swiss Prime Site**

Stock exchange-listed companies: Chairman of the Board of Directors of Leonteq AG, Zurich; Chairman of the Board of Directors of Pendragon PLC, Nottingham, UK

Unlisted companies: Chairman of the Board of Directors of Lonrho Ltd., London, UK; member of the Board of Directors of Berenberg Bank (Switzerland) AG, Zurich; member of the Board of Directors of Oxford Sciences Innovation PLC, Oxford, UK; member of the Board of Directors of Hansa Aktiengesellschaft, La Punt-Chamuesch



### **Dr. Rudolf Huber**

1955, Pfäffikon SZ (Freienbach)

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

#### **Position**

Member of the Board of Directors

#### **Committees**

Audit: Chairman

#### **Education**

Dr.oec.publ.; University of Zurich

#### **Professional activity**

Rudolf Huber has held positions as member of management and CEO of various internationally active industrial companies, including as member of the executive board and Chief Financial Officer of Geberit Group, Rapperswil-Jona from 1992 to 2004. As CEO of Axega GmbH, Rudolf Huber subsequently assumed various board of director, advisory, teaching and interim management mandates. From 2015 to end-2016, he held the position of acting CEO of Looser Holding AG. From 1 January 2018, chairman of the executive board of Peri GmbH and CEO of Peri Group, Weissenhorn (Germany).

#### **Mandates within Swiss Prime Site**

Member of the advisory board 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 and CHRIST & HEIRI Holding AG, Zug; member of the foundation board of Hoerbiger Stiftung, Zug; chairman of the advisory board of PERI GmbH & Co. KG, Weissenhorn (Germany) (until 31 December 2017)



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**Klaus R. Wecken**

1951, Bürgenstock

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«Technological progress is a fact with which we continue to advance to the forefront.»

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**Position**

Member of the Board of Directors

**Education**

Economics, University of Freiburg in Breisgau

**Professional activity**

Since 1974, Klaus R. Wecken has been founder, partner and chairman of various companies in Germany and Switzerland. From 1984, he was co-founder and director of KHK Software AG, Frankfurt am Main, which he sold to SAGE Group, Newcastle, UK, in 1997. From 1999, he was co-founder and principal shareholder of the real estate company Tivona AG, Basel, which was integrated through Jelmoli Holding AG, Zurich, into Swiss Prime Site Group in 2009. From 2001 to 2002, he was member of the Board of Directors of Jelmoli Holding AG, Zurich. Since 2007, he has 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. In the stock exchange-listed real estate sector, Klaus R. Wecken is major shareholder in Deutsche Mittelstands Real Estate AG (DEMIRE), Langen bei Frankfurt, (Germany), as well as Adler Real Estate AG, Berlin, (Germany), among other firms. Adler Real Estate AG acquired Fair Value REIT AG, Gräfeling, and Westgrund AG, Berlin (Germany) in previous years. Adler AG also acquired, developed and re-divested Accentro (formerly Estavis) AG, Berlin (Germany), at the end of 2017. Adler AG also acquired 25% of the shares in Conwert Immobilien Invest SE, Vienna (Austria) at the end of 2015 and re-sold the stake to Vonovia AG, Bochum, at the end of 2016.

**Mandates outside Swiss Prime Site**

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of Care4 AG, Basel, and IRESI International Real Estate Investors AG, Basel; member of the Board of Directors of SIC invent AG, Basel; CEO of W & W Immobilien GmbH, Weil am Rhein (Germany), as well as other positions with related real estate companies

## 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 Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

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

### Composition of the Executive Board

Name	Position	Nationality	Member since
René Zahnd	Chief Executive Officer	Swiss	2015
Markus Meier	Chief Financial Officer	Swiss	2015
Peter Lehmann	Member, CEO Swiss Prime Site Immobilien AG	Swiss	2002
Oliver Hofmann	Member, CEO Wincasa AG	Swiss	2013
Franco Savastano	Member, CEO Jelmoli AG	Swiss/Italian	2012
Dr. Luca Stäger	Member, CEO Tertianum Gruppe AG	Swiss	2014

#### Additions to the Executive Board during the reporting period

None.

#### Articles of Association provisions regarding the number of permitted activities

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

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

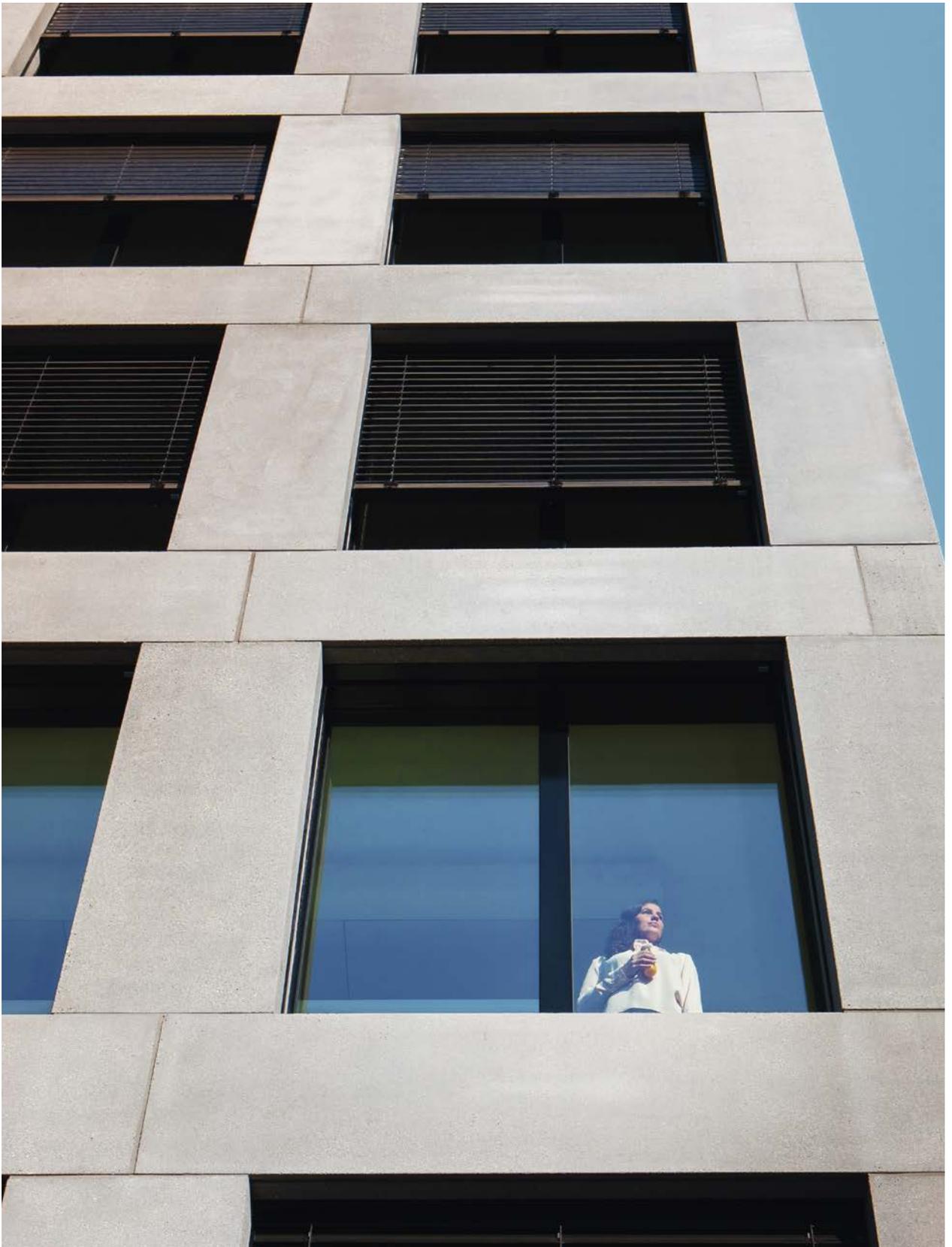
#### Management contracts

There are no management contracts.

#### Compensation, shareholdings and loans

All of the following information is contained and explained in the Compensation Report on pages 75 to 92: Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as additional amount for those members of the Executive Board who are designated as such following the vote by the Annual General Meeting on compensation; Articles of Association provisions regarding loans, credit and pension benefits to members of the Board of Directors and Executive Board; Articles of Association provisions regarding the vote by the Annual General Meeting on compensation.

Shareholdings in Swiss Prime Site AG held by members of the Board of Directors and Executive Board are reported in the Company's notes to the financial statements of Swiss Prime Site AG on page 89.



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## CHF 6.4 billion

Swiss Prime Site Group boasts a significant competitive advantage, with the highest market capitalisation of any Swiss real estate company.



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**René Zahnd**

1966, Berne

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«Being dedicated to sustainability in all its facets means getting our Company in shape for the future.»

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**Position**

Member of the Executive Board, Chief Executive Officer

**Committees**

Investment: Member

**Education**

Attorney at Law

**Professional activity**

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

**Mandates within Swiss Prime Site**

Chairman of the Board of Directors of the following group companies: Jelmoli AG, Zürich; SPS Beteiligungen Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertianum Gruppe AG, Zurich; Wincasa AG, Winterthur

**Mandates outside Swiss Prime Site**

None



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**Markus Meier**

1964, Winterthur

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

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**Position**

Member of the Executive Board, Chief Executive Officer

**Committees**

Investment: Member

**Education**

Business Economist FH and Certified Public Accountant

**Professional activity**

Markus Meier has been Chief Financial Officer of Swiss Prime Site AG since 1 June 2015 and previously ad interim Chief Financial Officer 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).

**Mandates within Swiss Prime Site**

Member of the Board of Directors of the following group companies: Jelmoli AG, Zürich; SPS Beteiligungen Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertianum Gruppe 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 welfare foundation, Zurich

**Mandates outside Swiss Prime Site**

None



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**Peter Lehmann**

1958, Wilen bei Wollerau

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«We create locations!»

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**Position**

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

**Committees**

Investment: Member

**Education**

Construction planner

**Professional activity**

Peter Lehmann has been Chief Executive Officer of Swiss Prime Site Immobilien AG since 1 March 2017; previously he was Chief Investment Officer of Swiss Prime Site AG from 1 March 2002. He was head of various departments at Real Estate Asset Management, Credit Suisse AG, Zurich (managing director) from 1991 to 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.

**Mandates within Swiss Prime Site**

Member of the Board of Directors of Swiss Prime Site Fund Advisory AG II; member of the investment committee of the SPS/Jelmoli pension fund.

**Mandates outside Swiss Prime Site**

Stock exchange-listed companies: none

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

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



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### **Oliver Hofmann**

1970, Horgen

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**«Pursuing efficiency and focusing on the essentials constitute the two factors of success of our business model.»**

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#### **Position**

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

#### **Education**

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

#### **Professional activity**

Oliver Hofmann has held the positions of Chief Executive Officer of real estate services company Wincasa AG since 1 January 2013 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 «G15 – Group of Fifteen».

#### **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 welfare 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; member of the Board of Directors of Crédit Agricole next bank (Suisse) SA, Geneva



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### **Franco Savastano**

1965, Stallikon

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**«Anyone can buy and sell. We offer quality, experience and uniqueness.»**

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#### **Position**

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

#### **Education**

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

#### **Professional activity**

Franco Savastano has been Chief Executive Officer of Jelmoli – The House of Brands premium department store in Zurich since 1 April 2012 and member of the Swiss Prime Site AG Executive Board. From 2001 to 2012, he was a member of the management of Brunschwig & Cie. SA, holding the positions of director of the Grieder fashion stores in German-speaking Switzerland, as well as procurement director for Grieder throughout Switzerland. From 1997 to 2001, Franco Savastano held positions as head of the creative teams for fashion labels Strellson and Tommy Hilfiger Clothing. From 1988 to 1996, he worked as procurement director at Fein-Kaller Uomo and Donna; and from 1986 to 1988, as assistant to the director of sales at Hugo Boss Switzerland Ltd.

#### **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 welfare foundation, Zurich

#### **Mandates outside Swiss Prime Site**

Chairman of the Zurich Bahnhofstrasse Association, Zurich



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**Dr. Luca Stäger**

1967, Zurich

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«We pave the way for living carefree and dignified twilight years.»

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**Position**

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

**Education**

1991 Degree in Economics (lic. oec.) and 1994 Doctorate in Economics (Dr. oec.) from the University of St. Gallen (HSG); 2002 further studies in integrated services management at the University of St. Gallen; 2003 training as EFQM assessor and 2005 completion of 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 of 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 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.

**Mandates within Swiss Prime Site**

Chairman of the Board of Directors Perlavita Rosenau AG, Kirchberg; SENIOcare AG, Zurich; Les Tourelles S.à r.l., Martigny (VS); La Résidence des Marronniers SA, Martigny (VS); Résidence Les Sources Saxon SA, Saxon (VS); Résidence du Bourg SA, Aigle (VD); Résidence Bel-Horizon S.à r.l., Ecublens (VD); Résidence le Pacific SA, Etoy (VD); Résidence Joli Automne SA, Ecublens (VD); Leora S.à r.l., Villeneuve (VD); Hôtel Résidence Bristol SA, Montreux (VD); Le Manoir AG, Gampelen (BE); La Fontaine SA, Court (BE); Home Médicalisé Vert-Bois SA, Val-de-Ruz (NE); Résidence de la Jardinerie SA, Delémont (JU); Quality Inside SA, Crissier (VD); Tertianum Romandie Management SA, Crissier (VD); Leben im Alter AG, Zurich; Tertianum Management AG, Zurich; Tertianum AG, Zurich; Résidence l'Eaudine SA, Montreux; Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

**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 Clos Bercher SA, Bercher; 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

## Shareholder participation rights

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

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

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

### 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.»

Any shareholder that is registered in the share register on 13 March 2018 (effective date) is eligible to vote at the ordinary shareholders' meeting of 27 March 2018. Shareholders that sell their shares after this date are not eligible to participate in the ordinary shareholders' meeting. No entries are recorded in the share register from 14 March to and including 27 March 2018.

### 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;
- k) conversion of bearer shares into registered shares;
- l) conversion of registered shares into bearer shares;
- m) the abolishment of statutory restrictions regarding the adoption of resolutions at the Annual General Meeting pursuant to the above subsections i, k and l.»

### Convening the Annual General Meeting

According to article 10 of the Articles of Association: «<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 a 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.»

### Agenda

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

### Share register and registration provisions

According to article 5 of the Articles of Association:

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

<sup>2</sup> Upon request, 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.

### Independent shareholder representative

The Articles of Association provisions regarding independent shareholder representative correspond to the regulations according to the Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

The Board of Directors ensures that shareholders can issue authority and instructions to the independent shareholder representative electronically as well. Detailed information and instructions are provided to shareholders together with the invitation documentation for attendance of the Annual General Meeting [these are also published on the Company's homepage].

### Change of control and defence measures

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

## Statutory auditor

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

Since the Company was founded (1999), the statutory auditor of Swiss Prime Site AG has been KPMG Ltd., 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.

### Fees

The following fees were booked for the current reporting period: audit fees in the amount of CHF 0.987 million [CHF 1.160 million], fees for advisory services of CHF 0.043 million [CHF 0.017 million] and fees for property sales of CHF 0.000 million [CHF 0.430 million].

### Information instruments of the external audit

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

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

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

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

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

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

## Information policy

Swiss Prime Site Group's detailed financial reporting occurs in the form of semi-annual and annual reports. The published accounting standards comply with the provisions of Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and Swiss GAAP FER regulations.

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

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Market Infrastructure Act (FMIA) as well as the ad-hoc publicity of the SIX Swiss Exchange. The ad-hoc releases can be retrieved concurrently with the reports to the SIX Swiss Exchange at [www.sps.swiss](http://www.sps.swiss) under media.

In addition, media releases are published as required, which can be subscribed to also on the website at [www.sps.swiss](http://www.sps.swiss) under media.

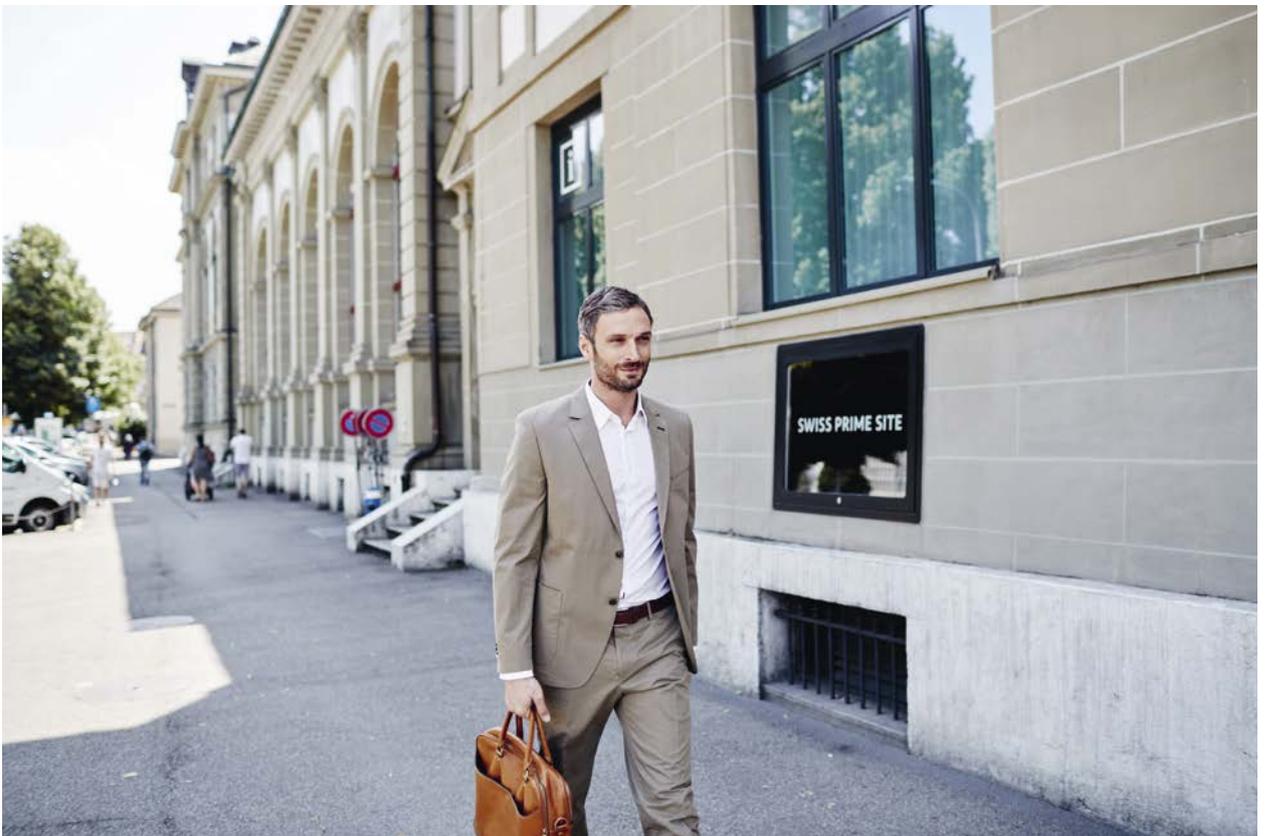
Further information about the Group can be found on the website at [www.sps.swiss](http://www.sps.swiss).

### Contact address

Swiss Prime Site AG  
Frohburgstrasse 1  
CH-4601 Olten  
Telephone: +41 58 317 17 17  
E-mail: [info@sps.swiss](mailto:info@sps.swiss)

## Significant changes since the balance sheet date

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



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# 10 464 shareholders

Olten, Swiss Prime Site headquarters  
Number of shareholders registered in the share register



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# COMPENSATION REPORT

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# Extensive renewal process carried out

Our compensation system is subject to review on an ongoing basis and adapted to current conditions. Swiss Prime Site's entire Board of Directors and particularly the Chairman of the Nomination and Compensation Committee, Mario F. Seris, affirm their commitment to good corporate governance, taking into account the various relevant aspects therein.

**Mario F. Seris, you're a member of the Board of Directors as well as Chairman of the Nomination and Compensation Committee of Swiss Prime Site. What precisely are your responsibilities on the board?**

My primary responsibility involves ensuring development of the requisite key competencies for the sustainable success of the Company at the Board of Directors, Executive Board and employee levels. In addition, the members of the Compensation Committee are responsible for aligning Swiss Prime Site's remuneration policy with the interests of the Company and shareholders.

**How does Swiss Prime Site's Board of Directors function?**

We are a body comprising six experienced personalities. Our strengths are of course the years of extensive management experience and equilibrium that we collectively have. Our dialogue culture is transparent, open and honest.

«Our dialogue culture is transparent, open and honest.»

**Approval for Board of Directors members at the Annual General Meetings has diminished in recent years. What improvements could the Board of Directors make at present and in the future?**

In contrast to the past, today's shareholders are no longer willing to give the green light to just anything. Companies have justifiably granted more rights to shareholders and investors. With these rights, shareholders and investors demand that their interests are better safeguarded and represented. In my view, a high level of transparency relative to all interest groups plays

the most significant role, in the reporting process as well as in general communications with all stakeholders. Trust can only be established in this way.

**How do you build such trust?**

We critically scrutinise not just the Company but also our conduct and adjust the process where necessary. For instance, we have strengthened communications with stakeholders. The reporting process has been totally restructured. Roadshows and conferences are carried out in order to provide investors, shareholders and proxy advisors with the opportunity to meet the Board of Directors and the management. Panel discussions are held in order to learn about the needs of various interest groups and subsequently define measures where necessary and sensible.

**How do you view the role of proxy advisors?**

History shows that proxy advisors are becoming an increasingly more important stakeholder, due to the increasingly emerging criticism of excessive salaries, on the one hand. On the other hand, this is also attributable to the new rules with which the entire Swiss economy has been confronted in past years. Since institutional investors today must vote, they require support to be able to efficiently cast their vote. In this context, transparently operating proxy advisors certainly play a key role.

**By implication, what does this mean for you as Swiss Prime Site Board of Directors member?**

High degrees of transparency and open-mindedness are requisite for proxy advisors to provide recommendations based on a good foundation. It serves no purpose when a company pursues a simple and fair compensation system that is nonetheless cryptically or insufficiently explained in the reporting process.

**Have you met and conversed with the various proxy advisors?**

As Chairman of the Compensation Committee, I met with the major proxy advisors last autumn. The



**Mario F. Seris**  
Chairman of the Nomination and Compensation Committee

conversations were very good, open and worthwhile for both sides.

**What are the consequences that you now perceive for yourself from these talks?**

Certain points of criticism are definitely understandable. The most significant criticism with which we indeed have to cope is that we have not explained our position quite so clearly and comprehensibly.

**Swiss Prime Site was criticised by proxy advisors in the past regarding its compensation system. What lessons have you learned as a result?**

Our compensation system comprises three elements: fixed base salary, short-term and long-term variable compensation. We revised the compensation structure and particularly the variable compensation components in 2017 in order to more closely take into account the performance-based orientation.

**In very specific terms, what's the maximum bonus that an Executive Board member can receive?**

The short-term and long-term share of variable compensation for Executive Board members can reach the level of their fixed base salary overall and in the best case scenario. Noteworthy also is that just 75% of the maximum bonus is reached with 100% achievement of all targets. In order to achieve the maximum bonus (100%), the already very ambitious targets must be significantly surpassed. Another aspect is the fact that

the lion's share of target achievement is not based on the individual performance, but rather on the financial results realised by the Company or group companies.

**What's the rule for long-term compensation, when the shares are blocked for three years?**

Regarding long-term variable compensation, the management is awarded entitlements at a specific point in time – i.e. so-called performance share units (PSUs). This time frame incidentally corresponds to our successive internal business plan. The payout factor is assessed retroactively after three years and converted into shares. We therefore ensure that the interests of the Executive Board members are aligned with those of the shareholders. All these measures correspond to the performance-based compensation approach according to the maxim: «Pay for Performance».

**What are the key criteria for assessing the achievement of targets under the long-term variable compensation (LTI)?**

The factor for us as a real estate company is 100% earnings per share (EPS) before revaluations and deferred taxes.

**Why is this key figure the right basis for assessment for the Company?**

EPS before revaluations and deferred taxes constitutes the most important key figure for a Swiss real estate company for assessing its operating success, which

reflects the firm's performance: i.e. operating profitability. In addition, Swiss Prime Site's dividend policy is based on this key figure as well. The objective is aimed at achieving a long-term distribution of 80% of profit before revaluations and deferred taxes, with concurrently stable or growing absolute dividend payments.

**Another point of criticism was the term of office of Board of Directors members. What's the progress of the restructuring process?**

We commenced an extensive restructuring process within the management and Board of Directors two years ago. We were able to initiate the rejuvenation process of Swiss Prime Site's Executive Board with René Zahnd and Markus Meier two years ago. In addition, we created an advisory board system for the group companies. Each advisory board comprises a member of the Board of Directors of Swiss Prime Site and external top managers, among others. We have also forged ahead with the rejuvenation process on the Group's Board of Directors with Elisabeth Bourqui. At the same time, we have restructured the compensation system – subject to criticism in the past as previously stated – upgrading the process to a modern standard.

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**«History shows that proxy advisors are increasingly important stakeholders.»**

.....

**Could you already be more specific here with regard to the Board of Directors?**

Yes. We aim to achieve an improved intermix on the Board of Directors and the related committees in the medium term. Greater significance will be attributed to expertise, experience, age and gender in the future. In this context, we are oriented toward the guidelines provided by the Swiss federal government, according to which females should account for 30% of the members of a board of directors. Incidentally, we aim to

achieve this proportion in the aforementioned advisory boards of the group companies too. This is already the case at present with Tertium and Jelmoli. At the same time, we are initiating a transition process within the committees. We are starting with the Compensation and Nomination Committee: Indeed, I am relinquishing the Chairman role at the Annual General Meeting of 2018. Thereafter, we will pursue the rejuvenation process for the chairmanships of the other committees.

**You currently have two vacancies on the Board of Directors. How will these new Board of Directors members be chosen?**

Optimising the intermix in the aforementioned issues is a significant concern, in our view. Consequently, we are proposing to the Annual General Meeting of 2018 the election of Barbara Frei-Spreiter and Thomas Studhalter as new Board of Directors members. Both personalities excellently complement the Board of Directors and will strongly contribute to the previously referred to rejuvenation process.

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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 2017.

# Governance

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, shareholders approve the Articles of Association that outline the principles of compensation as well as approve the Compensation Report by way of a consultative vote.

## Provisions on compensation in the Articles of Association

The Articles of Association can be found in their entirety on the Company's website ([www.sps.swiss](http://www.sps.swiss) under investors/corporate governance).

### Summary

**Principles of compensation of the Board of Directors**  
Article 28

The members of the Board of Directors receive fixed compensation for their activities. Additional compensation may be paid for memberships in committees and for assuming special tasks or assignments. The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company.

**Principles of compensation of the Executive Board**  
Articles 30 and 31

The members of the Executive Board receive fixed annual compensation for their activities as well as variable performance-based compensation. The variable compensation is based on quantitative and individual objectives that are determined annually by the Board of Directors in the Company's and the shareholders' long-term interests. The variable compensation may be paid in cash or partly in restricted or unrestricted shares of the Company.

**Approval of compensation by the shareholders**  
Articles 29 and 32

The Annual General Meeting annually approves with binding effect the maximum amount of compensation of the Board of Directors for the respective current financial year and the maximum amount comprising both the fixed and variable compensation of the Executive Board for the current financial year.

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.

**Additional compensation for Executive Board members**  
Article 32

In case of appointment of new members of the Executive Board after the approval of the maximum amount of compensation by the Annual General Meeting, the maximum additional amount available for each new member corresponds to 150% of the highest compensation paid to a member of the Executive Board in the last ordinary shareholders' meeting of the previous financial year.

The compensation structure and elements for the members of the Board of Directors and Executive Board are designed according to these governance principles.

The proposed maximum amounts of compensation submitted to shareholders' vote are maximum figures that are paid out in case of substantial over-achievement of all relevant performance objectives. The effective compensation paid out is therefore likely to be below the approved maximum amounts. The effective compensation is reported in the Compensation Report, which is subject to a consultative vote by the share-

holders 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.

## Nomination and Compensation Committee

The Board of Directors has appointed a Nomination and Compensation Committee (CC) to provide support in compensation matters. 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
- The Nomination and Compensation Committee prepares the guidelines and proposals for the nomination (including authority to sign) for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts.
- The Nomination and Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.
- Any other activities assigned by law or by the Board of Directors

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

#### Authority levels in compensation matters

	CEO	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 Executive Board	Proposes	Reviews	Approves	
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of the Executive Board	Proposes	Reviews	Approves	
Individual compensation of the members of the Board of Directors		Proposes	Approves	
Compensation Report		Proposes	Approves	Consultative vote

The Nomination and Compensation Committee held four meetings and one conference call in 2017. The members attended all the meetings and conference calls. 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 CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed. The Nomination

and Compensation Committee may consult an external advisor from time to time regarding special compensation issues. In 2017, no such external advisor was mandated.

#### Method of determination of compensation

##### Periodic benchmarking

Swiss Prime Site periodically reviews the compensation of its Board of Directors and Executive Board. This includes regular benchmarking analysis – for example, every two to three years – of the compensation of similar positions in other stock exchange-listed companies that are comparable in size (i.e. market capitalisation, revenues, headcount). However, noteworthy is that Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of 5 910 employees – implies a higher degree of complexity than pure real estate companies. With the comparison of the compensation of members of the Executive Board that manage

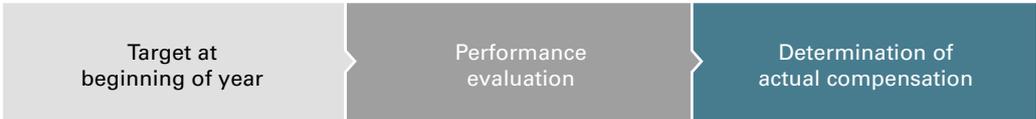
operating group companies, the composition of the benchmark is derived according to the respective areas of activity: i.e. in the real estate services, retail and assisted living sectors.

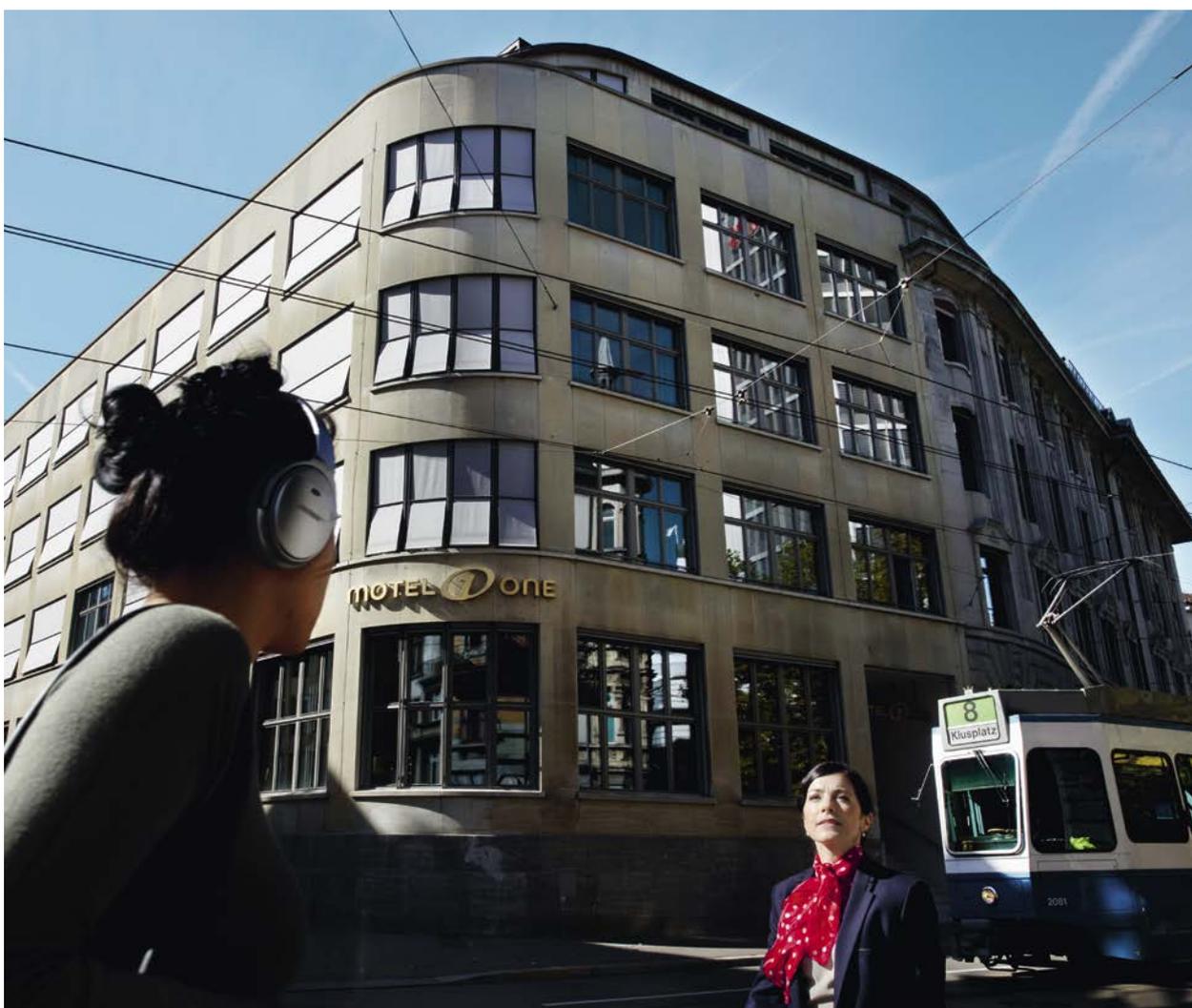
The last benchmarking analysis was conducted in 2016 and served as the basis for the annual review and the determination of compensation of the members of the Board of Directors and Executive Board for the financial year 2017.

**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, boost performance and foster personal development. The Company and individual objectives are determined at the beginning of the financial year and achievement of targets is

assessed at year-end. In discussing the individual performance of the members of the Executive Board, the Nomination and Compensation Committee considers the achievement of the individual performance objectives pre-determined during the performance management process as well as the extent to which the executives have conducted themselves in line with Swiss Prime Site's DNA. The Company's DNA includes Swiss Prime Site's vision, the corporate culture, the Company's values and its commitment toward sustainability. The performance assessment is the basis for the determination of the actual compensation, as shown in the following illustration.





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## 394 rooms

### Motel One, Zurich

Bookings at the largest hotel in German-speaking Switzerland have been continuously very brisk since Motel One opened its doors.

# 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 as follows:

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**Pay for performance**

Compensation of the Executive Board is directly linked to the Company's financial results and individual performance. Both the annual performance and sustainable success of Swiss Prime Site are rewarded through a well-balanced combination of performance objectives.

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**Alignment with shareholders' interests**

A portion of the compensation of the Board of Directors is paid in the form of shares, for members of the Executive Board in the form of performance share units (PSUs). In this way, alignment with the interests of the shareholders is ensured.

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**Competitiveness**

Compensation is benchmarked against that of comparable companies at regular intervals in order to ensure market competitiveness.

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**Internal equity and fairness**

Compensation decisions are based on objective factors such as scope of responsibility of the position, external value of the position and individual performance. Compensation decisions are communicated in an open and transparent way.

# Compensation system for the Board of Directors

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

Half of the compensation of the members of the Board of Directors is paid in cash and the other half is paid in the form of Swiss Prime Site AG shares. This reinforces the alignment of their interests with those of the shareholders. The shares are allocated at the end

of the financial year on the basis of the market price at the beginning of the financial year, less a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 50% of the fixed compensation, depending on the share price performance during the financial year. The delivered shares are subject to blocking for a period of four years, which also applies to members who depart the Board of Directors.

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

## Compensation levels of the Board of Directors

Fixed annual retainer for members of the Board of Directors	CHF
Chairman of the Board of Directors	350 000
Vice-Chairman of the Board of Directors	190 000
Member of the Board of Directors <sup>1</sup>	180 000

Additional compensation	CHF
Lump-sum expense allowance	6 000

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



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**200 000 square metres**

Scope of new leasing and leasing renewal activities in 2017

# Compensation system for the Executive Board

Following the 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 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 this review, the Nomination and Compensation Committee proposed the following fundamental changes that were approved by the Board of Directors:

- The compensation structure was re-adjusted in order to emphasise the share of variable compensation. The fixed compensation was therefore relatively decreased. Accordingly, the variable compensation portion increased in line with the pay-for-performance principle.
- Split of the variable compensation into two components: 62.5% is awarded as a short-term incentive (STI) in cash and 37.5% delivered in the form of performance share units under a new long-term incentive plan (LTI).
- Refinement of performance objectives for the purpose of calculating the variable compensation: The STI rewards the annual financial performance of the business under responsibility and the individual performance, while the LTI rewards the performance of Swiss Prime Site as a whole over a performance period of several years. Therefore, the performance of Swiss Prime Site as a group and the performance of the individual operating group companies are rewarded in a balanced manner.
- Direct link to the mid-term financial planning: All performance indicators are determined on the basis of the mid-term financial planning of the Company, which ensures a robust, transparent and sustainable measurement of performance. Already from the financial year 2016, there is no longer any possibility for the Board of Directors to apply management discretion in the determination of the effective variable compensation awarded.

## Compensation structure of the Executive Board in the financial year 2017

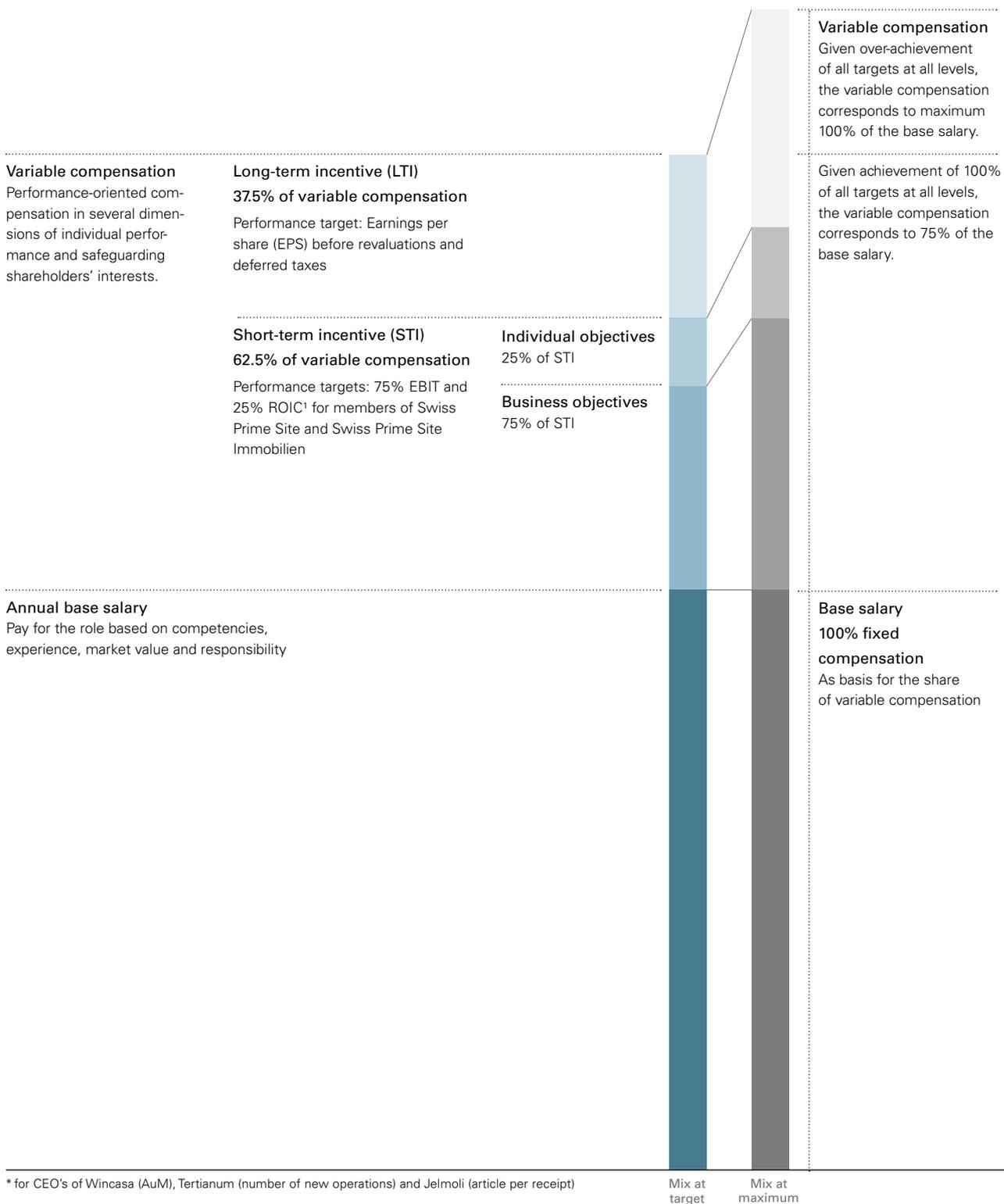
	Element	Purpose	Drivers	Performance measures
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role as well as skills and experience	
Variable compensation	STI (bonus in cash)	Pay for performance	Achievement of annual business and individual objectives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

## Annual base salary

The annual base salary is part of the compensation. The amount of the base salary is determined particularly by individual competencies, experience, market value and responsibility of the respective Executive Board member. The base salary also serves to ensure a certain attractiveness of the Company's public image.

## Variable compensation

The variable compensation amounts to 75% (target value) and a maximum of 100% of the annual base salary (at maximum payout level) without taking into account the share price performance. The variable compensation is split into short-term incentive (STI) and long-term incentive (LTI), as shown in the following illustration.



## Short-term incentive (STI) Bonus in cash

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

The business-related objectives make up 75% of the STI. For the members of the Executive Board employed by Swiss Prime Site, business objectives include earnings before interest and tax (EBIT excluding revaluations) of Swiss Prime Site weighted at 75%, and return on invested capital (ROIC) of Swiss Prime Site weighted at 25%. For the members of the Executive Board who manage Jelmolli AG, Tertianum AG and Wincasa AG – and are employed by the respective operating group company – business objectives include EBIT of the respective operating company and a top-line performance indicator, such as assets under management or development of new businesses.

For each business objective, a target is set corresponding to the expected level of performance that will generate a payout if achieved. Given achievement of 100% of all the targets, a payout of 75% of variable compensation applies. The maximum limit for the payout of variable compensation amounts to 100% of the fixed salary. Accordingly, the rule that applies to total compensation for a member of the Executive Board is that the variable component of the compensation can reach a maximum level amounting to the base salary. The business objectives and the target level of performance are determined on the basis of the mid-term financial planning, so the target setting is very robust and ambitious.

The individual objectives are weighted with 25% of the STI, consisting of annual personal objectives that are determined and agreed upon within the scope of the performance management process. For the CEO, the individual objectives 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 firm according to the Company's vision. For the other members of the Executive Board, individual objectives are set in the areas of risk management, reduction of fluctuation and vacancy rates, customer satisfaction, contract renewals and personnel management.

## Long-term incentive (LTI) Performance share units

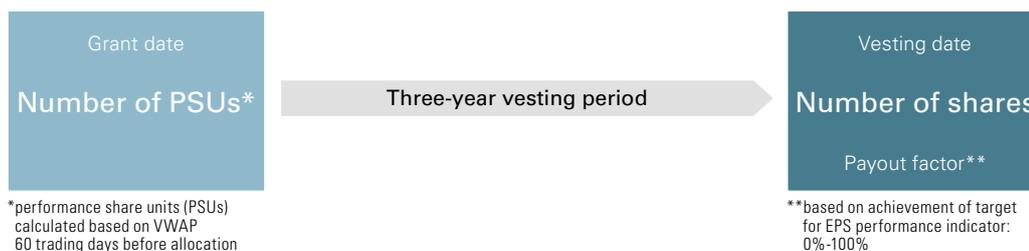
The LTI accounts for 37.5% of the variable compensation, to be delivered in the form of performance share units (PSUs) that reward for the long-term performance of Swiss Prime Site and align the interests of the members of the Executive Board with those of the shareholders.

On the date of allocation, the individual LTI amount is converted to PSUs based on the volume-weighted average share price of the last 60 trading days prior to the allocation date.

The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the performance indicators and continued employment relationship during the vesting period. Swiss Prime Site's earnings per share (EPS) before revaluations and deferred taxes constitute the performance indicator. The EPS target for the three-year vesting period is predetermined based on Swiss Prime Site's ambitious medium-term financial planning.

At the vesting deadline date, the number of allocated PSUs is multiplied by the payout factor in order to define the number of Swiss Prime Site shares that are definitively paid out. The payout factor depends on the achievement of the EPS target and hovers in a range between 0% and 100%.

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



### Mechanism of the performance share units (PSUs) within the scope of the long-term incentive (LTI) plan

the effective EPS performance at the date of change of control as determined by the Board of Directors.

employer contributions are graduated in a range between 10% and 14% depending on age and/or position.

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

In addition, all members of the Executive Board are entitled to a lump-sum expense allowance, according to the regulations approved by the relevant tax authorities that are applicable to Executive Board members.

### Employment contracts

According to article 23 of the Articles of Association, the contracts determining the compensation of the members of the Board of Directors and the Executive Board may be of fixed or unlimited term. The maximum duration of fixed-term contracts is one year. The notice period for unlimited contracts may not exceed one year. These contracts may stipulate post-contractual non-competition clauses with a duration of up to one year. The compensation corresponds to the maximum amount of the last effected fixed annual compensation in proportion to the duration

### Benefits and fringe benefits

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependants with respect to retirement, the risk of disability and death and risks to health. The members of the Executive Board are covered by the respective pension plans of the employing company. There are three pension plans within the SPS and Jelmoli pension funds for the employees of Swiss Prime Site Management AG, Jelmoli AG and Wincasa AG. Tertianium AG has a different insurance solution.

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

The maximum contribution limits (maximum insured salary) are CHF 0.3 million to CHF 0.5 million. The

# Compensation in 2017

The compensation is disclosed in gross terms and according to the accrual principle. Contributions made by the employer to pension funds are considered as an integral part of compensation and disclosed as such.

The total amount of compensation of CHF 1.5 million effected to the Board of Directors in 2017 is within the maximum amount of compensation of CHF 1.6 million for the financial year 2017 approved by the shareholders at the Annual General Meeting on 11 April 2017.

## Compensation to the Board of Directors

In 2017, the total compensation of the Board of Directors amounted to CHF 1.5 million [2016: CHF 1.6 million] in the form of cash payments of CHF 0.7 million [2016: CHF 0.7 million], restricted shares valued at CHF 0.8 million [2016: 0.8 million], social contributions amounting to CHF 0.1 million [2016: CHF 0.1 million] and other forms of compensation of CHF 0.1 million [2016: CHF 0.1 million].

This corresponds to a reduction by 5.5% compared with the previous year's period, which is attributable to a different number of Board of Directors members versus the previous year.

The Board of Directors comprised eight members in 2016. At the Annual General Meeting of 2017, one previous member declined to run for re-election, and another previous member declared his resignation on 8 December 2017, resulting in a Board of Directors comprising six members at the end of 2017.

01.01.–31.12.2017

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	175	202	5	23	405	6
Mario F. Seris, Vice-Chairman of the BoD	95	109	6	14	224	6
Dr. Elisabeth Bourqui, member of the BoD	90	104	6	13	213	6
Christopher M. Chambers, member of the BoD	90	104	6	–	200	6
Markus Graf, member of the BoD <sup>3</sup>	90	104	5	–	199	6
Dr. Bernhard Hammer, member of the BoD <sup>4</sup>	30	35	–	3	68	2
Dr. Rudolf Huber, member of the BoD	95	109	6	14	224	6
Klaus R. Wecken, member of the BoD <sup>5</sup>	–	–	5	–	5	12
<b>Total compensation to the Board of Directors 2017, gross</b>	<b>665</b>	<b>767</b>	<b>39</b>	<b>67</b>	<b>1 538</b>	<b>50</b>
<b>Compensation approved by the Annual General Meeting</b>					<b>1 600</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 08.12.2017

<sup>4</sup> until 11.04.2017

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

01.01. – 31.12.2016

in CHF 1000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	175	201	6	24	406	6
Dr. Thomas Wetzol, 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>
<b>Compensation approved by the Annual General Meeting</b>					<b>1 800</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

## Compensation of the Executive Board

In 2017, the members of the Executive Board received total compensation of CHF 7.1 million [2016: CHF 6.2 million]. This amount comprises fixed compensation of CHF 3.3 million [2016: CHF 3.5 million], a variable compensation component in cash of CHF 1.6 million [2016: CHF 1.1 million], the performance-related entitlements to a long-term incentive (LTI) plan (new) in the amount of CHF 1.2 million as well as other social security components totalling CHF 1.0 million [2016: CHF 1.0 million].

The share-based variable compensation in 2016 [CHF 0.6 million] was replaced by a long-term incentive (LTI) plan due to the new performance-oriented compensation system in 2017. The LTI

comprises performance share units (PSUs) whose number is based on the volume-weighted average share price (VWAP) calculated from the last 60 trading days in 2016. Due to the three-year vesting period, these entitlements (PSUs) will only result in a transfer of shares at a later date and only if the target has been achieved accordingly (measured value EPS).

The total compensation of CHF 7.1 million effected to the Executive Board for the financial year 2017 fell far short of the maximum amount of CHF 8.3 million approved by the Annual General Meeting on 11 April 2017.

01.01.–31.12.2017

in CHF 1 000	Total Executive Board	Of which René Zahnd (CEO) <sup>1</sup>
Fixed compensation in cash, gross	3 300	900
Variable compensation in cash, gross	1 552	362
Share-based variable compensation <sup>2</sup>	1 238	338
Other compensation components <sup>3</sup>	18	6
Pension fund contributions	550	96
Other social security contributions	434	116
<b>Total compensation to the Executive Board 2017, gross</b>	<b>7 092</b>	<b>1 818</b>
Expense allowance	105	18
<b>Compensation approved by the Annual General Meeting</b>	<b>8 300</b>	

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

<sup>2</sup> performance share units (LTI) with three-year vesting period

<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

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
<b>Compensation approved by the Annual General Meeting</b>	<b>7 000</b>	

<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

## Target weighting and target achievement 2017

Total bonus, maximum 100% of base salary					
62.5% short term					
	25% individual objectives	75% EBIT and growth targets		Achievement of targets in % of maximum bonus for short-term bonus	37.5% long-term number of PSUs based on VWAP in 2016
CEO	25%	75%	25% ROIC	64%	100% EPS <sup>1,2</sup>
CFO	25%	75%	25% ROIC	77%	100% EPS <sup>1,2</sup>
CEO Swiss Prime Site Immobilien	25%	75%	25% ROIC	84%	100% EPS <sup>1,2</sup>
CEO Wincasa	25%	75%	25% AuM	75%	100% EPS <sup>1,2</sup>
CEO Jelmoli	25%	75%	25% article per receipt	82%	100% EPS <sup>1,2</sup>
CEO Tertianum	25%	75%	25% new business operations	76%	100% EPS <sup>1,2</sup>

<sup>1</sup> before revaluations and deferred taxes

<sup>2</sup> Swiss Prime Site Group

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 2017 other than that referred to in the previous sections.

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

No loans or credits were granted to present members of the Board of Directors or the Executive Board in 2017, and there were no loans or credits outstanding as at 31 December 2017.

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

No compensation was effected to nor loans or credits granted to former members of the Board of Directors and the Executive Board, or related persons of members of the Board of Directors or Executive Board, and there were no loans or credits or compensation outstanding as at 31 December 2017.

### **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.

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

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



# Report of the Statutory Auditor

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

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections "Compensation of the Board of Directors", "Compensation of the Executive Board", "Loans and credits to members of the Board of Directors and Executive Board and Compensation", "loans and credits to former members and related persons" on pages 88 to 92 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 2017 of Swiss Prime Site AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Jürg Meisterhans  
Licensed Audit Expert  
Auditor in Charge

Anna Pohle  
Licensed Audit Expert

Zurich, 23 February 2018

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

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# **INFORMATION POLICY**

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# Information policy

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

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

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## 1 March 2018

Annual Report as at 31.12.2017 with financial results press conference

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## 27 March 2018

Annual General Meeting financial year 2017

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## 9 August 2018

Semi-Annual Report as at 30.06.2018 with financial results press conference



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## Imprint

The original of this Annual Report is written in German.  
The German original is therefore the effective official version.

### Overall responsibility | Editorial

Swiss Prime Site AG  
Markus Waeber, Head of Investor Relations & Communications  
Mladen Tomic, Head of Corporate Communications  
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### Editorial | graphics | realisation | execution

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