Sustainability report

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21 to 14 kg CO_2e; this corresponds to a reduction of more than 30% adjusted for heating degree days.

Sustainability

For us, sustainability includes three aspects:

- Ecological sustainability
- Economic sustainability
- Social sustainability

In particular, sustainability means assuming responsibility with regard to tenants and business partners, employees and shareholders as well as the public and the environment. This pertains to the strategic as well as the daily operational level. We are convinced that long-term success requires a balancing of ecological, economic and social sustainability.

Our activities in the field of sustainability are shown on the following pages. The annual report also includes our reporting with regard to ecological sustainability according to the EPRA's (European Public Real Estate Association) "Best Practices Recommendations on Sustainable Reporting". 2016, PSP Swiss Property received the EPRA Gold Award for its 2015 reporting.

Ecological sustainability

A real estate company with a large property portfolio such as PSP Swiss Property has a certain obligation when it comes to ecological sustainability, especially with regard to energy and resource efficiency. Therefore, we want to keep our ecological footprint as small as possible.

Consequently, we take environmental factors into account at all stages of business activity:

- Purchase of properties
- New constructions and renovations
- Property management

One staff member in real estate asset management and two staff members in the construction services and the property management units are technically responsible for ecological sustainability (concept, planning, control and analysis). Implementation is mainly in the hands of employees in property management and construction services, in close cooperation with the caretakers respectively facility managers.

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21 to 14 kg CO_2e; this corresponds to a reduction of more than 30% adjusted for heating degree days.

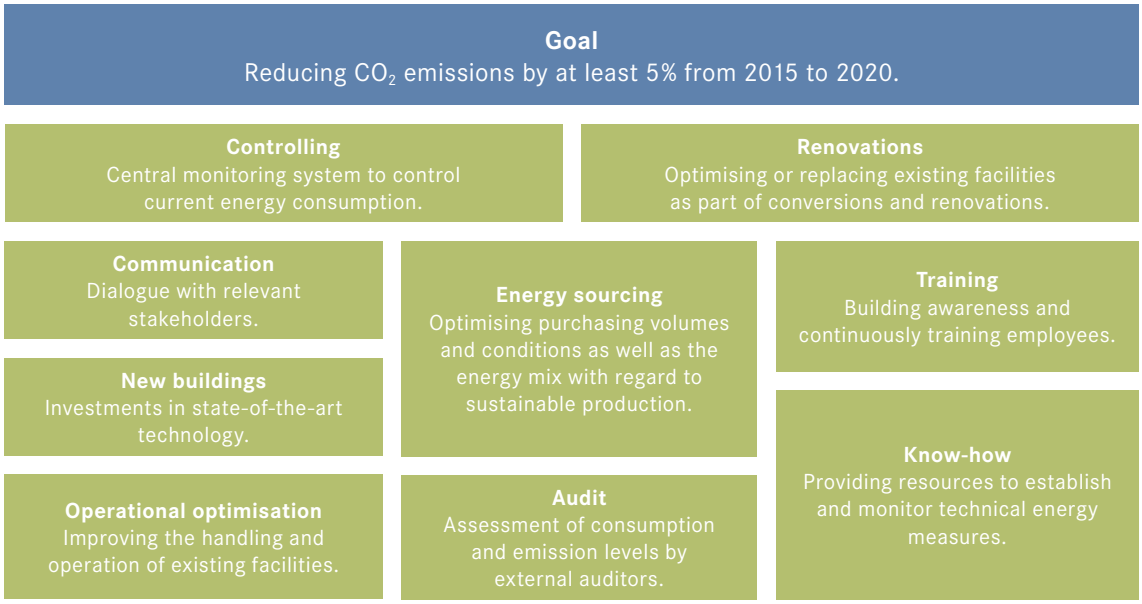
Three measures were the basis for this success:

- First, we improved our organisation and know-how in the fields of energy and sustainability constantly over the past years.
- Second, in the course of heating renovations, we keep converting existing installations to less CO_2e intensive systems (from oil to gas, district heating or heat pumps). In renovations and new constructions we try to minimise consumption and emissions levels.
- Third, we pay special attention to energy efficiency in our daily operations. Thereby, our central energy control and alarm management system plays a crucial role.

Our goal is to further reduce our properties' specific CO_2e emissions in the coming years However, it will become increasingly difficult to achieve further significant reductions, because many operational measures have already been implemented and exhausted. What is important, in any case, is to safeguard our achievements so far for the long term and to continue lowering consumption and emissions step by step.

The fact that we do well in sustainability surveys such as the "CDP, Carbon Disclosure Project" or the "GRESB, Global Real Estate Sustainability Benchmark" is independent proof of our success in achieving ecological sustainability.

Relevant sustainability issues for PSP Swiss Property:



Purchase respectively construction of properties, renovations and improvements: In addition to economic and legal aspects, we also evaluate potential acquisitions as well as new constructions and conversions with regard to their impact on the environment. In other words: we always take sustainability criteria and energy efficiency into account. In new constructions and conversions, we basically follow the Swiss "Minergie" standard (Minergie is a protected trademark for new buildings and conversions). In special projects, other certifications may be applied (e.g. LEED – Leadership in Energy and Environmental Design; LEED is an internationally recognised certification system developed by the U.S. Green Building Council).

In the development of the former brewery areas (new buildings and conversions) and in the other projects, we apply a holistic approach. This includes optimising the properties' energy efficiency, an optimal connection to public transport and the impact on the town quarter's specific social environment.

In city centres it is not always possible to implement all the desired measures for better energy efficiency. Here, the preservation of historical monuments and, consequently, social sustainability may be more important. On the other hand, such properties benefit from excellent public transport, which results in correspondingly low traffic-related pollution.

Property management: We want to keep the environmental impact of our property management and maintenance activities as low as possible, especially in the following areas:

- Energy consumption
- Water consumption
- CO_2e emission

We made an initial survey and analysis of these environmental areas (including 167 properties respectively 922 448 m^2 floor space which were in the investment portfolio at that time) for the 2010 business year. In 2016, we analysed 155 properties with 933 934 m^2 floor space (2015: 160 properties with 957 129 m^2 floor space). For the remaining properties (the portfolio included 161 investment properties at the end of 2016 and 163 at the end of 2015), the figures were outstanding at year-end. New buildings and conversions are added to the analysis after their completion.

The complete data collection with regard to energy and water consumption at our properties enables us to deduce and implement optimisation and renovation measures which continuously reduce energy and water consumption and minimise CO_2e output.

The main environmental indicators 2015 and 2016:

	2015		2016	
	Absolute value	**Specific figure per m^2**	**Absolute value**	**Specific figure per m^2**
Heating [1]	66.78 million kWh	69.8 kWh	65.88 million kWh	70.55 kWh
Electricity [2]	22.72 million kWh	23.7 kWh	20.78 million kWh	22.25 kWh
CO_2e (heating and electricity) [3]	15 003 t	15.68 kg	12 123 t	12.98 kg
Water consumption [4]	481 157 m^3	0.50 m^3	462 333 m^3	0.495 m^3

1 Energy for heating, hot water and ventilation; not adjusted for heating degree days (incl. increased demand by gastronomic use). The specific figure adjusted for heating degree days relating to the base year 2010 was 76.13 kWh/m^2 for 2016 (2015: 82.3 kWh/m^2).
2 Energy for general electrical use (incl. increased demand by air-conditioning, excl. direct energy use by tenants). Since 2015/2016 a number of new electricity procurement agreements are in force. In the respective properties, the energy we obtain is from renewable sources only. Overall, 75% of all the electricity used today is from renewable sources. As a result, we were able to lower the emission factor by more than 60%.
3 In the calculation of the fuels' greenhouse gas emissions, only direct emissions were taken into account. The factors are from the Swiss greenhouse gas inventory of the Federal Office for the Environment (FOEN), while we obtain the figures for electricity and district heating from the producers and suppliers. The figures are not adjusted for heating degree days. The specific figure adjusted for heating degree days relating to the base year 2010 was 13.93 kg/m^2 for 2016 (2015: 18.38 kg/m^2).
4 Overall water consumption (incl. increased consumption by gastronomic use).

Sustainability Reporting according to EPRA Best Practices Recommendations (sBPR)

Since 2015, we report according to EPRA's sBPR. The following overarching recommendations apply:

Reporting boundaries and reporting period: The organisational boundary for property reporting is defined by the full operational control over individual properties. Consequently, co-owned properties as well as properties where a single tenant has sole operational control are not taken into account. 2016, the data of 155 properties was quantified and analysed (2015: 160 properties). Compared to the financial reporting, this reporting is delayed by six months (corresponding to the heating and ancillary costs statements). Therefore, the current reporting period is from 1 July 2015 to 30 June 2016.

Coverage: We cover all operational properties within the defined organisational boundary.

Estimations: 2.23% of the total energy we purchase are based on estimations (2015: 8%). For properties where no final settlement is available from the providers, we apply the previous year's figures. Some of our properties are leased by single tenants; these receive their utilities statements directly from the providers. Since we offer temperature-controlled offices at these premises (which is standard at our properties) and because multi-tenant leases would be possible, we estimate the consumption at these objects (where a statement from the tenant is not available) according to the consumption at comparable properties with standard installations.

Boundaries tenant–landlord: We always obtain heating energy ourselves and pass the costs on to the tenants in the heating bill. Consequently, heating energy is factored into our calculations in full. This also applies to electricity for common areas (development) as well as ventilation and air-conditioning, where ventilated or air-conditioned rooms are leased. Electricity consumed by a tenant on his floor area is settled directly between tenant and provider by means of a separate meter; this does not enter our calculation.

Reference value: We use the leased floor space according to the figures published in the annual report for the specific values.

Reporting segments: Our portfolio consists mainly of office space. At several properties, there is a mixed use, i.e. there are both offices and retail areas (mostly on the ground floor) and, occasionally, apartments as well. In addition, we own hotels and spas. However, complete non-office use accounts for just an insignificant percentage of our total lease area (< 2%). Therefore, we do not define or disclose specific segments for these areas.

Own-used properties: We are tenant of our own properties in Zurich, Geneva and Olten; however, we occupy less than 0.5% of the total floor area. Therefore, the own-used space is integrated into the regular reporting.

Like-for-like performance: We analyse and explain our like-for-like performance across our portfolio against our selected performance indicators to disclose the development of a constant property portfolio.

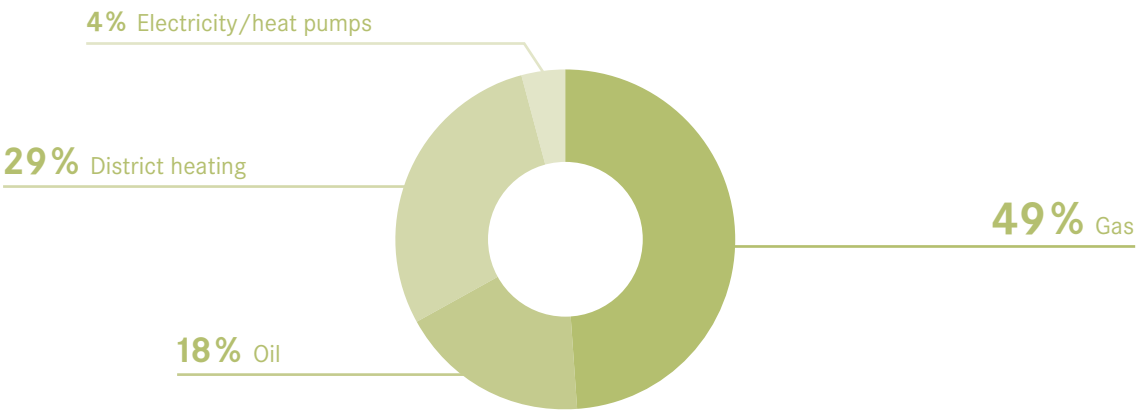
Waste: We do not disclose waste indicators, because we, as landlord, have no direct influence on waste production. In Switzerland, waste management is in the hands of local authorities and the amount of waste which is produced is the tenants' responsibility. However, we try to sensitise our tenants in this respect.

The EPRA performance key figures 2015 and 2016:

Impact area	EPRA Sustainability performance measures				
Energy	**EPRA code**	**Units of measure**	**Indicator**		
	Elec-Abs, Elec-LfL	kWh	Electricity	For landlord shared services, air-conditioning, ventilation	
				(Sub)metered exclusively to tenants	
				Total landlord-obtained electricity	
	DH&C-Abs, DH&C-LfL	kWh	District heating and cooling	Heating passed on to tenants	
				(Sub)metered exclusively to tenants	
				Total landlord-obtained district heating and cooling	
	Fuels-Abs, Fuels-LfL	kWh	Fuels (oil/gas)	Heating passed on to tenants	
				(Sub)metered exclusively to tenants	
				Total landlord-obtained fuels	
Greenhouse gas emissions					
	GHG-Dir-Abs, GHG-Dir-LfL	Tonnes CO_2e	Direct	Scope 1	
	GHG-Indir-Abs, GHG-Indir-LfL	Tonnes CO_2e	Indirect	Scope 2/3	
Water					
	Water-Abs, Water-LfL	m^3	Water	Water passed on to tenants	
				(Sub)metered exclusively to tenants	
				Total landlord-obtained water	
Specific					
	Energy-Int	kWh/m^2			
	Water-Int	m^3/m^2			
	GHG-Int	kg/m^2	Direct	Scope 1	
		kg/m^2	Indirect	Scope 2/3	
Certified buildings					
	2.4 % of lettable space is certified (LEED and Swiss “Minergie” standard)				

	Absolute measures (Abs)			Like-for-like (LfL)				
	2015	2016	+/–	2015	2016	+/–	Energy and associated GHG disclosure coverage	Proportion of energy and associated GHG estimated
	24 241 203	23 133 893		23 630 877	23 104 963			
	n.a.	n.a.		n.a.	n.a.			
	24 241 203	**23 133 893**	– 4.6%	**23 630 877**	**23 104 963**	– 2.2%	100%	5.50%
	16 857 729	18 841 411		16 857 729	18 841 411			
	n.a.	n.a.		n.a.	n.a.			
	16 857 729	**18 841 411**	11.8%	**16 857 729**	**18 841 411**	11.8%	100%	7.24%
	48 400 693	44 695 138		46 524 882	44 622 648			
	n.a.	n.a.		n.a.	n.a.			
	48 400 693	**44 695 138**	– 7.7%	**46 524 882**	**44 622 648**	– 4.1%	100%	0.23%
	10 806	**9 699**	– 10.2%	**10 341**	**9 684**	– 6.3%	100%	0.23%
	4 197	**2 425**	– 42.2%	**4 123**	**2 424**	– 41.2%	100%	6.20%
	484 019	462 333		470 674	461 932			
	n.a.	n.a.		n.a.	n.a.			
	481 157	**462 333**	– 3.9%	**470 674**	**461 932**	– 1.9%	100%	0.84%
	93.500	**92.801**	– 0.7%	**93.320**	**92.841**	– 0.5%		
	0.503	**0.495**	– 1.6%	**0.505**	**0.495**	– 2.0%		
	11.270	**10.385**	– 7.9%	**11.090**	**10.386**	– 6.3%		
	4.390	**2.596**	– 40.9%	**4.422**	**2.599**	– 41.2%		

The following chart illustrates the energy sources for heating in 2016:



In 2015, the figures were as follows: gas 46%, oil 26.5%, district heating 25%, electricity/heat pumps 2.5%.

Since 2014, we have been pooling the electricity purchases for our larger buildings; this lowers overall costs. We obtain this supply exclusively from renewable sources, mainly hydro power.

Heating energy consumption: Comparing 2015 to 2016 like-for-like, there was a reduction in oil and gas consumption by 4.1%, corresponding to a decrease in CO_2e emissions by 657 tons in 2016. In Switzerland on average, the number of heating degree days was 9% higher in 2016 than in 2015. The overproportional reduction in CO_2e from oil and gas heating was due to the rigorous shift to heating systems with lower emissions (district heating, heat pumps and gas instead of oil). As a result of these shifts, heating energy consumption from district heating rose by 11.8% respectively 148 tons of CO_2e. Nevertheless, overall CO_2e emissions fell by 4.4% respectively 509 tons.

Electricity consumption: Due to optimisation measures, we were again able to reduce specific electricity consumption like-for-like by 2.2% in 2016 (now: 23.10 million kWh/m^2). Calculated with the old conversion factor for renewable energies, this corresponds to savings of approximately 164 tons of CO_2e. Applying the new conversion factor for 75% of total energy use, there was a reduction of almost 1 800 tons.

Water consumption: Our optimisation measures continue to pay in this area as well: like-for like, we were able to lower specific water consumption by 2.0% (2015: 0.505 m^3/m^2; 2016: 0.495 m^3/m^2).

Trend in environmental indicators: Comparing 2015 to 2016 like-for-like, specific energy consumption was reduced by 0.5% while absolute specific CO_2e emissions for heating and electricity decreased by more than 16% or 2 300 tons of CO_2e in 2016.

Business travel: For the first time, we recorded and audited CO_2e emissions from our business travels (airplane, car, train) this year. In 2016, these emissions amounted to 55.4 tons of CO_2e.

Projects

In 2016 we continued with our proven strategy of going beyond the minimum with regard to energy efficiency in renovations: by means of effective, targeted measures we were again able to obtain significant energy savings. The following large-scale renovations, which we completed in 2016, deserve special mention (the stated volumes are estimates of the expected savings):

Heating conversions from oil to gas: At four properties, we converted oil heating systems to gas in 2016 (Place Saint-François 5, Lausanne; Bahnhofstrasse 10/Börsenstrasse 18, Zurich; Limmatstrasse 291, Zurich; St. Alban-Anlage 46, Basel). These measures will allow us to save approximately 220 000 kWh of heating energy annually and to reduce emissions by approximately 120 tons of CO_2e.

Conversions from oil to district heating or heat pumps: At one property (Hardturmstrasse 131, 133, 135 in Zurich) we replaced an existing oil heating system by connecting the building to the district heating system. Due to this conversion and a number of further restoration measures, we will be able to save approximately 280 000 kWh of heating energy annually and to reduce emissions by approximately 290 tons of CO_2e.

At Bahnhofstrasse 29/33 in Aarau, we replaced an existing oil heating system by a ground water heat pump. This will save us approximately 50 000 kWh of heating energy annually and reduce emissions by approximately 13 tons of CO_2e.

Replacement of old by new gas heating systems: We replaced existing gas heating systems by new ones at six properties and fitted them with new regulation systems respectively new measurement and control systems (Poststrasse 3, Zurich; Brandschenkestrasse 100, Zurich; Sihlamtstrasse 5, Zurich; Limmatquai 144 / Zähringerstrasse 51, Zurich; Aarbergstrasse 107, Biel; Steinentorberg 8/12, Basel). This will allow us to save approximately 660 000 kWh of heating energy annually and to reduce emissions by approximately 137 tons of CO_2e.

Building technology: In addition to some minor restoration measures concerning ventilation and air-conditioning systems at a number of properties, we also completed two more comprehensive projects at Hochstrasse 16 / Pfeffingerstrasse 5 in Basel and Förrlibuckstrasse 60/62 in Zurich. At the same time, we began using a more environmentally-friendly refrigerant at the Basel property. These two modernisation projects will now lower heating energy and electricity consumption by approximately 570 000 kWh annually and reduce emissions by approximately 32 tons of CO_2e.

Lighting systems: We gradually replace older lighting systems with fluorescent lamps by state-of-the-art, automated, demand-controlled LED lighting systems. In 2016, we converted the lighting systems at five properties, especially in the underground parking areas (Seestrasse 353, Zurich; Aarbergstrasse 107, Biel; Hochstrasse 16 / Pfeffingerstrasse 5, Basel; Kirschgartenstrasse 12 – 14, Basel; Baslerstrasse 44, Olten). This will result in savings of approximately 225 000 kWh of electricity annually and reduce emissions by approximately 10 tons of CO_2e.

Central energy control and alarm management system: Due to a comprehensive energy control and alarm management system, we are in a position to monitor our properties' relevant consumption levels from one central control office.

In 2016, we integrated 39 additional properties into this central energy control and alarm management system. As at the end of 2016, we were thus able to monitor 85 properties from our central control office (end of 2015: 46 properties).

Due to our central energy control and alarm management system, we can see at a glance, if the current figures are within the tolerance range. If they deviate from normal levels – for instance, in the case of excessive water consumption – we can react immediately.

The constant monitoring of energy and water consumption not only increases energy efficiency; it also makes sense from an economic point of view: it lowers ancillary expenses and thus offers added value to the tenants. And if heating costs and CO_2 taxes decline, tenants are more willing to pay higher net rents. Eventually, ecological sustainability generates an “eco yield” for our Company and our shareholders.

Photovoltaic installations: Our goal is not only to save energy, but to produce it as well. In 2016, we generated around 1 200 MWh of clean solar energy with our own photovoltaic installations; this corresponds to approximately 50 tons of “prevented” CO_2e emissions.

Economic sustainability

We want to generate long-term added value for our shareholders. Thereby, the following value drivers are relevant, which also relate to ecological and social sustainability:

- Disciplined implementation of our long-term oriented investment policy
- Quality- and value-oriented portfolio optimisation through targeted conversions of individual properties
- Consequent market orientation with attractive floor space and active customer service
- Optimisation of operating and property expenses as well as lowering the vacancy rate
- Implementation of a long-term oriented and balanced financing policy
- Strict cost management

The real estate market rewards sustainability with higher rental and sales prices. Sustainability factors are also relevant in the valuation systems of real estate valuation companies. Consequently, it is important for us to take these aspects into account in our medium- and long-term property planning and to take measures to exploit value-enhancing potentials and to minimise valuation respectively depreciation risks. In this regard, we are in an excellent position and continue to optimise our property portfolio constantly.

Sustainability is also important for institutional investors. We have the same concerns – because we share the same convictions, but also, for instance, to meet the standards of those investment funds, which follow sustainability guidelines in their investment policy.

Social sustainability

Social sustainability concerns our employees, tenants respectively customers, business partners and the public. We strive to achieve a balance between these various groups' needs and requirements. Eventually this also benefits our Company's competitiveness.

Employees: We want to offer our employees a pleasant work environment. This means flat hierarchies, respect for all employees, performance- and target-orientation, personal responsibility, transparency and open communication. As an employer of choice, we promote our employees' professional and personal potential. As a future-oriented company, we also offer commercial apprenticeships. And through the financial support for our employees to use public transport we make an additional contribution to ecological sustainability.

Customers and business partners: Reliability, fairness, quality and transparency in the business relationship on both sides form the basis for successful long-term collaboration. We want to offer our tenants respectively customers an ideal work environment and impeccable service. And we want to be a professional and trustworthy partner for our business associates to reach the corporate goals we and they strive for.

Public: Architecture is always in the public eye, particularly when valuable historic buildings and newly built properties are concerned. With their spatial presence, these objects have an impact not only on their immediate environment and their tenants' daily life; they also affect the perception of their neighbours and passers-by. Consequently, we always strive for architectural quality in new buildings and conversions as well as large-scale renovations; in the end, this approach should always result in an enhancement of the public space.

Independent Assurance Report

on the PSP Sustainability Reporting 2016

Zurich

To the management of PSP Swiss Property AG („PSP").

We have been engaged to perform assurance procedures to provide limited assurance on the sustainability reporting included in PSP's Annual Report 2016 ('Annual Report') for the year ended December 31, 2016.

Scope and subject matter

Our limited assurance engagement focused on the following data and information disclosed in the Annual Report of PSP for the reporting period from July 1, 2015 to June 30, 2016:

a) The management and reporting processes to collect and aggregate the environmental key figures;
b) The environmental key figures 2016 (energy consumption, water consumption, CO2 emissions in Scope 1 & 2) in the table on page 184 and the CO2 emissions from business travel (Scope 3) on page 188 in the Annual Report as well as the related control environment in relation to data aggregation of these key figures.

Criteria

The reporting criteria used by PSP are described in the internal reporting guidelines and define those procedures, by which the environmental key figures are internally gathered, collated and aggregated. These guidelines are based on the following standard:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" publishes in 2001 by the World Resources Institute and the World Business Council for Sustainable Development.

Inherent limitations

The accuracy and completeness of sustainability related indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the quantification of environmental key figures is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. Our assurance report should therefore be read in connection with PSP's internal guidelines, definitions and procedures on the reporting of its sustainability performance.

PSP's responsibility

The management of PSP is responsible for both the preparation and the presentation of the selected subject matter in accordance with the reporting criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to form an independent opinion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the sustainability reporting is not stated, in all material respects, in accordance with the reporting criteria. We planned and performed our procedures in accordance with the International Standard on Assurance Engagements 3000 (revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements, plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information.

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A limited assurance engagement under ISAE 3000 (revised) is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

Our limited assurance procedures included the following work:

- **Interviews**
  Interviewing personnel responsible for the collection and reporting of the data in relation with the environmental key figures at the PSP's offices in Geneva, Olten and Zurich;
- **Assessment of the key figures**
  Performing tests on a sample basis of evidence supporting the environmental key figures concerning completeness, accuracy, adequacy and consistency;
- **Review of the documentation and analysis of relevant policies and basic principles**
  Reviewing the relevant documentation on a sample basis, the management and reporting structures, and the documentation in relation with the sustainability reporting;
- **Assessment of the processes and data consolidation**
  Reviewing the appropriateness of the management and reporting processes for the environmental key figures of their sustainability reporting; and assessing the consolidation process of data at the group level.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of projections and targets. We have not conducted any work on data other than outlined in the subject matter as defined above.

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

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention causing us to believe that, in all material respects,:

a) the PSP internal reporting system to collect the data for the environmental key figures 2016 is not functioning as designed and does not provide an appropriate basis for its disclosure; and
b) the environmental key figures 2016 in the table on page 184 and the CO2 emissions from business travel on page 188 in the Annual Report covering the reporting period from July 1, 2015 to June 30, 2016 is not prepared in accordance with the Criteria.

Zurich, 6 March 2017

PricewaterhouseCoopers AG

Dr. Marc Schmidli Konstantin Meier