



SWISS PRIME SITE

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# STRATEGY & MANAGEMENT REPORT

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2016

# GROUP KEY FIGURES

Key financial figures	in	2012	2013	2014	2015	2016	Change to prior year in %
Rental income from properties	CHF m	408.8	420.1	443.1	445.9	<b>453.0</b>	1.6
Income from sale of trading properties	CHF m	–	–	–	105.1	–	–100.0
Income from real estate services <sup>1</sup>	CHF m	14.1	98.6	100.1	109.0	<b>115.6</b>	6.1
Income from retail <sup>2</sup>	CHF m	159.0	156.2	151.9	136.8	<b>133.6</b>	–2.3
Income from assisted living <sup>3</sup>	CHF m	–	85.7	153.3	184.2	<b>328.2</b>	78.2
Total operating income	CHF m	584.6	764.7	852.7	995.2	<b>1 049.5</b>	5.5
Revaluation of investment properties, properties under construction and development sites	CHF m	187.3	186.7	113.2	124.6	<b>60.5</b>	–51.4
EBITDA	CHF m	531.5	565.9	497.9	582.6	<b>503.0</b>	–13.7
Operating profit (EBIT)	CHF m	514.4	539.2	462.8	553.4	<b>459.8</b>	–16.9
Profit	CHF m	311.3	343.9	286.7	355.1	<b>311.2</b>	–12.4
Cash flow from operating activities	CHF m	213.9	–74.0	729.7	388.4	<b>277.7</b>	–28.5
Shareholders' equity	CHF m	3 913.9	4 107.3	4 201.8	4 956.0	<b>5 176.6</b>	4.5
Equity ratio	%	42.4	39.1	39.6	46.4	<b>46.6</b>	0.5
Borrowed capital	CHF m	5 323.1	6 404.8	6 400.3	5 734.6	<b>5 935.4</b>	3.5
Return on equity (ROE)	%	8.9	9.1	7.0	7.6	<b>6.1</b>	–19.7
Return on invested capital (ROIC)	%	4.8	4.6	3.7	4.3	<b>3.7</b>	–14.0

## Financial figures excluding revaluation effects<sup>4</sup>

EBITDA	CHF m	344.3	379.2	384.7	458.0	<b>442.5</b>	–3.4
Operating profit (EBIT)	CHF m	327.1	352.5	349.6	428.9	<b>399.3</b>	–6.9
Profit	CHF m	198.2	222.8	236.0	280.8	<b>284.8</b>	1.4
Return on equity (ROE)	%	5.9	6.1	5.9	6.1	<b>5.6</b>	–8.2
Return on invested capital (ROIC)	%	3.5	3.4	3.2	3.6	<b>3.4</b>	–5.6

## Real estate portfolio

Fair value of real estate portfolio	CHF m	8 600.3	9 339.5	9 785.0	9 686.6	<b>10 092.1</b>	4.2
of which projects/development properties	CHF m	210.5	518.4	327.1	346.7	<b>307.3</b>	–11.4
Number of properties	number	188	193	190	182	<b>184</b>	1.1
Rental floor space	m <sup>2</sup>	1 492 442	1 525 493	1 620 131	1 455 126	<b>1 501 243</b>	3.2
Vacancy rate	%	5.0	6.4	6.6	6.7	<b>6.1</b>	–9.0
Average discount rate	%	4.16	4.01	3.88	3.66	<b>3.47</b>	–5.2

## Key figures per share

Share price as at balance sheet date	CHF	76.35	69.05	73.00	78.50	<b>83.35</b>	6.2
Shares issued	number	60 011 611	60 503 081	60 820 602	69 651 534	<b>71 478 917</b>	2.6
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	–16.8
Market capitalisation	CHF m	4 581.9	4 177.7	4 439.9	5 467.6	<b>5 957.8</b>	9.0
Distribution per share	CHF	3.60	3.60	3.70	3.70	<b>3.70<sup>5</sup></b>	–
Cash yield	%	4.7	5.2	5.1	4.7	<b>4.4<sup>5</sup></b>	–6.4
Performance (total return) p.a.	%	14.9	–5.1	10.9	13.7	<b>10.9</b>	–20.4

## Employees

Number of employees as at balance sheet date	persons	1 462	3 105	3 097	4 446	<b>5 621</b>	26.4
Full-time equivalents as at balance sheet date	FTE	1 239	2 321	2 370	3 311	<b>4 558</b>	37.7

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>3</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016, BOAS Senior Care as at 29.02.2016 and SENIOcare Group as at 01.10.2015

<sup>4</sup> revaluations and deferred taxes

<sup>5</sup> according to proposal to Annual General Meeting of 11.04.2017

# SWISS PRIME SITE AT A GLANCE

## THE GROUP

### VISION

As the leading real estate company in Switzerland, we create more value and develop sustainable habitats – innovatively and passionately.

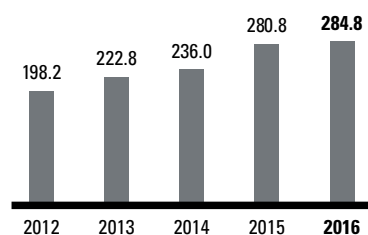
### MISSION

- > We set standards for real estate investments and investments in real estate-related business fields, with which we create sustainable added value for our stakeholder groups.
- > We invest in and actively manage first-class properties, real estate projects, property sites, products and services.
- > We are the partner of choice for any stakeholder groups in our business fields.
- > We are committed to sustainability and assume responsibility for our actions, our environment and our society.

### PROFIT BEFORE REVALUATION EFFECTS

in CHF m

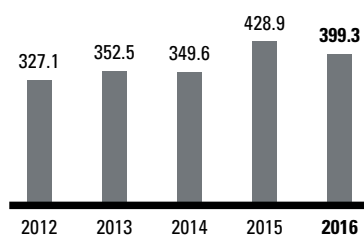
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### OPERATING PROFIT (EBIT) BEFORE REVALUATIONS

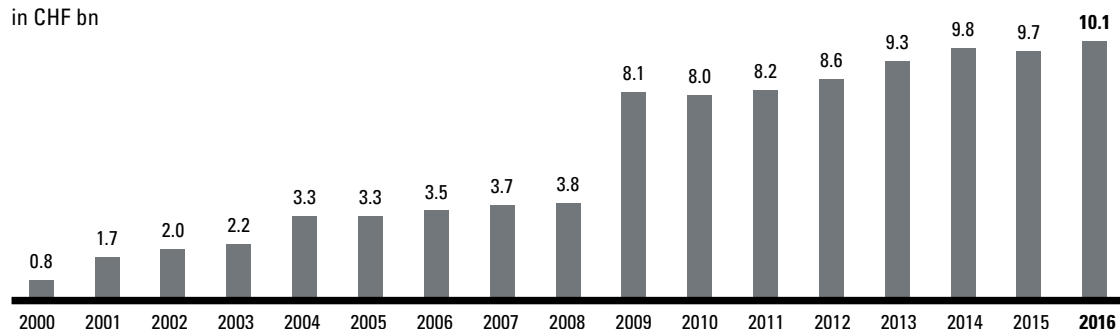
in CHF m

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### FAIR VALUE OF THE REAL ESTATE PORTFOLIO

in CHF bn



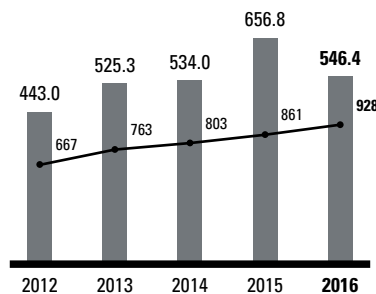
## THE BUSINESS FIELDS

### REAL ESTATE

The Real Estate business field comprises the core business of real estate investments as well as Wincasa AG, Switzerland's leading provider of real estate services. Swiss Prime Site's real estate investment focus is directed at high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as development projects.

### OPERATING INCOME<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> acquisition of Wincasa AG as at 25.10.2012  
2015 includes CHF 105 million in income from one-time sale of condominiums at Maag Site

### KEY FIGURES

in CHF m

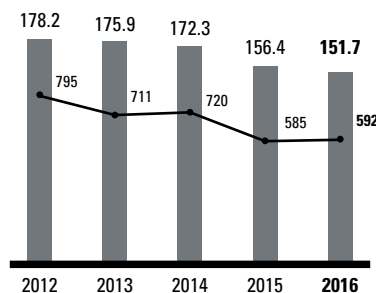
	2015	2016
Operating income	656.8	546.4
Investments	201.5	397.3
Operating profit (EBIT)	586.2	469.9
Number of employees	861	928

### RETAIL

The Retail business field consists of Jelmoli – The House of Brands in Zurich, the leading premium department store in Switzerland. Roughly half of the total 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.

### OPERATING INCOME<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> transfer of Clouds Gastro AG restaurant operating business to Candrian Catering AG as at 01.07.2015 (self-managed)

### KEY FIGURES

in CHF m

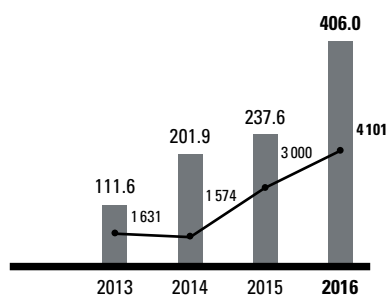
	2015	2016
Operating income	156.4	151.7
Investments	7.6	7.9
Operating profit (EBIT)	-2.9	-2.4
Number of employees	585	592

### ASSISTED LIVING

The business field comprises Tertianum Group with the brands «Tertianum residences», «Perlavita geriatric care facilities», «Vitadomo senior centres», «SENIOcare residences and geriatric care facilities» as well as «BOAS Senior Care». Tertianum Group is the leading private provider in the assisted living sector in Switzerland.

### OPERATING INCOME<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> acquisition of Tertianum AG as at 12.07.2013, SENIOcare Group as at 01.10.2015 and BOAS Senior Care as at 29.02.2016

### KEY FIGURES

in CHF m

	2015	2016
Operating income	237.6	406.0
Investments	247.6	95.0
Operating profit (EBIT)	8.2	15.2
Number of employees	3 000	4 101

## ANNUAL REPORT

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20  
16

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**In this year's Strategy and Management Report, Swiss Prime Site directs focus on the Wincasa group company. The Wincasa Booklet is featured starting on page 20, with extensive information about the group company.**

# STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website [www.sps.swiss](http://www.sps.swiss).

## PART 01

### STRATEGY & MANAGEMENT REPORT

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

## PART 02

### CORPORATE GOVERNANCE & COMPENSATION REPORT

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

## PART 03

### FINANCIAL REPORT

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

## NOTES FOR READERS

previous year's figures are enclosed in brackets.



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# THE GROUP





## MILESTONES

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**Swiss Prime Site achieved significant milestones in 2016, thus laying a solid foundation for future earnings-based growth.**

QUARTER  
**01**



Swiss Prime Site establishes  
group-wide corporate DNA

Jelmoli – The House of Brands  
starts online shop

**TERTIANUM**



Conclusion of acquisition of BOAS Senior Care – the leading  
provider of assisted living services in Western Switzerland  
Systematic continuation of Tertianum growth strategy



QUARTER  
**02**



Acquisition of Berne-based immoveris to strengthen Wincasa's market position in Central and Western Switzerland

immoveris®



Launch of convertible bond with volume of CHF 250.0 million



Elisabeth Bourqui and Markus Graf elected as new members of the Board of Directors of Swiss Prime Site AG



Jelmoli – The House of Brands opens doors to Switzerland's largest shoe department



QUARTER  
**03**



Opening of Switzerland's first budget design hotel from Motel One in Basel's city centre through successful conversion of an office property

Business operations

**+4**



Tertianum Group opens doors to four additional business operations



Swiss Prime Investment Foundation reaches total assets of more than CHF 1.0 billion in first financial year

CHF bn

**>1.0**





QUARTER  
**04**

Vacancy rate reduced to 6.1%  
(group level)

Acquisition of the rich-in-tradition  
«Gotthardgebäude» in Lucerne



Swiss Prime Site to open new  
location at Zurich Airport starting  
from 2019

Launch of straight bond with  
volume of CHF 250.0 million



Project presentation for  
conversion of Schönburg in  
Berne, with completion by  
end-2019



Conclusion of long-term rental  
agreement with anchor tenant  
for NZZ Site in Schlieren





CHF bn

# 10.1

**Real estate portfolio surpasses the  
CHF 10.0 billion threshold for the first time  
in the Company's history**



# FOREWORD

Dear Shareholders,

Swiss Prime Site increased operating income by 5.5% to CHF 1 049.5 million in the financial year 2016, thus achieving a further boost in earnings – as forecast. The fair value of the real estate portfolio traversed the CHF 10.0 billion threshold for the first time in the Company's history and was sustainably reinforced with highly profitable acquisitions. The real estate-related business fields exhibited robust earnings-related growth, contributing to the successful reporting year with roughly 56.8% of total operating income at the group level.

## **FORGING AHEAD WITH AND STRENGTHENING THE INNOVATIVE BUSINESS MODEL**

Swiss Prime Site promisingly positioned itself in the past financial year for realising future growth through setting a course aimed at acquisitions, organisation and strategy. In addition to staging a solid performance in the core real estate business, the Company also achieved key milestones in the real estate-related business fields.

## **REAL ESTATE PORTFOLIO FORMS THE FOUNDATION FOR RELIABLE EARNINGS**

Rental income from properties edged up by 1.6% to CHF 453.0 million as at 31 December 2016. This boost in earnings was attributable, among other factors, to a significant reduction in the vacancy rate, from 6.7% to 6.1% at the group level, amid an increasingly challenging market environment.

The real estate portfolio's net return amounted to 3.7% [3.9%]. The measures aimed at focusing on modernisation and redevelopments initiated already in previous years began to bear fruit in 2016, with the successful conversion and opening of Motel One in Basel/Freie Strasse 68. Motel One in Zurich/Brand-schenkestrasse 25 will open its doors in 2017. Additional properties in the existing real estate portfolio have been designated for future conversions, such as the NZZ Site in Schlieren, which is already placed on the market with a new anchor tenant. Swiss Prime Site has realised another property conversion achievement with the Schönburg/Berne project and its expected completion by the end of 2019.

The Company executed property acquisitions valued at CHF 257.3 million and carried out divestments of CHF 75.2 million in 2016. Profit from the divestment of properties amounted to a total of CHF 24.9 million, which exceeded the estimated fair value of the real estate by an average of 25.0%. With net investments of CHF 182.1 million in the transactions market, the new shareholders' equity of CHF 147.7 million from the converted bond was reinvested at a profit.

## **NEW BUILDINGS AND CONSTRUCTION PROJECTS PROCEEDING ACCORDING TO PLAN**

Swiss Prime Site's attractive project pipeline is focused on the significant economic centers of Switzerland. The project pipeline's total volume amounted to roughly CHF 2.0 billion at year-end, of which around CHF 1.5 billion and CHF 0.5 billion was attributed to short- and medium-term as well as long-term, respectively, development projects. The Assisted Living business field in particular enjoyed an acceleration in demand thanks to the demographic trend, which Swiss Prime Site addressed with corresponding development projects.

## **BUSINESS FIELDS EXHIBIT ROBUST GROWTH**

Swiss Prime Site's business fields continued to successfully develop further in 2016. The Wincasa and Tertianum group companies reported strong surges in their operating income versus the levels of 2015, respectively. The acquisitions of SENIOcare (2015) and BOAS Senior Care (2016) contributed to

Tertianum's improvement in earnings. The Jelmoli group company – which operates in the retail trade sector – achieved a solid operating income in line with the previous year's mark, despite the very challenging environment in the retail sector and missing sales on retail floor space that was, in some cases, unavailable due to investments. These business fields contributed a remarkable 33.7% in 2016. In addition, group-wide synergy potential was persistently and systematically exploited.

## **LOOKING TO THE FUTURE WITH SUSTAINABLE CORPORATE MANAGEMENT**

Swiss Prime Site reported on the group's commitment to sustainability for the first time in the Annual Report 2015. The group is taking one step further on the sustainability path in this Annual Report 2016 and reporting along the lines of the Global Reporting Initiative (GRI) standards for the first time. Swiss Prime Site's vast array of endeavours and activities in this field will be recorded in a comprehensive sustainability report in the future.

## **PROVEN STRATEGY PREVAILS**

Swiss Prime Site's strategy, with investment focal point aimed at high-quality properties situated in prime locations as well as active portfolio management, proved to be a success story in the reporting year anew. The investments carried out in recent years in the Assisted Living and Retail real estate-related business fields in addition to real estate services have broadened as well as optimised the earnings base.

## **COMPOSITION OF THE BOARD OF DIRECTORS**

Elisabeth Bourqui and Markus Graf were elected as new members of the Board of Directors of Swiss Prime Site AG at the Annual General Meeting of 2016. With the nomination of the two new Board members, the Board of Directors initiated the envisaged upgrade of the body for the coming years.

## **DIVIDEND POLICY**

In line with the solid operating results and continuity of an attractive dividend policy, the Board of Directors is proposing to the Annual General Meeting an unchanged distribution of CHF 3.70 per share – once again in the form of repayment from capital contribution reserves. The distribution corresponds to an attractive cash yield of 4.4%, based on the closing share price of CHF 83.35 at year-end.

We would like to thank all the employees, members of the Executive Board and Board of Directors for their services rendered, the shareholders for the trust they have placed in us and the tenants as well as clients for their valued partnership.



**HANS PETER WEHRLI**  
Chairman of the Board of Directors



**RENÉ ZAHND**  
Chief Executive Officer

# BOARD OF DIRECTORS AND EXECUTIVE BOARD

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## BOARD OF DIRECTORS

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**HANS PETER WEHRLI**

Prof. Dr. oec. publ.

Member since 29.04.2002

**Chairman**



**MARIO F. SERIS**

lic. phil. I

Member since 27.04.2005

**Vice-Chairman, Chairman of the Nomination and Compensation Committee, Member of the Investment Committee**



**ELISABETH BOURQUI**

Dr. sc. math. ETH Zurich;

Dipl. Math. ETH Zurich

Member since 12.04.2016

**Member of the Nomination and Compensation Committee**



**CHRISTOPHER  
M. CHAMBERS**

Member since 22.10.2009

**Member of the Audit Committee  
Member of the Nomination and Compensation Committee**



**MARKUS GRAF**

Member since 12.04.2016



**BERNHARD HAMMER**

Dr. iur., Attorney at Law and Notary

Member since 29.04.2002

**Chairman of the Investment Committee  
Member of the Audit Committee**



**RUDOLF HUBER**

Dr. oec. publ.

Member since 29.04.2002

**Chairman of the Audit Committee**



**KLAUS R. WECKEN**

Member since 22.10.2009

**Member of the Investment Committee**

..... **EXECUTIVE BOARD** .....



**RENÉ ZAHND**

Member since 01.11.2015  
**Chief Executive Officer  
of Swiss Prime Site AG**  
**Member of the Investment Committee**



**MARKUS MEIER**

Member since 01.06.2015  
**Chief Financial Officer  
of Swiss Prime Site AG**



**PETER LEHMANN**

Member since 01.03.2002  
**Chief Investment Officer  
of Swiss Prime Site AG**



**OLIVER HOFMANN**

Member since 01.06.2013  
**Chief Executive Officer  
of Wincasa AG**



**FRANCO SAVASTANO**

Member since 01.01.2012  
**Chief Executive Officer  
of Jelmoli AG**

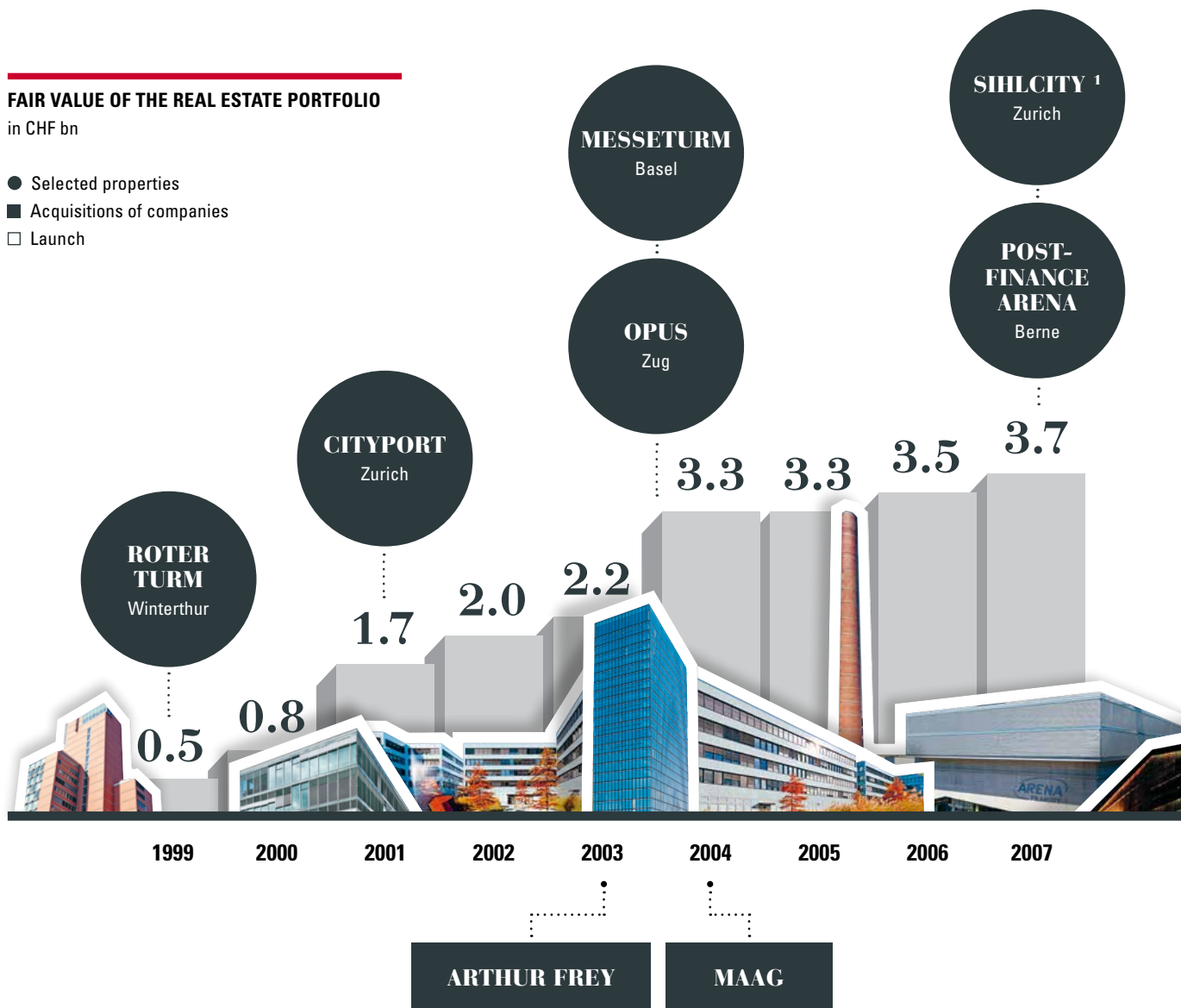


**LUCA STÄGER**  
Dr. oec.

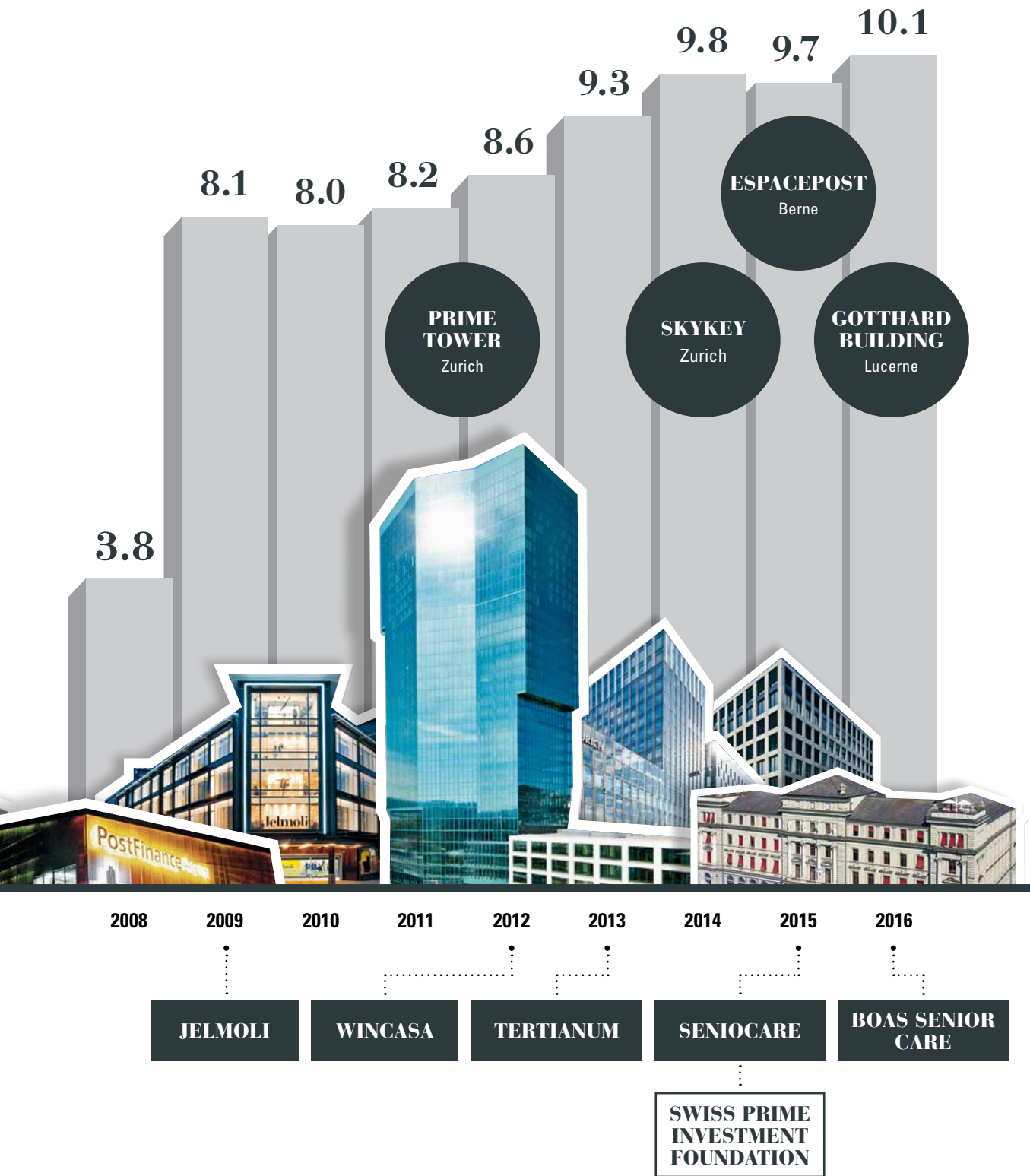
Member since 01.01.2014  
**Chief Executive Officer  
of Tertianum AG**

# SUCCESS STORY

Since the Company's listing on the Swiss stock exchange in 2000, Swiss Prime Site has successfully forged ahead with achieving growth at the group level with strategic acquisitions in the core business as well as in the real estate-related business fields.



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



# STRATEGY

**Swiss Prime Site's strategic focus is directed at investments in high-quality Swiss properties harbouring a high return potential as well as long-term opportunities for achieving growth and boosting value. The acquisitions follow strict investment criteria. Investments in real estate-related business fields round out the strategic focus.**



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## **FOCUSING ON REAL ESTATE COMPETENCIES**

- > Portfolio management
- > Asset management
- > Real estate acquisitions and sales
- > Real estate development/  
development of habitats
- > Construction (management)
- > Finance and controlling
- > Business field management
- > Transaction management
- > Real estate research

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## **OUTSOURCING OF SUPPORTING REAL ESTATE ACTIVITIES**

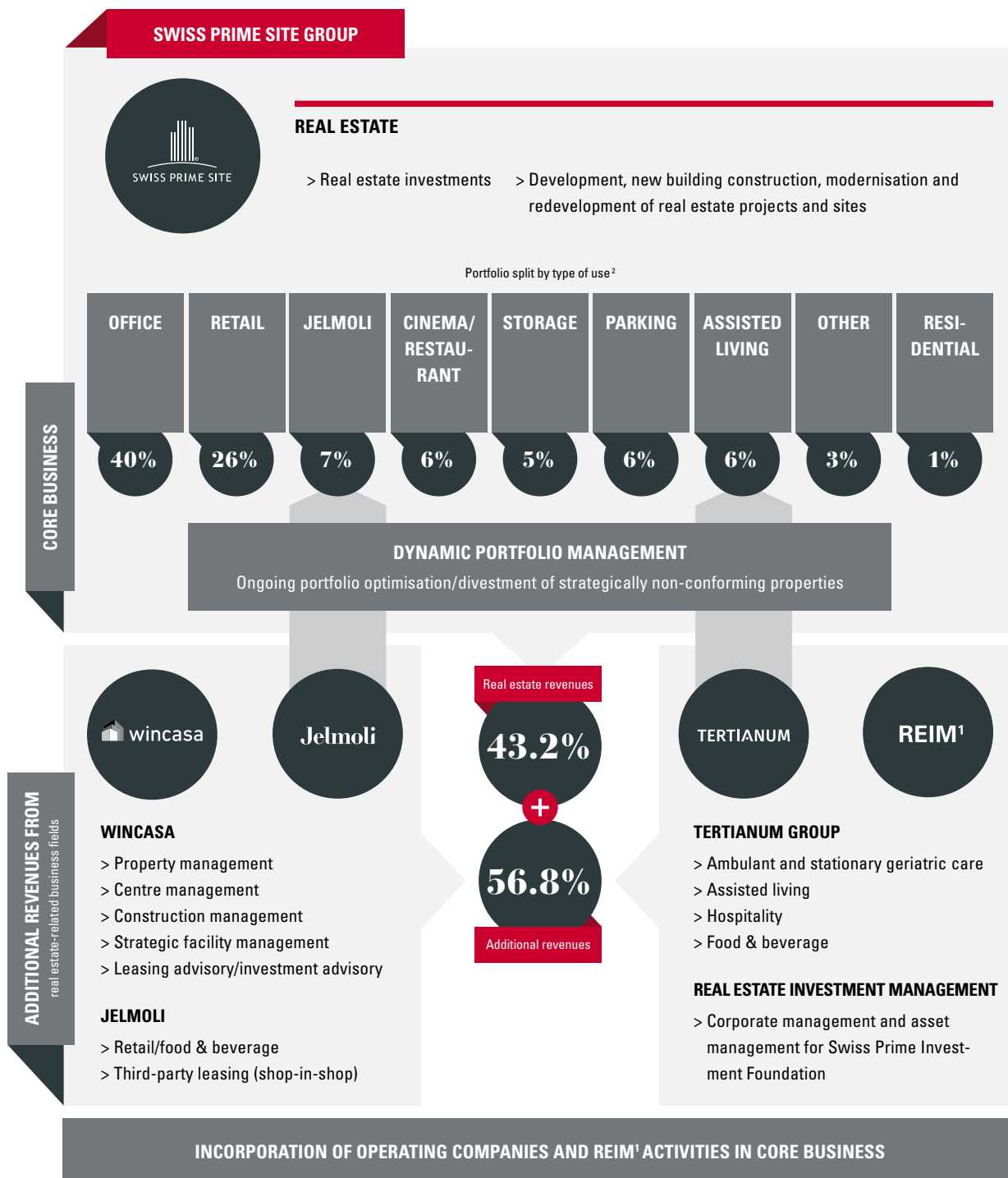
- > Construction
- > Asset/facility management
- > Property management
- > Construction services
- > Property valuations
- > Macroeconomic analyses

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as project developments. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. Swiss Prime Site also operates in complementary real estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks.



# BUSINESS MODEL

Swiss Prime Site's innovative business model is focused on sustainable value creation. The strong earnings continuity is based on revenue-generating properties from the core real estate business, additional revenues from the operating group companies and REIM<sup>1</sup> activities.



<sup>1</sup> Real Estate Investment Management

<sup>2</sup> Basis: net rental income as at 31.12.2016, Real Estate business field

# FOCUS

**In this year's Strategy and Management Report, Swiss Prime Site directs focus on the Wincasa group company.**





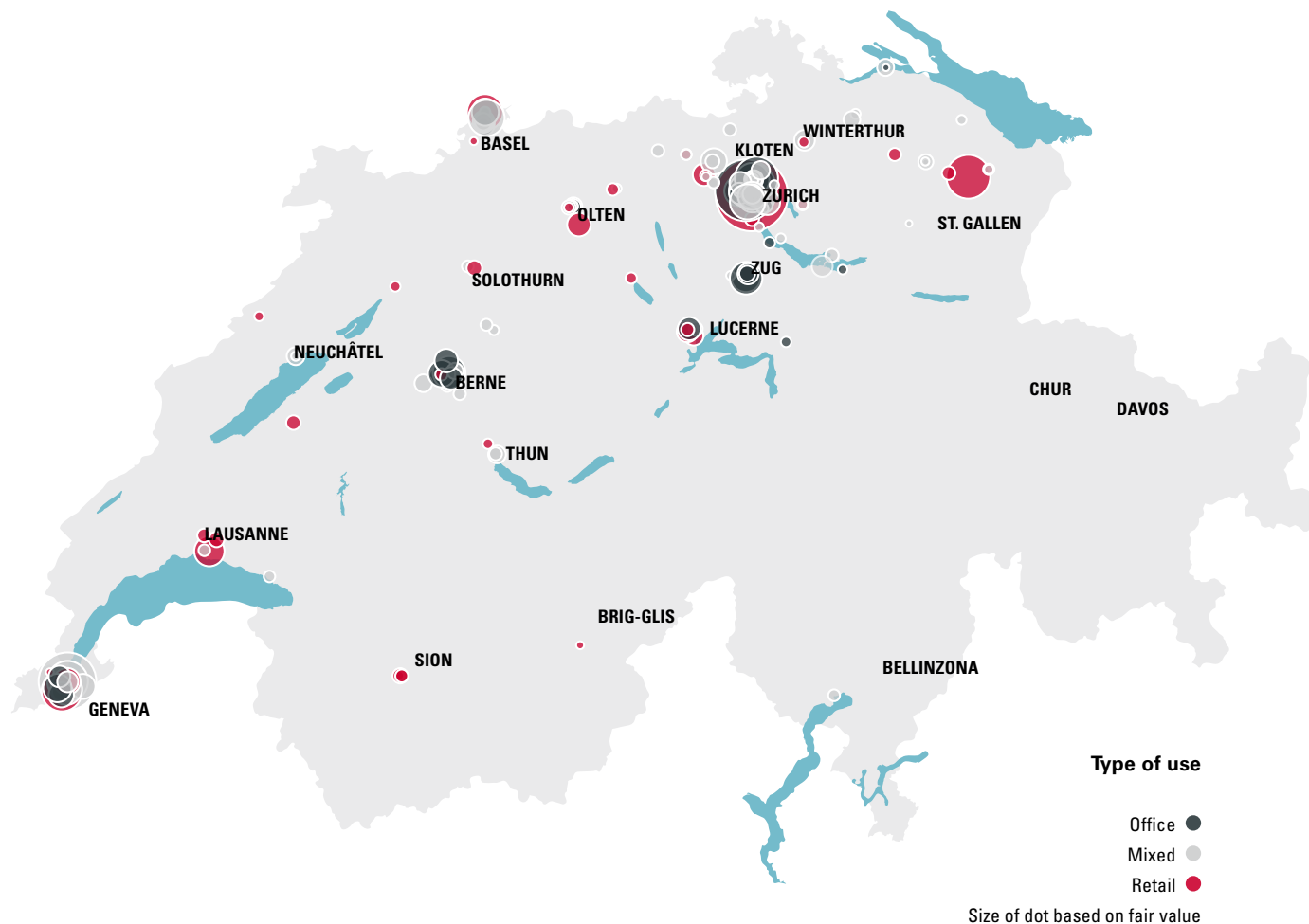
A person wearing a teal jacket is standing on a stone path in a snowy landscape. The path is made of large, light-colored stones, and the surrounding area is covered in snow. The person's arms are crossed, and they are looking towards the right. The background shows a blurred view of a snowy field and some trees.

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# REAL ESTATE PORTFOLIO

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# OVERVIEW AND KEY FIGURES



## ZURICH REGION

Fair value	CHF 4 035.9 million
Rental income	CHF 150.7 million
Yield	3.5%
Floor space	496 358 m <sup>2</sup>
Vacancy rate	6.0%

## BERNE REGION

Fair value	CHF 845.2 million
Rental income	CHF 43.4 million
Yield	4.4%
Floor space	224 789 m <sup>2</sup>
Vacancy rate	4.1%

## GENEVA REGION

Fair value	CHF 2 112.0 million
Rental income	CHF 89.5 million
Yield	3.5%
Floor space	247 971 m <sup>2</sup>
Vacancy rate	5.2%

## NORTHWESTERN SWITZERLAND

Fair value	CHF 1 375.7 million
Rental income	CHF 66.5 million
Yield	3.9%
Floor space	285 015 m <sup>2</sup>
Vacancy rate	11.4%

from Real Estate business field perspective, excluding third-party rents from own and additionally leased owner-occupied properties



KEY DATA

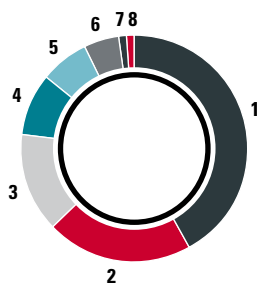
	in	2012	2013	2014	2015	2016	Change to prior year in %
Fair value of real estate portfolio	CHF m	8 600.3	9 339.5	9 785.0	9 686.6	<b>10 092.1</b>	4.2
of which under construction	CHF m	210.5	518.4	327.1	346.7	<b>307.3</b>	-11.4
Number of properties	number	188	193	190	182	<b>184</b>	1.1
of which new building projects	number	5	7	6	4	<b>7</b>	75.0
Rental floor space <sup>1</sup>	m <sup>2</sup>	1 492 442	1 525 493	1 620 131	1 455 126	<b>1 501 243</b>	3.2
Rental income (group)	CHF m	408.8	420.1	443.1	445.9	<b>453.0</b>	1.6
Vacancy rate	%	5.0	6.4	6.6	6.7	<b>6.1</b>	-9.0
Net property yield	%	4.5	4.2	4.1	3.9	<b>3.7</b>	-5.1

<sup>1</sup> excluding parking places/car parks

PORTFOLIO SPLIT BY REGION

Basis: fair value as at 31.12.2016

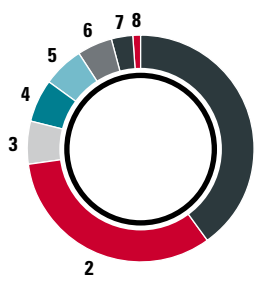
1 Zurich	42%	[42%]
2 Geneva	21%	[22%]
3 Northwestern Switzerland	14%	[14%]
4 Berne	9%	[9%]
5 Central Switzerland	7%	[5%]
6 Eastern Switzerland	5%	[6%]
7 Southern Switzerland	1%	[1%]
8 Western Switzerland	1%	[1%]



PORTFOLIO SPLIT BY TYPE OF USE<sup>1</sup>

Basis: net rental income as at 31.12.2016

1 Office	40%	[39%]
2 Retail	33%	[34%]
3 Assisted living	6%	[6%]
4 Cinema/restaurant	6%	[6%]
5 Parking	6%	[6%]
6 Storage	5%	[5%]
7 Other	3%	[3%]
8 Residential	1%	[1%]

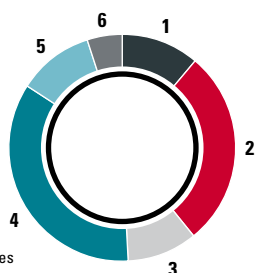


<sup>1</sup> Real Estate business field

RENTAL FLOOR SPACE BY AGE CATEGORY<sup>1</sup>

(year of construction/renovation)

1 2011–2016	11%
2 2001–2010	28%
3 1991–2000	10%
4 1951–1990	35%
5 1901–1950	11%
6 Older than 1900	5%

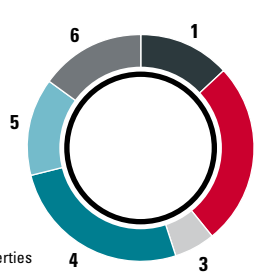


<sup>1</sup> excluding development properties, properties under construction and building land

FAIR VALUE BY AGE CATEGORY<sup>1</sup>

(year of construction/renovation)

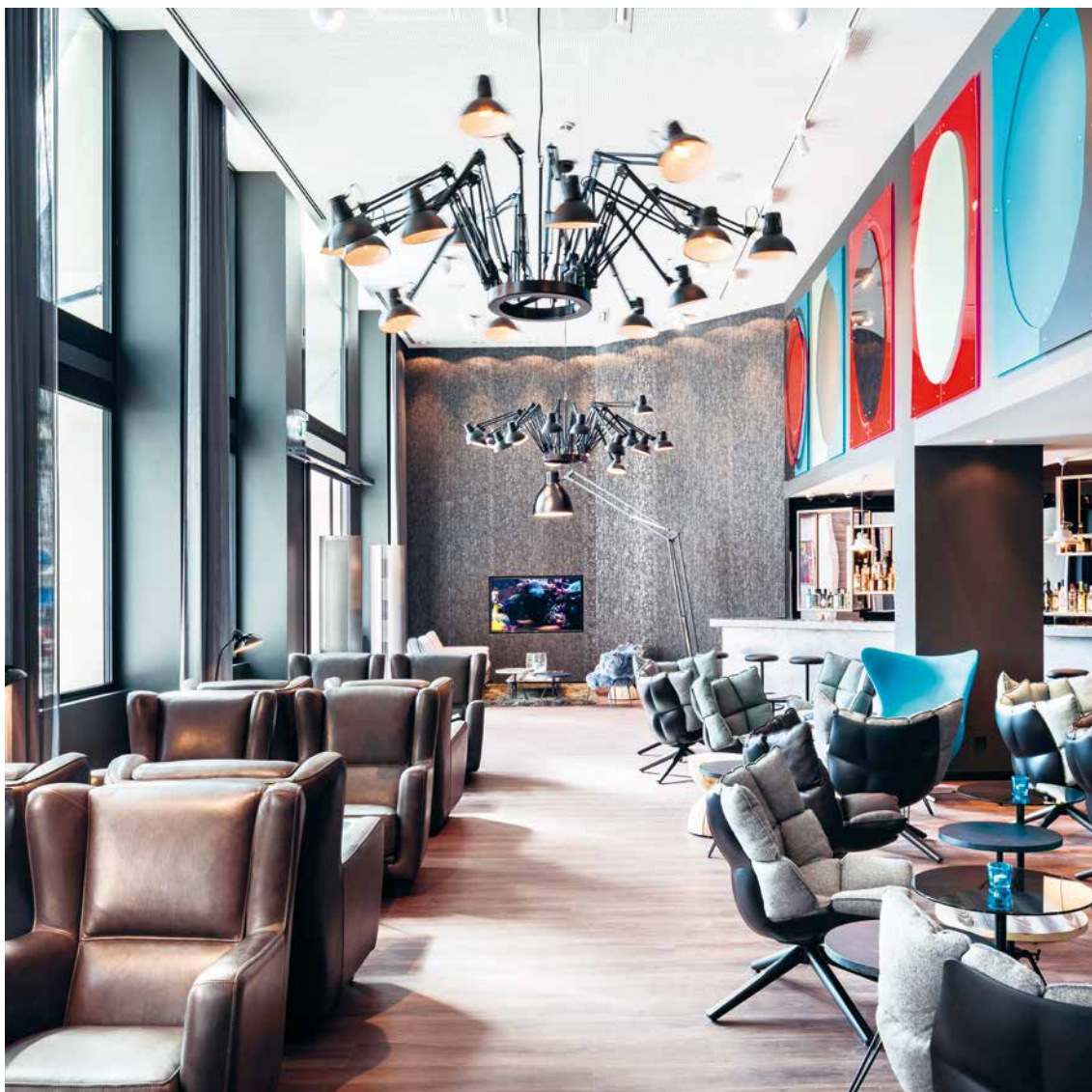
1 2011–2016	13%
2 2001–2010	26%
3 1991–2000	6%
4 1951–1990	26%
5 1901–1950	14%
6 Older than 1900	15%



<sup>1</sup> excluding development properties, properties under construction and building land



# MOTEL ONE, BASEL



## FACTS AND FIGURES

The ideal partner was found for conversion of the former floor space into a hotel, with Germany-based budget design hotel group Motel One. The 147 rooms were constructed in the period from April 2015 to June 2016 for roughly CHF 22.0 million.

**FAIR VALUE**  
in CHF m

**68.4**

**FLOOR SPACE**  
in m<sup>2</sup>

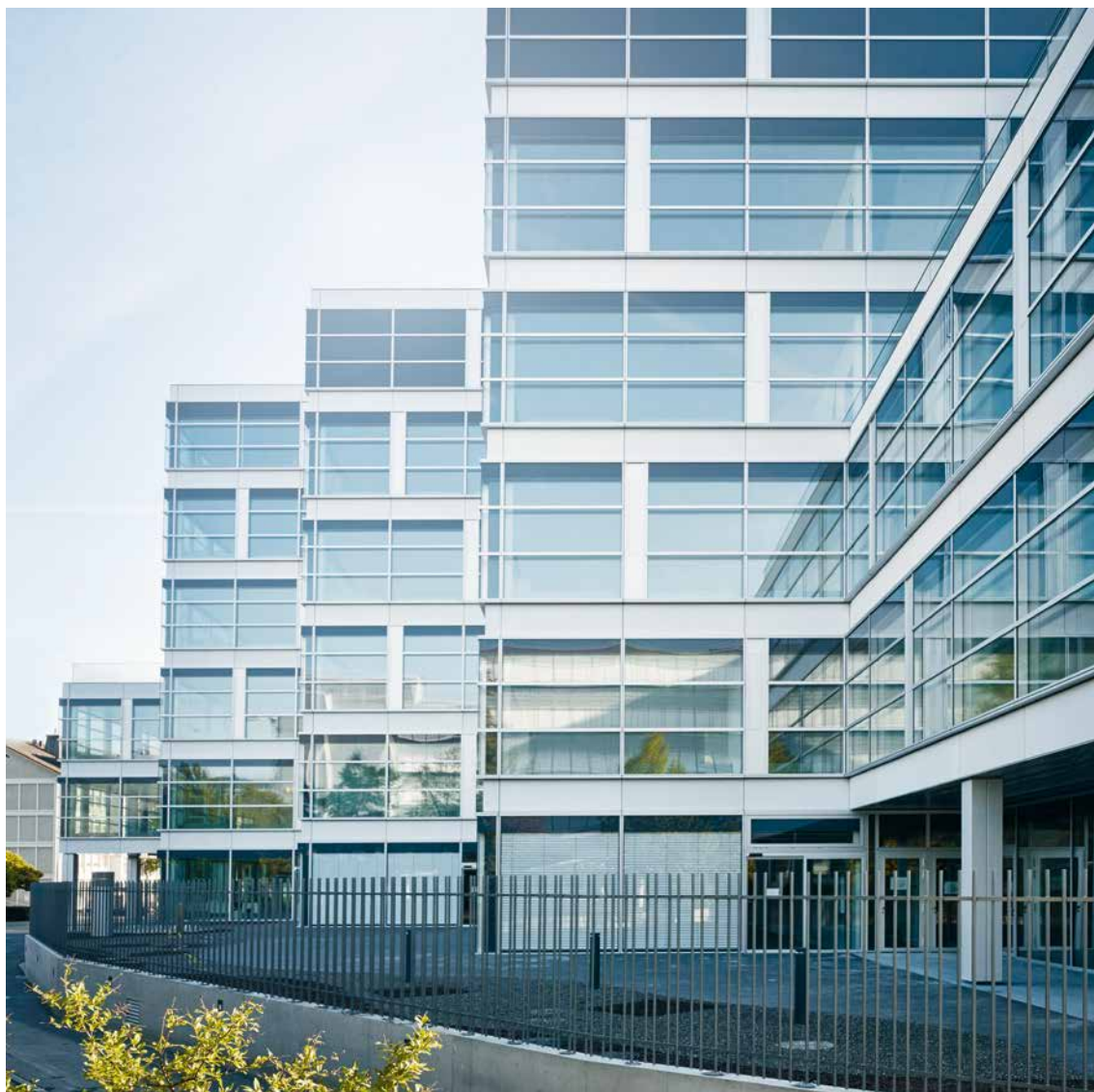
**7 504**

<b>Address</b>	Freie Strasse 68, Basel
<b>Fair value</b>	CHF 68.4 million
<b>Construction date</b>	2016
<b>Floor space</b>	7 504 m <sup>2</sup>
<b>Use</b>	Hotel and retail
<b>Investment</b>	CHF 22.0 million





# MEDIENPARK, ZURICH



## FACTS AND FIGURES

Extensive modernisation of the commercial building from the 1970s was completed at the outset of 2016. The renovated property registers an occupancy rate of more than 90.0% (offices) as at end-2016. In addition to a high degree of tenant and user friendliness, Medienpark also offers a direct connection to public transportation.

### FAIR VALUE

in CHF m

**145.3**

### FLOOR SPACE

in m<sup>2</sup>

**24 244**

<b>Address</b>	Flurstrasse 55, Zurich
<b>Fair value</b>	CHF 145.3 million
<b>Construction date</b>	2015 total renovation
<b>Floor space</b>	24 244 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Investment</b>	CHF 69.0 million



# DEVELOPMENT PROJECTS



## ETZELGUT, ZURICH

Etzelstrasse 14

<b>Investment volume</b>	approx. CHF 13.0 million
<b>Project idea</b>	Reconstruction
<b>Floor space</b>	2 135 m <sup>2</sup>
<b>Use</b>	Geriatric care facility with dementia department
<b>Planned construction period</b>	2016–2017

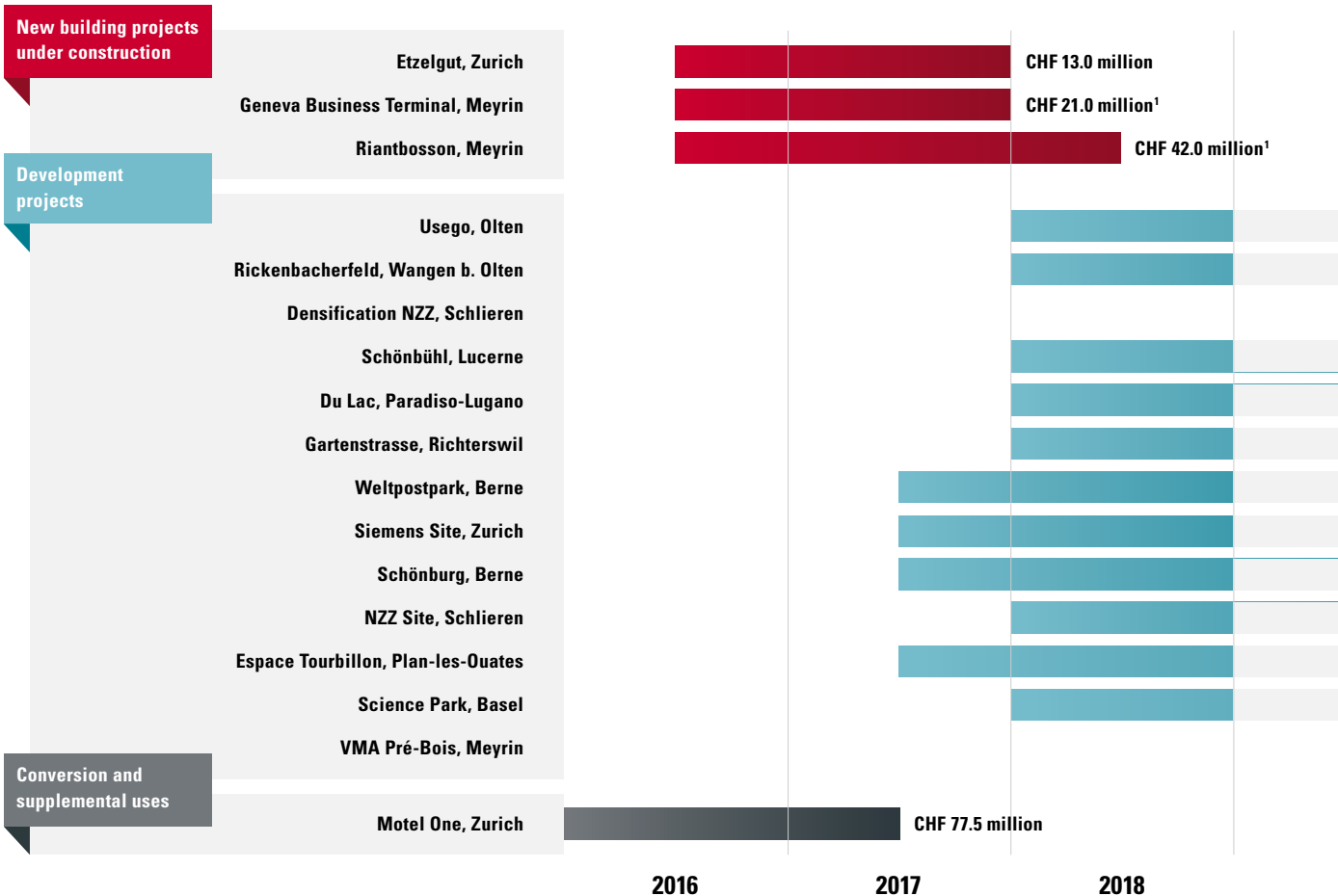


## MOTEL ONE, ZURICH

Brandschenkestrasse 25

<b>Investment volume</b>	approx. CHF 77.5 million
<b>Project idea</b>	Conversion to hotel
<b>Floor space</b>	approx. 13 000 m <sup>2</sup>
<b>Use</b>	Hotel
<b>Planned construction period</b>	2015–2017

## PROJECT PIPELINE INVESTMENTS



Swiss Prime Site AG estimates

<sup>1</sup> including land

<sup>2</sup> including hotel





**GENEVA BUSINESS TERMINAL, MEYRIN**

Route de Pré-Bois 16

<b>Investment volume</b>	approx. CHF 21.0 million (including land)
<b>Project idea</b>	Reconstruction
<b>Floor space</b>	2900 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Planned construction period</b>	2016–2017

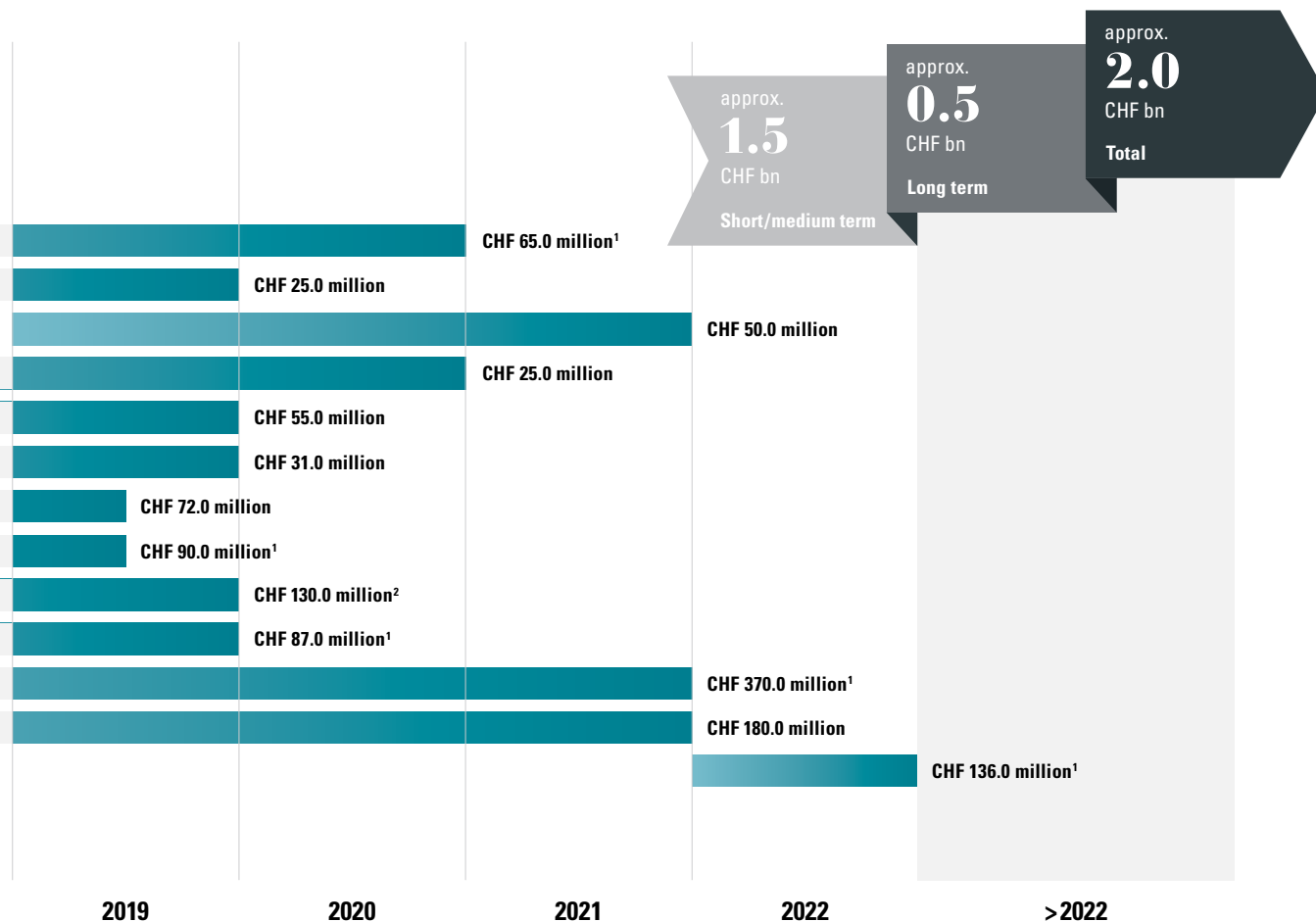


**RIANTBOSSON, MEYRIN**

Avenue de Mategnin

<b>Investment volume</b>	approx. CHF 42.0 million (including land)
<b>Project idea</b>	New building
<b>Floor space</b>	6500 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Planned construction period</b>	2016–2018

**PROJECT PIPELINE INVESTMENTS**





### NZZ SITE, SCHLIEREN

Zürcherstrasse 39

The development strategy for the former NZZ printing facility envisages converting the industrially characterised existing building structure into a platform for education and culture, collaboration as well as science and information transfer. The versatile property reveals how an actual B2B brand with the sophistication of communities of business intelligence can be developed from the commercial site. The prominent property can also generate revenues from rental floor space as well as revenues from other areas of use.

<b>Investment volume</b>	approx. CHF 87.0 million (including land)
<b>Project idea</b>	Phase I – conversion of existing property
<b>Floor space</b>	approx. 25 000 m <sup>2</sup>
<b>Use</b>	Education, entrepreneurship, start-ups, innovators
<b>Planned construction period</b>	2018–2019



### ESPACE TOURBILLON, PLAN-LES-OUATES

Chemin des Aulx

A new commercial development project is being constructed in Plan-les-Ouates on Swiss Prime Site building land. Construction of the multi-functional, modular industrial and commercial park with highly efficient truck logistics will be executed in two major stages. The building permit has been issued, an application for modification has been submitted and the total contractor has already been designated.

<b>Investment volume</b>	approx. CHF 370.0 million (including land)
<b>Project idea</b>	Commercial project on company building land
<b>Floor space</b>	80 000 m <sup>2</sup>
<b>Use</b>	Commercial, industrial, services
<b>Planned construction period</b>	2017–2021



### SCIENCE PARK, BASEL

Hochbergerstrasse 60

The total area comprises space of 22 863 m<sup>2</sup>. The property is part of the «Business Park» site and is situated in «Kleinbasel West» in an ideally developed location in terms of infrastructure. An additional 27 000 m<sup>2</sup> of office and laboratory floor space can be constructed on the development reserves near the existing Business Park. Construction will take place in phases.

<b>Investment volume</b>	approx. CHF 180.0 million
<b>Project idea</b>	Expansion of Science Park
<b>Floor space</b>	approx. 27 000 m <sup>2</sup>
<b>Use</b>	Office/laboratory
<b>Planned construction period</b>	2017–2021



### SCHÖNBURG, BERNE

Viktoriastrasse 21

Total modification of a prominently located office complex – situated in an exceptional panoramic position overlooking Berne's Old Town – into sophisticated rental apartments with a business hotel set in the north wing, as well as retail floor space and fitness facilities. The building permit was issued in February 2017.

<b>Investment volume</b>	approx. CHF 130.0 million (including hotel)
<b>Project idea</b>	Major conversion to residential building
<b>Floor space</b>	23 000 m <sup>2</sup>
<b>Use</b>	Residential, hotel, retail, fitness
<b>Planned construction period</b>	2017–2019





**SIEMENS SITE, ZURICH**

Albisriederstrasse 203

The development project interprets the atmosphere and value of highly flexible, vibrant and ambient space in an intelligent and impressive way. Floor space will be constructed and offered to small-, medium- and large-scale service providers and business owners that set new standards within a versatile-use building structure based on impression, flexibility and simplicity.

<b>Investment volume</b>	approx. CHF 90.0 million (including land)
<b>Project idea</b>	New building
<b>Floor space</b>	15 000–20 000 m <sup>2</sup> (variable)
<b>Use</b>	Services & commercial (variable)
<b>Planned construction period</b>	2018–2019



**VMA PRÉ-BOIS, MEYRIN**

Route de Pré-Bois

Swiss Prime Site owns plots of building land comprising roughly 9 000 m<sup>2</sup> situated in an ideally infrastructurally developed location. The development potential of the land will be realised together with the neighbouring land owner, paving the way for construction projects for retail and services buildings as well as a hotel after 2020.

<b>Investment volume</b>	approx. CHF 136.0 million (including land)
<b>Project idea</b>	Major commercial building complex
<b>Floor space</b>	25 000 m <sup>2</sup>
<b>Use</b>	Services, retail, hotel
<b>Planned construction period</b>	2022 or later



**WELTPOSTPARK, BERNE**

Weltpoststrasse 1–3

The high-quality residential superstructure comprises 173 apartments and is proportionally divided into one-third each of condominiums, rental apartments and inexpensive residential units. Voters approved the ordinance for the superstructure's construction in November 2016, and the building permit should be issued in March 2017.

<b>Investment volume</b>	approx. CHF 72.0 million (land lease plot)
<b>Project idea</b>	Residential complex with share of condominiums
<b>Floor space</b>	14 200 m <sup>2</sup>
<b>Use</b>	Residential, partially commercial
<b>Planned construction period</b>	2017–2019





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# MANAGEMENT REPORT

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# ENVIRONMENT AND INFLUENCING FACTORS

**The Swiss economy painted a picture of a solid state of health in 2016. The real estate market also benefited anew from the continuation of the «soft landing» that emerged already in the previous year. As a high-yielding real estate stock, Swiss Prime Site and its investors continued to reap benefits from the prevailing negative interest rate environment in the financial year 2016.**

## ECONOMIC ENVIRONMENT

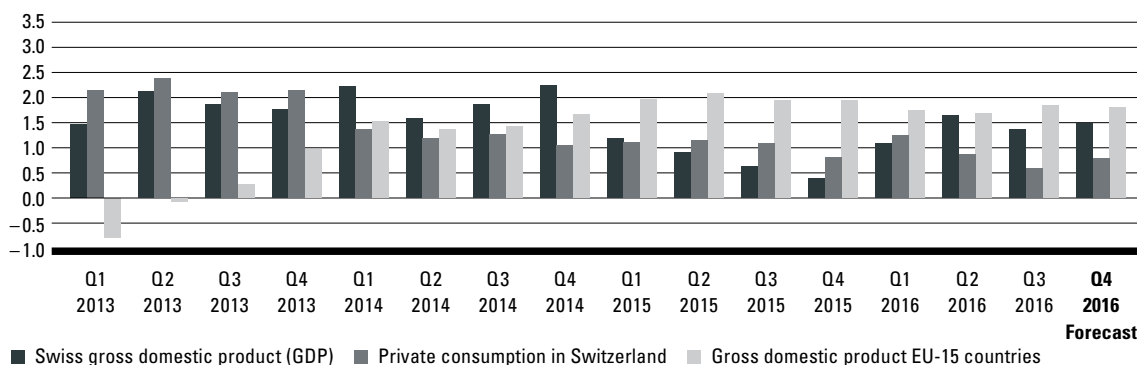
The real estate market trend in 2016 was driven by solid economic recovery as well as a persistently negative interest rate climate. The Swiss economy already successfully surmounted the effects of the shock from lifting the minimum currency exchange rate in the previous year, realising a real growth rate of 1.5% in 2016 according to estimates by Credit Suisse economists. The economic recovery in Switzerland was underpinned across a broad base. All the demand components of gross domestic product (GDP) – consumption, net exports, investment in construction and equipment – should have provided a positive contribution to economic growth. Real consumer spending on the part of private households was underpinned by the prevailing still robust – albeit just slightly diminishing – immigration rate. However, the situation in the retail trade sector remained tense, and real retail sales lost ground by nearly 3.0% in 2016. On the other hand, exports picked up momentum and continued to exhibit renewed stronger growth. Investment in construction and equipment also showed mounting momentum. The trend on the labour market remained constant with an unemployment rate of 3.3%, while inflation is still hovering at a slightly negative level.

In light of the close economic interrelationship and intensive trading activities with the EU, the European economy had an impact on the Swiss real estate market too – albeit just indirectly and with a lagging effect. The European economy continues to exhibit a stable trend and underpins the economic situation in Switzerland.

The persistently negative interest rate environment in Switzerland constituted another significant factor for the trend in real estate stocks. Amid such an environment, real estate investments remain the focus of investors' attention.

## YEAR-ON-YEAR GROWTH RATES

in %



Source: Credit Suisse, Thomson Datastream

# INFLUENCING FACTORS AND EFFECTS

## REAL ESTATE

### REAL ESTATE INVESTMENTS

#### Office properties

- > Floor space expansion is diminishing and increasingly coupling with effective demand
- > Vacancy management is becoming a key issue
- > Solid demand for A locations continues to persist
- > Vacancies are increasing for inefficient properties
- > The number of modernisation and modification projects for existing properties is growing

#### Retail properties

- > A locations in first-class urban areas remain attractive
- > B and C locations are facing declining rents and an increasingly more difficult situation, especially in small towns
- > Demand is robust for floor space in ideally located shopping centres with a sustainably diversified offering
- > Shopping tourism is hovering at an elevated level
- > The market share of online trade is steadily growing

### REAL ESTATE SERVICES

- > The degree of digitalisation in the sector is mounting, leading to disruptive developments
- > Conversion of «smart data» to revenues
- > Outsourcing of property and facility management activities continues
- > Demand for residential space is strongly dependent on immigration, changes in demographic structure, lifestyle and real disposable incomes
- > Increasing complexity from owners' perspective
- > Shrinking supply of requisite human resources and skills (more intensive «war for talent»)

## RETAIL

- > Growing digitalisation and mounting e- and m-commerce
- > Increase in omni-channel concepts prevails
- > Specialisation coupled with excellent services components provide differentiation potential
- > «Shoppertainment» is gaining significance
- > Pronounced emotionalism of products/brands
- > Retail sales are stagnating (non-food)
- > Cost management is becoming a key control element
- > International department store concepts harbour a promising future (multi-brand shopping destinations)

## ASSISTED LIVING

- > The ageing of society is boosting demand
- > «Geriatric care services» are becoming a differentiating feature
- > Focus is being directed at centrally situated, well-developed locations
- > Personnel development and management are key components of success
- > Regulatory requirements are still tightening and restrictive approval practices are becoming a real challenge
- > Financing problems at the community level are creating more potential for private public partnership (PPP) models
- > Demand for residential property with affordable supplemental services is growing
- > Newcomers are entering the healthcare services provider market

# CAPITAL MARKET

**Swiss Prime Site has been listed on the SIX Swiss Exchange since April 2000 and reports, as at balance sheet date, a market capitalisation of roughly CHF 6.0 billion, as well as an average annual share price performance of 7.8% since its initial public offering (IPO).**

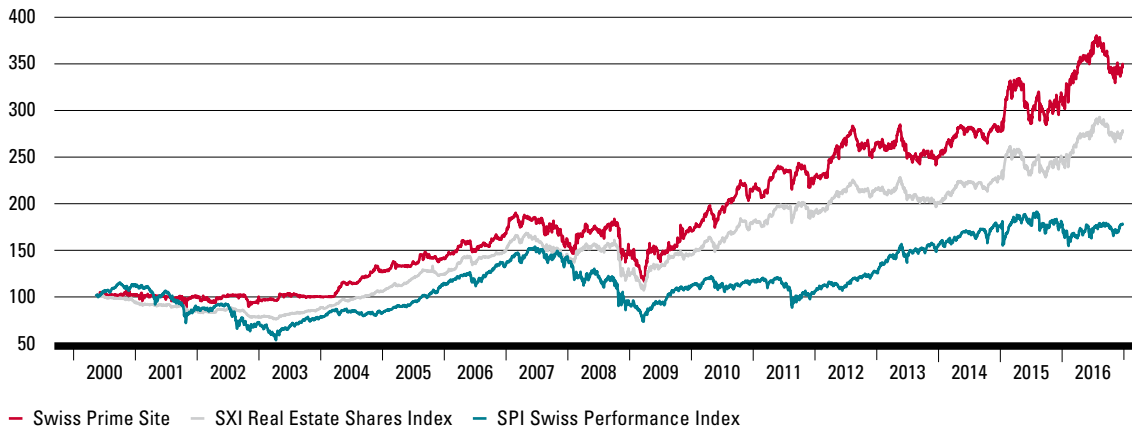
## SHARE

The Swiss Prime Site AG share's closing price on 31 December 2016 was CHF 83.35 [the closing share price as at 31 December 2015 was CHF 78.50 and the distribution on 19 April 2016 was CHF 3.70 per share]. The resulting performance (total return) of the share amounted to +10.9% in 2016 [+13.7%]. The stock's relative performance therefore fell slightly short of the benchmark index SXI Real Estate Shares Index (+11.7%) but noticeably outperformed the SPI Swiss Performance Index (-1.4%).

The share price reached its peak of CHF 90.65 on 26 July 2016 and hit its lowest point of CHF 74.95 on 21 January 2016. The average daily trading volume in 2016 amounted to CHF 13.8 million [CHF 14.5 million].

## PERFORMANCE OF SWISS PRIME SITE SHARE SINCE IPO

from 05.04.2000 to 31.12.2016 (indexed)



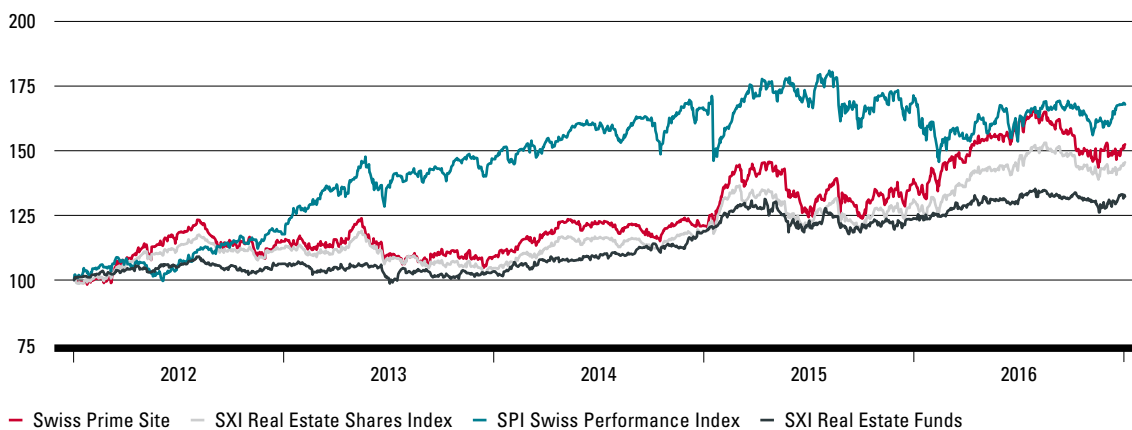
Source: Credit Suisse, Thomson Datastream

The average annual performances of the benchmark indices SXI Real Estate Shares Index and SPI Swiss Performance Index since the Swiss Prime Site IPO were +6.3% and +3.5%, respectively. Hence, the performance of the Swiss Prime Site share of +7.8% noticeably beat the two benchmark indices.



**PERFORMANCE OF SWISS PRIME SITE SHARE IN THE LAST FIVE YEARS**

from 01.01.2012 to 31.12.2016 (indexed)

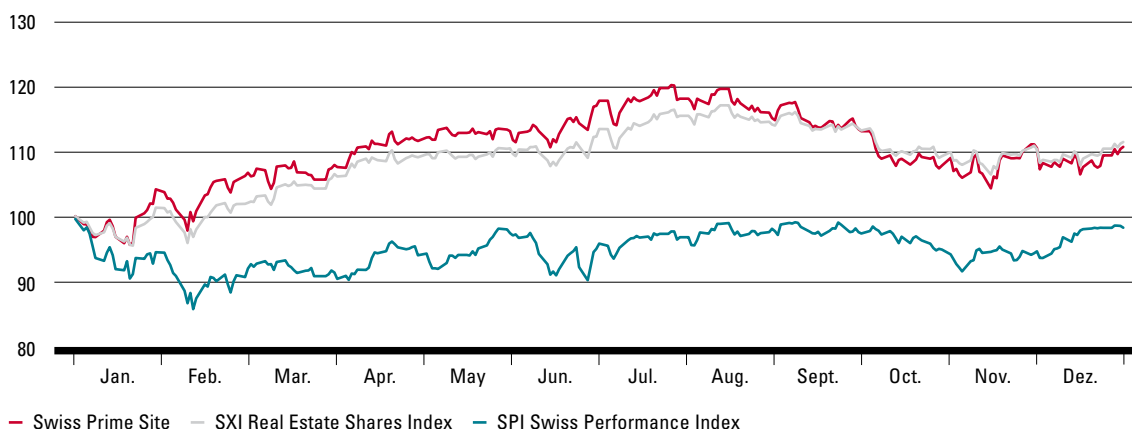


Source: Credit Suisse, Thomson Datastream

In a five-year annual comparison, the Swiss Prime Site share turned in a performance of +52.4%, thus outperforming the benchmark indices SXI Real Estate Shares Index (+45.5%) and SXI Real Estate Funds Index (+32.3%).

**PERFORMANCE OF SWISS PRIME SITE SHARE IN 2016<sup>1</sup>**

from 01.01.2016 to 31.12.2016 (indexed)



Source: Credit Suisse, Thomson Datastream

<sup>1</sup> closing price 31.12.2016: CHF 83.35/maximum: CHF 90.65 (26.07.2016)/minimum: CHF 74.95 (21.01.2016)

## KEY FIGURES PER SHARE

Data per share	in	2012	2013	2014	2015	2016	Change to prior year in %
Share capital	CHF m	918.2	925.7	930.6	1 065.7	<b>1 093.6</b>	2.6
Nominal value per share	CHF	15.30	15.30	15.30	15.30	<b>15.30</b>	–
Shares issued	number	60 011 611	60 503 081	60 820 602	69 651 534	<b>71 478 917</b>	2.6
Treasury shares	number	– 4 828	– 18 916	– 2 682	– 2 780	<b>– 1 336</b>	– 51.9
Average treasury shares held	number	– 4 369	– 5 847	– 6 458	– 6 506	<b>– 2 098</b>	– 67.8
Average outstanding shares	number	54 873 552	60 368 821	60 512 651	67 127 792	<b>70 781 230</b>	5.4
Outstanding shares	number	60 006 783	60 484 165	60 817 920	69 648 754	<b>71 477 581</b>	2.6

## Key figures per share

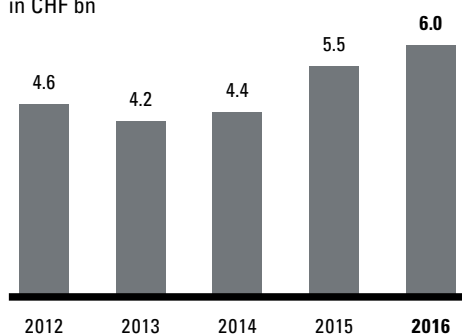
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	– 16.8
Earnings per share excluding revaluation effects	CHF	3.61	3.69	3.90	4.20	<b>4.04</b>	– 3.8
NAV per share after deferred taxes	CHF	65.22	67.91	69.06	71.15	<b>72.43</b>	1.8
NAV per share before deferred taxes	CHF	78.62	82.65	84.77	85.83	<b>87.24</b>	1.6
Distribution per share	CHF	3.60	3.60	3.70	3.70	<b>3.70<sup>1</sup></b>	–
Cash yield <sup>2</sup>	%	4.7	5.2	5.1	4.7	<b>4.4<sup>1</sup></b>	– 6.4
Share price as at balance sheet date	CHF	76.35	69.05	73.00	78.50	<b>83.35</b>	6.2
Share price, highest	CHF	82.95	78.45	76.00	87.80	<b>90.65</b>	3.2
Share price, lowest	CHF	69.30	66.35	68.95	70.65	<b>74.95</b>	6.1
Premium	%	17.1	1.7	5.7	10.3	<b>15.1</b>	46.6
Average trading volume per day	CHF m	11.5	8.3	8.6	14.5	<b>13.8</b>	– 4.8
Market capitalisation	CHF m	4 581.9	4 177.7	4 439.9	5 467.6	<b>5 957.8</b>	9.0

<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

<sup>2</sup> based on year-end closing price

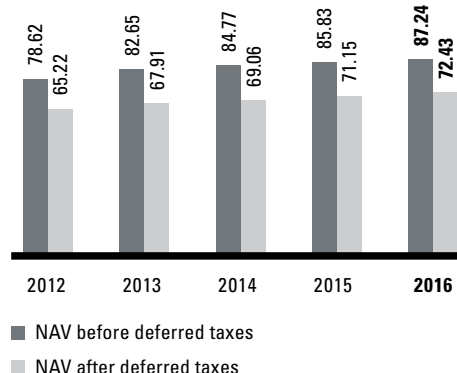
## MARKET CAPITALISATION

in CHF bn



## NAV PER SHARE

in CHF



## Market capitalisation

Market capitalisation amounted to roughly CHF 6.0 billion on 31 December 2016 [CHF 5.5 billion], corresponding to an increase of 9.0%. Market capitalisation is calculated based on the number of shares issued at year-end of 71 478 917 [69 651 534] and the closing share price of CHF 83.35 [CHF 78.50]. The number of shares has increased since 2012 from 60 011 611 to 71 478 917 as at the balance sheet date. In the reporting year, share capital grew by 1 827 383 shares or by CHF 28.0 million through conversions of the CHF 190.35 million convertible bond.

### NAV per share

Net asset value (NAV) per share before deferred taxes edged up by 1.6% from CHF 85.83 to CHF 87.24. NAV after deferred taxes rose by 1.8% from CHF 71.15 to CHF 72.43. Based on the closing share price, this resulted in a premium of 15.1% [10.3%].

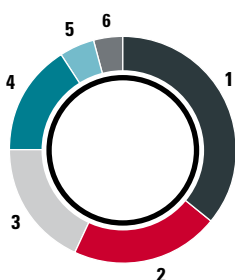
### Shareholder structure

As at the balance sheet date, around 66% [66%] of the issued 71 478 917 [69 651 534] shares were registered. Shares pending registration of transfer remained constant at 34% [34%]. Roughly 95% [94%] of the registered shareholders held less than 5 000 shares, 4% [5%] held between 5 001 and 50 000 shares, and 1% [1%] held a stake of more than 50 001 shares. About 71% [73%] of the registered shares were held in Switzerland. Swiss Prime Site AG acknowledges that there were three [three] shareholders with a stake of more than 3% as at the balance sheet date.

#### SHAREHOLDER CATEGORIES

registered shares

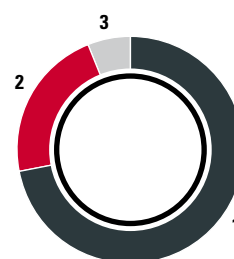
1 Legal entities	36%	[34%]
2 Pension funds	21%	[22%]
3 Funds	18%	[18%]
4 Natural persons	16%	[17%]
5 Other	5%	[5%]
6 Insurance companies	4%	[4%]



#### SHAREHOLDER STRUCTURE BY COUNTRY

registered shares

1 Switzerland	71%	[73%]
2 Europe (excluding Switzerland)	23%	[21%]
3 Other countries	6%	[6%]



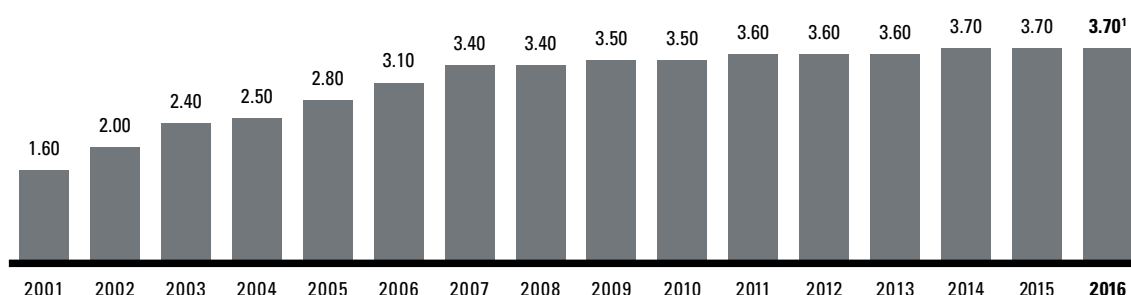
### Dividend policy and distribution

Swiss Prime Site enables its shareholders to participate in the corporate profits with a shareholder-friendly dividend in the form of a distribution from capital contribution reserves, or nominal value reduction. These distributions are not subject to Swiss withholding tax and are basically exempt from income tax for private individuals with their tax domicile in Switzerland. The Company generally intends to pay out 80% of earnings per share before revaluation effects.

The Board of Directors proposes to the Annual General Meeting of 11 April 2017 a dividend of CHF 3.70 per share, in the form of a shareholder-friendly, withholding tax-exempt distribution from capital contribution reserves. The distribution corresponds to an attractive cash yield of 4.4%, based on the closing share price of CHF 83.35 at year-end.

#### DISTRIBUTION PER SHARE

in CHF

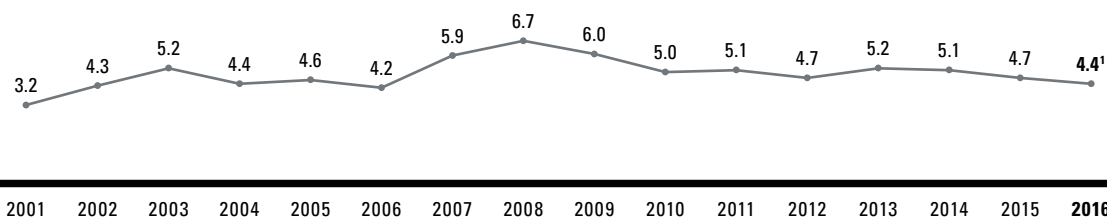


<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

Since the Company's IPO in 2000, the distribution per share has increased from CHF 1.60 (paid out in financial year 2001, adjusted for stock split 1:5) to CHF 3.70 for the financial year 2016. The cash yield has hovered between 3.2% and 6.7% in the same period.

## CASH YIELD

in %



<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

## BONDS

As at the balance sheet date, Swiss Prime Site held one outstanding convertible bond successfully placed on the capital market, with an issue volume of CHF 250.0 million. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time.

In addition, Swiss Prime Site holds six outstanding bonds with issue volumes of CHF 100.0 million, CHF 115.0 million, CHF 200.0 million, CHF 230.0 million, CHF 250.0 million and CHF 300.0 million. The CHF 250.0 million bond was successfully placed on the capital market in the reporting year. The terms to maturity amount to between five and ten years, and the interest rates vary between 0.5% and 2.0%. The current low interest rate environment was successfully exploited for refinancing at attractive medium- to long-term conditions.

## KEY DATA

Convertible bonds	in	2016	2023
Issuing volume	CHF m	190.35	250.0
Nominal value as at balance sheet date	CHF m	–	250.0
Conversions during reporting period	CHF m	149.65	–
Number of converted shares during reporting period	number	1 827 383	–
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.25
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)
ISIN number		CH0131196237	CH0328111569
Stock exchange price as at 31.12.2016	%	0.00	99.30

Straight bonds	in	2018	2019	2020	2021	2024	2025
Issuing volume	CHF m	115.0	200.0	230.0	300.0	100.0	250.0
Interest rate	%	1.125	1.0	2.0	1.75	2.0	0.5
Term to maturity	years	5	5	7	7	10	9
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024	03.11.2025
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)	33 764 553 (SPS161)
ISIN number		CH0215645661	CH0257042165	CH0215650737	CH0234274493	CH0257042173	CH0337645532
Stock exchange price as at 31.12.2016	%	101.80	102.35	106.50	105.85	110.00	98.85

# GROUP BUSINESS PERFORMANCE

**Swiss Prime Site successfully forged ahead with its sustainable growth strategy in the core real estate business and real estate-related business fields in the reporting year 2016.**

## GENERAL HIGHLIGHTS OF SWISS PRIME SITE GROUP

Swiss Prime Site reported 2016 annual results that fulfilled the guidance that the Company provided at the outset of the year. The key core real estate business reduced the vacancy rate from 6.7% to 6.1% amid an increasingly challenging market environment. Moreover, the real estate portfolio surpassed the CHF 10.0 billion threshold for the first time in the Company's history, with highly profitable property acquisitions. Additional positive effects resulting from growth in the real estate portfolio include the renewed boost in rental income by 1.6% (group). The real estate-related business fields also realised further growth. Wincasa succeeded in boosting total assets under management in the real estate services business field to roughly CHF 64.0 billion and, in turn, increased the related services revenues. Jelmoli executed many key projects in the Retail business field in the reporting year and also managed to achieve an ideal position at Zurich Airport within the scope of the locations expansion process. In 2016, Tertianum Group focused on the integration of the two acquired companies SENIOcare and BOAS Senior Care, on the one hand, as well as the systematic expansion of the operations network, on the other. The overall earnings contribution from the real estate-related business fields provided renewed positive support to the group's financial results in 2016. Furthermore, Swiss Prime Site continued to successfully achieve steady realisation of group-wide synergy potential in the financial year.

The group optimised and significantly improved its financial situation in 2016 versus 2015. The convertible bond (issued in the second quarter) and straight bond (fourth quarter) with respective volumes of CHF 250.0 million paved the way for cost-efficiently financing the ongoing development projects and strengthening the equity ratio. In addition, the Company successfully took advantage of the attractive interest rate environment to gradually reduce financing costs. This very solid financing continues to ensure a high degree of operating flexibility for Swiss Prime Site and provides an ideal baseline for taking further steps along the strategic development path.

Swiss Prime Site's innovative business model very favourably positions the Company to realise future sustainable profitability and growth in its core business aimed at investing in first-class properties as well as expanding its real estate-related business fields and achieving the corresponding earnings diversification.

# FOCUS IN FINANCIAL YEAR 2016

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## FORGING AHEAD WITH AND STRENGTHENING THE INNOVATIVE BUSINESS MODEL

- > Swiss Prime Site promisingly and effectively positioned itself in 2016 for realising future robust earnings-driven growth through carrying out acquisitions, achieving organisational optimisation and setting a strategic course.
- > In addition to staging an outstanding performance in the core real estate business, the Company also achieved key strategic milestones in each real estate-related business field. Acquisition of Berne-based immoveris served to strengthen Winca's market position in Central and Western Switzerland.
- > Swiss Prime Site concluded the acquisition of BOAS Senior Care in the French-speaking region and, at the same time, established Tertianum Group as the largest and most profitable private provider in the Assisted Living business field.
- > The Company announced the opening of another Jelmoli location at Zurich Airport.
- > Swiss Prime Site established a group-wide DNA concept, comprising vision/mission/strategy/corporate values and sustainability aspiration.

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## ENSURING AN ATTRACTIVE DIVIDEND POLICY

- > Operating earnings generated the dividend again in 2016, thus ensuring the continuity of an attractive dividend policy.
- > The distribution of profits to shareholders results in an excellent total return on the stock.
- > Swiss Prime Site passes on the Company's success directly to shareholders.

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## CONTINUOUS OPTIMISATION OF VACANCY MANAGEMENT

- > Vacancy rates were reduced to 6.1% and 5.9% at the group and business field levels, respectively.
- > Substantial leasing activities were implemented based on the high-quality real estate portfolio.

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## FOCUSING ON MODERNISATION AND MODIFICATION PROJECTS

- > Successful conversion and opening of Motel One in Basel/ Freie Strasse 68. Motel One in Zurich/Brandschenkestrasse 25 opens its doors in 2017.
- > Additional properties in the existing real estate portfolio have been designated for future conversions, such as the NZZ Site in Schlieren, which is already placed on the market with a new anchor tenant.
- > Effective communication has been implemented for the new Schönbürg Berne utilisation concept.

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## CONTINUING TO PURSUE ACTIVE AND VALUE-ORIENTED PORTFOLIO AND ASSET MANAGEMENT

- > Swiss Prime Site executed property acquisitions valued at CHF 257.3 million and carried out divestments of CHF 75.2 million in 2016.
- > Earnings from real estate transactions amounted to a total of CHF 24.9 million.
- > Swiss Prime Site's real estate portfolio volume traversed the CHF 10.0 billion threshold at end-2016 for the first time in the Company's history, thanks to proactive portfolio management.

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## INTENSIFYING DEVELOPMENT PROJECTS

- > Swiss Prime Site boasts the most attractive development project pipeline in Switzerland. The project pipeline's total volume amounts to roughly CHF 2.0 billion, of which around CHF 1.5 billion and CHF 0.5 billion are attributed to short- and medium-term as well as long-term, respectively, development projects.
- > Development projects constitute a highly profitable future source of earnings for Swiss Prime Site and serve as a significant pillar of organic growth for the real estate portfolio.

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## ADDITIONAL RENTAL INCOME THROUGH PROJECT EXECUTION

- > Swiss Prime Site reported a 1.6% year-on-year increase in rental income in 2016. The improvement in income is the direct result of effective reduction of vacancies, earnings-boosting acquisitions in the real estate portfolio and modernisation projects.
- > In addition, Swiss Prime Site managed to meet the challenging demand for flexible and efficient properties with its high-quality existing real estate portfolio.

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## FORGING AHEAD WITH PROJECTS IN THE ASSISTED LIVING BUSINESS FIELD

- > Four additional business operations were integrated into Tertianum Group in 2016.
- > «Private public partnership» (PPP) projects harbour further growth potential. One example in this context is Richterswil, where Swiss Prime Site and Tertianum were able to convince the community to enter into a mutually advantageous collaboration.
- > Forthcoming Tertianum projects pave the way for the gradual expansion of the business field along the lines of the demographic trend.



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#### **GRADUAL REDUCTION OF FINANCING COSTS IN LOW INTEREST RATE ENVIRONMENT**

- > Swiss Prime Site reduced the average interest rate on financial liabilities in the past financial year by 0.3%, thus further optimising financing costs.

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#### **MAINTAINING AN EQUITY RATIO OF +/- 45%**

- > The equity has improved further, extending to 46.6% at year-end.
- > The CHF 190.35 million convertible bond was converted at a rate of roughly 80%, leading to further strengthening of the shareholders' equity base.
- > Steady improvement of the equity ratio is attributable to Swiss Prime Site's solid financing strategy.

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#### **ENSURING A BALANCED DEBT LEVEL AND MATURITY PROFILE**

- > Swiss Prime Site's debt levels improved further in 2016 versus 2015, in tandem with a sustainable, long-term financing strategy amid a low interest rate environment.
- > Swiss Prime Site's debt maturity profile shows a similarly positive trend. The average residual term to maturity was fixed at a comfortable 4.5 years in the past financial year.
- > Swiss Prime Site launched a straight bond in June 2016 and a convertible bond in October 2016 each with a volume of CHF 250.0 million. The inflow of funds was at times utilised for refinancing outstanding current financial liabilities.

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#### **EXHAUSTING THE EARNINGS AND GROWTH POTENTIAL OF THE BUSINESS FIELDS**

- > Swiss Prime Site's business fields continued to successfully develop further in 2016, thus providing a significant contribution to the group's positive annual results.

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#### **IDENTIFYING AND REALISING GROUP-WIDE SYNERGY POTENTIAL**

- > Swiss Prime Site continued to systematically forge ahead in 2016 with realising synergies within the group and among the group companies.
- > In 2016, the Company launched a group-wide initiative aimed at identifying and executing synergies in the future. Roughly CHF 2.0–3.0 million in synergies should be realised in the future within the group in the coming business plan (years 2017–2020).

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#### **SUSTAINABLE DEVELOPMENT**

- > Swiss Prime Site laid the foundation for an extensive commitment to sustainability in 2016 with the establishment of a sustainability compass in its corporate DNA, determining the sustainability targets for its business fields for the first time by means of a roadmap.
- > Swiss Prime Site's leadership aspirations regarding sustainability will be even further accentuated with a sustainability report starting from 2017.

## TREND IN EARNINGS

### KEY FINANCIAL FIGURES

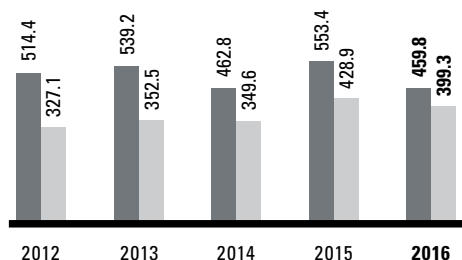
	in	2012	2013	2014	2015	2016	Change to prior year in %
Operating income	CHF m	584.6	764.7	852.7	995.2	<b>1 049.5</b>	5.5
Revaluation of investment properties, net	CHF m	187.3	186.7	113.2	124.6	<b>60.5</b>	-51.4
Result from investment property sales, net	CHF m	8.5	15.3	2.1	30.9	<b>24.9</b>	-19.4
Operating expenses	CHF m	-267.8	-436.0	-518.9	-609.4	<b>-683.7</b>	12.2
Operating profit (EBIT)	CHF m	514.4	539.2	462.8	553.4	<b>459.8</b>	-16.9
Financial expenses	CHF m	-117.0	-109.4	-100.0	-100.8	<b>-86.0</b>	-14.7
Income tax expenses	CHF m	-93.6	-96.6	-79.0	-102.2	<b>-67.5</b>	-34.0
Profit	CHF m	311.3	343.9	286.7	355.1	<b>311.2</b>	-12.4
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	-16.8

Noteworthy in the comparison of results with the previous year is that the acquisitions of SENIOcare (from 1 October 2015) and BOAS Senior Care (from 29 February 2016) – aimed at supplementing and strengthening the Assisted Living business field – were consolidated and therefore incorporated in Swiss Prime Site Group. The reporting year was unaffected by first-time applicable IFRS standards. Volatility in personnel costs can result from IAS 19 revised «Employee Benefits».

Operating profit (EBIT) excluding revaluations declined by 6.9% from CHF 428.9 million to CHF 399.3 million. EBIT including revaluations decreased by 16.9% from CHF 553.4 million to CHF 459.8 million.

### OPERATING PROFIT (EBIT)

in CHF m

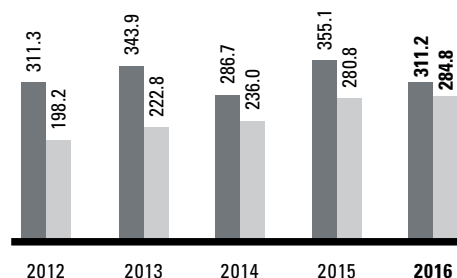


■ EBIT including RVE<sup>1</sup> ■ EBIT excluding RVE<sup>1</sup>

<sup>1</sup> revaluation effects: revaluations and deferred taxes

### PROFIT

in CHF m

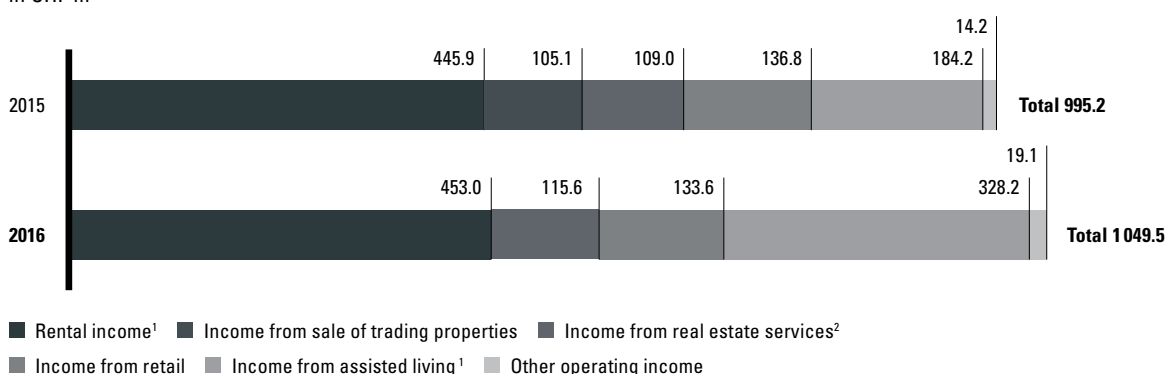


■ Profit including RVE<sup>1</sup> ■ Profit excluding RVE<sup>1</sup>

Profit amounted to CHF 311.2 million [CHF 355.1 million] in the reporting year 2016. The decrease of CHF 43.9 million was attributable primarily to gains realised in the previous year from sales of condominiums at the Maag Site in Zurich as well as to lower revaluation gains in the reporting year. Pension plan expenses declined year-on-year, resulting from adjustments to the regulations of various pension fund foundations. Profit excluding revaluation effects edged up by 1.4% to CHF 284.8 million [CHF 280.8 million].

## OPERATING INCOME

in CHF m



<sup>1</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016, BOAS Senior Care as at 29.02.2016 and SENIOcare Group as at 01.10.2015  
<sup>2</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

Swiss Prime Site continued to unrelentingly exhibit a robust performance in the financial year 2016, realising a 5.5% spurt in operating income from CHF 995.2 million to CHF 1 049.5 million. Income from rental properties at the group level climbed by 1.6% to CHF 453.0 million [CHF 445.9 million]. Property purchases and acquisitions in the Assisted Living business field compensated for property divestments in the previous year. Income from real estate services exhibited a pick-up of 6.1% to CHF 115.6 million [CHF 109.0 million]. Income from retail edged down by 2.3% to CHF 133.6 million [CHF 136.8 million]. The comparable reporting period included revenues from Clouds Restaurant, which was transferred to Candrian Catering AG on 1 July 2015. The surge in income from assisted living by 78.2% to CHF 328.2 million [CHF 184.2 million] was the result of the integration of SENIOcare starting from the outset of October 2015 and BOAS Senior Care starting from March 2016. Other operating income of CHF 19.1 million was positively affected by initial revenues from Real Estate Investment Management of Swiss Prime Investment Foundation.

## OPERATING EXPENSES

in CHF m



Operating expenses climbed by 12.2% from CHF 609.4 million to CHF 683.7 million primarily due to acquisitions, of which real estate costs accounted for CHF 130.8 million [CHF 103.3 million], and cost of goods sold made up CHF 100.7 million [CHF 84.7 million]. The increase in real estate costs was attributable mainly to the CHF 26.2 million rise in third-party rental expenses, particularly for the additionally rented properties in the Assisted Living business field. In addition, higher costs were incurred by the owner (ancillary costs/operating expenses) resulting from growth in the real estate portfolio. The cost of goods sold increased primarily due to the integration of SENIOcare and BOAS Senior Care.

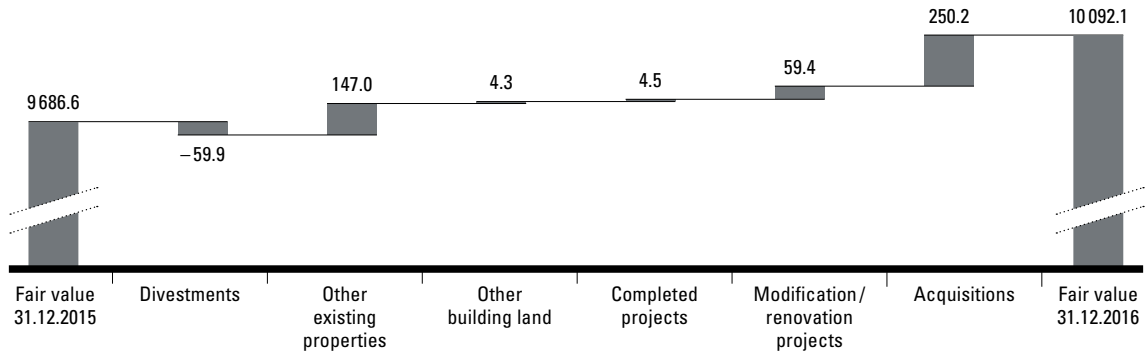
Personnel costs amounted to CHF 347.4 million [CHF 269.2 million], other operating expenses totalled CHF 61.6 million [CHF 60.0 million] and depreciation, amortisation and impairment added up to CHF 43.2 million [CHF 29.2 million]. Personnel costs are particularly affected by acquisitions in the Assisted Living business field as well as by adjustments of pension foundation regulations.

## TREND IN THE REAL ESTATE PORTFOLIO

Within the scope of portfolio optimisation and through taking advantage of divestment opportunities, three properties were divested and five acquired in the reporting period. The fair value of the divested properties amounted to a total of CHF 59.9 million at end-2015. The net result of sale after transaction costs amounted to CHF 24.9 million [CHF 30.9 million]. The portfolio therefore comprised 184 properties [182].

### TREND IN THE REAL ESTATE PORTFOLIO (FAIR VALUE)

in CHF m

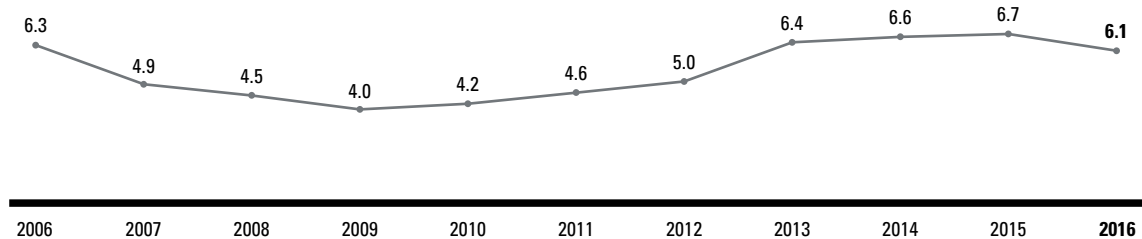


The increase in portfolio value by CHF 405.5 million or 4.2% consisted primarily of three divestments (CHF -59.9 million), value changes (including renovations/investments) related to other existing properties (CHF +147.0 million), and the five acquired existing properties and building land (CHF +250.2 million).

The vacancy rate decreased versus the previous year from 6.7% to 6.1%, as expected. The vacancy rate was in line with the forecast range of 6.0% to 6.5%.

### TREND IN VACANCY RATE

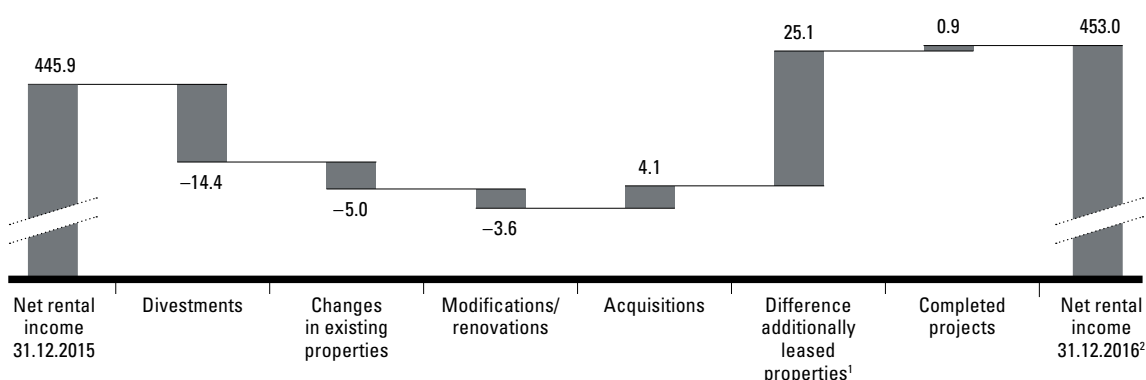
in % (group)



The quality of earnings was underscored by the good credit ratings of the tenants. The five largest external tenants are renowned corporations, contributing 20.1% [20.9%] to total rental income. Around 58% [61%] of all rental agreements have a residual term of four or more years.

## TREND IN NET RENTAL INCOME

in CHF m (group)



<sup>1</sup> in Assisted Living business field

<sup>2</sup> including additionally leased properties

Net rental income edged up by 1.6% from CHF 445.9 million to CHF 453.0 million. The increase of CHF 7.1 million resulted from divestments (CHF –14.4 million), changes in existing properties (CHF –5.0 million), building modifications and renovations (CHF –3.6 million), acquisitions (CHF +4.1 million), additionally leased properties in the Assisted Living business field (CHF +25.1 million) as well as the pro-rata effect from the completion of projects (CHF +0.9 million).

## VALUATION OF THE REAL ESTATE PORTFOLIO

Wüest Partner AG valued the real estate portfolio at CHF 10 092.1 million [CHF 9 686.6 million] as at 31 December 2016. This revaluation led to a net valuation gain affecting net income of CHF 60.5 million at the group level [CHF 124.6 million] (excluding revaluation of owner-occupied properties), or 0.6% of the portfolio's value as at 31 December 2015.

Revaluation of owner-occupied properties (primarily properties used in the Assisted Living business field as well as Jelmoli –The House of Brands) resulted in a remeasurement in other comprehensive income of CHF 23.0 million [CHF 38.0 million].

Of the total 162 existing properties (excluding acquisitions (5), plots of building land (10) and properties under construction (7) – total 22 properties), 115 were valued higher and 47 were valued lower than as at 1 January 2016.

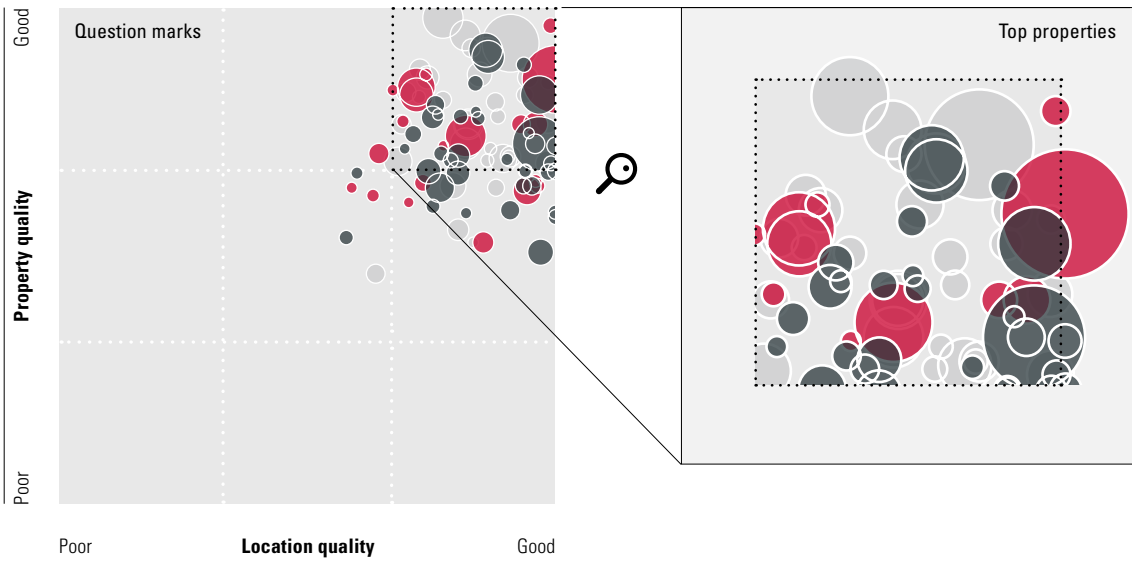
The weighted average real discount rate of 3.47% decreased by 0.19 percentage points versus 31 December 2015 [3.66%]. Assuming an inflation rate of 0.5% [1.0%], this rate corresponds to a nominal discount rate of 3.99% [4.69%].

**PORTFOLIO QUALITY**

Market matrix

31.12.2016

Enlargement



- Properties with office use > 60%: fair value > CHF 20 million
- Properties with retail use > 60%: fair value > CHF 20 million
- Properties with mixed use: fair value > CHF 20 million

Source: Wüest Partner AG

The market matrix provides a visualisation of the portfolio's high quality of property and location. Nearly 80% of the properties in the portfolio are in the top segment, which is distinguished by the highest quality of property and location.



# PERFORMANCE BY BUSINESS FIELD

**The core business comprising real estate investments and real estate services as well as the real estate-related Assisted Living business field all realised their targets in the reporting year. The Retail business field prevailed in a challenging retail trade environment and directed its focus on future growth.**

## REAL ESTATE BUSINESS FIELD

The quality of the real estate portfolio improved further and the vacancy rate decreased through innovative and dynamic portfolio management, including through converting and repositioning properties. The acquisitions in the reporting period to some extent already compensated for the lost rental income resulting from the property divestments in 2015. With the acquisition of the NZZ printing facility in Schlieren and the concept for creating an education centre with the property, Swiss Prime Site has opened the door to a new innovative investment field with the education growth market.

## KEY FINANCIAL FIGURES

	in	2012	2013	2014	2015	2016 <sup>1</sup>	Change to prior year in %
Operating income	CHF m	443.0	525.3	534.0	656.8	<b>546.4</b>	-16.8
Revaluation of investment properties	CHF m	191.9	198.1	137.1	153.6	<b>69.6</b>	-54.7
Result from investment property sales, net	CHF m	8.5	15.3	2.1	30.9	<b>24.9</b>	-19.4
Operating expenses	CHF m	-119.4	-186.0	-194.2	-267.2	<b>-179.7</b>	-32.7
Operating profit (EBIT)	CHF m	525.8	561.3	491.9	586.2	<b>469.9</b>	-19.8

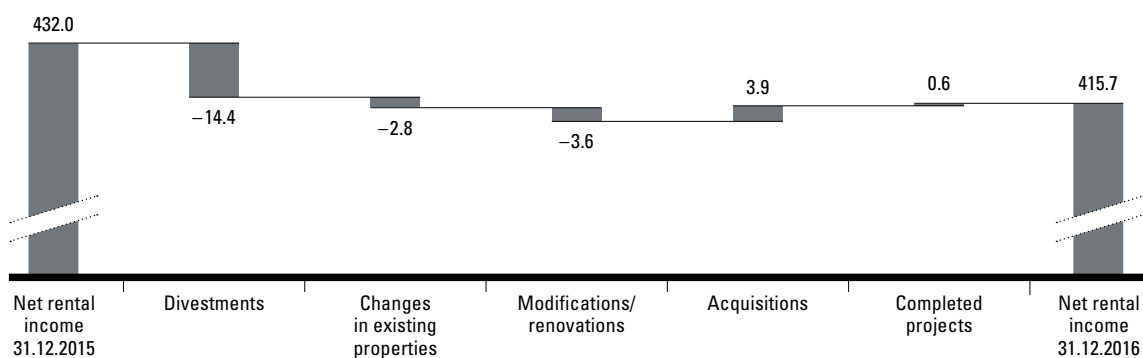
<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

Rental income from properties decreased by CHF 16.3 million to CHF 415.7 million [CHF 432.0 million]. The vacancy rate edged down by 0.6 percentage points to 5.9% [6.5%]. The net return of the real estate portfolio dipped marginally to 3.7% [3.9%]. Operating income declined from CHF 656.8 million to CHF 546.4 million.

Revaluations affecting net income amounted to CHF 69.6 million [CHF 153.6 million]. In addition to the income from the core business, this business field also included income from the real estate services provided by Wincasa. Operating profit (EBIT) decreased from CHF 586.2 million to CHF 469.9 million, primarily due to lower revaluation gains versus the previous year and income realised from the sale of trading properties in the prior year.

### TREND IN NET RENTAL INCOME

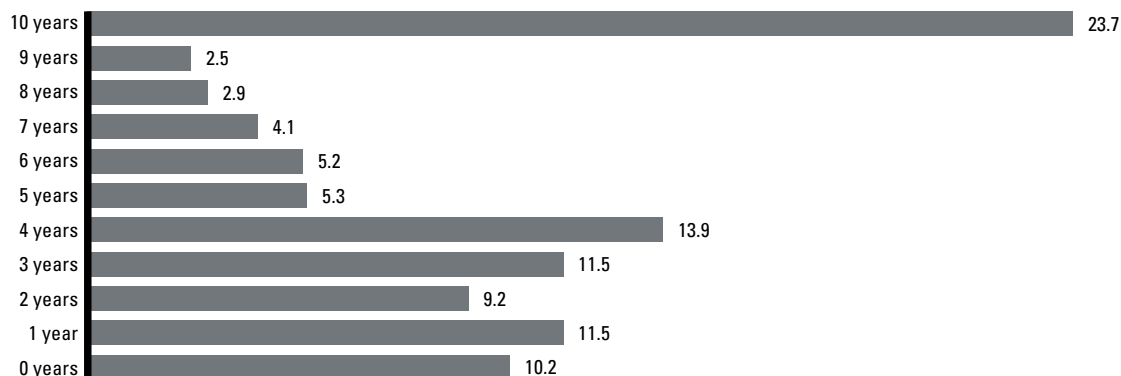
in CHF m (Real Estate business field)



The decrease in rental income by CHF –16.3 million or –3.8% resulted from divestments in the previous year (CHF –13.7 million) and in the current year (CHF –0.7 million), changes in existing properties (CHF –2.8 million), building modifications and renovations (CHF –3.6 million), acquisitions (CHF +3.9 million) as well as the pro-rata effect from the completion of projects (CHF +0.6 million).

### CONTRACTUAL END OF RENTAL RELATIONSHIP

in % of net rental income as at 31.12.2016 (Real Estate business field)



### Wincasa

Income from real estate services generated by Wincasa AG (acquired in 2012) amounted to CHF 115.7 million in the financial year 2016, corresponding to growth of 5.7% versus 2015 [CHF 109.5 million] and a 21.2% share of total operating income in the business field.

Wincasa managed roughly 231000 rental properties as at end-2016, corresponding to a growth of 56000 units over the past five years.

## KEY FIGURES FROM REAL ESTATE SERVICES

	in	2012	2013	2014	2015	2016	Change to prior year in %
Annual target rent	CHF bn	2.57	2.63	2.75	2.96	<b>3.26</b>	10.1
Rental properties <sup>1</sup>	number	175 000	178 000	183 000	206 000	<b>231 000</b>	12.1

<sup>1</sup> rounded to thousands

In the reporting year, Wincasa further upgraded its branch network with more attractive locations in Berne and Olten as well as with a telephony infrastructure by means of Unified Communications equipment. The company also launched a new communications portal for tenants called «MyWincasa». This focus corresponds to the defined strategic goal aimed at becoming a «digital master» in the next three years. In this context, the Board of Directors approved the «Digital Strategy» in the reporting year. In order to forge ahead with qualitative process leadership, Wincasa is optimising its digital process tool, Leadership and Talent Management Programme as well as internal and external interfaces on an ongoing basis, managed by a company-wide «Continual Improvement Process» programme. The company improved its efficiency rate in the business areas of Management as well as Centre Management by 3% and 8%, respectively, as measured by the properties under management.

Wincasa continued to further expand its leading market position by means of renewing contracts for key major clients in addition to the acquisitions of two firms in Central Switzerland, paving the way for achieving revenue growth of more than 5%. The robust growth reported by the respective business areas was promising, which was achieved in Property Management through executing additional major contracts, in Centre Management through acquiring new clients and contracts in Winterthur and Basel, as well as in Construction & Facility Management through expansion of the developer fiduciary services business. Thanks to innovative and virtual reality-based concepts, Letting & Investment Advisory obtained marketing contracts for various prestigious buildings. The introduction of a «sustainability snapshot» with key performance indicators assessable on an annual basis with regard to dimensions, economy, ecology and social parameters underscores Wincasa's intention to play a leading role toward achieving a sustainable- and entrepreneurial-oriented future.

## RETAIL BUSINESS FIELD

The Retail business field comprises Jelmoli – The House of Brands premium department store in Zurich. Income from retail accounts for the largest position in operating income.

## KEY FINANCIAL FIGURES

	in	2012	2013	2014	2015 <sup>1</sup>	2016	Change to prior year in %
Operating income	CHF m	178.2	175.9	172.3	156.4	<b>151.7</b>	-3.0
Operating expenses	CHF m	-179.3	-182.4	-171.4	-159.3	<b>-154.0</b>	-3.3
Operating profit (EBIT)	CHF m	-1.1	-6.5	0.9	-2.9	<b>-2.4</b>	-17.2

<sup>1</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

Income in the Retail business field consists of retail sales of CHF 133.7 million, rental income from leasing floor space of CHF 15.1 million and other income of CHF 2.9 million. Operating expenses declined by 3.3% from CHF 159.3 million to CHF 154.0 million.

Jelmoli is successfully developing an innovative alternative to shopping tourism and online trade, through systematically focusing on the quality of products and services as well as on a multifaceted shopping experience. Jelmoli has set a key strategic course with the realisation of a high-quality shoe department, the new shop-in-shop of a renowned Zurich watch specialist, the upgrade of two top brands in the sports department and further development of the food & beverage amenities. Furthermore, the first Fauchon Café outside of Paris has been launched, and additional significant brands have been acquired to achieve a qualitative upgrade of the brand mix. During the modification phase in 2016, some floor space was unavailable for generating sales. The announced Jelmoli location expansion at Zurich Airport starting from 2019 will clear a path for further optimising the brand mix, profitability and process efficiency as well as realising economies of scale-related revenues.

We anticipate that the market environment will continue to change. Nevertheless, the situation on the price front is expected to ease and stabilise. The launch of various initiatives and innovations are planned for the financial year 2017, which will further underpin Jelmoli's strong market position and quality of service.

## ASSISTED LIVING BUSINESS FIELD

### KEY FINANCIAL FIGURES

	in	2013 <sup>1</sup>	2014	2015 <sup>2</sup>	2016 <sup>3</sup>	Change to prior year in %
Operating income	CHF m	111.6	201.9	237.6	<b>406.0</b>	70.9
Operating expenses	CHF m	-106.6	-193.7	-229.4	<b>-390.8</b>	70.4
Operating profit (EBIT)	CHF m	5.0	9.0	8.2	<b>15.2</b>	85.4
Guests in apartments (average)	number	1 202	1 199	1 502	<b>1 566</b>	4.3
Guests in geriatric care facilities (average)	number	642	649	780	<b>2 407</b>	208.6

<sup>1</sup> acquisition of Tertianum Group as at 12.07.2013

<sup>2</sup> acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

<sup>3</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

The Assisted Living business field generated an operating income of CHF 406.0 million in the financial year 2016. Any year-on-year comparison is only possible to a limited extent due to the integration of BOAS Senior Care with 16 operating businesses. Income from assisted living amounted to CHF 328.2 million in the reporting year. In addition, Tertianum Group generated income from leasing its own owner-occupied properties totalling CHF 24.2 million. These additionally leased properties realised rental income of CHF 51.8 million. Operating profit (EBIT) amounted to a favourable CHF 15.2 million.

The Assisted Living business field also includes 16 Tertianum residences in the premium segment and 55 business operations in the middle-class segment. In the reporting year, three business operations in the medium-price segment opened their doors in Rheinfelden, Bellinzona and Zurich, while one business operation in Wohlen AG was acquired.

Tertianum Group continues to pursue a distinct growth strategy in the medium-price segment. One business operation in Lugano was acquired in January 2017, and 15 new building projects are in various stages of execution. In addition, acquisitions of existing business operations are subject to ongoing review.

# FINANCIAL AND ASSET SITUATION

**Swiss Prime Site further optimised its financial and asset situation through various measures in the reporting year, thereby strengthening the group's financial flexibility.**

## KEY FIGURES RELATING TO THE FINANCIAL AND ASSET SITUATION

	in	2012	2013	2014	2015	2016	Change to prior year in %
Shareholders' equity	CHF m	3 913.9	4 107.3	4 201.8	4 956.0	<b>5 176.6</b>	4.5
Equity ratio	%	42.4	39.1	39.6	46.4	<b>46.6</b>	0.5
Borrowed capital	CHF m	5 323.1	6 404.8	6 400.3	5 734.6	<b>5 935.4</b>	3.5
Loan-to-value (LTV) ratio of real estate portfolio	%	48.0	54.1	50.7	44.0	<b>44.4</b>	0.9
Cash flow from operating activities	CHF m	213.9	-74.0	729.7	388.4	<b>277.7</b>	-28.5
Cash flow from investing activities	CHF m	-137.8	-349.7	-280.4	100.4	<b>-365.5</b>	-464.0
Cash flow from financing activities	CHF m	-0.9	425.6	-395.8	-511.1	<b>13.2</b>	-102.6
Financial expenses	CHF m	-117.0	-109.4	-100.0	-100.8	<b>-86.0</b>	-14.7
Financial income	CHF m	7.6	10.6	2.8	4.6	<b>4.9</b>	6.5
Return on equity (ROE)	%	8.9	9.1	7.0	7.6	<b>6.1</b>	-19.7
Return on equity (ROE) excluding revaluation effects <sup>1</sup>	%	5.9	6.1	5.9	6.1	<b>5.6</b>	-8.2
Return on invested capital (ROIC)	%	4.8	4.6	3.7	4.3	<b>3.7</b>	-14.0
Return on invested capital (ROIC) excluding revaluation effects <sup>1</sup>	%	3.5	3.4	3.2	3.6	<b>3.4</b>	-5.6

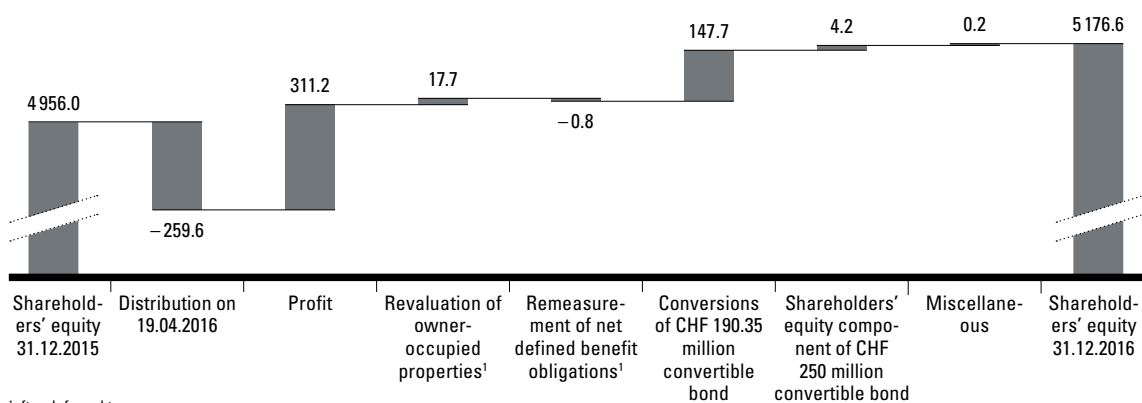
<sup>1</sup> revaluations and deferred taxes

The increase in shareholders' equity by 4.5% from CHF 4 956.0 million to CHF 5 176.6 million was attributable to the following factors: profit including revaluation effects of CHF 311.2 million, revaluations after deferred taxes of owner-occupied properties of CHF +17.7 million, conversions of the CHF 190.35 million convertible bond of CHF +147.7 million, shareholders' equity component of the newly issued convertible bond of CHF +4.2 million and share-based compensation of CHF +3.0 million. These factors were able to more than offset the counter-effects from the distribution of 19 April 2016 of CHF -259.6 million, remeasurement of net defined benefit obligations of CHF -0.8 million and acquisition of treasury shares of CHF -2.8 million.



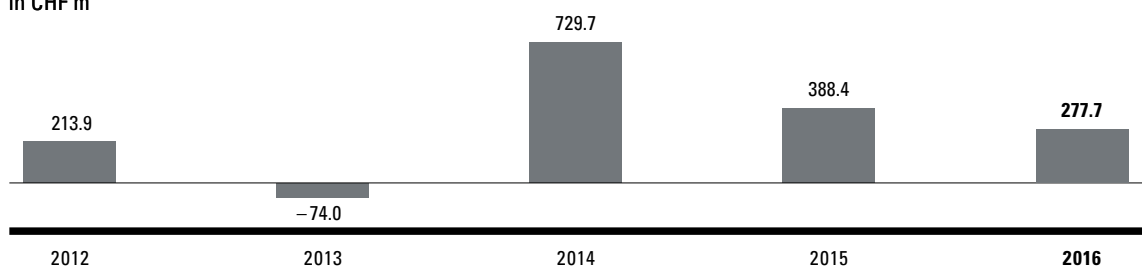
## TREND IN SHAREHOLDERS' EQUITY

in CHF m



## CASH FLOW FROM OPERATING ACTIVITIES

in CHF m



Thanks to its long-term financing strategy, Swiss Prime Site maintained the maturity matching between investments and financing thereof. The financing is based on mortgage-backed financing activities of real estate portfolios or individual properties. Focus is directed at moderate loan-to-value (LTV) ratios as well as sufficient diversification of mortgage creditors, in order to avoid cluster risks. Additionally, financing requirements are covered by means of placing bonds or convertible bonds on the capital market, for example. Utilising derivative financial instruments for interest rate hedging is avoided for the most part.

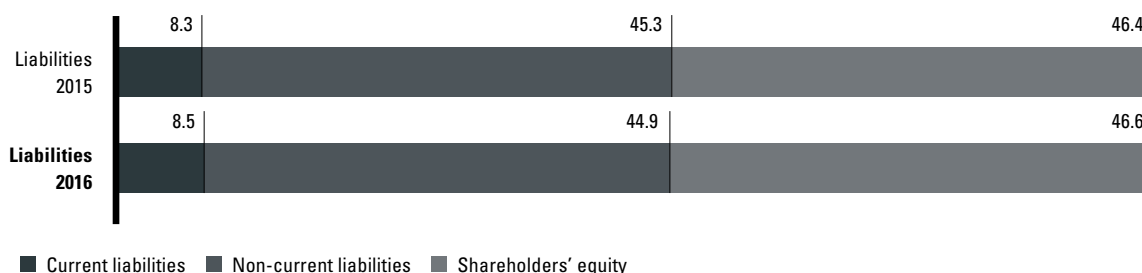
## STRUCTURE OF ASSETS

in %



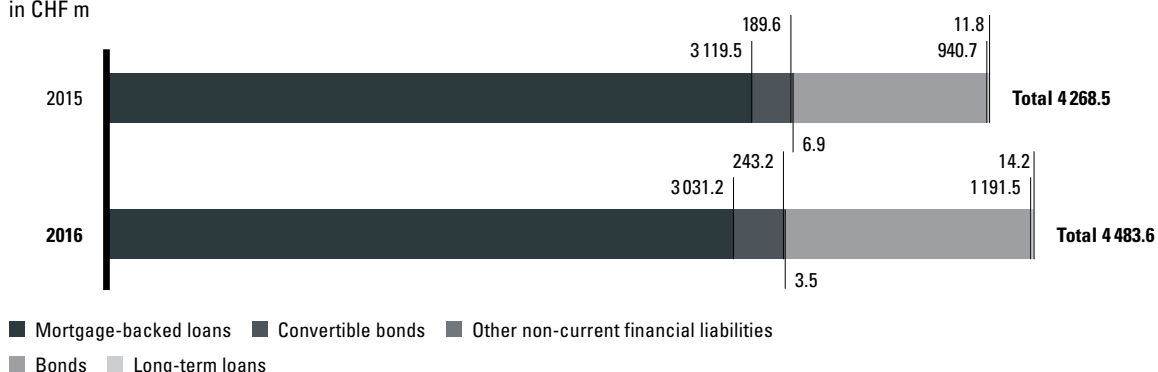
### STRUCTURE OF LIABILITIES

in %



### FINANCING STRUCTURE

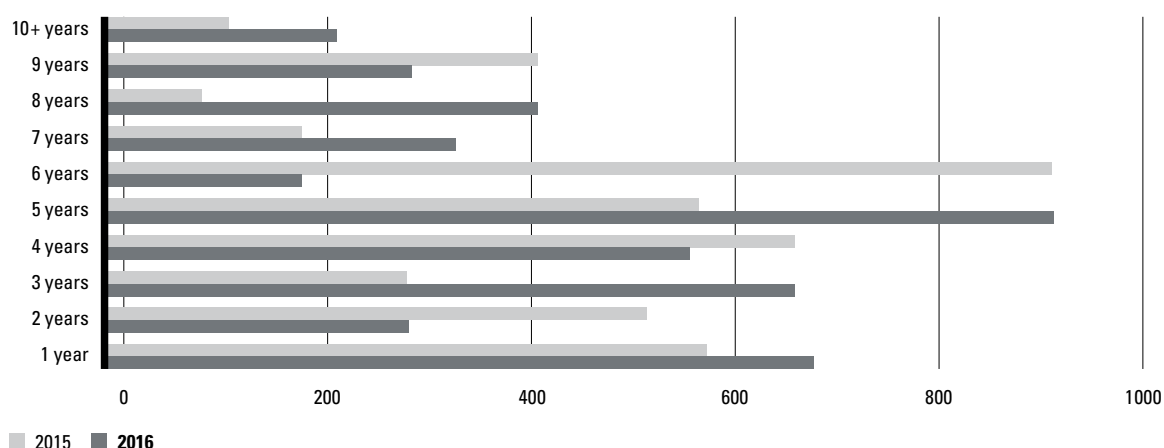
in CHF m



Current financial liabilities increased from CHF 572.1 million to CHF 678.1 million. In the reporting year, the Company issued one convertible bond with a volume of CHF 250.0 million at 0.25% as well as a bond with a volume of CHF 250.0 million at 0.5%. The CHF 190.35 million convertible bond was redeemable on 21 June 2016. Roughly 80% of the bond was converted up until the maturity date.

### MATURITY OF FINANCIAL LIABILITIES

in CHF m



Financial liabilities comprised mainly CHF 3031.2 million [CHF 3119.5 million] in mortgage-backed loans, CHF 243.2 million [CHF 189.6 million] in convertible bonds and CHF 1191.5 million [CHF 940.7 million] in bonds. The weighted average interest rate of all interest-bearing financial liabilities amounted to 1.8% [2.1%], and the weighted average residual term to maturity edged up slightly from 4.4 years to 4.5 years. The loan-to-value (LTV) ratio of 44.4% exceeded the previous year's figure [44.0%].

#### KEY FINANCIAL LIABILITIES FIGURES

	in	2012	2013	2014	2015	2016	Change to prior year in %
Weighted average interest rate	%	2.6	2.2	2.2	2.1	<b>1.8</b>	-14.3
Weighted average residual term to maturity	years	4.5	4.0	4.7	4.4	<b>4.5</b>	2.3
Current financial liabilities <sup>1</sup>	CHF m	615.0	1089.6	714.3	572.1	<b>678.1</b>	18.5
Non-current financial liabilities <sup>1</sup>	CHF m	3510.1	3965.9	4251.5	3689.5	<b>3802.0</b>	3.0
<b>Total financial liabilities<sup>1</sup></b>	<b>CHF m</b>	<b>4125.1</b>	<b>5055.5</b>	<b>4965.8</b>	<b>4261.6</b>	<b>4480.1</b>	<b>5.1</b>

<sup>1</sup> excluding derivatives

# CORPORATE RESPONSIBILITY

## FOREWORD RENÉ ZAHND

The sustainability topic often focuses on either boosting energy efficiency or reducing CO<sub>2</sub> emissions. We are taking a further step here through pursuing a comprehensive approach to sustainability in the realms of real estate investments and property management by Wincasa as well as services provided by Jelvoli and Tertianum Group. Swiss Prime Site aims to create synergies between real estate and its use by people. Hence, the Company is able to realise the concept of sustainability more comprehensively, from making the investment right through to the provision of services. We have embedded sustainability directly into our «DNA» and are directing our focus with a sustainability compass along the lines of six dimensions. Within each dimension, all of our business fields employ a roadmap with targets, measures and key figures. Consequently, we are able to review our progress on an ongoing basis, gradually expand and – where necessary – interact with corrective measures.

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GRI 102-14

Through regular dialogue with our stakeholders, we learn which issues are relevant for them and where optimisation potential looms. Such dialogue helps us to remain successful in the long term. In our view, sustainability also means addressing the socio-economic conditions, developments and trends of today and tomorrow. Executing new real estate acquisitions poses a significant challenge amid the current interest rate environment. Hence, we are concentrating on developing and enhancing the value of our existing real estate portfolio. At the same time, we place significant emphasis on flexibly utilising buildings and fostering interaction with the surrounding public sphere. Good examples here are the office properties located in Basel and Zurich, which are being converted into hotels to be operated by budget design hotel brand «Motel One». With Tertianum Group, Swiss Prime Site also boasts a future-oriented range of services that meet the needs of the ever-ageing society.

In the wake of embedding sustainability into our «DNA», the Company adapted the business plan process and developed a relevant catalogue of measures. These roadmaps have already enabled Swiss Prime Site to take a greater step forward in the past year. In addition, the first-time reporting process in 2016 according to the Global Reporting Initiative (GRI) standards paved the way for laying an important cornerstone for continuous and transparent sustainability-relevant reporting. However, we are not just content with what we have achieved, but rather will continue to further pursue our group-wide endeavours on an ongoing basis. For instance, environmental targets for the real estate portfolio are currently being calculated that comply with the 2°C standard set by international climate policy. We will step up our future focus on long-term criteria, but at the same time ensure that «sustainability» does not become an end to itself. In fact, sustainability must be defined, developed and embodied – for the benefit and advantage of all stakeholders.

It is my personal quest to accept the sign of times and assume responsibility in the realm of sustainability. Our passion is aimed at forging ahead with innovative concepts and leading by good example.



RENÉ ZAHND  
Chief Executive Officer

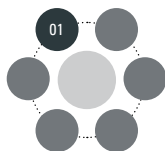
## SUSTAINABILITY FOCUSING ON SIX DIMENSIONS

As the leading real estate company, Swiss Prime Site is committed to sustainability and assuming responsibility for its corporate actions, environment and society. Through establishing sustainability in our «DNA» and processes, it becomes an integral component of business activities, providing a stepping stone for achieving profitable growth and building long-term prosperity. In this context, Swiss Prime Site pursues a comprehensive approach focusing on six dimensions.



The six dimensions of Swiss Prime Site's sustainability compass are also reflected in the sustainability roadmaps. The roadmaps constitute the Executive Board's central management tool in order to incorporate the core and secondary themes of the respective dimension into the business fields at the operational level. Each group company is represented in the Executive Board (see introduction of members in the Strategy and Management Report, page 15). Measures and benchmarks have been defined for each group company, so that implementation in day-to-day business operations can be continuously recorded and evaluated. This is already the second time that Swiss Prime Site has reported on the overall group's commitment to sustainability, along the lines of these six dimensions. Reporting for the year 2016 was prepared for the first time in accordance with the internationally recognised Global Reporting Initiative (GRI) standards. Swiss Prime Site has therefore underscored its commitment to providing all interested stakeholders with transparent, constant and reliable information regarding the group's sustainability-relevant endeavours.





..... **SUSTAINABILITY FOR OUR STAKEHOLDERS** .....

**BUSINESS FOCUS DIRECTED AT 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 an appropriate and timely fashion. Since market presence and customer focus constitute decisive factors for the Company's success, Swiss Prime Site consistently directs its business activities towards the needs of the stakeholders. Customer issues, market requirements and demands on the part of society are, at times, changing at a rapid pace. In order to remain successful in the long term, Swiss Prime Site is therefore striving to recognise trends in the business environment at an early stage. Customer satisfaction and constructive feedback constitute significant factors for success. At the same time, each business field is subject to different requirements.

- Reputation & image
- Investors & relationship management
- Communication
- Customer focus
- Market orientation

GRI 102-43

**SWISS PRIME SITE**

Swiss Prime Site Group's stakeholders include key players on the capital markets and shareholders as owners, as well as local communities, authorities and civil society. It is important to Swiss Prime Site to continually provide capital market players (in other words investors and analysts) with transparent information. One key element is the systematic relation management with investors, proxy advisors and analysts. Swiss Prime Site attends many roadshows and conferences each year, regularly organises analysts' meetings and holds an «Investor Day» annually. Moreover, executive employees continually hold lectures or engage in discussions in meetings of experts. In addition to the Annual General Meeting, Swiss Prime Site also provides information to shareholders on its website by means of media releases relating to company-specific developments. Swiss Prime Site publishes a Short Report with the respective releases of its annual and semi-annual results, which features a compact summary of reports about current topics revolving around the Company as well as the financial results.

- GRI 102-40
- GRI 102-42
- GRI 102-43
- GRI 102-44

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

For further information regarding employees, see the Attractive Working Environment section, from page 79.

At last year's Annual General Meeting, the Compensation Report 2015 was rejected in a non-binding consultative vote. With the appointment of the new CEO and CFO in the Executive Board, the Compensation Committee believes it was the appropriate time to thoroughly reassess and revise the compensation system in the reporting year. Since the acceptance of the «Minder Initiative», Swiss investors and the public sector have directed their focus on the independence of boards of directors as well as their modes of operation and re-election procedures. Consequently, Swiss Prime Site's Board of Directors underwent some changes and the body was reinforced with two new members: Elisabeth Bourqui and Markus Graf.

Analysts and investors are increasingly placing emphasis on the sustainability issue, in order to ensure that invested capital is secure in the long term. Swiss Prime Site reacted accordingly and demonstrated how comprehensively the Company is addressing the issue on a group-wide basis, with the establishment of sustainability in its corporate «DNA».

Swiss Prime Site's key stakeholders include tenants, users, construction and construction services firms such as designers, total and general contractors and their suppliers. The spectrum of tenants ranges from individual persons to international corporations. In general, Swiss Prime Site seeks to engage in close and continuous dialogue with all tenants. In the commercial property segment, in particular, mutual benefits are sought during interior design improvements. In addition, Swiss Prime Site continuously holds property-specific information-oriented events, conducts visitors' tours of properties as well as holds events with construction project participants, current and future tenants.

After significantly expanding its commitment to sustainability in the past 12 months, Swiss Prime Site is carrying out a location-tracking project in 2017 from the external stakeholder perspective, within the

scope of an initial dialogue. The systematic dialogue should be institutionalised and further extended in the coming years.

### **Wincasa**

As the leading real estate services provider in Switzerland, Wincasa recognises its ecological, economic and social responsibility relating to its business activities, striving to take into account any concerns on the part of stakeholders in day-to-day business operations accordingly. In this context, the focal point is directed at the two customer groups, property owners and tenants. In addition, Wincasa's stakeholders also include suppliers, government authorities and political parties as well as associations.

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GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

Following the introduction of its integrated business model three years ago, Wincasa has been able to consistently focus on customer needs across the real estate life cycle. In order to gauge the needs and satisfaction of customers, Wincasa conducts an annual customer survey among major clients. The results are analysed each time and systematically processed to enhance business processes. For instance, based on feedback, Wincasa has expanded the company-wide «vacancy-property management» and established a branch marketing concept. Furthermore, the company has promoted client focus through expanding the number of senior relationship managers in Key Account Management as well as through internal sales training programmes. In addition to the regular exchange in day-to-day business activities, Wincasa also conducts separate coordination meetings at the management level, aimed at discussing specific issues for optimising the relevant real estate portfolio and collaboration. Wincasa succeeded in expanding its client base in 2016 as well, thus further boosting assets under management.

Real estate owners are becoming increasingly conscious of their responsibility regarding sustainability and initiating relevant projects. Focus is currently being directed particularly at enhancing the transparency of energy consumption and related CO<sub>2</sub> emissions in the existing portfolio. Wincasa supports its clients within the scope of «energy controlling and operational optimisation contracts». In this context, Wincasa assumes the coordination and business manager function and provides advisory services to property owners relating to the conception and execution of relevant programmes. Wincasa provides support to clients in the replacement of heating systems that are operated with fossil fuels.

In addition to commercial tenants – such as Coop, Migros and Swisscom – Wincasa also counts roughly 60 000 natural persons among its clients. These residential tenants are chosen via a stringent selection process. The issues presented by the two client segments vary according to rental agreement. The concerns that arise in day-to-day business activities primarily include complaints regarding the respective property or commercial building management. Wincasa launched the «MyWincasa» tenant portal at the end of 2016. This new digital communications channel enables a 24/7 hour service and features a chat function too. Among other things, «MyWincasa» enables tenants to request data, download forms, submit complaints or retrieve additional services such as apartment cleaning and relocation.

Wincasa is also increasingly banking on active media relations aimed at positioning the company as an innovative and modern market leader. Moreover, the company expanded its presence in Western Switzerland in 2016. Wincasa regularly publishes specialist articles and analyses on regional and national real estate trends in Switzerland. The quarterly publication «Retail Snapshot» always highlights the latest trends and developments in the sector, based on the numbers compiled from ten shopping centres comprising 550 stores spanning a total floor space of 250 000 square metres.

### **Jelmoli**

As the largest premium department store in Switzerland, Jelmoli offers a retail assortment comprising around two million articles from global top brands spread across 33 000 square metres of floor space.

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GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

Despite the variety of stakeholders, customers always play a central role for Jelmoli. Jelmoli perceives itself as a host and is differentiated from the competition by its comprehensive services. For instance, the Guest Relations point of contact at the entrance cooperatively addresses any customer concerns. By mean of Instagram, newsletter and quarterly magazine, Jelmoli offers its customers fashion-relevant inspiration and keeps interested parties up-to-date on the latest trends. To continuously improve the shopping experience, Jelmoli frequently organises «mystery shopping» in cooperation with external service partners. In «mystery shopping», trained test buyers act as normal customers and rate the service experience based on a defined set of criteria. Jelmoli then derives specific measures and training content for the employees from the results for the purpose of enhancing quality.

Jelmoli also pursues a «shop-in-shop» concept and leases a proportion of its retail floor space to third parties, in order to react flexibly to the needs of its customers and business partners. At the same time, Jelmoli is able to provide customers with continuity as well through retail sales on its self-managed floor space. Jelmoli therefore counts customers, in addition to tenants and national and international brands, among its key stakeholders. Within the scope of tenant management, performance analyses are regularly discussed and measures for improvement implemented. The brand shops concept enables Jelmoli to solidify its market position and distinguish itself from the field of competitors through the spectrum of its product assortment.

Jelmoli collaborates with a variety of service provider partners, in order to always offer its customers something new. For example, St. Moritz has made a guest appearance at the Sopra Restaurant. Furthermore, Jelmoli acts as exclusive partner of Global Blue Tax Free in Zurich, which simplifies the reimbursement of value-added tax for foreign customers via the Guest Relations desk. In collaboration with Zurich Tourism, employees are trained on topics revolving around sightseeing attractions and tourist offers in Zurich. In order to ideally welcome and support the growing number of Asian tourists, Jelmoli also fosters intensive relations with specialised travel guides and event organisers.

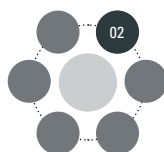
**Tertianum Group**

Tertianum Group is the leading integrated services provider in the assisted living sector. Tertianum Group provides services to more than 4 000 guests in 71 business operations at present. Tertianum's stakeholder groups include guests and their relatives, vendors such as doctors and medical community staff, hospitals, health insurance firms, suppliers, government officials and political parties as well as the local population in the surrounding area of the location of its business operations.

GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

The concerns and satisfaction of the guests and their relatives always have top priority. The needs of guests are directly taken into account through daily contact. In addition, guests are able to raise issues through «round table» meetings. The business operations meet the specific needs according to independence, well-being, security as well as geriatric care and support with individual offerings and services. At the same time, Tertianum always strives to maintain high-quality services, which is why the staff are systematically selected and supported through training sessions, advanced courses and further education. Within the scope of quality management, Tertianum conducts surveys of employees and guests as well as relatives and guardians in alternating three-year cycles.

To promote the common interests, Tertianum Group regularly organises information-oriented events and panel discussions, holds lectures and reading sessions, and also opens the doors to concerts and private viewings to outsiders as well. Even Tertianum Group's parking facilities are open to the public. In order to provide news about Tertianum Group's locations, up-to-date newsletters and, increasingly, media releases revolving around the «assisted living» topic are forwarded on a regular basis.



..... **FINANCIAL EXCELLENCE** .....

**ACHIEVING TARGETS**

A stable and sustainable company is based on financially sustainable corporate governance. Values-oriented corporate management leads to «additional value creation» and ultimately benefits the investors and shareholders. 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. Group-wide risk management identifies and classifies risks according to probability of occurrence and potential damage. The resulting measures are monitored and controlled within the scope of the risk management process on an ongoing business.

– Risk management  
– Cost efficiency and reduction  
– Vacancy management  
– Processes  
– Value-oriented management  
– Profitability  
– Forecasts

## CREATING SUSTAINABLE VALUE

Value-oriented governance is perceived as a holistic approach to corporate management, which is aimed at realising long-term growth in enterprise value as well as improving earnings potential and profitability. In addition, a control system will be instituted, based on strategic, operating and financial key benchmarks. Incentive models for the management and employees are systematically linked to the trend of these key benchmarks.

Swiss Prime Site is convinced that it can ensure the achievement of long-term growth and, in turn, economic benefits for the various stakeholders with sustainable value creation. For instance, investments made by investors in Swiss Prime Site are sustainably invested and rewarded with a tax-exempt distribution of CHF 3.70 per share.

Sustainable corporate management will be solidified in the newly introduced business plan process, which will reflect the opportunities, challenges and targets, among other aspects, over the coming three years. Operational implementation will be underpinned with monitoring and control processes and measured according to defined key benchmarks. Continuous improvement of business activities ensures the Company's long-term future and its obligations relative to the stakeholders. The previously announced Company targets for the reporting year were achieved.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 201-1

For further information regarding business performance, see the Financial Report.

## PROCESS AND COST EFFICIENCY

In order to ensure competitiveness and uphold the high-quality performance across all the group companies, Swiss Prime Site operates with defined and reliable processes, the efficiency of which is regularly evaluated and optimised. Each group company pursues a structural approach, focusing on the respective business model alongside the life cycle and taking into account the value-creation chain. In this context, resource and workforce requirements, third-party costs and general expenses are subject to review. For instance, Wincasa conducts a programme aimed at continuously improving the process in which key value streams are analysed, «lean masters» are trained and Kaizen boards are set up in all Wincasa offices.

## VACANCY MANAGEMENT

Swiss Prime Site pursues a proactive approach toward preventing vacancies and ensuring cash flows. Existing contracts are negotiated with tenants on a timely basis prior to expiry within the scope of active key account management – and if possible extended. At the same time, an automatic reporting system facilitates fostering personal contacts with contract partners. Restructuring and renovation activities are coordinated and executed in line with contract terms, when the floor space is not utilised. Last but not least, attractive and innovative marketing of properties is part of successful vacancy management.

## RISK MANAGEMENT

In order to remain successful in the long term, the Company must promptly recognise trends that have an impact on its targets and operating business. Opportunities and risks emerge from changes in the economic, social, political and regulatory environment. Long-term trends that affect results – such as population growth, demographic shifts, urbanisation or shortage of resources – also alter the overall conditions. In addition, the loss of key personnel in all business fields poses a risk to corporate success. In particular, the rapid transformation of the market and a latent decline in earnings is a key concern in the retail sector. As a real estate company, Swiss Prime Site also keeps a close eye on the scarcity of habitats, acquisition opportunities, development projects and developments in real estate markets.

From a differentiating perspective, many changes appear as opportunities as well. The group companies can achieve positions in changing markets and distinguish themselves from competitors with the appropriate range of services. For example, demographic change is regarded as an opportunity.

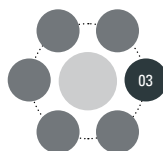
In Tertianum Group, Swiss Prime Site has a sustainable services portfolio in a growing market at its disposal. The future development of the education sector as a growth market in the real estate business provides an opportunity for Swiss Prime Site.

The effects of climate change on business activities are manifested directly in the realm of building shell structures and building technology, which must be adapted to noticeably more extreme weather and climate conditions. Furthermore, customer sentiment is increasingly focusing on ecological values that play a decisive role regarding the acceptance of consumer goods and services. The opportunities and risks for the group companies are quite similar here.

Swiss Prime Site also acknowledges its accountability regarding the Kyoto Protocol and Paris Convention. Harm to the environment and negative effects on society can only be limited when the 2°C reduction target is realised. For Swiss Prime Site, this means declaring the targets as a benchmark and taking the relevant measures. For instance, the Company operates its project development activities and assesses the real estate portfolio in line with Swiss Sustainable Building Standards (SSBS) criteria. In addition, environmental targets for the portfolio have been calculated that comply with the 2°C standard set by international climate policy.

GRI 102-11  
GRI 102-12  
GRI 201-2

For further information, see the Protecting the Environment section, from page 75.



..... **COMPLIANCE AND SOCIAL COMMITMENT** .....

**ACTING WITH INTEGRITY AND COMMITMENT FOR SOCIETY**

The entire group places a great deal of importance on operating responsibly and with integrity. In addition to compliance with legal requirements and regulatory standards, this implies compliance with ethical principles and internal directives issued by the group. Transparency is a top priority in all business activities. The Code of Conduct is part of the values mission statement creating a common understanding of loyalty, ethics and motivation. A well-functioning compliance system ensures consistently correct and respectful conduct and thus creates the conditions for corporate success and excellent reputation among all stakeholders. All group companies also accept their social responsibility and support various projects and organisations.

- Code of Conduct
- Corporate culture
- Transparency
- Sponsoring & social commitment

**CORPORATE VALUES**

The values of respect, integrity, responsibility, ambition and innovation are an integral part of the common corporate DNA. Each of these concepts is underpinned by principles and explicit requirements. Hence, all employees are encouraged to treat people with respect, to place integrity at the heart of their actions, to assume responsibility and to be a role model, to set high goals to continually improve and make innovation a reality.

GRI 102-16

The Code of Conduct published in 2015 is based on corporate values and is binding for all employees in all group companies. Each group company has complemented the principles with specific directives. The Code of Conduct provides guidance in day-to-day working activities. Due to clear rules, everyone knows what is meant by appropriate conduct and this facilitates the decision-making process. The management sets an example through a sense of responsibility and integrity and, together with the compliance officer, is a possible point of contact in case issues need to be addressed.

To ensure that these values are applied throughout the group, information and training sessions were organised to establish the corporate values and the Code of Conduct in the individual group companies in 2016. As of next year, an e-learning module is to be established so that each employee can individually familiarise themselves with the rules of conduct or refresh their knowledge.



## COMPLIANCE

Of course, Swiss Prime Site is committed to other values as well. In addition to Swiss law, Swiss Prime Site as a listed company also complies with the regulations of the SIX Swiss Exchange stock exchange. Compliance with statutory and internal guidelines is just as important as transparency and open communication to the Company's reputation and performance. Hence, the area of compliance will be further expanded in the coming years. Active, far-sighted engagement with this issue is important so as to remain competitive in the future. By adopting high standards and ensuring prevention, risks in the group companies and among suppliers are mitigated from the outset. No incidents involving non-compliance with legal requirements were identified in 2015.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 307-1  
GRI 419-1

In 2016, Swiss Prime Site was preoccupied, in particular, with the Spatial Planning Act, the federal government's 2050 Energy Strategy and the move away from fossil fuels toward sustainable and renewable energies. The tightening of the law in relation to the environment and environmental risks is assessed in specific terms, such as how to address contamination on land. With respect to contaminated properties, specialists develop individual standards and controls on behalf of Swiss Prime Site to meet the legal requirements, such as those, for instance, relating to the inspection and safe disposal of contamination. No violations of statutory regulations were recorded in 2016 in the environmental field either.

## CORRUPTION

When it comes to bribery and corruption, Swiss Prime Site has drawn a clear line: zero tolerance. To avoid any suspicion, the Company has established strict rules for handling favours and gifts, which the management and all employees have been informed about. Since Swiss Prime Site operates exclusively in Switzerland, combating corruption is not a priority given the stable political and regulatory environment. Nevertheless, it cannot be ruled out that corruption will not be encountered, for instance in connection with major transactions in acquisition & sales or in connection with large-scale purchases in procurement. No cases of corruption were found to exist in 2016.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 205-2  
GRI 205-3

The prevention of corruption entails a multi-pronged approach. Apart from voluntary commitments, the group companies have established special directives. All employees sign the Code of Conduct along with the employment contract and undertake to comply with regulations in addition to legal fiduciary duties. Training on the Code of Conduct also duly raises awareness among all employees and the management. If an attempt at bribery is found to have been committed, employees can always – including anonymously – contact the independent integrity line published on the Company website.

## DATA PROTECTION AND PROTECTION OF CLIENTS' PRIVACY

In the course of business, personal and confidential data relating to tenants and clients is collected in all group companies. A common feature of all group companies is that they take the protection of this data very seriously and must meet the growing challenges of data protection. Data protection encompasses all organisational and technical measures to protect against loss, falsification and unauthorised access. Data security breaches can be reported at any time through the independent integrity line. There were no breaches of data security in any group company in 2016.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 418-1

### Swiss Prime Site

The real estate company uses a customer relationship management system (CRM) to improve cooperation with customers, suppliers and business partners. The data on partners is stored in this system and is managed centrally from that location. Data security is monitored and evaluated on an ongoing basis. Swiss Prime Site sees increased digitisation as contributing to sustainability; to save time and resources, paper documents are being increasingly replaced by electronic data. The Company's IT policies were revised in 2016, which will take effect in 2017.

### **Wincasa**

For Wincasa, the collection and partial evaluation of customer data implies an information and competitive advantage. The IT and legal department ensures that the Data Protection Act is complied with. For example, each person has the right to know what personal information is being collected and stored. The company has issued several directives on data protection. Each employee signs a corresponding declaration of non-disclosure together with his/her employment contract. Similarly, each tenant with access to the tenant portal «MyWincasa» must accept a corresponding user agreement.

### **Jelmoli**

The more Jelmoli knows about the behaviour and preferences of customers, the better the range of products and offerings can be tailored to customer needs. Therefore, Jelmoli collects customer data as part of the customer card programme. Over 250 000 customers have a «J-card» and have accepted the general terms and conditions. Jelmoli maintains this customer confidence by adopting security measures designed to minimise the risk of a data leak. Data security is regulated by loyalty, VISA partner and customer relationship management. Data security is reviewed within the company on an ongoing basis.

### **Tertianum Group**

Protecting the privacy of guests of Tertianum Group comprises two dimensions. On the one hand, the confidential health data of guests must be recorded, processed and exchanged with doctors, therapists and hospitals. On the other hand, the privacy of guests in residences must be protected and their individual requirements taken into account. Tertianum Group manages confidential data in a password-protected system. The corporate principles set out rules on how to handle sensitive data, which are then communicated to staff in training sessions. Relevant provisions are also laid down in the employment contracts. Within Tertianum Group all employees and, in particular, the management, the IT function and the Data Protection Officer are responsible for the protection of guest data. Data protection is also an integral part of the quality management of Tertianum Group, the ISO and SanaCert certifications as well as the audits conducted by the supervisory authorities. If any staff member becomes aware of violations of data protection, they can contact the integrity line. Guests can lodge complaints not only with the company, but also with the cantonal appeal bodies or with the Swiss intervention agency.

## **SOCIAL COMMITMENT**

Within the scope of business activities, the group companies create practical added value for sustainable economic and social development in several ways. They are also committed to training young people and through their sponsorship are also committed to social and cultural projects as well as organisations specifically supporting local stakeholders.

### **Swiss Prime Site**

Real estate is a key aspect in the context of sustainable urban and regional planning and contributes to society, something over which Swiss Prime Site as owner and investor can exert considerable influence. This is part of its corporate responsibility. In 2016, Swiss Prime Site was presented with the NZZ Real Estate Award as best listed Swiss real estate company not least because the Company has – through flagship projects such as the Prime Tower in Zurich – visibly helped shape and enhance Swiss urban landscapes.

The establishment of a property in the context of the district and the urban fabric is key. With respect to new and building modification projects, the specific local offerings and social structures need to be enhanced or put in place as appropriate. To gear space closely to the market, Swiss Prime Site relies on property-specific dialogue with various stakeholders. In fact, Swiss Prime Site can gain a competitive edge through differentiated offerings.

Taking the local situation into account also helps mitigate risks during the approval process and helps identify opportunities. As a result, extensive statements on construction, operation and mobility can already be made early on in the project. The prudent planning and implementation process is entirely in keeping with societal concepts, such as the 2000-watt society. Responsibility for this process lies with the business field management.

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GRI 102-13  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 203-1  
GRI 203-2

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

Furthermore, real estate always has a bearing on the appeal of the economic location as well as the social and environmental conditions. Real estate also has an impact on the local employment rate and secures local and regional jobs in the construction and service sector in the value-added chain. By investing in real estate and infrastructure associated with properties, Swiss Prime Site also makes a contribution to local communities. For example, each year Swiss Prime Site supports public transportation by earmarking approximately CHF 300 000 for the development of the shopping centres Sihlcity in Zurich and Stücki in Basel. No one-time duties arising from obligations under infrastructure contracts were paid in the reporting year. By investing in energy requirements of the building shell, renewable heat generation systems or smart building control technology, Swiss Prime Site is also improving environmental conditions.

Swiss Prime Site's real estate portfolio and reported returns, together with the real estate-related services, constitute an attractive investment profile for investors from home and abroad. Numerous Swiss pension funds take advantage of the stable and profitable investment opportunity to meet their commitments in the longer term.

Through its board activities and as a member of the Association of Real Estate Investors (VII), Swiss Prime Site shows that the Company assumes responsibility for quality of life in Switzerland and, as part of the real estate industry, is aware of its economic importance. Common objectives include the promotion of liberal market and competitive conditions as well as advocacy at the political, economic and social levels.

As part of its social responsibility, Swiss Prime Site also provided financial support to various sports and cultural organisations, social projects and causes in 2016. In terms of subject matter, sponsorship and factual commitment were more closely in line with the core business in 2016. Swiss Prime Site still supports, for example, NZZ Real Estate Days and, in Avenir Suisse and the greater Zurich area, it supports two organisations advocating the recognition of Switzerland as an economic centre. By sponsoring various institutions in the region of Olten, Swiss Prime Site also highlights the fact that it is well-established in the region where its headquarters are based.

**Wincasa**

Through its business activities, Wincasa creates significant added value in the direct vicinity of the property. Positive social and economic effects include the creation of attractive workplaces and the training of approximately 40 commercial apprentices. Many Wincasa managers and professionals are accredited by the world's largest real estate association «Royal Institution of Chartered Surveyors» (RICS), which sets leading global professional standards.

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 GRI 102-13  
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Wincasa's sponsorship and donation policy is aimed at establishing the company as an attractive employer offering opportunities for development and at promoting innovative and leading organisations. It also supports local sports clubs and events to promote its establishment in the region. Wincasa is a member of the largest Swiss Association of Real Estate Trustees (SVIT) and Swiss Council of Shopping Centres (SCSC) and is part of the joint venture «Build Digital Switzerland». In addition, Wincasa supported the SVIT Real Estate Symposium and Swiss Shopping Centre Congress, which showed real estate and retail experts the possibilities of the digital world of real estate.

**Jelmoli**

Properties in key locations with public amenities have an important role to play in the district and the city. They are a place of work and residence for many people from different backgrounds and with different interests. In particular, the variety of food in food markets and in restaurants represents added value for customers, passers-by and workers in the surrounding companies and shops. Jelmoli staff are encouraged to promote customer friendliness in order to be part of this local community.

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Each year Jelmoli trains some 60 apprentices and as a long-time member of the Zurich Bahnhofstrasse Association – and sharing the chairmanship for the past three years – is committed to the location and the city. The Company takes its responsibility seriously by communicating on a regular basis with the city association, on whose management board Jelmoli is also represented. Within the framework of the association IGDS – Intercontinental Group of Department Stores – Jelmoli also exchanges views on international trends and best practices.

As part of its social commitment, Jelmoli has been supporting the Märli tram, which cannot be operated in an economically viable form, in Zurich for the past 55 years. Baking courses for children are also provided at Christmas time and Jelmoli adds to the sales proceeds from a cuddly toy. In 2016, the proceeds from the charity campaign went to the Foundation Kinderdorf Pestalozzi.

**Tertianum Group**

The offerings of Tertianum Group form a part of the local or regional health infrastructure and thus contribute to the appeal of the respective municipality. As a private provider – partly in private public partnerships as well – Tertianum Group assumes the social responsibility of providing the elderly with the support they require. In essence, Tertianum provides sustainable financial offerings for assisted living within municipal structures. The offerings are cost-conscious and relieve the strain on the community in terms of deficit guarantees, which would have to be additionally paid if it were a public institution. Social relationships remain stable, because the local population is not forced per se to move away due to ageing.

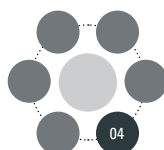
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GRI 103-3  
GRI 203-1  
GRI 203-2

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

When selecting new locations, challenges such as the differences in the ways that cantons handle geriatric care units, the differences in local purchasing power, the rental price that a landlord expects to charge as well as the scarcity and qualification of the regionally available nursing staff must be included in the systematic site evaluation and development of the offer. Further offers are evaluated in a location-specific manner, with the aim of achieving a differentiation and a competitive advantage while also optimising the positive impact on the location and the region. In 2016, new operations were opened in Salmenpark in Rheinfelden, Turrita in Bellinzona, Bärholz in Wohlen AG and Letzipark in Zurich.

By including local providers it is possible to keep employment local and to expand it. In that way, local businesses are brought on board, especially in the catering sector and associated businesses such as hairdressers, pedicurists, doctors and local suppliers. In addition, official events take place in the houses, which helps get the local population involved.

Tertianum Group works with senesuisse, the Association of Independent Geriatric Care Facilities in Switzerland. In 2016, Tertianum again collaborated with the annual conference on dementia in St. Gallen, where sense and sensitivity in the care of persons with dementia were discussed. Tertianum AG established the Viventis Foundation in 2012 on the basis of its extensive experience in the assisted living sector. Every year the company contributes CHF 50 000 to the Foundation, making it possible to support people, separate from the core business and independent of economic interests. The aim of the Viventis Foundation is to improve the quality of assisted living. In order to maintain the personal quality of life, the Foundation provides financial assistance to the residents of assisted living facilities. In addition, the Foundation funds studies, research and projects that aim to maintain the assisted living situation of elderly people in Switzerland.



..... **SUSTAINABLE INVESTMENTS AND SERVICES** .....

**LONG-TERM PERSPECTIVE AND CONTINUOUS IMPROVEMENT**

The development and enhancement of group-wide products and projects, as well as their orientation in the market and towards the needs of customers, is part of the core task of Swiss Prime Site. 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. Sustainability guides business activities in all group companies and also involves suppliers and key business partners.

- Development projects
- Portfolio/modernisation
- Investment efficiency and service productivity
- Green buildings
- Innovation pool
- Supplier requirements
- Tracking

## INNOVATION

The economic environment is fast-moving and volatile: new business models and technologies are changing existing cost and income structures, or are even replacing them. Innovation cycles are growing shorter, too. In order to identify and respond to future developments even more quickly, two panels were set up during the reporting year: the Futureboard at Wincasa and the Innovation Board at the group level.

The idea behind the Futureboard is to systematically recognise early signs of change and to adapt the Company to the new conditions by means of innovative projects and, if needed, through adjustments to the strategy. Its main tasks are to identify the volatility drivers, accelerate the response time and continually test the applicable strategy using scenario-based options.

The aim of the Innovation Board at Swiss Prime Site is to incorporate ideas and trends from outside the Company in an interdisciplinary exchange with the group companies and with partners from various industries. The targeted involvement of employees, along with training courses, as well as the establishment of an internal and external network are important building blocks of the innovation culture that is to be promoted not only by the Innovation Board but by the entire group.

## SWISS PRIME SITE

In order to create sustainable added value for stakeholders, Swiss Prime Site invests in first-class real estate and property sites. In the current macroeconomic environment, Swiss Prime Site, in addition to investments in development projects and new construction, is particularly focused on the renovation and conversion of existing properties. The focus is on quality properties with a high return potential and the possibility to increase in value over the long term. The Company pursues in all projects a sustainable approach that takes into account more than just economic viability and the occupancy of properties. Other criteria are important, too, including spatial development, flexible utilisation options, energy and resource optimisation, sustainable sources of energy, modern building technology, and the safety and health of the users of the properties. All projects are scrutinised in terms of their environmental, social and economic aspects, as Swiss Prime Site is convinced that sustainable locations combined with sustainable projects that take account of the requirements of society and the environment will lead to financial success.

New buildings are built exclusively according to strict sustainability criteria, based on demanding seals of approval. Major properties therefore have seals of approval such as Minergie®, LEED or DGNB. These properties include the new headquarters of Swiss Post in Berne, the Prime Tower, the SkyKey property and the media park in Zurich, the Stücki Shopping Centre in Basel and the Opus 1/2 building in Zug that is used by Siemens.

An excellent example of a transformation that conserves resources is the Schönburg project in Berne. The former headquarters of Swiss Post will keep its existing structure while being transformed into a high-quality, mixed-use building with rental apartments, retail shops and a hotel run by the premier hotel operator Prizeotel. The same potential will be tapped into with the two hotel projects of Motel One in Basel and Zurich. The signing of long-term rental agreements with the innovative hotel group ensures that Swiss Prime Site will have sustained rental income. At the same time it demonstrates how modernisation can make the flexibility of the property portfolio more demand-oriented.

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GRI CRE8

### **Involving local communities**

The effect of real estate projects on the social environment is taken into consideration through market studies, market positioning and with regard to potential users. Environmental impacts are assessed when the environmental parameters of a construction project are set. Swiss Prime Site seeks direct contact with local stakeholders for all projects. These stakeholders include local officials, representatives from the world of business and politics, as well as local residents. The idea is to obtain a better understanding of the needs of the local community and the requirements for the property and the use of it. Swiss Prime Site, for its part, can highlight the added value that the investment creates. In 2016, for example, Swiss Prime Site received the go-ahead, with the approval of local voters, for the construction and operation of a geriatric care facility in Richterswil under a private public partnership.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 413-1

Maintaining a dialogue with the local community helps to minimise risks and create a positive image. Various communication measures can be used, depending on the construction phase and the local situation. The project development process provides the employees involved with assistance in how to proceed in a specific case. In addition to the staff in the Development business area, the Communication department is also responsible for dialogue. If the concerns of local stakeholders cannot be addressed, they have the possibility to submit their complaints at the municipal or cantonal level within the scope of the regular procedure for issuing construction permits. Swiss Prime Site is keen to intensify the dialogue with the local stakeholders.

### **Customer health and safety**

Because Swiss Prime Site aims to hold only first-class real estate in its portfolio, the group naturally takes into account the health and safety of the users of the property whenever it builds new buildings or modifies existing properties. In addition to building regulations and provisions, as well as the guidelines of the Labour Inspectorate, the directive on obstacle-free construction and, if necessary, the criteria for achieving the desired building certification are also applied. The obligation to use construction material that does not have a negative health impact is ensured through work contracts with suppliers. In addition, specific measures are added based on the individual requirements of the users and the risk profiles of the properties. There is also the potential when renting the properties to promote good health, for example, through the implementation of a healthy food concept or attractive fitness and leisure activities. The Development and Portfolio Management business areas are responsible for the implementation of these measures.

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GRI 103-2  
GRI 103-3  
GRI 416-1

On the one hand, risks are to be minimised through preventative measures. Moreover, there are detailed safety and security concepts for all properties that have a higher level of risk, such as shopping centres. These concepts are regularly reviewed and adjusted as needed. The concepts regulate the organisation of operations during normal periods as well as the procedures in emergencies, such as a medical emergency, fire, bomb threat or earthquake. The action plans, which are always kept up-to-date by Centre Management, are aimed at all tenants, building services and specific communication and safety officers. The security system is continually monitored by Facility Management. Evacuation and emergency exercises are regularly conducted. Swiss Prime Site also reviews the requirements and requests by conducting specific user surveys, as the feeling of security can be subjective.

### **Procurement**

To ensure that the real estate in the portfolio meets the sustainability standards of Swiss Prime Site, it must be ensured that environmental and social aspects are taken into consideration in the supply chain. Conditions in this regard are contractually set when contracts are awarded to contractors for construction and construction services. In 2016, Swiss Prime Site concluded work contracts with general contractors for a total value of CHF 250.0 million. By requiring certifications and self-declarations, a positive impact can be made on suppliers by raising their awareness of important environmental and social issues. The general terms and conditions for suppliers were expanded in 2016 to include requirements for quality management, job safety, working conditions and proof of origin of raw materials. Going forward, Swiss Prime Site aims to systematically evaluate suppliers on the basis of environmental and social criteria.

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GRI 103-1  
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CRE 6

In the case of new construction and modernisation projects, general contractors and their subcontractors are fully responsible for compliance with the statutory requirements for occupational safety by means of corresponding provisions in the contract. A corresponding safety concept must be drafted before construction begins to prevent accidents at the construction site.



## WINCASA

Wincasa offers customers a broad service portfolio along the entire life cycle of real estate, from planning to construction and management to the renovation and sale of a property. The company manages approximately 231 000 properties through its decentralised branch network in 24 locations, making it Switzerland's market leader. In 2016, Wincasa revised its sustainability management to make it much broader and more comprehensive, thereby giving the company a pioneering role in the real estate services industry. The sustainability concept and the understanding of it are embedded in the group-wide strategy, which includes, for example, clearly defined targets in the areas of business, environment and society, along with a governance structure for these areas. Wincasa provides sustainable services for the entire real estate life cycle, while also anchoring sustainability in its own operations.

For further information, see the Focus on Wincasa section, from page 20.

### Customer health and safety

Wincasa gives the highest priority to protecting people. Depending on the mandate and requirements of the real estate owner, Wincasa assumes various tasks to ensure the safety and health of the users of the real estate. Typically, Wincasa's responsibilities include the exercise of due diligence within the framework of management mandates, the creation of safety and security concepts, the preparation of control and status reports as well as projects for earthquake retrofitting. The managed properties are divided into seven different safety and security categories on the basis of the type of management, the property size and the type of use. Depending on the category, appropriate concepts are drawn up and implemented on the basis of individual performance catalogues in consultation with the owner. In addition to protecting individuals, Wincasa aims to ensure a high level of business continuity and to minimise reputational risk due to loss events. Naturally, Wincasa complies at all times with cantonal rules and regulations as well as the Federal EKAS1 guidelines and fire safety standards. Responsibility for this lies with the Legal & Compliance, Human Resources and Purchasing & Services departments. Wincasa also has an emergency manual for its own operations. In future, this will be tailored to the individual branches.

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GRI 103-2  
GRI 103-3  
GRI 416-1

### Procurement

To implement an integrated approach to sustainability, procurement must also be considered from an environmental and social point of view. A differentiation must be made here between Wincasa's directly mandated suppliers and the companies engaged by Wincasa on behalf of real estate owners. Wincasa procured goods and services totalling approximately CHF 20.0 million from more than 100 direct suppliers in the reporting year. Wincasa attaches great importance within the company itself to fair and respectful treatment and keeps in mind the environmental impact of business activity. To this end, business partners and suppliers with the same values are engaged. Suppliers are evaluated based on quality as well as the price/performance ratio in a two-stage process. In addition to being assessed by operations, Purchasing & Services also carries out an evaluation, with both feeding into the supplier ranking. In future, environmental and social aspects will also be taken into account when evaluating suppliers.

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GRI 103-1  
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GRI 103-3  
GRI 308-1  
GRI 414-1

## JELMOLI

The long-established Swiss department store Jelmoli has been an institution on Bahnhofstrasse since 1833 and is of regional importance in the Zurich area. Business activity was expanded nationally and internationally in 2016 through the online sales portal. Jelmoli will also be located at Zurich Airport from 2019, with innovative concepts at three rented areas. In a rapidly changing retail market, this expansion offers considerable potential to strengthen the business model for the long-term, making economies of scale and synergy effects possible, while increasing footfall at the airport will further strengthen Jelmoli's market presence and market positioning among international and Swiss customers. Thanks to its comprehensive services, Jelmoli not only differentiates itself from other department stores but also offers customers crucial added value compared to competing online stores. For example, customers have access to personal shopping with individual style consultation, an alteration service, and a catering service that delivers ready-to-eat products directly from the store's own food market. The first-class service is also combined with innovative online offerings, such as «Click & Collect», «Click & Reserve» and «Same Day Delivery». Jelmoli relies on host values such as appreciation, passion and maximum customer satisfaction in all of its services. It firmly believes that this strategy will ensure commercial success and safeguard the associated jobs over the long term.

<sup>1</sup> Federal Coordination Commission for Occupational Safety (FCOS)

### **Customer health and safety**

Protecting the health and safety of customers concerns both structural measures in and around the building on Bahnhofstrasse as well as the quality and origin of the products sold. The property is systematically inspected and improved when investments are made in the building. Safety officers have now been defined on every floor and employees joining Jelmoli are informed about the safety concept on the «Welcome Day». There are also six internally trained paramedics. From 2017, two evacuation exercises will be held every year. Quality assurance measures for the products offered are carried out by the Purchasing department. Products which may give reason for complaint are systematically removed from the range. The responsibility for defect-free products lies first and foremost with the manufacturers and suppliers, with Jelmoli performing spot checks. Strict quality management is particularly important in catering and food sales, which is why Jelmoli performs multiple checks every day. The directives of the Food Inspectorate are implemented rigorously. Although absolute protection cannot be guaranteed, Jelmoli makes every effort to minimise the risks of having products on sale that may endanger safety or health. If there are complaints nonetheless, customers can register these with customer services. In serious cases, Jelmoli recalls products.

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GRI 103-2  
GRI 103-3  
GRI 416-1

### **Product declaration**

Jelmoli assigns great importance to a detailed product declaration and comprehensive information on the use and disposal of products, as negative effects on customers can also have negative impacts on Jelmoli's business. Even just isolated incidents or product-specific deficiencies can trigger widespread media coverage due to digital media and the transparency and awareness it creates. Jelmoli customers always have the possibility of taking their complaints to customer services. Jelmoli believes that it is predominantly the duty of suppliers and manufacturers to provide correct product declarations. Nonetheless, both Purchasing and Sales check the relevant information and any disposal instructions on an ongoing basis and monitor specific signals and developments in the markets. There are declaration obligations regarding origin, ingredients and composition, safe handling as well as disposal and recycling for foodstuffs, toiletries and household appliances, among others. One challenge for Jelmoli is to obtain information when declarations are incomplete, and sometimes when they lack credibility. Jelmoli takes additional preventive measures if necessary, particularly when exposed products are involved.

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GRI 417-1

### **Procurement**

The primary focus when procuring food products is on ecological aspects. When clothing and items for use in the household are involved, the emphasis is on social aspects, as these products tend to be manufactured in less developed countries where working conditions can sometimes be problematic. Overall, Jelmoli has only limited ability to influence the social and ecological impact of supply chains. The Jelmoli range comprises around two million items from around 1 000 different brands. As the number of suppliers is correspondingly large, Jelmoli focuses on factors where it can have an influence and insists that direct suppliers issue self-certifications of compliance with recognised employee protection standards. Jelmoli has also set itself the objective of actively reviewing social and ecological aspects when entering into new agreements. Regulations and procedures to this effect will be drawn up in 2017. Jelmoli hopes that these will both minimise reputational risk and differentiate it in the market.

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## **TERTIANUM GROUP**

As the market leader in assisted living, Tertianum Group makes a major contribution to improving the quality of life for older people. The group has a presence at 71 locations across the whole of Switzerland, offering 2 750 geriatric care beds and managing some 1 800 apartments. Tertianum Group offers the full range of residence and geriatric care options, reflecting the many forms of ageing today. All Tertianum Group operations focus on guests' satisfaction and well-being, along with their independence and safety. Skilled and responsible care has the highest priority. Particular importance is attached to high-quality service and continuous improvement.

Municipalities that do not operate their own geriatric care facility can enter into specific service agreements with private firms in a public/private partnership. In such instances, Tertianum as the operator enters into a cooperation with the municipality and real estate investors like Swiss Prime Site. The municipality does not have to invest in the property or cover any operating losses. Agreements cover specific mutual obligations such as the allocation of care places, priority for local residents, rules on maximum charges, reliability and quality control.

### Local communities

Tertianum Group actively nurtures and promotes local networks. Building up an overall ecosystem of services around the locations is important, and this is tailored to the local situation. The range of services offered is constantly updated and extended to reflect guests' individual and active lifestyles. Tertianum is therefore in contact with local residents, political representatives and authorities. They also benefit directly or indirectly from what Tertianum has to offer. The diversity of the offering reflects the size of the operations, with the focus on the 16 largest residences. By exchanging views with the local community Tertianum learns what people need both today and tomorrow and can act accordingly. The biggest challenge in keeping the offering appropriate to the target groups lies in reconciling guests' different needs and increasing individuality.

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GRI 413-1

### Customer health and safety

As a healthcare service provider, looking after the safety and health of guests is fundamental to the success of the business. Strict safety controls and constant monitoring of the state of people's health are therefore a core part of daily activity. Tertianum Group invests a great deal in implementing comprehensive quality management. Every single employee is required to work to the relevant quality standard and contribute to the best possible well-being of guests in all they do. Managers have a special responsibility to set an example. The prime objective is to reduce the risk of making a wrong assessment or intervening too late. In addition to an integrated management system there are also process and safety plans as well as quality management systems. For example, health and safety measures are monitored using standard care criteria in the Critical Incident Reporting System (CIRS) and safety protocols. Qualified staff are an important factor for success. Training sessions therefore constantly teach how to avoid and remedy mistakes. All processes are reviewed using audits and random testing. Care procedures receive especially close scrutiny.

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GRI 103-3  
GRI 416-1

### Setting the range of services and regulatory requirements

Tertianum is entrusted with the extraordinary responsibility of looking after people. This necessitates a precise definition of the services to be provided, the risks that are involved and what countermeasures are to be taken. The services are agreed with the guests in binding accommodation or care agreements. The list of services can be customised and extended in line with the shared goal of both the guests and Tertianum – that care should be individual. Agreements also set out the local procedures for making a complaint. Tertianum Group aims to make the offering increasingly flexible, while ensuring profitability is sufficient to remain viable. Every three years Tertianum carries out a satisfaction survey among guests, suppliers and employees.

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GRI 103-3  
GRI 417-1

The Adult Protection Act, revised in 2013, is particularly important when looking after the elderly. The new law provides for powers of attorney and living wills to specify who will represent the interests of a guest and what medical interventions should take place in the event of mental incapacity. The law also defines the stage at which measures to restrict the freedom of movement of people who have lost mental capacity are permissible for their own protection.

There are statutory information and labelling duties, especially for medicines and foods. Stipulations require information on origin and contents, secure handling and proper disposal. Internal and official checks monitor that Tertianum complies with its obligations.

### Procurement

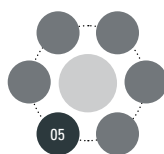
In the year under review Tertianum Group procured goods and services worth in excess of CHF 50.0 million from several hundred suppliers. The most important product groups are care materials, food and beverages, household goods, maintenance services as well as water and energy. The supplier review is an important means of measuring their performance and forms the basis for selecting new product and service providers. The review also serves to assess how existing suppliers are performing. A total of 90 reviews were carried out in 2016. 67% of the firms in specialist areas were ranked A, 31% B and two (in IT and electronic goods) C. The results are used when holding discussions with suppliers. Nine suppliers received a critical assessment and were proactively approached. Central procurement holds regular meetings with four or five of these partners.

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Because of the heavy responsibility and obligation to protect guests' health, Tertianum endeavours to raise awareness of ecological and social issues among its suppliers. Buying sustainably produced items is good for our guests and reflects the company's values. For example, providing balanced and nourishing meals is an important part of the service and a contribution to guests' health and well-being. The purchasing guidelines contain an obligation for new suppliers to make a declaration to this effect. In the year under review, new master agreements were signed only with suppliers able to demonstrate that their value chain is sustainable by providing certification for their logistics and products. New suppliers will in future also be checked and prioritised in this regard.

Tertianum attaches great importance to local sourcing, particularly with regard to catering. Local products are ecologically and socially sound in terms of both production and delivery. Local producers such as bakers, butchers and farmers are either included in direct procurement or (as contractually specified) used by partners Migros, Coop, Reust and Krenger. The responsibility for sourcing at Tertianum Group lies with the local purchasing manager. It is not possible at present to report the percentage of local goods in total quantities ordered. Tertianum Group is keen to further increase the share of seasonal products in future.



..... **PROTECTING THE ENVIRONMENT** .....

**ENVIRONMENTAL RESPONSIBILITY**

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. The focus, though, is clearly on the real estate portfolio, where Swiss Prime Site is aiming in the long term at a portfolio of emission-neutral buildings. Enhancing energy efficiency, reducing resource consumption and emissions and intelligently handling land resources are not just environmentally friendly but also economically sensible. Training sessions and information events are held to raise employee awareness and, in particular, to call on them to protect the environment. In addition, there are specific requirements regarding the areas of acquisition, development and portfolio management aimed at the sustained reduction of energy consumption and CO<sub>2</sub> emissions within and outside the Company.

- Fostering awareness
- Intelligently handling land resources
- Boosting energy efficiency
- Reducing CO<sub>2</sub> emissions
- Resource consumption

**ENERGY AND EMISSIONS**

The sustainability performance of the real estate portfolio has important levers for minimising environmental impact, as energy consumption and CO<sub>2</sub> emissions due to heating, ventilation, refrigeration and illumination are significant. The focus is accordingly on boosting energy efficiency and reducing CO<sub>2</sub> emissions in the buildings. Currently, environmental targets are being calculated which comply with the 2°C goal of international climate policy. A CO<sub>2</sub> reduction path until 2025 for the real estate portfolio is being established on the basis of science-based targets. The environmental goals will be adopted together with a 2017 plan for measures and investment. However, Swiss Prime Site is looking beyond its own activities to the value chain as a whole. For example, grey energy will be considered for new buildings and modification work.

- GRI 103-1
- GRI 103-2
- GRI 103-3

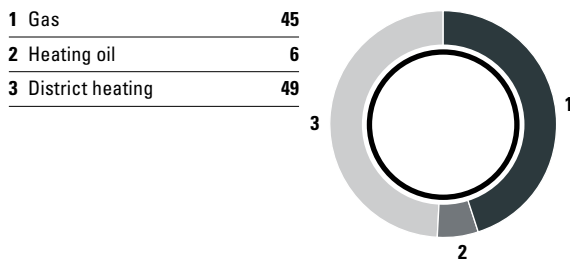
Extensive consumption data are needed to identify potential for optimisation. Siemens' EC/BO (energy controlling and operations optimisation) enables Swiss Prime Site to access data on the energy consumption of currently 21 major properties at any time through an online system. These 21 properties represent about one third of the usable area of the total portfolio. Further properties will be connected to the fully automatic measuring system from 2017. Rigorous analysis of the data makes possible rapid identification and implementation of appropriate measures. In the past five years, measures to optimise operations have been implemented in over 100 properties in the portfolio. Besides renovating building shells and adjusting ventilation systems, building automation installations are also being optimised and energy-intensive lights replaced.

For example, illumination in the Jelmoli property will be completely replaced with LED lighting by the end of the first quarter of 2017. The changeover in the operations of Tertianum Group is still in progress.

Swiss Prime Site's real estate portfolio is also distinguished by the fact that nearly 50% of heating requirements are covered by district heating. Since district heating in Switzerland is largely generated by waste-burning facilities, this technology is regarded as more environmentally friendly than oil and gas heating.

.....  
**BREAKDOWN BY THERMAL ENERGY SOURCES**

in %



Wincasa supports real estate owners and investors in implementing their sustainability strategy, and is positioning itself in the market with a corresponding range of services. Among other things, Wincasa offers its customers energy controlling and operations optimisation and checks alternative heating systems using fossil fuels. Within its management mandate Wincasa therefore makes a decisive contribution towards enhancing energy efficiency and reducing CO<sub>2</sub> emissions of the properties in customer portfolios. But as Wincasa has branches throughout Switzerland, it is itself a tenant. The associated energy consumption flows into the overall analysis and is continuously optimised. The focus is on reducing the ecological footprint and operating costs. In 2016 Wincasa published the first «Sustainability Snapshot», which provided information on the goals up to 2020 in the areas of economics, ecology and society and the progress in achieving these. The «Sustainability Snapshot» is published annually. Deriving the environmental statistics for 2016 entailed utilising the real-time data from the 21 large properties that are part of the «EC/OO» project, in addition to weather-adjusted real data from 82 other properties for the year 2015. The values for the remaining properties were estimated, because the consumption is billed by third parties, and Swiss Prime Site does not have any insight into these records. Properties under construction or modification work or properties which were bought or sold during a year are not included. The key environmental statistics are summarised in the table.

For further information, see the Focus on Wincasa section, from page 20.

ENVIRONMENTAL STATISTICS

	Data in	2013	2014	2015	2016
Properties	number	172	172	162	161
Floor space	m <sup>2</sup>	1 590 000	1 590 000	1 458 000	1 450 000
Thermal	MWh	151 000	126 000	117 000	120 000
of which gas	MWh	66 500	55 800	52 400	53 700
of which heating oil		11 300	8 700	7 100	7 300
of which district heating		73 200	61 500	57 500	59 000
Electricity	MWh	97 000	93 000	82 000	79 000
CO <sub>2</sub> scope 1	tonnes	15 400	12 800	13 300	13 400
CO <sub>2</sub> scope 2	tonnes	28 600	25 700	21 700	21 500
Water consumption	m <sup>3</sup>	943 000	847 000	846 000	825 000

GRI 302-1  
GRI 303-1  
GRI 305-1  
GRI 305-2

Data are assessed as at each calendar year.  
Properties under construction and building land were not taken into account.

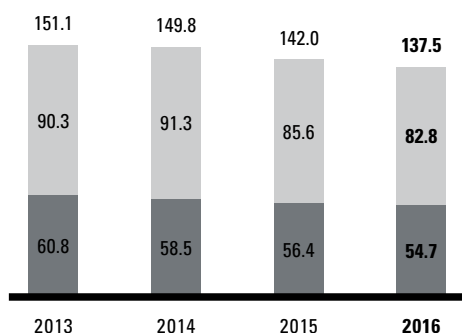
Changes in energy and CO<sub>2</sub> intensity per square metre of usable area were analysed for the total Swiss Prime Site portfolio for the years between 2013 and 2016. During this period the energy intensity was reduced by 12% and the CO<sub>2</sub> intensity by 13%. A portion of these savings can be attributed to the milder winter weather in the years 2014–2016. Nevertheless, adjusted<sup>1</sup> for weather, the reduction in energy intensity over the past four years was 9% (CO<sub>2</sub> intensity: –10%). There is a small margin for error here because of the estimates made for a small part of the real estate portfolio. However, the analysis of the real-time data for the 21 major properties confirms the reduction over the entire property portfolio: adjusted for weather, the energy intensity in 2016 was reduced by over 10% compared with 2013. Measures to reduce electricity consumption were particularly effective, with a reduction of around 20% in electricity intensity per square metre over the past four years. This corresponds to annual savings of 6.6 million kWh of electricity and roughly 1 000 tons of CO<sub>2</sub>.

GRI 302-4  
GRI 305-5

<sup>1</sup> Weather adjustments were based on heating-degree days. Data from the closest available weather station were used for each property. The adjustment was not applied to consumption independent of weather. No property-specific regression models were developed for sensitivity to heating-degree days and solar radiation.

ENERGY INTENSITY OF OVERALL PORTFOLIO  
(WEATHER-ADJUSTED)

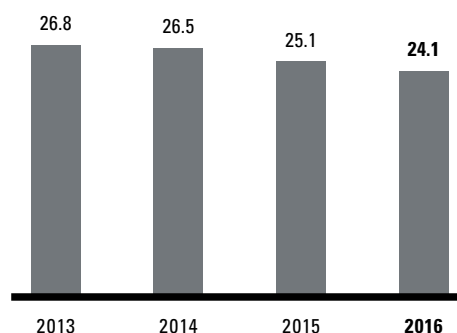
in kWh/m<sup>2</sup> (end-energy)



■ Electricity ■ Thermal

CO<sub>2</sub> INTENSITY OF OVERALL PORTFOLIO  
(WEATHER-ADJUSTED)

in kg CO<sub>2</sub>/m<sup>2</sup>



GRI 302-3  
GRI 305-4



## RESOURCE CONSUMPTION

Besides lowering energy consumption and the associated CO<sub>2</sub> emissions, Swiss Prime Site attaches importance to reducing water consumption and refuse. Raising the awareness among staff, customers and users of buildings plays a significant role in this. While resource conservation can be forced to some extent by technical measures, changing behaviour brings greater rewards.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 306-2  
GRI CRE5

### Water

Besides water consumption in the buildings and for own use, a large part of water consumption arises in the production of goods. For example, the production of building materials, food and textiles is water-intensive. Swiss Prime Site identifies opportunities to save water within the real estate portfolio and takes measures accordingly. New construction and modification projects take due account of the requirements of the certification organisations. To identify potential for optimisation in its own operations, Wincasa collects data on annual water consumption in the branches. At Tertianum Group, water consumption for personal hygiene of guests, laundry and cleaning the buildings plays a central role. Provided that the reduction of water consumption does not impact the high standards of hygiene in the health sector, savings are encouraged.

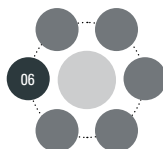
### Waste

Wherever possible, waste is recycled, and Swiss Prime Site therefore provides corresponding classification systems. All employees are instructed not only to reduce paper use but also to put used paper in the paper recycling collection. As part of its internal sustainability management, Wincasa evaluates the quantity of waste in its branches. As there are no actual consumption figures available, the analysis is based on extrapolations of the data collected by the Federal Office for the Environment. Tertianum Group distinguishes between medical refuse, domestic refuse and restaurant refuse. There are requirements for the safe and separate disposal of drugs in particular.

### Contamination review

Swiss Prime Site reviewed the entire real estate portfolio of 184 properties (including land for building) with a total area of 121.04 hectares for soil and building contamination. According to individual expert opinions, 27 properties (15%) or 32.35 hectares (27%) showed soil contamination. The contamination was reported in a separate overview by an independent environmental office. These data are the basis for drawing up rehabilitation concepts and cantonal-supervised rehabilitation measures.

Rehabilitation is done in the course of modernisation measures or when renters change. In the year under review, asbestos rehabilitation work costing CHF 1.4 million was carried out in the «Schönburg» and «Prada» projects. No soil rehabilitation was carried out in 2016. In 2017 millions of CHF are planned to be spent on decontamination work in connection with the ongoing construction activities in the three projects «Plan-les-Quates», «Siemens Areal» and «Stücki Science Park».



..... **ATTRACTIVE WORKING ENVIRONMENT** .....

**APPRECIATING AND PROMOTING EMPLOYEES**

Competent and committed employees are a central factor in mastering future challenges, whether at Swiss Prime Site, Wincasa, Jelmoli or Tertianum. The medium and long-term commercial success of all group companies depends on how well they manage to retain and attract qualified employees, promote and expand their skills, empower them to take on more responsibility, and motivate them in their commitment to their daily responsibilities and shared goals. All group companies seek to be employers of first choice. To promote their own future managers, vocational trainees are schooled and talent encouraged through specific programmes and career planning tools. Measures to promote the culture of appreciation and employee health contribute to a positive working climate.

- Employee development
- Promoting junior staff
- Incentivisation
- Occupational health and safety
- Empowerment

The approaches to personnel development, health and safety aspects as well as motivational factors vary according to the business field. Hence, Swiss Prime Site relies on the autonomy and experience of the group companies. Wherever possible, synergies are exploited and best practices shared within the group. From 2016 there are annual «Welcome Days» for newly arriving managers to present the individual group companies, strengthen awareness of the diversity within the group and provide a first opportunity for informal networking. In addition, a group-wide leadership programme was launched, which not only teaches management tools but also communicates and deepens corporate values and adequate management styles.

**A CULTURE OF RECOGNITION**

As it is becoming increasingly difficult to find qualified staff on the labour market, all group companies attach great importance to creating an attractive working environment in order to maintain motivation and satisfaction among existing employees. Group-wide corporate values and the Code of Conduct serve as a binding guideline for our interactions with each other.

- GRI 102-8
- GRI 103-1
- GRI 103-2
- GRI 103-3
- GRI 405-1
- GRI 406-1

Mutual respect, recognition and fairness play an important role in daily work. Open and constructive communication as well as equality of treatment and opportunity are also a basis for a respectful and productive working climate. Diversity – in people, opinions and experience – is promoted throughout the group. At Jelmoli, for example, there are staff from 41 different nations.

Equal pay for equal work is ensured at all group companies. Wincasa has also set itself a medium-term goal of reaching a share of up to 50% for women in managerial positions. In putting these principles into practice, the recruiting process, compliance with collective labour agreements and minimum wage requirements, ongoing review of equal pay and the availability of flexible work models all play a central role. While each individual employee has personal accountability, group management and HR management bear overall responsibility. Employees can use the Integrity Line as an anonymous channel for reports and complaints. There were no cases of discrimination in the group in 2016.

## KEY FIGURES OF EMPLOYEES

	Total	Male	Female
Employees <sup>1</sup>	5 093	1 238	3 855
Students			
Trainees	353	88	265
Apprentices	75	18	57
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>

GRI 102-8  
GRI 405-1

Full time/part time <sup>1</sup>	Total	Male	Female
Full time	2 424	1 007	1 417
Part time < 50%	852	117	735
Part time 50%–79%	1 032	66	966
Part time 80%–99%	1 213	154	1 059
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>

Breakdown by age <sup>1</sup>	Total	Male	Female
Employees < 25 years	829	206	623
Employees 25–35 years	1 303	328	975
Employees 36–45 years	1 087	301	786
Employees 46–55 years	1 415	325	1 090
Employees > 55 years	887	184	703
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>

Definite/indefinite	Total	Male	Female
Permanent employees	5 093	1 238	3 855
Trainees	428	106	322
Temporary	44	1	43
Custodial	56	28	28
Additional temporary employees	28	15	13
<b>Total</b>	<b>5 649</b>	<b>1 388</b>	<b>4 261</b>

<sup>1</sup> number of employees at year-end, excluding temporary and other

**BREAKDOWN OF EMPLOYEES BY GROUP COMPANY<sup>1</sup>**

Number



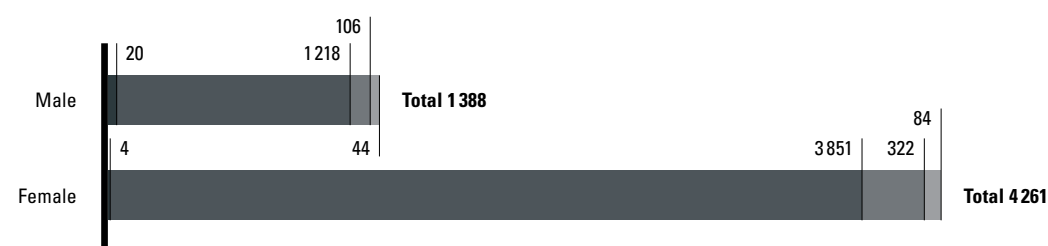
■ Swiss Prime Site ■ Wincasa ■ Jelmoli ■ Tertianum Group

<sup>1</sup> number of employees at year-end, including temporary and other

**EMPLOYEES BY FUNCTION AND GENDER 2016<sup>1</sup>**

GRI 405-1

Number



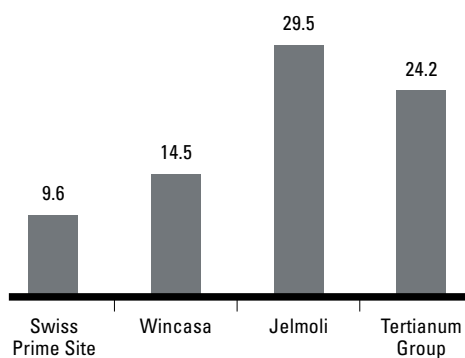
■ Management ■ Employees ■ Trainees ■ Various employees

<sup>1</sup> number of employees at year-end

**FLUCTUATION BY GROUP COMPANY 2016**

GRI 401-1

in %



**KEY FIGURES WORKPLACE HEALTH AND SAFETY 2016**

in %

	Total	Swiss Prime Site	Wincasa	Jelmoli	Tertianum Group
Accident rate	0.6	0.2	0.2	0.7	0.7
Illness rate	4.5	3.0	3.0	3.3	5.0
Absence rate	5.1	3.2	3.2	4.0	5.7

GRI 403-2  
GRI 403-3

## SWISS PRIME SITE

Due to its good reputation and thanks to extremely attractive jobs at the Zurich, Geneva and Olten locations, Swiss Prime Site is able to retain long-serving employees and fill vacancies very successfully with new and highly qualified specialists.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 402-2

In 2017 the positioning of Swiss Prime Site in the labour market will be re-evaluated, and any necessary measures will be taken. It is also planned to install new HR software which will help further optimise and enhance the efficiency of processes in HR.

Swiss Prime Site offers all employees social benefits beyond the statutory minimum, whether they are working on a full-time or part-time basis. For example, there is no coordination deduction in the pension second pillar. There are no collective agreements in the industry.

### Development and promotion

Due to the comparatively small number of employees and their high degree of specialisation, promotion and development are individually customised for the profile of each employee. The new group-wide leadership programme is available to young managers from 2017. Participation in events lasting one or more days as well as visits to trade fairs and lectures are made possible for professional development and expansion of personal networks. Staff events and excursions are also used to encourage internal networking and social contact. In 2016, around 1.3% of annual payroll was invested in employee education and training. Personal development and training goals were agreed with all employees during their annual evaluations.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### Workplace health and safety

Health and safety are important in connection with new construction and modification work on properties, particularly in the Swiss Prime Site supply chain. In its own operations, Swiss Prime Site seeks to minimise risks to employees through preventive measures, guidelines and safety plans. Health checks and programmes for ergonomics, physical fitness and mental health are also offered or promoted.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
CRE6

## WINCASA

The quality of service, customer satisfaction and business growth are all based primarily on the motivation and professionalism of the employees. This is why Wincasa implements active employer branding, which includes appearances at trade fairs and in the media, vocational education and training programmes, and fringe benefits. Attractive working conditions also help recruit and retain qualified staff. In daily work, line managers and HR department staff ensure a good working climate. Working conditions that encourage performance, specific programmes, projects and training also create a context for continuous improvement and growth in both team and individual performance. The Integrity Line allows all employees to get advice or pass on concerns and complaints, anonymously if desired. Wincasa continuously monitors quantitative data, such as staff turnover, absence rate, overtime and vacation balances and the number of training days. The employee turnover rate in 2016 stood at 14.4% and absenteeism at 3.2%.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Wincasa conducts a staff survey every two years. The last survey in 2015 showed, among other things, that some structures and processes are not completely satisfactory. For example, it indicated that changes to internal communication would be necessary due to rising employee numbers. Employees also consider it important that decision-making paths continue to stay as short as possible. Wincasa responded accordingly. Internal communication channels such as the Intranet were expanded and managers were instructed to pass on relevant information to their staff at the appropriate level. «Kaizen boards» were introduced, too, whereby employees are directly involved in assessing and improving their fields of activity and processes.

Pension benefits are above the minimum contribution requirement, and Wincasa's benefits for daily sickness benefits insurance, accident insurance and continued payment of remuneration in the event of sickness or accident all exceed legal requirements. In addition, employees get more days off and – depending on the number of years of service – extended maternity leave of up to six months or five days of paternity leave. All social benefits are received by full-time and part-time employees alike. Employees are not subject to collective agreements.

Both managers and employees are informed at regular intervals about the status of the current financial year, significant organisational changes and other business-relevant activities. Managers participate at various «offsites», some lasting several days, with senior management or the CEO present. Business-relevant information reaches management staff via excerpts from minutes of senior management meetings. Employees are updated through quarterly CEO statements and announcements posted on the Intranet.

Past years have seen various measures enacted to promote empowerment in the business. Thus, internal platforms were created and various management tools introduced together with corresponding executive training. Examples of these include communication etiquette and coaching principles. In addition, common objectives were incorporated into the annual individual performance objectives. Moreover, particular emphasis was placed on «entrepreneurship» in the recruitment of key personnel.

### **Development and promotion**

Employees' qualification and professionalism at work are the essential quality attributes underlying Wincasa services. In a competitive market, they are decisive to differentiation from other players and to the company's success. However, well-trained professionals such as managers with a Swiss Federal Vocational Diploma and real estate trustees with a Federal Diploma are difficult to find on the labour market. The focus is therefore on skills development within the framework of the «Wincasa Development» internal training programme, which is concerned with creating latitude for development and career progress. In this way, Wincasa aims to retain staff over the long term by defining clear career prospects. Thus, further training and possible leadership potential are explicit topics in the annual performance reviews conducted with all employees. Development objectives are established in terms of technical, social and leadership skills. After a needs assessment and evaluation of competence profiles comes an approval process for training applications. Internal training includes apprentice, junior, management, education, coaching and career changers' programmes. Alongside specialist knowledge, competences and skills are taught as well. The focus in recent years has been on strengthening skills in change management, sales and consulting, and increasingly the use of digital media. Training is conducted both internally and externally. Wincasa bears 60–100% of external training costs, depending on the circumstances. Attendance at external education courses takes place in employees' free time, except for examination days. The long-standing successful junior staff programme provides selected employees with intensive training for a period of roughly 18 months. Internal candidates are systematically considered every time key positions need to be filled. For those approaching retirement age, Wincasa also offers two-day courses that cover health, activity, relationship, insurance, pension and financial matters. In 2016, about 1.3% of annual payroll was invested in employee education and training.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### **Workplace health and safety**

Health preservation boosts employees' personal potential and thus directly benefits the performance of Wincasa as well. The health of employees is promoted, for example, through support for nutrition and metabolism advice, framework agreements with fitness centres to offer preferential terms, and health campaigns such as «bike2work». Moreover, Wincasa operates company-wide absence management and case management for long-term absences. The HR department is thus capable of identifying both long-term and regular absences from work and proactively reaching out to the employees concerned where necessary. This is not primarily about monitoring employees. Increasing absenteeism may, for example, indicate dissatisfaction or lack of motivation. If case management is timely in identifying the causes, appropriate measures can be introduced to restore satisfaction and motivation. In addition, case management gives sick and injured employees support and accompaniment. Health care is promoted through thematic training courses; it is considered a responsibility of senior management, the HR department and individual managers.

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GRI 103-1  
GRI 103-2  
GRI 103-3



## JELMOLI

Jelmoli relies heavily on personnel development and training in order to maintain both the high level of service required and employee loyalty. In 2016, Jelmoli invested about 1.4% of annual payroll in employee education and training. Considering that the entire retail sector suffers from high staff turnover, Jelmoli has set itself the objective of continuously reducing the turnover rate – currently standing at 29.5% – to below the industry average. To enable a good working environment, Jelmoli relies on a culture of continuous and open communication supported by the personnel committee as an intermediary between staff and senior management. Regular information sessions where management talks to employees about current business events are also an integral part of this effort. Meal vouchers for employees who work until 8 p.m. and a communal brunch for Sunday workers aim to create a positive working atmosphere in particularly burdensome situations. If employees still have problems, they can – anonymously – contact the Integrity Line. There are further defined escalation routes and contact points as well.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Employment contracts and company-specific labour regulations implement the provisions of the collective labour agreement and guarantee the appropriate minimum wage. At Jelmoli too, pension benefits are above the statutory minimum for full and part-time employees alike.

### Development and promotion

Training and education programmes are a key factor in long-term retention of company employees. There is a «Welcome Day» for new Jelmoli recruits when they come aboard, which is also used to impart company values and operational methods. All personnel subsequently undergo basic training. Training in service and quality orientation is mandatory for sales staff. Sales training programmes are in part organised as long-term courses taking place alongside regular work, and last up to one year. Individual opportunities to participate in language and other training courses are also provided. A two-year junior staff training programme is conducted to promote young talent. At the same time, a mentor provides support to potential management candidates, who receive specific assignments and milestones to be fulfilled. Participation in a talent programme run by IGDS, the industry association for leading department stores, is offered as an incentive for high-potential individuals among junior staff. The «50+» programme launched two years ago is about explicitly hiring salespeople whose seasoned experience and knowledge represents significant added value for customers. Personal development and training goals are defined as part of all employees' annual performance reviews.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### Workplace health and safety

Jelmoli employees are exposed to different risks depending on their area of work. For example, there are specific safety requirements for kitchen staff. The City of Zurich Labour Inspectorate checks compliance with workplace health and safety regulations at regular intervals. In 2016 Jelmoli was attested as having contributed significantly to avoidance of occupational accidents and diseases through constant attention to protecting workplace safety and health protection. Its annual hazard assessment review, a well-prepared emergency organisation and the active inclusion of employees were particularly important factors in this regard. Protecting workplace health and safety can also be understood in the context of flexible operational planning with timely communication. Along with the Integrity Line, Jelmoli provides employees with a further neutral point of contact in cases of personal problems. Promoting employee health and safety is a responsibility of the line and HR managers concerned.

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GRI 103-1  
GRI 103-2  
GRI 103-3

Company-internal safety regulations clarify and supplement the industry-standard rules and regulations. Safety training, such as evacuation drills, act as reinforcement to behaviour-based safety.

A free-of-charge flu vaccination is among preventative measures offered.

## TERTIANUM GROUP

Support and care of the elderly is very personnel-intensive and demands high levels of professionalism and empathy on the part of employees. Recruiting qualified professionals is therefore an important factor. Staff recruitment and retention is a responsibility of local management, aided by the group through a unified process and specific measures. Since workloads in the health and care sector are generally very high, Tertianum Group faces high absenteeism and employee turnover rates. To reduce the workload and negative effects, Tertianum Group relies on promoting nursing skills in tandem with continuous training. In 2016, about 1% of annual payroll was invested in employee education and training. In addition, Tertianum Group has a system of corporate health management.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Regional HR business partners are the primary contacts for managers and employees on all personnel issues. Support and advice to managers is being continuously expanded. The objective is to lower employee turnover rates and absenteeism as well as raise employee satisfaction at all levels. Tertianum has several complaints bodies in the event of problems: line managers, HR business partners and the personnel committee. Moreover, there exist possibilities for contacting an independent Ombudsman's Office with a female and male lawyer to tackle issues, as well as the Integrity Line for anonymous counselling and complaint handling. AXA Care Management's advisory services are additionally there to be drawn on.

Employees' different life situations and planning are taken into account in appropriate work-time models, which offer attractive employment opportunities for parents of preschool as well as school-age children. Most locations operate with individual employment agreements certified as equivalent to the national collective labour agreement (CLA). In certain instances, such as the canton of Vaud and in Western Switzerland, the prevailing CLA is used. Concerning second pillar pension rights, basic plans with a reduced coordination deduction apply. There is also a separate management pension plan and plans with additional savings models for managing directors and senior management. There is no difference in the scope of social benefits available to full-time and part-time employees.

### Development and promotion

Due to demographic developments, the geriatric care sector will continue to grow and with it, the need for correspondingly qualified professionals. The supply of skilled labour in the care sector is limited, however. In-house training and qualifications together with workforce retention by means of a supportive and attractive working environment are therefore increasingly important. Accordingly, Tertianum Group offers employees a broad range of training and further education opportunities. Personal development as well as training and education are discussed across the entire workforce as part of annual performance reviews. In addition to providing internal training at the local and group-wide levels, further training programmes are also offered at team-leader level with educational partner Careum. Training programmes such as CAS Dementia and CAS Geriatric Psychiatry are currently being set up to meet the increasing need in these specialisations. The Tertianum training centre offers numerous mandatory courses in various areas of expertise. In addition to the comprehensive training programme, the training centre is the contact point for individual training requests. It also runs specific, customised workshops. Moreover, the centre provides advice and support for basic training as well as personality assessments for recruitment and personal development. In order to ensure the requisite technical, managerial and personal skills of the workforce at all levels and in all positions, the development programmes are closely tied to employees' individual careers. Tertianum Group teaches around 300 trainees annually in the areas of nursing, catering, facility management and administration.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

**Workplace health and safety**

Good health management is especially important for employees in nursing professions due to the high physical and mental stress involved. Long working and presence times, shift work, lifting and carrying of persons are typical physical stress factors. Then there are psychological factors, such as emotional attachment to care recipients and constant losses due to deaths. Time recording, care management and supporting systems see to employees' well-being. Supplementing these in the care sector are medical examinations of night workers. Vaccinations against hepatitis also count among the standard countermeasures for minor needlestick and laceration injuries that are frequent and characteristic within the profession. Compliance with hygiene and safety requirements is essential for all employees. In order to ensure safety in all the business operations, each facility has a responsible person for reviewing and optimising the respective processes with the personnel.

GRI 103-1  
GRI 103-2  
GRI 103-3

**INFORMATION ON SUSTAINABILITY REPORTING**

Sustainability reporting in 2016 is compliant with the standards of the Global Reporting Initiative (GRI) – Core option. The principles for determining the report's content and quality were applied to the entire reporting process. The report was submitted to the GRI Materiality Disclosures Service and passed successfully (see GRI icon, page 88). An external audit was dispensed with. Because this marks the first report under the GRI, a materiality analysis was conducted in 2016 across all group companies.

GRI 102-10  
GRI 102-45  
GRI 102-46  
GRI 102-47  
GRI 102-48  
GRI 102-49  
GRI 102-50  
GRI 102-51  
GRI 102-52  
GRI 102-53  
GRI 102-54  
GRI 102-56

The primary sustainability issues derive from the sustainability roadmap and reflect industry standards or best practices. An initial stakeholder dialogue to be conducted in early 2017 will provide a position determination from an external stakeholder viewpoint. «Local procurement» and «land degradation, contamination and remediation» issues excepted, the following issues are material for all group companies. «Local procurement» is material only for Tertianum Group; «land degradation, contamination and remediation» is significant only for Swiss Prime Site. The respective issue limits were determined for all group companies and their value chain.

**LIST OF SIGNIFICANT TOPICS**

<b>ECONOMY</b>	<ul style="list-style-type: none"> <li>&gt; Business performance</li> <li>&gt; Indirect economic effects</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Local procurement</li> <li>&gt; Tackling corruption</li> </ul>
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>&gt; Energy</li> <li>&gt; Evaluation of suppliers regarding environmental aspects</li> <li>&gt; Water</li> <li>&gt; Emissions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Wastewater and waste</li> <li>&gt; Land degradation, contamination and rehabilitation</li> <li>&gt; Environmental compliance</li> </ul>
<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>&gt; Employment</li> <li>&gt; Occupational health and safety</li> <li>&gt; Training and further education</li> <li>&gt; Diversity and equal opportunity</li> <li>&gt; Equality</li> <li>&gt; Protection of privacy of customers</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Local communities</li> <li>&gt; Evaluation of suppliers regarding social aspects</li> <li>&gt; Customer health and safety</li> <li>&gt; Labelling and marketing</li> <li>&gt; Compliance</li> </ul>

Apart from adjustments to design, there has been no restatement compared to last year's reporting. The six dimensions of the sustainability compass were described as core issues in the 2015 Annual Report, which was published in March 2016. Swiss Prime Site will publish a separate sustainability report every two years in future.

Structural changes to business activities concern the acquisition of immoveris by Wincasa and the acquisition of BOAS Senior Care by Tertianum Group. In addition, Tertianum Group opened four new locations in the year under review. In 2016 Swiss Prime Site carried out investments amounting to CHF 500.2 million. Real estate sold during the same period totalled CHF 75.2 million. The scope of consolidation can be found on page 75 in part 3 of the Financial Report.

The contact for questions on the «Corporate responsibility» section of the report is Urs Baumann, Head of Sustainability & Innovation, Swiss Prime Site, [urs.baumann@sps.swiss](mailto:urs.baumann@sps.swiss).

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<b>Energy</b>						
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103-2	Management approach and management tools	76	x	x	x	x
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302-1	Energy consumption within the organisation	77	x	x	x	x
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Specific standard disclosures		Page(s)	Significant/relevant for Swiss				Reason for omission
			Prime Site	Wincasa	Jelmoli	Tertianum	
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103-2	Management approach and management tools	78	x	x	x	x	
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103-1	Explanation and limitations	76	x	x	x	x	
103-2	Management approach and management tools	76	x	x	x	x	
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305-2	Energy-based indirect greenhouse gas emissions (scope 2)	77	x	x	x	x	
305-4	Intensity of greenhouse gas emissions	77	x	x			
305-5	Reduction of greenhouse gas emissions	77	x	x	x	x	
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103-1	Explanation and limitations	78	x	x	x	x	
103-2	Management approach and management tools	78	x	x	x	x	
103-3	Evaluation of management approach	78	x	x	x	x	
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<b>Environmental compliance</b>							
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103-2	Management approach and management tools	66	x	x	x	x	
103-3	Evaluation of management approach	66	x	x	x	x	
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103-1	Explanation and limitations	71, 72, 73, 75	x	x	x	x	
103-2	Management approach and management tools	71, 72, 73, 75	x	x	x	x	
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103-1	Explanation and limitations	82, 84, 85	x	x	x	x	
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401-1	Employee turnover	81	x	x	x	x	
401-2	Exclusive social benefits for full-time employees	82, 84, 85	x	x	x	x	

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		Prime Site	Wincasa	Jelmoli	Tertianum		
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103-1	Explanation and limitations	82, 83, 84, 85	x	x	x	x	
103-2	Management approach and management tools	82, 83, 84, 85	x	x	x	x	
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403-2	Accidents, illness and absence	81	x	x	x	x	
403-3	Working activities that especially pose a hazard to health	81				x	
CRE6	Safety and health standards	82	x				
<b>Training and further education</b>							
103-1	Explanation and limitations	82, 83, 84, 85	x	x	x	x	
103-2	Management approach and management tools	82, 83, 84, 85	x	x	x	x	
103-3	Evaluation of management approach	82, 83, 84, 85	x	x	x	x	
404-1	Scope of training and further education	82, 83, 84, 85	x	x	x	x	
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103-1	Explanation and limitations	79	x	x	x	x	
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405-1	Diversity in supervisory bodies and workforce	80, 81	x	x	x	x	
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103-2	Management approach and management tools	79	x	x	x	x	
103-3	Evaluation of management approach	79	x	x	x	x	
406-1	Cases of discrimination	79	x	x	x	x	
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103-1	Explanation and limitations	71, 74	x			x	
103-2	Management approach and management tools	71, 74	x			x	
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103-3	Evaluation of management approach	71, 72, 73, 75	x	x	x	x	
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103-3	Evaluation of management approach	66, 67	x	x	x	x
418-1	Complaints of data protection violations	66, 67	x	x	x	x
<b>Compliance</b>						
103-1	Explanation and limitations	66	x	x	x	x
103-2	Management approach and management tools	66	x	x	x	x
103-3	Evaluation of management approach	66	x	x	x	x
419-1	Sanctions due to compliance violations	66	x	x	x	x

**Reasons for omission**

<sup>1</sup> not applicable

<sup>2</sup> confidentiality constraints

<sup>3</sup> legal prohibitions

<sup>4a</sup> information unavailable

<sup>4b</sup> currently unavailable

# OPPORTUNITIES AND RISKS

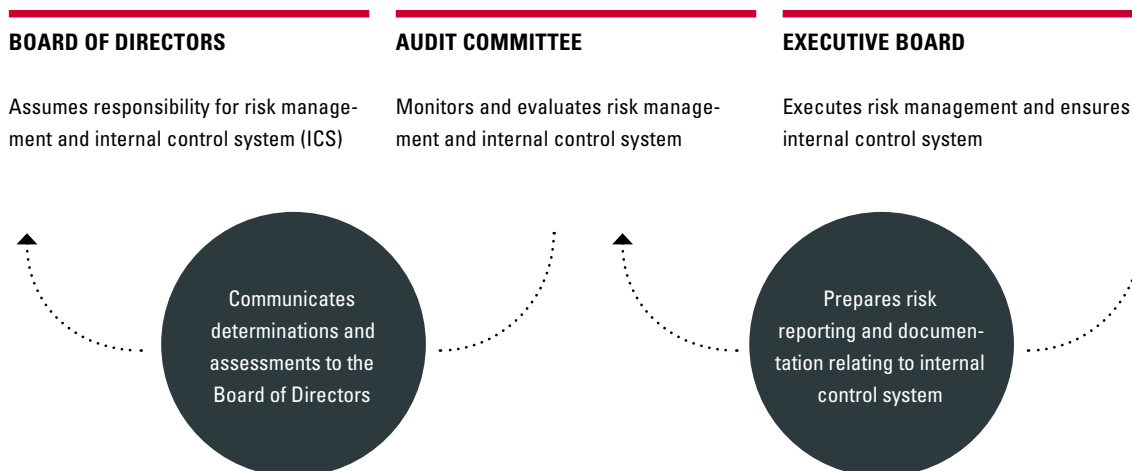
**Swiss Prime Site's opportunity and risk profile is marked by the balanced and market development-adapted diversification of real estate investments, in terms of regional allocation as well as type of use and tenant structure. Additional opportunities emanate from real estate-related business fields.**

Swiss Prime Site pursues the long-term optimisation of its opportunity and risk profile through identification of opportunities and through systematic risk management in the three business fields Real Estate, Retail and Assisted Living. The real estate portfolio comprises properties primarily located in the most significant Swiss economic centres of Zurich, Geneva and Basel, providing the Company with an ideal market position based on portfolio size as well as regional allocation of the properties throughout Switzerland.

It is the responsibility of the Board of Directors of Swiss Prime Site AG and its group companies to ensure a balance between opportunities and risks. The responsible parties carry out regular risk/opportunity assessments in order to periodically re-evaluate – and, if necessary, adapt to – the changing general conditions and market developments. Furthermore, Swiss Prime Site AG's Board of Directors is committed to upholding the utmost integrity, which includes complying with government regulations and the internal Code of Conduct, among other things. All employees are expected to consistently comply with the Code of Conduct, which is subject to review of its effectiveness on a regular basis.

Opportunity/risk management should ensure that opportunities are recognised and undesirable risks promptly mitigated through comprehensive and systematic identification and assessment. The risk/return ratio should always be adequately balanced, which is also a permanent process.

A transparent and efficient corporate structure ensures that the duties and responsibilities regarding risk management and the internal control system are fulfilled on a group-wide basis.



# OUTLOOK

**For 2017, Swiss Prime Site forecasts a persistently solid trend for the Swiss economy and a constantly low interest rate level. Amid this environment, real estate stocks continue to remain attractive for investors as returns generators.**

Swiss Prime Site believes it is very well positioned for 2017 to sustainably secure profitability at the operating level with its high-quality real estate portfolio. The real estate-related business fields in particular harbour significant potential for achieving robust earnings-driven and transformative growth.

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## BUSINESS FIELD FOCAL POINTS IN 2017

### CORE BUSINESS

#### REAL ESTATE

- > Project pipeline development
- > Conversions and modernisations
- > Acquisitions/divestments
- > Reduction of vacancy rate to 5.5%–6.0%

### REAL ESTATE-RELATED BUSINESS FIELDS

#### REAL ESTATE SERVICES

- > Expansion of range of services
- > Establishment as «digital master»
- > Intensification of client retention
- > Enhancement of employee satisfaction

#### RETAIL

- > Expansion of locations to Zurich Airport
- > Extension of OMNI channel activities
- > Acquisition of market share (premium segment)
- > Realisation of economies of scale-driven revenues

#### ASSISTED LIVING

- > Concluding integration of SENIOcare and BOAS Senior Care
- > Project executions
- > Forging Private Public Partnership (PPP) projects
- > Expanding the range of services through vertical/horizontal integrations

#### REAL ESTATE INVESTMENT MANAGEMENT

- > Onboarding additional asset management mandates
- > Launching proprietary products
- > Expanding services portfolio
- > Continuously improving market positioning

Swiss Prime Site's forecast for 2017 calls for rental income and total operating income that surpass the respective previous year's levels. The vacancy rate will be reduced below the 6.0% mark.

# ADDENDUM

## FINANCIAL CALENDAR

	Date	Location
Annual General Meeting financial year 2016	11 April 2017	Olten
Semi-Annual Report as at 30.06.2017 with financial results press conference	24 August 2017	Zurich
Annual Report as at 31.12.2017 with financial results press conference	01 March 2018	Zurich
Annual General Meeting financial year 2017	27 March 2018	Olten

## SHARE FACTS

ISIN	CH 000 803 838 9
Securities number	803 838
Securities symbol	SPSN
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Listed on the following indices (selected)	SMI Mid SMI Expanded SPI SPI Extra SPI ex SLI SXI Real Estate SXI Real Estate Shares SXI Swiss Real Estate SXI Swiss Real Estate Shares Swiss All Share Index FTSE EPRA/NAREIT Europe Index STOXX Europe 600 Index MSCI World Index

## **IMPRINT**

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

### **Overall responsibility | Editorial**

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### **Consultation for sustainability chapter**

Sustainserv, Zurich and Boston

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## **DISCLAIMER**

As part of the Annual Report, this Strategy and Management Report contains statements regarding future financial and operational developments and results as well as other projections that are forward-looking or contain subjective assessments that are not historical facts. In some cases, these forward-looking statements can be identified by the use of words such as «believe», «estimate», «anticipate», «expect», «target», «intend» and similar expressions as well as their negative equivalent. Such forward-looking statements or subjective assessments (hereafter referred to as «forward-looking statements») are based on expectations, estimates and assumptions that seem to be appropriate to the Company at the time of the preparation of the Annual Report. However, the actual results may differ from forward-looking statements. A number of factors, such as the ability of the management to implement the business strategies of Swiss Prime Site AG, the future conditions and developments in the market in which Swiss Prime Site AG operates, or the market behaviour of other market players, may differ materially from the anticipated results including the actual business situation, results of operations, financial condition of the Company. In addition, past trends are not indicative of any future trends.

Swiss Prime Site AG, its affiliated companies, their employees, their advisors as well as other people that are involved in the preparation of the Annual Report explicitly disclaim any warranty or guarantee that information contained in this Annual Report is still correct and complete at any time after its publication. Furthermore, they disclaim any obligation to publish updates or amendments regarding the forward-looking statements made in this Annual Report in order to reflect changes in the events or circumstances on which these forward-looking statements are based except as required by law. Readers of this Annual Report should therefore not rely on the forward-looking statements expressed therein.



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# GLOSSARY

**AuM (assets under management)**

Market value of assets managed by a service provider

**Cash yield**

Distribution in percent of market price at the end of the reporting year

**Convertible bond**

Bond that can be converted into shares or participation certificates of the relevant company under certain prerequisites and conditions

**Cost**

Sum of all costs incurred relating to the acquisition of properties (e.g. acquisition price, notary and ownership transfer costs, sales commissions, value-added investments as well as borrowed capital costs for properties under construction and development sites and trading properties, etc.)

**CRM (customer relationship management)**

Systematic structuring of the customer relationship process; a company's consistent orientation toward its clients

**DCF (discounted cash flow)**

Method of calculation for determining fair values of real estate, under which the fair value of a property is derived by means of the total future expected net earnings discounted to the valuation date (before interest, taxes, depreciation and amortisation), taking into account investment costs

**Diluted earnings per share**

Earnings adjusted for the effect of convertible bonds, divided by the weighted average number of shares

**EBIT**

Earnings before interest and taxes

**EBITDA**

Earnings before interest, taxes, depreciation and amortisation

**EC/OO (energy controlling/operational optimisation)**

Energy data are measured and digitally reproduced for all existing buildings in the portfolio, which are optimally configured by means of reporting, enabling sustainable reduction of energy consumption

**Equity ratio**

The ratio of shareholders' equity to total shareholders' equity and borrowed capital

**Energy Strategy 2050**

Strategy developed by the Swiss Federal Council envisaging a gradual modification of Switzerland's energy system by the year 2050, based on revised energy prospects (including fundamental decision to exit nuclear energy step-by-step)

**EPRA**

European Public Real Estate Association

**EPS (earnings per share)**

Earnings per share is defined as the mathematical proportion of the realised annual profit or group profit relative to one share, calculated from the profit attributable to shareholders divided by the weighted number of outstanding shares

**Fair value**

Corresponds to the particular price that an independent market participant would likely receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price). Fair value measurement is generally determined by means of the discounted cash flow method (DCF), without factoring in transaction costs

**FTE (full-time equivalent)**

Number of employees in full-time positions

**GRESB (Global Real Estate Sustainability Benchmark)**

A joint initiative from some of the world's largest institutional investors, renowned scientists and major real estate companies; GRESB annually compiles a global ranking of real estate funds and real estate companies that are the most strongly committed to sustainability and the environment

**GRI (Global Reporting Initiative)**

Develops guidelines through a participatory process for compiling sustainability-relevant reports from major corporations, small- and medium-sized enterprises (SMEs), governments and NGOs

**Gross return**

Calculated from rental income (excluding ancillary costs) in percent of a property's fair value

**GSBC (DGNB)**

German Sustainable Building Council

**HC (headcount)**

Number of employees in absolute figures (part- and full-time positions)

**IFRS (International Financial Reporting Standards)****Investment volume**

Total property and construction costs at acquisition values (for new buildings, including borrowing costs)

**LEED**

Leadership in Energy and Environmental Design (certification)

**Like-for-like rental income growth**

Change in income from rental properties based on a constant real estate portfolio compared with the beginning of the period

**LTV (loan-to-value)**

Ratio of interest-bearing real estate liabilities to real estate assets; loan-to-value ratio of the property portfolio

**Maintenance and repair expenses**

Sum of all costs necessary for the restoration or preservation of a property's target condition that are borne by the owner, including repair and service costs

**Market capitalisation**

Calculated by means of the number of issued shares and market price as at the balance sheet date

**Minergie**

Construction standard for new and modernised buildings; the label is jointly supported by the economy, cantons and federal government

**NAV (net asset value)**

Net asset value or value of shareholders' equity

**NAV per share (net asset value per share)**

Shareholders' equity per share attributable to shareholders (number of issued shares after deducting treasury shares)

**NAV after deferred taxes**

Shareholders' equity attributable to shareholders excluding deferred tax liabilities, divided by the number of issued shares (excluding treasury shares)

**NAV before deferred taxes**

Shareholders' equity attributable to shareholders adjusted for deferred taxes (excluding deferred tax assets from loss offsetting), divided by the number of issued shares (excluding treasury shares)

**Net rental income**

Defined as the sum of all realised income (target rental income) including land lease income, less vacancy losses in the reporting period

**Net yield**

Calculated from the property income in percent of fair value as at the balance sheet date

**OCI (other comprehensive income)**

Includes primarily revaluation of owner-occupied properties and remeasurement of net defined benefit obligations and the relevant deferred taxes

**Other operating expenses**

Expenses relating to repairs and replacement of tangible assets, property insurance and fees, capital taxes, administrative expenses, audit and advisory expenses, advertising expenses, accounts receivable, losses and debt collection expenses

**Ordinance**

Ordinance Against Excessive Compensation in Listed Companies

**PEC (primary energy consumption)**

Consumption of primary energy that requires a process. PEV is derived from the end-energy consumption and losses that incur from the production of end-energy from primary energy

**Premium**

Difference between share price on the balance sheet date and net asset value (NAV) after deferred taxes

**Portfolio size**

Indicates volume (size) of an asset class as well as allocation of assets

**Property gains**

Rental income less all expenses incurred to the owner such as administrative, operating, maintenance and repair, as well as for value-retaining renovations. Defined as net property income before deducting borrowing costs and taxes (EBIT)

**Result from property sales**

Difference between the sales price paid (sales proceeds) and fair value as at the last balance sheet date, taking into account transaction costs from the sale

**Revaluation effect**

Corresponds to a higher or lower valuation of the real estate portfolio resulting from revaluation compared with the value at the balance sheet date of the previous year, carried out by an external, independent valuation expert, taking into account changes in deferred taxes

**ROE (return on equity)**

Calculated based on profit attributable to shareholders divided by average shareholders' equity attributable to shareholders

**ROIC (return on invested capital)**

Calculated based on profit attributable to shareholders before financial expenses, divided by average total shareholders' equity and borrowed capital

**Share performance (total return = TR)**

Share price performance in the reporting period compared with the closing price of the previous year's period, taking into account the distribution

**SSBC (SGNI) (Swiss Sustainable Building Council)**

Non-profit association with the objective of promoting – as well as enabling the transparency and quantification of – the sustainability of real estate and the constructed environment across the entire life cycle, including planning, construction and utilisation

**Target rental income**

Defined as the sum of all potential rental income and land lease income given full occupancy before deducting vacancy losses in the reporting period

**Vacancy**

Sum of all losses from target rents of vacant floor space resulting from lack of effective rental agreement and during building modification activities. With total renovations, the property is recognised on the balance sheet as a construction project during the modification phase, and neither target rents nor vacancies are booked

**Vacancy rate**

Sum of all cumulated rental income losses resulting from lack of effective rental agreement and vacancies in percent of target rental income

**WACC**

Weighted average cost of capital

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