

Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2016 and follows the Directive of 1 April 2016 of the SIX Exchange Regulation on Information relating to Corporate Governance (“DCG”)¹.

References made in this Corporate Governance report to Articles of Association relate to the Company’s Articles of Association of 3 April 2014².

1 Group structure and shareholders

1.1 Group structure*



* English company names only when entered in the Commercial Register.

Listed holding company

Company	PSP Swiss Property Ltd
Registered office	Zug, Switzerland
Listing	SIX Swiss Exchange, Zurich
Market capitalisation 31 December 2016	CHF 4.036 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.5 on page 129 of PSP Swiss Property Ltd’s annual financial statements.

Business segments

For information about the three business segments of PSP-Swiss-Property Group, which did not change compared to the previous business year, namely Real Estate Investments, Property Management and Holding (corporate functions), see note 4 on pages 67 to 69 of the consolidated financial statements.

¹ Download available at www.six-exchange-regulation.com > Regulations > Issuer Regulations > Directive Corporate Governance (PDF)

² Download of the unofficial English translation of the German Original of the Articles of Association is available at www.psp.info > Company > Governance > Corporate Governance > Articles of association (PDF)

Only the German original of the Articles of Association is legally binding.

1.2 Major shareholders as at 31 December 2016

The information about major shareholders (voting rights > 3%) is based on entries in the share register and statements or disclosure notifications, respectively, made by the shareholder. In the reporting year, there were no disclosure notifications/publications reported on the electronic disclosure platform for the disclosure of shareholdings of the Disclosure Office of SIX Swiss Exchange³.

The following major shareholders are known by the Company:

- (a) **According to the information** given by **Alony Hetz Properties & Investments Ltd**, Ramat-Gan, Israel, the company held 5 600 000 shares, corresponding to 12.21% of the voting rights (*unchanged compared to 31 December 2015*). There was no disclosure notification in the reporting year.
- (b) **BlackRock, Inc.**, New York, N.Y., United States of America, 2 332 140 shares (corresponding to 5.08% of the voting rights) and 86 CFD (purchase position, corresponding to 0.0002% of the voting rights) respectively 9 553 CFD (sale position, corresponding to 0.02% of the voting rights), *pursuant to the latest disclosure notification/publication on 13 December 2014*. There were no disclosure notifications in the 2015 business year and in the reporting year.
- (c) **T. Rowe Price Associates, Inc.**, Baltimore, MD, United States of America, 1 398 826 shares corresponding to 3.04% of the voting rights, *pursuant to the latest disclosure notification/publication on 8 October 2015*. There was no disclosure notification in the reporting year.
- (d) **One nominee exempt from reporting requirements** to the extent of 6.86% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 7.10% in the previous year).

1.3 Cross-shareholdings

As at 31 December 2016, there were no cross-shareholdings

³ Further details on the disclosure notifications are shown under www.six-exchange-regulation.com > Publications > Significant shareholders

1.4 Shareholders as at 31 December 2016

Distribution of PSP shares

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of issued shares
	Number	%	Number	% issued shares	Number	% issued shares	
1 to 1 000	3 794	81.94	908 774	1.98			
1 001 to 10 000	589	12.72	1 887 458	4.11			
10 001 to 100 000	193	4.17	6 569 074	14.32			
100 001 to 1 000 000	50	1.08	13 329 929	29.06			
1 000 001 to 1 376 036	2	0.04	2 402 167	5.24			
1 376 037 (3%) to 2 293 394	0	0	0	0			
2 293 395 (5%) and above	2	0.04	7 548 606	16.46			
Total registered shareholders/shares	4 630	100.00	32 646 008	71.17			
Total non-registered shares					13 221 883	28.83	
Total							45 867 891

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 010	86.61	3 175 783	9.73
Legal entities	620	13.39	29 470 225	90.27
<i>(thereof nominees/trustees)</i>	<i>(42)</i>	<i>(0.91)</i>	<i>(8 052 634)</i>	<i>(24.67)</i>
Total	4 630	100.00	32 646 008	100.00
Switzerland	4 417	95.40	18 500 262	56.67
Europe (excluding Switzerland)	156	3.37	7 937 488	24.31
North America	25	0.54	1 218 073	3.73
Other countries	32	0.69	4 990 185	15.29
Total	4 630	100.0	32 646 008	100.0

2 Capital structure

2.1 Share capital as at 31 December 2016

Share capital	Total	Number of registered shares	Nominal value per share
Share capital	CHF 4 586 789.10	45 867 891	CHF 0.10
Conditional share capital	CHF 200 000.00	2 000 000	CHF 0.10

2.2 Conditional share capital in particular

The conditional share capital is governed by Article 6 of the Articles of Association:

“Article 6 Conditional share capital

1) The share capital can be increased by an amount not exceeding CHF 200'000.- by issuing, to employees of the Company and of its subsidiaries, a maximum of 2'000'000 fully paid-up registered shares with a nominal value of CHF 0.10 per share. The subscription rights and the advance underwriting rights of the shareholders of the Company are excluded. The issue of shares, or of warrants in respect thereof, or of a combination of shares and warrants, to employees takes place pursuant to regulations of the Board of Directors. The issue of shares, or of warrants in respect thereof, to employees can take place at a price below the stock exchange price.

(2) The acquisition of shares within the framework of employee participation as well as all subsequent transfer of shares are subject to the restrictions set out in Article 8 of these Articles of Association.”

2.3 Changes of capital during the last three financial years

	Number of registered shares	Nominal value per share in CHF	Nominal value in CHF 1 000
Issued, fully paid-in share capital at 31 December 2014	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2015	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2016	45 867 891	0.10	4 587
Conditional share capital at 31 December 2014	2 000 000	0.10	200
Conditional share capital at 31 December 2015	2 000 000	0.10	200
Conditional share capital at 31 December 2016	2 000 000	0.10	200

2.4 Shares, participation certificates, bonus certificates

The 45 867 891 issued registered shares with CHF 0.10 nominal value each are fully paid in. Each share carries the right to dividend payments. Voting rights are described in section 6.1 below. No preferential rights or similar rights are granted.

As at 31 December 2016, no participation certificates or bonus certificates were issued.

2.5 Restrictions on the transferability of registered shares

The registered shares of the Company are issued and administered in the form of book-entry securities. The transfer of registered shares administered in the form of book-entry securities is governed by the Book-Entry Securities Act and the Articles of Association. The Company keeps a share register in which the owners and usufructuaries of the registered shares are entered. Only those with valid entries in the share register are recognized by the Company as shareholders or usufructuaries. Purchasers of registered shares will upon request be entered, without limitation, as shareholders with voting rights in the share register, provided they expressly declare that they have acquired these registered shares in their own name and on their own account. The transfer restrictions pursuant to Article 8 (3) ff of the Articles of Association remain reserved (see Section 2.6 below). As regards the transferability of registered shares and nominee registrations, see further Article 7 (Shares, transfer of shares) and Article 8 (1) and (2) (Share register, nominees) of the Articles of Association.

2.6 Nominee registrations

As regards nominee registrations, see the following Article 8 (3) to (5) of the Articles of Association:

“(3) Persons who do not expressly declare in the entry application that they hold the shares on their own account (hereafter “nominees”) will, without further ado, be entered with voting rights in the share register up to a maximum of 2% of the share capital entered in the Commercial Register. Nominees linked with each other by way of capital, voting power, management or otherwise, or acting in concert in order to circumvent this entry restriction, are regarded as one nominee.

Over and above this limit, registered shares held by nominees will only be entered with voting rights when the nominee concerned reveals the names, addresses, nationalities and shareholdings of those persons on whose account he holds 0.5% or more of the share capital entered in the Commercial Register.

(4) After interviewing registered shareholders or nominees, the Board of Directors is entitled to delete entries from the share register, with retroactive effect from the date of entry, should these have been obtained by misrepresentation. The affected shareholder or nominee must be immediately informed of the deletion.

(5) The Board of Directors settles the details and issues the necessary instructions to ensure compliance with the provisions set out above. The Board of Directors is authorised to conclude agreements with nominees about their duties of notification.”

As at 31 December 2016, one agreement existed with a nominee regarding the requirements for registration respectively disclosure which adopts the terms of Article 8 (3) of the Articles of Association.

2.7 Convertible bonds and options

As at 31 December 2016 neither convertible bonds nor options were outstanding.

3 Board of Directors

The Board of Directors consists of eight members. The Annual General Meeting of 31 March 2016 elected Ms. Corinne Denzler as new member of the Board of Directors. Mr. Gino Pfister did not stand for re-election.

3.1 Members of the Board of Directors

Günther Gose, 1944, CH and DE, Herrliberg, Dr. rer. nat., Chairman, non-executive member.

Education: Degree in mathematics from Munich University, assistant at the Institute of Numerical Mathematics at the Technical University at Braunschweig until 1976, doctoral thesis on numerical mathematics in 1974.

Professional activity: From 1976 to 1990 various positions at Allianz Group (until 1983 assignments in product development and accounting at Allianz Life, until 1987 member of the Executive Board of Allianz Life, until 1990 Chief Executive Officer of the Nordrhein-Westfalen branch of Allianz). From 1990 member of the Zurich Group Executive Board, until 1994 responsible for life insurance, from 1994 also responsible for the Northern and Eastern Europe region, Chief Financial Officer for the Group from 1998 until retirement in mid-2002.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Gose did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Delegate and Chief Executive Officer of PSP Swiss Property Group and Chairman of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Gabriel completed his studies in economics at the Universities of Bern and Rochester (NY, USA). Thereafter, he was teaching assistant at the University of Bern and obtained the title of Dr. rer. pol. in 1983.

Professional activity: From 1984 to 1998 Mr. Gabriel worked for Union Bank of Switzerland in Zurich, London and Milan, where he held management positions in corporate finance, risk management, international corporate banking and business development. From 1998 to 2002 he was responsible for corporate finance and group treasury at Zurich Financial Services. Mr. Gabriel has worked for PSP Swiss Property Group since March 2002, initially as Chief Financial Officer and, since April 2007, as Chief Executive Officer.

Other activities and vested interests: In addition to his mandates at PSP Swiss Property Ltd and its subsidiaries, Mr. Gabriel did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Corinne Denzler, 1966, CH, Baar, business graduate, non-executive member.

Education: Ms. Denzler is a business graduate from the KV Zurich Business School in Zurich (1984) and a qualified innkeeper from GastroSuisse/GastroGraubünden in Chur (1991). She completed the course for small and middle sized companies at the University of St. Gallen (1996).

Professional activity: From 1985 to 1993, Ms. Denzler performed various functions in the Swiss hotel industry, from 1993 to 1995 she ran her own restaurant in Gossau and from 1995 to 1998 she managed the Swiss Snowsports School Davos. From 1998 to 2005, Ms. Denzler worked as a member of the executive board of Grand Resort Bad Ragaz. Between 2005 and 2008, Ms. Denzler was Director of Spas of the Tschuggen Hotel Group, and since 2008 she is working as Chief Executive Officer of the Tschuggen Hotel Group, with hotels and spas in Ascona, Arosa and St. Moritz.

Other activities and vested interests: In addition to her mandate at PSP Swiss Property Ltd, Ms. Denzler did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Adrian Dudle, 1965, CH, Kilchberg (Zurich), lic. iur., MBL-HSG, non-executive member.

Education: Lic. iur. University Freiburg i. Ue. (1989), Attorney-at-Law and notary public (1992), MBL-HSG (2000).

Professional activity: As from 2012 Chief Legal Officer of Ringier AG, Zofingen/Zurich. Prior, Mr. Dudle performed various functions inter alia for Mövenpick Holding AG, Orascom Development Holding Ltd, SAir Group, Universal Music Ltd and KPMG Ltd. Mr. Dudle is also founder of DEGAP business law, a legal consultancy firm based in Zurich.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Dudle did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Peter Forstmoser, 1943, CH, Horgen (Zurich), Dr. iur. University of Zurich, LL.M. Harvard Law School, Professor Emeritus University of Zurich, non-executive member.

Education: Dr. iur. University of Zurich (1970), Attorney-at-Law (1971), LL.M. Harvard Law School (1972).

Professional activity: Private Lecturer from 1971, Extraordinary Professor from 1974 and Ordinary Professor from 1978 to 2008 for civil law, commercial law and capital-market law at the Faculty of Law of the University of Zurich (Head from 1988 to 1990). Member of various federal expert commissions, author of numerous books and articles in his field of expertise. As an Attorney-at-Law, Prof. Forstmoser is a Partner at the law firm Niederer Kraft & Frey AG in Zurich. Since 2015 he is a permanent visiting Professor at the University of Lucerne.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Forstmoser did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of Hesta AG, Baar, and member of the Board of Trustees of SWIPRA Foundation, Zurich.

Nathan Hetz, 1952, IL, Ramat-Gan, B.A. / CPA, non-executive member.

Education: Mr. Hetz completed his studies in accounting at the University of Tel Aviv in Israel with a B.A./CPA (certified public accountant).

Professional activity: Mr. Hetz is co-founder and Chief Executive Officer of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Hetz did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors and CEO of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, Chairman of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, Chairman of the Board of Directors of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

Josef Stadler, 1963, CH, Grüningen (Zurich), lic. oec. HSG, MBA Harvard Business School, non-executive member.

Professional activity: UBS AG, member of the Global Executive Committee Wealth Management; previously Mr. Stadler was Head of JP Morgan Switzerland.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Aviram Wertheim, 1958, IL, Ramat Hasharon, CPA, non-executive member.

Education: Mr. Wertheim is a CPA (certified public accountant) and holds a degree in business administration.

Professional activity: Mr. Wertheim is Chairman of the Board of Directors of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, which he represents together with Mr. Nathan Hetz on the Board of Directors of PSP Swiss Property Ltd.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Wertheim did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, member of the Board of Directors of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and member of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

General representations

None of the non-executive members of the Board of Directors belonged to the Executive Board of PSP Swiss Property Ltd or a subsidiary in the three years preceding the 2016 business year.

Furthermore, there were no substantial business relationships between the members of the Board of Directors and PSP Swiss Property Ltd or a subsidiary.

3.2 Rules in the Articles of Association on the number of permitted activities of the members of the Board of Directors pursuant to Article 12 para. 1 section 1 of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV)

Article 25 (5) of the Articles of Association provides the following rules in respect to the permitted activities of the members of the Board of Directors:

“(5) The members of the Board of Directors may not hold more than 12 additional mandates, of which no more than 6 may be in publicly listed companies.

The members of the Executive Board may not hold more than 4 additional mandates, of which no more than 1 may be in publicly listed companies.

Mandates are defined as mandates in the supreme governing or administrative bodies of legal entities that are required to be registered in the commercial register or in a comparable foreign register. Mandates in several legal entities which are under common control are counted as one mandate.

These restrictions do not include:

- Mandates with legal entities controlled by the Company or controlling the Company.*
- Mandates with associations, foundations and non-profit organisations; no member of the Board of Directors or the Executive Board may hold more than 6 of such mandates.”*

No member of the Board has exceeded the statutorily allowed number of additional mandates.

3.3 Elections and terms of office

3.3.1 Composition of the Board of Directors and first election of its members by the Annual General Meeting

	for the first time elected
Günther Gose ¹	Extraordinary General Meeting 7 February 2000
Luciano Gabriel	Annual General Meeting 4 April 2007
Corinne Denzler	Annual General Meeting 31 March 2016
Adrian Dudle	Annual General Meeting 3 April 2014
Peter Forstmoser	Annual General Meeting 30 March 2010
Nathan Hetz	Annual General Meeting 4 April 2007
Josef Stadler	Annual General Meeting 2 April 2009
Aviram Wertheim	Annual General Meeting 2 April 2009

¹ As of 4 December 2001 Chairman of the Board of Directors.

As at 31 December 2016, there were no term limits.

3.3.2 Chairman of the Board of Directors and its first election by the Annual General Meeting

	for the first time elected
Günther Gose ¹	Annual General Meeting 3 April 2014

¹ As of 4 December 2001 Chairman of the Board of Directors.

3.3.3 Composition of the Compensation Committee and first election of its members by the Annual General Meeting

	for the first time elected
Peter Forstmoser	Annual General Meeting 3 April 2014
Adrian Dudle	Annual General Meeting 31 March 2016
Nathan Hetz	Annual General Meeting 3 April 2014
Josef Stadler	Annual General Meeting 3 April 2014

3.3.4 Additional Information

The Articles of Association do not contain any rules that differ from the statutory legal provisions with regard to the appointment of the chairman of the board of directors and the independent shareholder representative.

In the event of vacancies, pursuant to the Articles of Association, the Board of Directors appoints missing members of the Compensation Committee for the remaining term of office only, if the number of remaining members appointed by the General Meeting falls below the statutory minimum of two members (Article 22 (3) of the Articles of Association); the Articles of Association thus take no advantage of Article 7 para. 4 VegüV, which allows to complete the Compensation Committee immediately upon occurrence of any vacancy.

3.4 Internal organisational structure

3.4.1 Allocation of tasks within the Board of Directors

The Board of Directors exercises the powers conferred to it under Article 17 of the Articles of Association as a body. The Board of Directors has delegated the management and the representation of the Company to the Delegate of the Board of Directors (simultaneously Chief Executive Officer), respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association governing the delegation of duties and as permitted by law. Besides that, tasks among Board Members are not specifically allocated.

The individual members of the Board of Directors have the following special competencies: Mr. Günther Gose, as Chairman, contributes his finance and management expertise gained in financial services companies. Mr. Luciano Gabriel, as Delegate and Chief Executive Officer of PSP Swiss Property Group, contributes his real estate expertise and financing know-how. Mr. Nathan Hetz adds his real estate expertise. Messrs. Josef Stadler and Aviram Wertheim support the Board of Directors in strategic respectively investor and real estate issues, Prof. Forstmoser in legal, strategic and corporate governance issues, Mr. Adrian Dudle in communication matters and with his background on special real estate and Ms. Corinne Denzler with her experience in special real estate objects and projects.

In addition to sitting on the Board of Directors of PSP Swiss Property Ltd, Mr. Luciano Gabriel is also a member of the Board of Directors of all PSP Swiss Property Ltd's subsidiaries.

3.4.2 Committees of the Board of Directors

In view of its current size, the Board of Directors sees in general no necessity to delegate tasks to Board Committees unless provided for by law or the Articles of Association. The Board of Directors ensures that it has sufficient time to deal with all major business issues at the meetings of the entire Board.

The Board of Directors has an **Audit Committee** and a **Compensation Committee**, which basically have only advisory and preparatory tasks.

The **Audit Committee** is composed of all Board Members except Mr. Luciano Gabriel. Mr. Günther Gose is Chairman of the Audit Committee.

	Member since the General Meeting of respectively since the existence of the Audit Committee
Günther Gose	9 May 2007
Corinne Denzler	31 March 2016
Adrian Dudle	3 April 2014
Peter Forstmoser	30 March 2010
Nathan Hetz	9 May 2007
Josef Stadler	2 April 2009
Aviram Wertheim	2 April 2009

The Audit Committee submits recommendations to the Board of Directors with regard to the approval of the annual, interim and quarterly financial statements as well as with regard to the relationship with the external auditors. All members have appropriate expertise in accounting and finance, be it as acting or former Chief Executive or Financial Officer (CEO or CFO) or because of actual or former education and/or professional activities as Certified Public Accountant (CPA) or legal expert.

The **Compensation Committee** was elected at the Annual General Meeting of 31 March 2016 (see section 3.3.3 above). It appointed Mr. Forstmoser as Chairman. The duties of the Compensation Committee are set forth in Articles 22 (4) et seq. of the Articles of Association as follows:

“(4) The Compensation Committee shall prepare the resolutions of the Board of Directors on compensations of the members of the Board of Directors and the Executive Board. It shall in particular submit proposals to the Board of Directors for:

- the determination of the compensation principles, namely in respect to the performance-based compensations and the grant of equity securities or option rights, as well as the respective implementation control;*
- the individual compensations for the members of the Board of Directors and the Executive Board as well as the respective employment contracts;*
- the proposal to the General Meeting for the approval of the maximal total amounts of compensations for the Board of Directors and the Executive Board in the sense of Article 24 of these Articles of Association;*
- the compensation report.*

(5) For the fulfilment of its duties, the Compensation Committee may consult other persons and external advisors and invite them to its meetings with advisory vote.

(6) The Board of Directors may assign further preparatory tasks to the Compensation Committee.”

3.4.3 Work method of the Board of Directors and its Committees

In principle, four ordinary meetings of the Board of Directors are held annually. Between such meetings, extraordinary meetings may be called as required and resolutions may be passed by written consent. The Secretary is responsible for keeping minutes of the Board meetings and for recording any resolutions passed by written consent in the subsequent minutes.

The Chairman of the Board of Directors is in constant contact with the Delegate of the Board of Directors.

Discussions of the Compensation Committee take place as required, namely in preparation of the proposals to the General Meeting concerning the compensation report and the maximum total amounts of compensations for the Board of Directors and the Executive Board. Discussions of the Audit Committee take place mainly in preparing the annual, interim and quarterly reports.

In the 2016 business year, five ordinary Board meetings took place, lasting five hours on average. The Audit Committee met five times, the Compensation Committee twice, with a meeting lasting one hour on average.

With regard to the participation of members of the Executive Board and of the Statutory Auditors at the meetings of the Board of Directors and its Committees, see section 3.6 and 8.4, respectively, below. In the reporting year, all acting members of the Executive Board participated in the meetings of the Board of Directors. The representatives of the Statutory Auditors participated at four meetings of the Board of Directors and at four meetings of the Audit Committee. One representative of the property appraiser Wüest Partner AG reported at the meeting in August. Apart from that, no other persons or advisors were invited to the meetings.

3.5 Definition of the areas of responsibility of the Board of Directors and the Executive Board

The Board of Directors has delegated the management and the representation of the Company to the Delegate of the Board of Directors (simultaneously Chief Executive Officer), respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association governing the delegation of duties and as permitted by law. The Board of Directors determines the levels of authority applying to any decisions to be made by the Delegate in consultation with the Chairman, respectively the Delegate on his own or in consultation with the members of the Executive Board.

The duties of the Delegate of the Board of Directors respectively the members of the Executive Board are laid down in Articles 5.2 and 5.3.1 to 5.3.4 respectively 6.3 of the Organisational Guidelines and Regulations (“OGR”) as follows (versions of 28 March 2007 / 16 August 2010 / 16 August 2012):

Article 5 The Delegate of the Board of Directors

“(5.2) The Delegate is Chairman of the Executive Board (Chief Executive Officer / CEO) and – unless these OGR or further regulations, guidelines or directives issued by the Board of Directors stipulate otherwise – responsible for the Company’s and the Group’s management. The Delegate decides in all matters of the management of the Company and the Group which are not reserved to (i) the Board of Directors, (ii) the Delegate in consultation with the Chairman or (iii) the Delegate in consultation with the members of the Executive Board, based on these OGR or further regulations, guidelines or directives issued by the Board of Directors.

In particular, the Delegate has the following duties:

- *Leading, controlling and coordinating the members of the Executive Board reporting to him as well as the other members of management (“Direktoren”) and staff reporting directly to him;*
- *Preparation and implementation of the resolutions of the Board of Directors, in particular with regard to Group strategy;*
- *Preparation of the allocation and the deployment of the resources (funds and personnel) necessary to achieve the Company’s and the Group’s goals, including staff training and development courses as well as human resources development;*
- *Representation of the Company’s and the Group’s overall interests vis-à-vis third parties in so far as these are not taken care of by the Board of Directors.”*

“(5.3.1) The Delegate informs the Board of Directors at its meetings of the ongoing activities and the important business incidents as well as of the activities of the members of the Executive Board. Between meetings he informs the Chairman immediately of extraordinary and serious business incidents.

(5.3.2) In exceptional, urgent cases which would be in the Board of Directors’ competence but for which the Board of Directors’ approval cannot be obtained in time, the Delegate makes his decision and reports to the Board of Directors immediately.

(5.3.3) The Delegate makes sure that an effective auditing concept for the Company and the Group is in place.

(5.3.4) The Delegate decides on the infrastructure necessary for his support.”

Article 6 Members of the Executive Board

“(6.3) In particular, the individual members of the Executive Board have the following duties:

- Implementation of the overall strategy and development of their business segment, complying with the Group’s targets and focus;*
- Achieving their business segments’ stated strategic and operative goals;*
- Regular reporting to the Delegate, usually at least once a month. The members of the Executive Board also report directly to the Board of Directors at its meetings if asked to do so by the Chairman or the Delegate.”*

3.6 Information and control instruments vis-à-vis the Executive Board

As a rule, the members of the Executive Board attend all ordinary meetings held by the Board of Directors and the Audit Committee for the purpose of ensuring direct communication between the Board of Directors and the Executive Board and an appropriate level of control. In the reporting year, all acting members of the Executive Board participated at the meetings of the Board of Directors and of the Audit Committee.

The Board of Directors is informed regularly and within the framework of the quarterly, interim and annual reporting requirements on key financial figures and any financial and operational risks to which PSP Swiss Property Group may be exposed (pages 62 to 66 of the consolidated financial statements contain information on risk management and the risk report, which is issued twice a year).

Based on a comprehensive risk evaluation and a corresponding strategy, the Board of Directors implemented, in the 2008 business year, an internal control system (ICS) regarding the financial reporting. At least once a year the Board of Directors re-evaluates the risks and is informed by the Executive Board regarding the functioning and the effectiveness of the ICS.

At the moment, there are no internal auditors. However, the Board of Directors and its Audit Committee liaise directly with the Statutory Auditors and are entitled to assign special auditing duties to them, if required (see section 8.4 below). In the reporting year, no special auditing duties were assigned.

4 Executive Board

The Executive Board consists of three members. Mr. Ludwig Reinsperger left the Executive Board as per the end of January 2016; Mr. Adrian Murer joined the Executive Board as per 1 July 2016.

	Member since
Luciano Gabriel ¹ , Chief Executive Officer	1 March 2002
Giacomo Balzarini, Chief Financial Officer	1 April 2007
Adrian Murer, Chief Investment Officer	1 July 2016
Ludwig Reinsperger ²	until the end of January 2016

¹ Since 1 April 2007 as Delegate of the Board of Directors and CEO.

² After Mr. Ludwig Reinsperger left the Executive Board as per end of January 2016, and until Mr. Adrian Murer took office at 1 July 2016, the functions of the Chief Investment Officer were temporarily split between and assumed by Mr. Luciano Gabriel and Mr. Giacomo Balzarini.

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chief Executive Officer (has held this position since 1 April 2007, previously, Chief Financial Officer since March 2002). See section 3.1 above.

Giacomo Balzarini, 1968, CH and IT, Wollerau, lic. oec. publ., MBA, Chief Financial Officer (has held this position since 1 April 2007). Mr. Balzarini joined PSP Swiss Property on 1 December 2006.

Education: Mr. Balzarini completed his studies in economics at the University of Zurich in 1996. In 2002 he obtained an MBA from the University of Chicago (Ill., USA).

Professional activity: From mid-1993 to 1996 Mr. Balzarini worked for Union Bank of Switzerland in Zurich in the areas of corporate account management and business development. From 1997 until 2006 he worked at Swiss Reinsurance Company in risk and project management, strategic development and asset management; his last position at Swiss Reinsurance Company was Managing Director, responsible for building up the company's indirect international real estate portfolio.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Balzarini did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of Seewarte Holding AG, Zug.

Adrian Murer, 1974, CH, Beckenried, dipl. Ing. ETH, M.A. HSG, Attorney-at-Law, Chief Investment Officer (since 1 July 2016).

Education: Mr. Murer completed his studies at the Swiss Federal Institute of Technology Zurich as dipl. Ing. ETH (2000) and at the University of St. Gallen as M.A. HSG (2007). In 2008, he was admitted to the Bar of the Canton of Aargau.

Professional activity: After various engagements as project engineer with construction and engineering firms in Spain, Switzerland and Singapore (1998, 2002 – 2004), Mr. Murer worked as a lawyer at the law firm Baur Hürlimann AG in Zurich from 2007 to 2011 and as Director at Orascom Development Holding AG in Altdorf from 2011 to 2013. From mid-2013 until mid-2016, Mr. Murer was a partner at the law firm Baur Hürlimann AG in Zurich.

In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Murer did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of Andermatt-Sedrun Sport AG, Andermatt.

4.2 Rules in the Articles of Association on the number of permitted activities of the members of the Executive Board pursuant to Article 12 para. 1 section 1 VegüV

See Article 25 (5) of the Articles of Association for the rules in respect to the number of permitted activities of the members of the Executive Board (see also section 3.2 above).

No member of the Executive Board has exceeded the statutorily allowed number of additional mandates.

4.3 Management contracts

As at 31 December 2016, there were no management contracts with companies outside the PSP-Swiss-Property-Group.

5 Compensations, shareholdings and loans

5.1 Content and determination of the compensations

As to content and determination of the compensations of the Board of Directors and the Executive Board, see pages 142 to 144 in the compensation report together with the explanations on the compensation system on pages 146 to 154.

With regard to the shareholdings and loans of members of the Board of Directors and of the Executive Board, see the consolidated financial statements, note 32 pages 96 to 99.

5.2 Rules on compensations in the Articles of Association

5.2.1 Principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options, as well as to the additional amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting of shareholders

a) Members of the Executive Board receive a variable, performance-related compensation. In this respect, Article 23 (3) of the Articles of Association provides as follows:

“(3) The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation. With the performance-based compensation, a sustainable maximisation of the net earnings per share (EPS) and of the net asset value per share (NAV) shall be targeted and honoured. The amount of the performance-based compensation shall be derived from the overall economic results of the Company, whereas the net earnings per share (EPS) exclusive of gains/losses on real estate investments have priority. The performance-based compensation can be paid in cash and/or by granting of equity securities or option rights.”

With regard to the variable, performance-based compensation, see the compensation report page 143.

b) In respect to the allocation principles of equity securities, convertible rights and options, Article 23 (4) of the Articles of Association provides as follows:

“(4) When granting equity securities or option rights, the amount of compensation equals the value of the securities or rights respectively at the time of allocation. The value will be derived from the stock market price at the day of allocation or an average stock market price of prior trading days. Apart from that, the Board of Directors specifies the terms and conditions of granting and exercising such securities and rights, inclusive of blocked periods and forfeiture clauses, if any.”

With regard to the allocation of shares to the members of the Executive Board as part of the variable, performance-based compensation, see the compensation report page 143.

c) In respect to the additional amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting, Article 24 (2) of the Articles of Association provides as follows:

“(2) To the extent that the maximum total amount approved prospectively for the Executive Board is not sufficient to compensate new members appointed after the respective approval by the General Meeting

up to the beginning of the next approval period, the Company may pay an additional amount not exceeding 50% of the total amount of compensation approved for the respective approval period. The General Meeting does not vote on the additional amount used.”

No additional amount was required in the 2016 business year (see the compensation report, page 144.).

5.2.2 Loans, credit facilities and post-employment benefits

a) In respect to loans and credits, Article 25 (4) of the Articles of Association provides as follows:

“(4) Loans and credits, if any, to members of the Board of Directors and the Executive Board shall not exceed 100% of the yearly fixed compensation of the respective person. Advances of legal and similar cost to defend against any liability claims do not constitute loans or credits.”

In the 2016 business year, no loans and credits were granted (see the compensation report, page 144).

b) In respect to post-employment benefits, Article 25 (2) of the Articles of Association provides as follows:

“(2) The members of the Executive Board are insured under employee benefit schemes and receive the benefits in accordance with the respective plans and regulations, inclusive of over-obligatory benefits. The members of the Board of Directors may join such employee benefit schemes, to the extent this is allowed under the respective regulations. The Company pays the employer's contributions to the employee benefit schemes as prescribed by the regulations. In connection with retirements before reaching the orderly pension age, the Company may make bridge payments to the benefit scheme beneficiaries or additional payments to the employee benefit schemes up to a maximum amount of half of the annual fixed compensation which the beneficiary has received in the year before his early retirement.”

With regard to the post-employment benefits in the 2016 business year, see the compensation report page 143.

5.2.3 The vote on pay at the General Meeting of shareholders

The General Meeting votes on the compensations of the members of the Board of Directors and of the Executive Board in accordance with Article 24 (1) and (3) of the Articles of Association as follows:

“(1) The General Meeting annually approves – based on the proposal of the Board of Directors – separately and with binding effect, the maximum total amounts of compensations for the Board of Directors for the period until the next annual General Meeting and for the Executive Board for the business year following the annual General Meeting (the “approval period”). Within these maximum total amounts, compensations may be paid by the Company itself and/or by one or several other group companies.

[...]

(3) If the General Meeting rejects the approval of a proposed maximum total amount of compensation, the Board of Directors has to call a new General Meeting within six months.”

6 Shareholders' participation rights

6.1 Voting-rights restrictions and representation

According to Article 14 of the Articles of Association, each share confers on the owner or usufructuary thereof entered in the share register as shareholder with voting rights the right to cast one vote.

There are no statutory voting-rights restrictions.

The right to attend General Meetings and to be represented by proxy are governed by Article 12 of the Articles of Association.

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association and Articles 8 et seq. VegüV.

6.2 Rules on the issue of instructions to the independent shareholder representative and on the electronic participation in the General Meeting

Pursuant to Article 13 (4) of the Articles of Association, the Company ensures that the shareholders may submit their proxies and instructions to the independent shareholder representative also by electronic means. The Board of Directors determines the requirements for proxies and instructions. No electronic real-time participation in the General Meeting is foreseen.

6.3 Quorums stipulated by the Articles of Association

No quorum exceeding those prescribed by law are required under the Articles of Association in order to pass resolutions at General Meetings. According to Article 16 (1) of the Articles of Association, the General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented, if not otherwise required by law.

6.4 Calling the General Meeting, shareholders' right to request the inclusion of an agenda item

Calling the General Meeting, the procedure for calling a General Meeting, the right to call General Meetings and the right to request the inclusion of an agenda item are governed by Articles 10 and 11 of the Articles of Association.

The right to request the inclusion of an agenda item is governed by Article 11 (2) of the Articles of Association as follows:

“(2) Up to 45 days before the date of a General Meeting, shareholders with voting rights, together representing shares with a nominal value of at least CHF 10 000.-, may submit items for inclusion on the agenda. This demand must be made in writing stating the respective proposals.”

In respect to the next Annual General Meeting of 5 April 2017, the 45th day before the date of the General Meeting is 19 February 2017.

Proposals at the General Meeting regarding items on the agenda do not need to be announced in advance (see Article 11 (3) of the Articles of Association).

6.5 Record date for entries in the share register

According to Article 12 (1) of the Articles of Association, the Board of Directors is responsible for setting the record date by which entries in the share register must be made for the purpose of attending General Meetings. Shareholders are informed of this record date, at the latest, in the notice convening the General Meeting.

In respect to the next Annual General Meeting of 5 April 2017, such record date is Friday, 31 March 2017.

For further information regarding the entry of shareholders and usufructuaries of PSP shares in the share register, we refer to Article 8 of the Articles of Association.

7 Changes of control and defence measures

7.1 Duty to present a bid

The Articles of Association do not provide for any “opting out” or “opting up” arrangements within the meaning of Articles 125 respectively 135 FMIA (Financial Market Infrastructure Act, in force since January 2016).

7.2 Change of control clauses

There are no changes of control clauses.

8 Statutory Auditors

8.1 Duration of the mandate and term of office of the head auditor

PricewaterhouseCoopers AG, Zurich, assumed its existing auditing mandate in February 2000 (registered in the Commercial Register of the Canton of Zug on 4 February 2000). It was last re-elected as Statutory Auditors for the 2016 business year by the Annual General Meeting on 31 March 2016.

The Lead Engagement Partner responsible for the existing auditing mandate took up office with the 2011 business year. The maximum term of office is determined by Article 730a para. 2 CO and it will expire by the end of the 2017 business year.

8.2 Auditors' fees

The costs for auditing the financial statements of the subsidiaries and the consolidated financial statements 2016 as well as for reviewing the interim financial statements as per 30 June 2016 and the quarterly financial statements as per 31 March and 30 September 2016 amounted to CHF 0.612 million (previous year: CHF 0.64 million).

8.3 Additional fees

For the reporting period 2016, additional fees of CHF 0.05 million (previous year: CHF 0.05 million) were charged by PricewaterhouseCoopers AG for advice in the segments sustainability reporting as well as review of the EPRA performance key figures.

8.4 Supervisory and control instruments via-à-vis the Statutory Auditors

The Board of Directors and the Audit Committee liaise directly with the Statutory Auditors regarding the audit and review work to be carried out for the annual respectively interim and quarterly reports. On request, representatives of the Statutory Auditors attend meetings of the Board of Directors respectively the Audit Committee in which such matters are discussed; in 2016 this concerned four meetings of the Board of Directors and four meetings of the Audit Committee.

At the ordinary February meeting the representatives of the Statutory Auditors usually submit their auditors' reports for the examined business year. At the ordinary November meeting they usually submit their review plan for the business year which is about to end. At further meetings the Statutory Auditors report on their review work for the quarterly respectively interim reports.

As mentioned under section 3.6 above, the Board of Directors and its Audit Committee may entrust the Statutory Auditors with special reviews, if required. In the reporting year, no such special reviews were requested.

Each year, when deciding on its proposal to the Annual General Meeting regarding the re-election of the Statutory Auditors, the Board of Directors analyses the auditors' performance.

9 Information policy

PSP Swiss Property Ltd keeps its shareholders and the capital market supplied with full and up-to-date information as well as optimum transparency.

Financial reporting consists of quarterly, interim and annual reports. These are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in compliance with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

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Agenda

7 March 2017	Publication FY 2016
5 April 2017	Annual General Meeting 2017
12 May 2017	Publication Q1 2017
18 August 2017	Publication H1 2017
14 November 2017	Publication Q1 – Q3 2017

www.psp.info

Additional information and all publications (**including, in particular, the 2016 annual report and the Articles of Association of the Company**) are available under www.psp.info > Investors > Downloads > Financial reports respectively Company > Governance > Corporate Governance. **The publications may also be requested at the above Investor Relations address.**