



Annual report 2020



Great Place to Work®

Great Place to Work®, a leading international expert in workplace culture, conducted an extensive culture audit including an employee survey at PSP Swiss Property for the first time in 2019.



EPRA reporting

Since 2000, PSP Swiss Property is a member of EPRA (European Public Real Estate Association). Domiciled in Brussels, EPRA was founded in 1999. It is a non-profit organisation promoting and supporting the European public real estate industry. We apply EPRA's Best Practices Recommendations in the disclosure of our performance measures and in sustainability reporting.

www.psp.info

Further publications and information are available on www.psp.info.

Front page image

View from "Zurich West" towards the city center. The picture shows in the front the new building "ATMOS".

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Board of Directors' statement

In these uncertain times, the central location and the high quality of our properties are more important than ever.

Dear Readers

Business development

We will all remember 2020 as an exceptional year. But despite all the social and economic difficulties and uncertainties due to the corona crisis, we achieved an outstanding result: net income excluding gains/losses on real estate investments rose to CHF 215.8 million. This represents an increase of CHF 0.6 million or 0.3% compared to 2019 (CHF 215.2 million). In this respect, it is worth mentioning that in the previous year, the release of deferred taxes at the level of net income excluding gains/losses on real estate investments had a positive one-off effect of CHF 22.1 million. Excluding this amount, operating net income rose even more by CHF 22.7 million or 11.8% in 2020.

On the income side, this increase was due to higher rental income, higher income from the sale of condominiums and projects as well as improvements in capitalised own services and increase in revenue from VAT recovery. On the cost side, we were able to lower both operating and financing expenses. In other words: there were positive effects in practically all areas.

Net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders. The 2020 result allows the Board of Directors to propose to the Annual General Meeting of 31 March 2021 a dividend payment of CHF 3.65 per share (previous year: CHF 3.60). This corresponds to a yield of 3.1% on the 2020 year-end share price of CHF 118.30. Thus, we continue our shareholder-friendly dividend policy, further strengthening our position as a predictable and stable core investment for Swiss real estate.

Apart from dealing with the corona crisis, our focus remained on optimising our property portfolio in 2020. We did this by renovating and modernising selected investment properties and, at the same time, further developing our sites and development projects. In addition, we made a number of targeted acquisitions and sales. With regard to our investment portfolio, we strengthened our position especially in Geneva: at the end of September 2020, we acquired three attractive commercial properties in prime downtown locations for around CHF 300 million.

As part of our letting activities, we focused on the early processing of lease agreements due for renewal as well as the active marketing of vacancies. We were able to further reduce our overall vacancy rate to 3.0% by the end of 2020 (end of 2019: 3.5%). This is an excellent level considering the significant size of our property portfolio with a total value of CHF 8.6 billion.

Not surprisingly, the ongoing corona crisis with the resulting lockdown in the spring of 2020 and the measures enacted by the Federal Council and the Cantons at the end of 2020 also affected PSP Swiss Property and the market environment. The repercussions are still being felt today. The tenant segments non-food retail, gastronomy and hotels were impacted to various degrees. Furthermore, the pandemic adversely affected the transaction market and construction activities, especially following the lockdown in spring 2020. During the reporting year, the transaction market and construction activity regained pre-corona levels. The non-food retail rental market, however, remained under pressure. Our most important market segment, the office rental market, also slowed down in 2020, but considerably less than the retail rental market.

All in all, we managed the challenges well. It remains to be seen how much the measures enacted by the authorities in mid-January 2021 will impact our business model. In any case, we are well prepared for all contingencies for a number of reasons: we have a high-quality portfolio with a low vacancy rate; the main use is for office space and the tenant base is broadly diversified; the development projects, most of which are already largely pre-let, will generate further growth; and, finally, we have a solid equity base and sufficient financing sources.

For us, our employees' health has always been a top priority; this remains unchanged in these corona times. At the same time, we make sure that business operations as well as communication and interaction with our tenants, business partners and public authorities continue as smoothly as possible. We always implemented and continue to implement all governmental directives and recommendations, especially with regard to home-office, social distancing and hygiene. Not least due to our excellent IT environment, which proved to be both reliable and effective in these stressful times, we remain well organised. Thanks to the precautions taken and the dedication of our employees, we can offer them all a safe working environment and, at the same time, ensure business continuity.

Sustainability

Sustainability criteria are increasingly important for a growing number of equity and debt investors, taking ecological and social aspects as well as corporate governance into account. At the same time, more and more mutual funds invest according to sustainability criteria. In this respect, we benefit from our long-time focus on sustainability. For PSP Swiss Property, ecological and social responsibility – not least with regard to our employees – as well as a good corporate governance are a matter of course and part of our business philosophy. In order to continue to play our part in reaching national and international goals to fight

climate change, we will further reduce our properties' specific CO₂ emissions.

During the reporting period, we have set a new CO₂ target and the corresponding CO₂ reduction path until 2050. It is our goal to reduce by half the specific CO₂ emissions by 2035.

Outlook

An outlook on the Swiss economy remains difficult, especially due to the measures enacted by the authorities in mid-January 2021 and the uncertainties about the future development of the corona crisis. These imponderables might weigh on the economy well into the current business year. Consequently, forecasts with regard to the growth of gross domestic product are fraught with uncertainty. It is just as difficult to predict the impact on the property sector. However, more than ever, we must differentiate between the various sub-segments. The situation is different for office space and other commercial properties and it varies significantly depending on the quality of their location. We expect demand for modern office space in A-locations to remain stable in the coming months. So far, quoted rents for these offices are comparable to those before the outbreak of the crisis. On the other hand, the market for older office buildings in B- and C-locations as well as non-food retail space, which had been challenging even before the crisis, will remain difficult.

For both offices and retail space, rental success will continue to depend on two market-relevant factors, in particular: location and quality. PSP Swiss Property is well-positioned in both.

Our focus remains unchanged: we modernise selected properties, develop our projects and concentrate on our letting activities. We will only consider acquisitions if they allow for added value in the long term.

In financing, we will continue to pursue our proven conservative approach. And, as in the past, we will consider tapping the capital market if required.

For the 2021 business year, we expect an ebitda excluding gains/losses on real estate investments of around CHF 275 million (2020: CHF 271.1 million). With regard to the vacancies, we expect a rate of around 4.5% at year-end 2021 (end of 2020: 3.0%).

The forecasts with regard to ebitda and vacancies are conditional on the future development of the corona crisis. They are based on the assumption of an imminent easing of the current partial lockdown and a relatively swift normalisation of the general economic environment.



Luciano Gabriel
Chairman of the Board of Directors

22 February 2021

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2020 in brief

Key figures

Portfolio value

8.6

CHF billion

We further improved the quality of our portfolio by targeted acquisitions and comprehensive renovations.

Equity base

4.6

CHF billion

With an equity ratio of 52.8%, our balance sheet is strong.

Net income excluding gains/losses on real estate investments

215.8

CHF million

Net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders.

Dividend

3.65

CHF per share

The Board of Directors will propose to the Annual General Meeting on 31 March 2021 a dividend payment of CHF 3.65 per share. This corresponds to a cash yield of 3.1% on the 2020 year-end share price of CHF 118.30.

EPRA EPS

4.32

CHF

The EPRA EPS shows the underlying operating performance.

EPRA NRV

123.19

CHF

The EPRA NRV assumes that an entity never sell assets and aims to represent the value required to rebuild the entity.

CO₂ emissions

–52%

Per square metre of lettable area we have reduced CO₂ emissions by 52% and energy use by 30% since 2010.

CO₂ target

–50%

We want to reduce our specific CO₂ emissions by around 50% to 6.15 kg CO₂/m² by 2035.

Key financial figures	Unit	2019	2020	+/- ¹
Rental income	CHF 1 000	290 460	296 274	2.0%
EPRA like-for-like change	%	1.2	- 0.2 ²	
Net changes in fair value of real estate investments	CHF 1 000	244 176	101 578	
Income from property sales (inventories)	CHF 1 000	12 835	16 115	
Income from property sales (investment properties)	CHF 1 000	14 961	0	
Total other income	CHF 1 000	7 957	12 571	
Net income	CHF 1 000	453 425	292 091	- 35.6%
Net income excluding gains/losses on real estate investments ³	CHF 1 000	215 214	215 795	0.3%
Ebitda excluding gains/losses on real estate investments ³	CHF 1 000	256 145	271 058	5.8%
Ebitda margin	%	82.0	83.4	
Total assets	CHF 1 000	8 036 244	8 665 045	7.8%
Shareholders' equity	CHF 1 000	4 450 220	4 579 165	2.9%
Equity ratio	%	55.4	52.8	
Return on equity	%	10.5	6.5	
Interest-bearing debt	CHF 1 000	2 596 136	3 057 204	17.8%
Interest-bearing debt in % of total assets	%	32.3	35.3	
Portfolio key figures				
Number of investment properties	Number	162	160	
Carrying value properties	CHF 1 000	7 259 441	7 681 998	5.8%
Implied yield, gross ⁴	%	4.0	3.8	
Implied yield, net ⁴	%	3.4	3.3	
Vacancy rate (CHF) ^{4, 5}	%	3.5	3.0	
Number of sites and development properties	Number	12	16	
Carrying value sites and development properties	CHF 1 000	722 223	895 091	23.9%
Headcount				
Employees	People	94	96	
Full-time equivalents	FTE	89	89	
Per share figures				
Earnings per share (EPS) ⁶	CHF	9.89	6.37	- 35.6%
EPS excluding gains/losses on real estate investments ^{3, 6}	CHF	4.69	4.70	0.3%
EPRA EPS	CHF	3.94	4.32	9.7%
Distribution per share	CHF	3.60	3.65 ⁷	1.4%
Net asset value per share (NAV) ⁸	CHF	97.02	99.83	2.9%
NAV per share before deduction of deferred taxes ⁸	CHF	115.82	119.57	3.2%
EPRA NRV	CHF	119.20	123.19	3.3%
Share price end of period	CHF	133.60	118.30	- 11.5%

¹ Change to previous year's period 2019 or to carrying value as of 31 December 2019 as applicable.

² EPRA like-for-like growth excluding Covid-19 rent reliefs is + 1.5%.

³ See definition on page 93, note 30.

⁴ For investment properties.

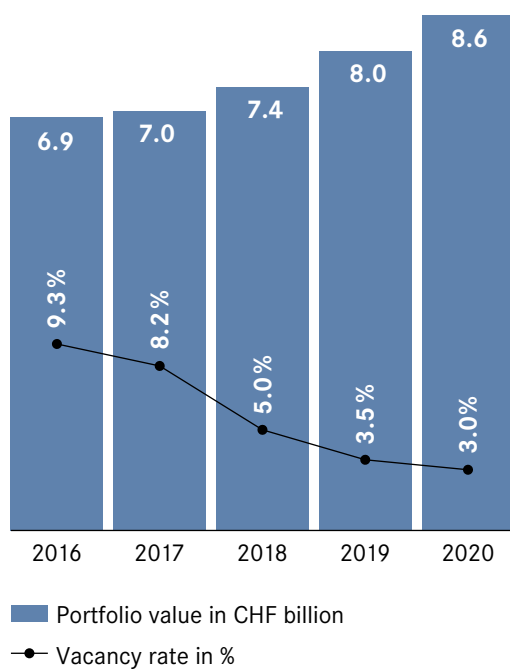
⁵ Equals the lost rental income in % of the potential rent, as per reporting date.

⁶ Based on average number of outstanding shares.

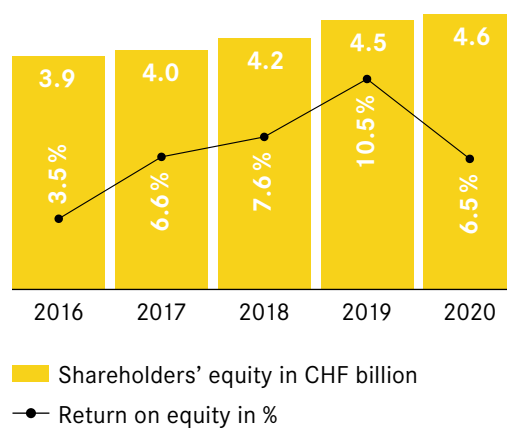
⁷ Proposal to the Annual General Meeting on 31 March 2021 for the business year 2020: Dividend payment.

⁸ Based on number of outstanding shares.

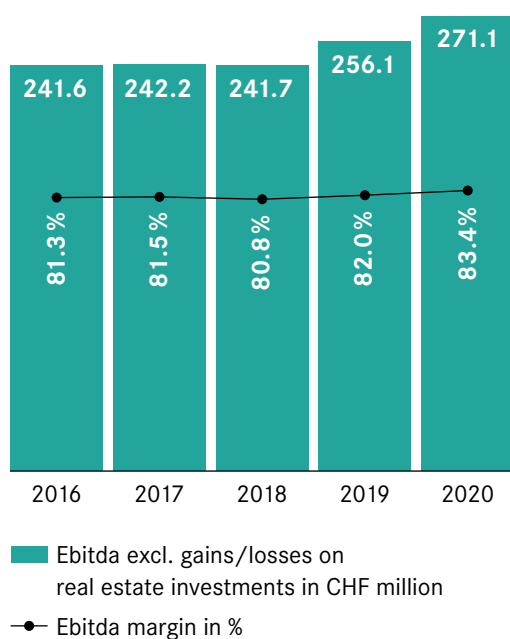
Real estate portfolio



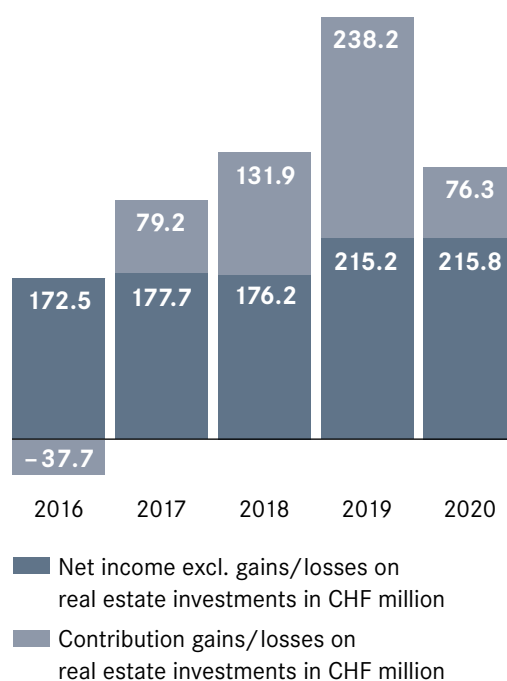
Shareholders' equity



Ebitda



Net income components



Report on the business year 2020

Despite challenging conditions, 2020 was another successful year for PSP Swiss Property.

Business development

Despite all the corona-related social and economic difficulties and uncertainties, we are satisfied with the past business year. Not surprisingly, the ongoing corona crisis also affected PSP Swiss Property and the market environment. Overall, we experienced nevertheless resilient customer demand in the reporting period. To a significant degree, this was due to the fact that our portfolio does not reflect the market as a whole, but rather a stable sub-segment with an above-average number of well-located quality properties.

Since the first lockdown in spring 2020 and the recently enacted partial lockdown, we have been dealing intensively with the implications of the corona crisis. Especially tenants from the segments non-food retail, gastronomy and hotels were impacted to various degrees. We are continuing to process and respond to all tenant enquiries. We settled the majority of the cases in cooperation with the affected tenants. It is our goal to maintain our existing customer relationships whenever possible.

Furthermore, the corona crisis also adversely affected the transaction market and construction activities. However, both the transaction market and construction activity regained pre-corona levels during the reporting year.

Apart from dealing with the corona crisis, our focus remained on optimising our property portfolio in the past business year. Renovations and modernisations are key success factors for our business model. We want to optimise and further develop our property portfolio in such a way that we can also grow organically. In doing so, we focus on customer needs with regard to the quality and flexibility of rental space as well as the growing trend towards sustainability. Thus, capital expenditures

totalling approximately CHF 65 million are earmarked for the investment portfolio in 2021 alone. In addition, we plan to invest around CHF 216 million in our sites and development properties in the coming years.

Letting activities remain a top priority. It is encouraging that we were able to further reduce the vacancy rate to 3.0% by the end of 2020 (end of 2019: 3.5%).

Swiss market environment

Letting market, office and retail

Until the outbreak of the corona crisis, business sentiment was positive in all our relevant regions and market segments. However, the regulatory measures and the uncertainty in the business environment brought the letting market to a temporary standstill. Rental activities stagnated especially in those sectors which were hardest hit by the lockdown, i.e. non-food retail, gastronomy, hotels and tourism. However, our exposure in these segments is limited. The non-food retail rental market remained particularly tense. However, retailers and the hotel industry also benefited to some extent from the fact that fewer goods were purchased abroad and many locals spent their holidays in Switzerland.

Our most important market segment, the office rental market, also slowed down, but considerably less than the retail rental market. Initially, demand for office space collapsed abruptly, and the recovery has been sluggish ever since. It is unclear how long the office market will continue to feel the lockdown effects. The medium- to long-term home-office trend is also uncertain. It should be noted in this regard that home-office work was promoted respectively imposed by the authorities in the spring of 2020 and again today. Depending on the company structure and culture, home-office makes more or less sense. We are convinced that the company office, or the physical exchange in the workplace, remains crucial for a company to realise its potential. Therefore, we do not expect that the overall demand for office space will fundamentally decline. Rather, the quality requirements will change. Demand will also be driven by the desire for generous and flexible office space in attractive locations with a safe working environment for the employees.

Investment market

On the transaction market, we do not observe any fundamental changes for properties in top locations, despite the corona crisis. While the transaction market had slowed down for a period of time, the majority of real estate investors has not lowered its acquisition goals. There is still a high demand for investments in properties in good locations and with high cash flow visibility – especially taking into account that interest rates are likely to stay low for the foreseeable future. The transaction market is expected to remain competitive overall.

Market outlook

An outlook on the letting market remains difficult, especially due to the measures enacted by the authorities in mid-January 2021 and the uncertainties about the future development of the corona crisis. These imponderables might weigh on the economy well into the current business year. We assume that demand for office space will continue to be strongest in well-located and easily accessible locations, while marketing and letting in peripheral locations will remain difficult. The non-food retail rental market is likely to remain very difficult for some time to come.

Consolidated annual results 2020

In the reporting year, net income excluding gains/losses on real estate investments¹ was CHF 215.8 million; this corresponds to an increase of CHF 0.6 million or 0.3% compared to the previous year (2019: CHF 215.2 million). In this respect, it is worth mentioning that 2019, the release of deferred taxes at the level of net income excluding gains/losses on real estate investments had a positive one-off effect of CHF 22.1 million. Excluding this amount, operating net income rose even more by CHF 22.7 million or 11.8% in 2020. Earnings per share excluding gains/losses on real estate investments¹, which is the basis for the dividend distribution, amounted to CHF 4.70 (2019: CHF 4.69).

Rental income increased by CHF 5.8 million to CHF 296.3 million (2019: CHF 290.5 million). This is despite the fact that rent reliefs of CHF 4.6 million were recorded in connection with the lockdown. Income from the sale of condominiums and projects was up by CHF 3.3 million to CHF 16.1 million (2019: CHF 12.8 million). Capitalised own services increased by CHF 1.3 million to CHF 6.2 million (2019: CHF 4.9 million). Furthermore, other income (mainly because of higher revenue from VAT recovery) was up by CHF 3.3 million to CHF 6.4 million (2019: CHF 3.1 million). Operating expenses decreased by CHF 2.2 million to CHF 55.2 million (2019: CHF 57.4 million). Financial expenses declined by CHF 5.9 million to CHF 13.2 million (2019: CHF 19.1 million).

Net income reached CHF 292.1 million (2019: CHF 453.4 million). One-off effects during the previous year also explain the decline in net income by CHF 161.3 million or 35.6%. In addition to the tax effect already mentioned, the portfolio appreciation in the reporting year was lower at CHF 101.6 million compared to 2019 (CHF 244.2 million). Furthermore, income of CHF 15.0 million resulted from the sale of two investment properties in 2019 (2020: CHF 0 million). Earnings per share amounted to CHF 6.37 (2019: CHF 9.89).

At the end of 2020, net asset value (NAV) per share was CHF 99.83 (end of 2019: CHF 97.02). NAV before deducting deferred taxes amounted to CHF 119.57 (end of 2019: CHF 115.82).

EPRA key figures are shown on pages 110 to 121.

Capital structure and liquidity

With total equity of CHF 4.579 billion at the end of 2020 – corresponding to an equity ratio of 52.8% (end of 2019: CHF 4.450 billion or 55.4%) – the equity base remains strong. Interest-bearing debt amounted to CHF 3.057 billion, corresponding to 35.3% of total assets (end of 2019: CHF 2.596 billion or 32.3%). The small increase compared to mid-2020 (34.3%) was due to the debt-financed acquisition of the properties in Geneva. At the end of 2020, the average cost of debt was low at 0.47% (end of 2019: 0.73%). The average fixed-interest period was 5.0 years (end of 2019: 4.4 years).

Our current unused credit facilities total CHF 1 billion; thereof, CHF 700 million are committed credit lines. These financing sources are sufficient, in particular, for our ongoing business activities, the refinancing of bonds and notes totalling CHF 350 million maturing in 2021 (of which CHF 200 million have already been refinanced) as well as the planned capital expenditures for our development projects and investment properties.

PSP Swiss Property has ratings from two international rating agencies: a Senior Unsecured Rating A- (outlook stable) from Fitch and an A3 Issuer Rating (outlook stable) from Moody's.

Equal-pay analysis

On 1 July 2020, the revised Federal Act on Equality between Women and Men came into force, which requires companies to conduct an internal equal-pay analysis. We anticipated this law and carried out this analysis with the help of an external partner in the early summer of 2020. As expected, the analysis confirmed that PSP Swiss Property is a fair employer and implements equal pay between women and men. The company SGS, as an external quality inspection body, consequently issued us the “Fair-ON-Pay+” certificate.

Dividend

For the business year 2020, the Board of Directors proposes an ordinary dividend payment of CHF 3.65 per share to the Annual General Meeting on 31 March 2021 (previous year: CHF 3.60 per share). In relation to net income excluding gains/losses on real estate investments, this corresponds to a payout ratio of 77.6%; in relation to the 2020 year-end share price of CHF 118.30, it corresponds to a yield of 3.1%.

¹ See definition on page 93, note 30.

Remarks with regard to the corona crisis

Lockdown and further measures

The lockdown ordered by the Federal Council in mid-March 2020 and the measures taken then and since then – including those of the cantons – to combat the corona virus have placed a heavy burden on the population and the economy and will continue to do so – despite public and private measures to support directly affected individuals and businesses. It is impossible to predict from today's perspective how long it will take to return to normality. To a significant degree, this still depends on how the spread of the corona virus can be contained and how severe and lasting the damage to the economy has been and will continue to be.

Measures taken by PSP Swiss Property

For us, our employees' health is always a key priority. At the same time, we make sure that business operations as well as communication and interaction with our tenants, business partners and public authorities continue as smoothly as possible.

We always implemented and continue to implement all governmental directives and recommendations, especially with regard to home-office, social distancing and hygiene. Not least due to our excellent IT environment, which proved to be both reliable and effective in these stressful times, we remain well organised. Thanks to the precautions taken and the dedication of our employees, we can offer them all a safe working environment and, at the same time, ensure business continuity.

Tenants affected by business closures

Thanks to our broad portfolio diversification and our focus on office use, our exposure in the sectors affected by the officially imposed closures is manageable (19% of total rental income). Moreover, the impact on these tenants varies widely.

We have approximately 2 300 tenants. Thereof, around 220 were directly affected by the forced closure of their businesses in spring 2020. Approximately 350 tenants have applied for a deferral of payment or a rent adjustment. As a result of the regulatory measures issued towards the end of 2020, around 50 tenants (mostly the same tenants as in spring 2020) applied for a deferral of payment or a rent adjustment. As an emergency measure, we have granted payment extensions, if this was appropriate. We process and answer all requests from tenants individually and in particular critical cases we have agreed to rent waivers. During the reporting period, rent reliefs in the amount of CHF 4.6 million were recognised in the income statement. At year-end 2020, outstanding lockdown-related rent receivables amounted to CHF 5.4 million.

Political initiative concerning commercial rents

The potential interventions to protect the smallest commercial tenants discussed by the Parliament in spring 2020 would have entailed a retroactive rent reduction. It was rejected by Parliament in the December 2020 session. The planned legislation would have applied to businesses with monthly rents of up to CHF 20 000; for monthly rents of CHF 15 000 or more, both landlords and tenants would have had the opportunity to find alternative arrangements. For PSP Swiss Property, the introduction of such a regulation (for monthly rents up to CHF 15 000) would have resulted in total estimated rent reliefs of approximately CHF 0.5 million.

Subsequent events

On 4 February 2021, a 0.200% bond (all-in 0.22%) with a volume of CHF 200 million and a maturity in 2031 was issued. On 16 February 2021, a 0.000% private placement (all-in -0.42%) with a volume of CHF 50 million and a maturity in September 2021 was issued.

There were no further material subsequent events.

In financing, we will continue to pursue our proven conservative approach. And, as in the past, we will consider tapping the capital market if required.

For the 2021 business year, we expect an ebitda excluding gains/losses on real estate investments of around CHF 275 million (2020: CHF 271.1 million). With regard to the vacancies, we expect a rate of around 4.5% at year-end 2021 (end of 2020: 3.0%).

Outlook 2021

It is still too early for a final assessment of the impact the corona crisis will have on our business activities. However, we are well prepared for the times ahead for a number of reasons: we have a high-quality portfolio with a low vacancy rate. The main use is office space and the tenant base is broadly diversified. The development projects, most of which are already well let, will generate further growth. And, finally, we have a solid equity base and sufficient financing sources.

For both offices and retail space, rental success will continue to depend on two market-relevant factors, in particular: location and quality. PSP Swiss Property is well-positioned in both.

The forecasts with regard to ebitda and vacancies are conditional on the future development of the corona crisis. They are based on the assumption of an imminent easing of the current partial lockdown and a relatively swift normalisation of the general economic environment.

The Executive Board, February 2021

Our focus remains unchanged: we modernise selected properties, develop our projects and concentrate on our letting activities. We will only consider acquisitions if they allow for added value in the long term.



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Portfolio

At the end of 2020, our real estate portfolio included 160 office and commercial properties. In addition, there were 16 sites and development properties. The carrying value of the total portfolio was CHF 8.6 billion.

Our focus remained on further developing our property portfolio in 2020. The ongoing optimisation of our properties through renovations and modernisations as well as new constructions is a key success factor. In doing so, we clearly focus on customer needs with regard to the quality and flexibility of rental space as well as the growing trend towards sustainability. We did this by renovating and modernising selected investment properties and, at the same time, further developing our sites and development projects.

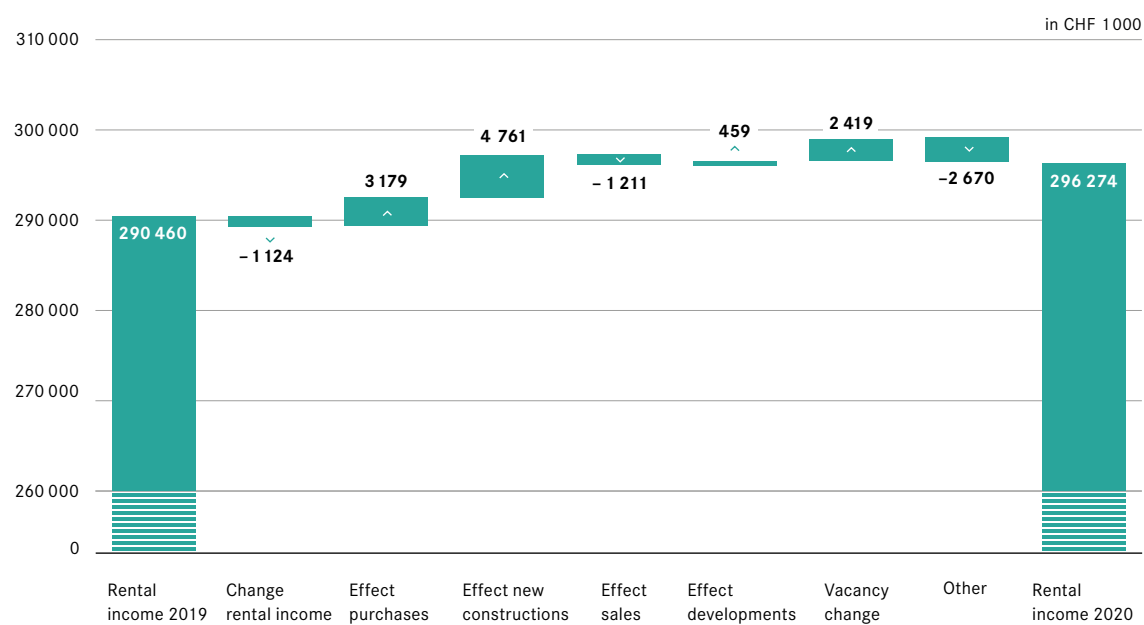
Investment properties

With effect as of 1 August 2020, we carried out an asset swap with Zurich Insurance Group. Thereby, we acquired the commercial building at Seilerstrasse 8 in Bern with 4 500 m² of rental space for CHF 23.7 million (we already own the immediately adjacent property at Seilerstrasse 8a). As a counter transaction, we sold the development property at Zurlindenstrasse 134 in Zurich for CHF 15.0 million. The whole transaction resulted in a profit of CHF 7.6 million.

At the end of September 2020, we acquired three attractive commercial buildings in Geneva's prime downtown location for CHF 295 million (CHF 304.1 million including transaction costs). The three adjacent properties are located at Rue de la Confédération 2 (8 100 m² of rental space), Rue de la Corraterie 5/7 (5 400 m²) and Rue de la Cité 6 (2 100 m²). The substance of the properties is very good and the location between the banking quarter, the old town and the prestigious Rue du Rhône is highly frequented. The main tenant is the seller UBS; smaller areas are let to five small companies. UBS will maintain its branch office at Rue de la Confédération 2 following layout modifications in the properties over the next two years. UBS will return a large part of the rented space in the two properties Rue de la Corraterie 5/7 and Rue de la Cité 6 at the end of March 2022. We will then modernise these areas and market them in due course (the two properties are classified as one development project).

At the end of 2020, the land lease at Gurzelngasse 6 in Solothurn matured and we sold the property back to the land owner. The compensation was set at CHF 3.5 million.

Development of rental income



Sites and development properties

At present, we own and develop 16 sites and projects.

At the end of March 2020, we acquired a plot with a commercial building (built in 1975/1991) at Grubenstrasse 6 in Zurich (district 2) for CHF 33.5 million. We will replace the compound with a modern new building for mixed use (around 5 200 m² of office and 6 100 m² of commercial space). The investment total will amount to approximately CHF 35 million. The new property will benefit from its good location – a bus stop and the suburban railway station Zurich Binz are located right next to the building. We submitted the building application in mid-May 2020. Demolition work on the existing building was completed at end of September 2020. The new building will be realised from 2021 to 2023.

During the reporting period, we reclassified the investment properties located at Grosspeterstrasse 18 in Basel, Bärenplatz in Bern, Rue du Grand-Pré 54, 56, 58 and Rue du Mont-Blanc 12 in Geneva as well as Füsslistrasse 6 in Zurich as development projects.

The office building at Grosspeterstrasse 18 in Basel no longer meets today's requirements for office workplaces. Based on the approved development plan, it will be replaced by a new building (project "Baufeld C"). We plan to develop around 5 600 m² of office space; 50% of this space has already been pre-let to Swisscom. A further 8% of the space were pre-let to a catering operator in Q4 2020. The investment total amounts to around CHF 37 million. In August 2020, we started the dismantling process. Completion is scheduled for the end of 2022.

The properties at Bärenplatz in Bern, which we acquired in January 2019, are in a prime downtown location in the immediate vicinity of the Federal Parliament building. We will renovate and modernise the properties extensively until the end of 2021. Clearance and dismantling work was completed in mid-2020. The investment total amounts to around CHF 16 million. The ground floor and the first basement floor will be used for restaurants (around 1 100 m²), with office space above (around 1 300 m²) and a number of small apartments (around 900 m²) on the top levels of the buildings. 30% of the space (restaurant area) has already been pre-let.

The commercial building at Füsslistrasse 6 in Zurich is in a prime city-centre location. However, building technology is no longer up to date. We are currently evaluating modernisation options.

We are very pleased with the progress of the new building "ATMOS" in Zurich West. One year before completion (beginning of 2021) "ATMOS" was already fully let. "ATMOS" will be a modern office building with approximately 24 000 m² of rentable space. The investment total is CHF 130 million. Despite temporary restrictions due to the corona crisis, construction is on course.

The hotel project on Rue du Marché in Geneva was successfully completed and reclassified to investment properties. The hotel operator citizenM started operations at the beginning of September 2020.

Further sites and development properties

Project “Bahnhofquai/-platz”, Zurich

This project (total renovation) opposite Zurich’s main train station consists of several properties and will be carried out in three stages. The entire building complex will become very attractive at this prime location due to the ongoing renovations and several prominent tenants.

The building work at stage 1 is back on course after the two properties located at Bahnhofplatz 1 and Bahnhofquai 9/11/15 were severely damaged in a major fire in August 2018. Renovation work will take until Q3 2021. The investment total for stage 1 is approximately CHF 55 million. Most of the space will be dedicated to offices and retail use. 95% of the space is already pre-let. The major tenant is the co-working provider Signature (a brand of International Workplace Group Switzerland).

Stage 2 (Waisenhausstrasse 2/4, Bahnhofquai 7) will be completed for around CHF 45 million by the end of 2021. The space for this stage has already been fully pre-let. Ruby Hotels & Resorts (a German hotel group) will open a 208-room hotel. Candrian Catering AG will operate an innovative catering concept under the name “Du Pont Brasserie & Bar” with 250 indoor and 210 outdoor seats.

Stage 3 (Bahnhofplatz 2) is in planning. The building application was submitted in July 2020. Building work will probably last from mid-2021 to 2023. Our cost estimate for this part of the renovation project is approximately CHF 17 million.

“Residenza Parco Lago”, Paradiso

The “Residenza Parco Lago” in Paradiso (Lugano) has been under construction since 2017. The investment total for this new building complex, consisting predominantly of condominiums, amounts to approximately CHF 80 million. Completion will be in Q2 2021. All units are being sold. As per the end of 2020, 52% of the units were sold and 10% reserved.

Further details: www.parcolagoparadiso.ch

Project “P-West”, Zurich

We are currently carrying out surface and concrete repair work at this car park in Zurich West. In addition, a clearer traffic management and signalling system as well as improved accessibility for the disabled will enhance the property’s overall quality. The space in the basement will be comprehensively renovated. The total investment will amount to around CHF 5 million.

Further information on the current projects can be found on pages 240 to 241.

Valuation of properties

The revaluation of the properties by the independent appraiser resulted in an appreciation of CHF 101.6 million as at the end of 2020. Thereof, CHF 93.7 million were related to the investment portfolio and CHF 7.9 million to the sites and developments projects.

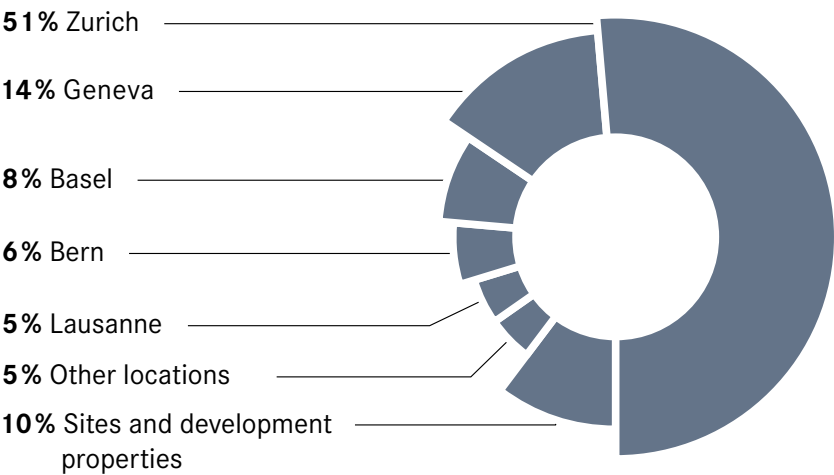
At year-end 2020, the portfolio’s weighted average nominal discount rate stood at 3.20% (year-end 2019: 3.32%). The appreciation resulted mainly from the lower discount rate as well as from various lettings and the reduction in vacancies. On the other hand, more cautious income forecasts in connection with Covid-19 resulted in lower valuations for a number of properties.

Vacancy development

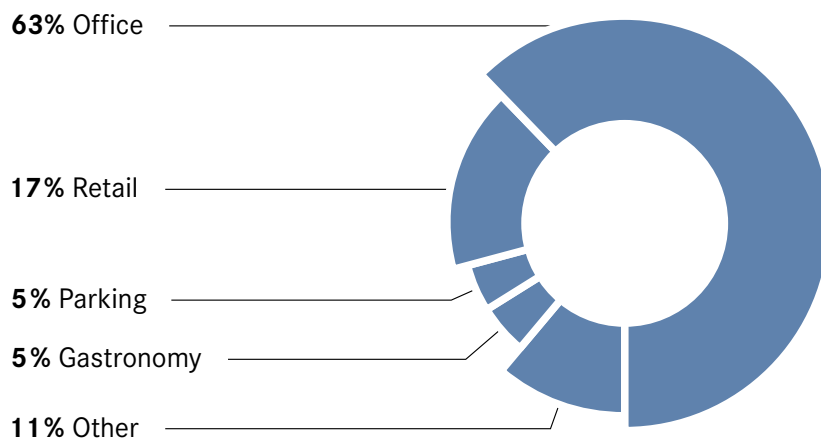
At the end of 2020, the vacancy rate stood at 3.0% (end of 2019: 3.5%). 0.5 percentage points of all vacancies are due to ongoing renovations. Of the lease contracts maturing in 2021 (CHF 52.4 million), 67% were already renewed at the end of 2020. As per year-end 2021, we expect a vacancy rate of around 4.5%.

The wault (weighted average unexpired lease term) of the total portfolio was 4.1 years at the end of 2020. The wault of the ten largest tenants, contributing around 30% of the rental income, was 5.2 years.

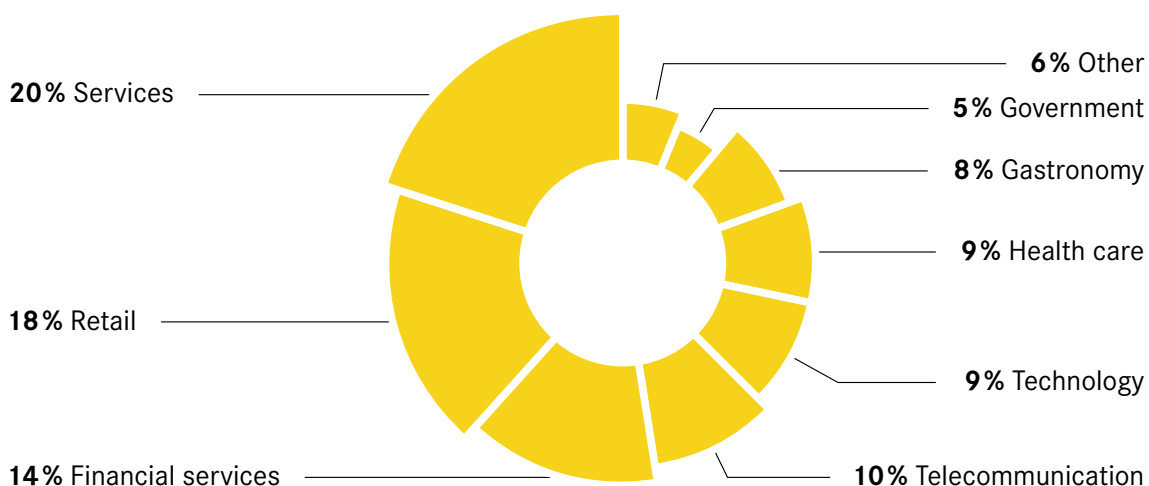
Portfolio value by area



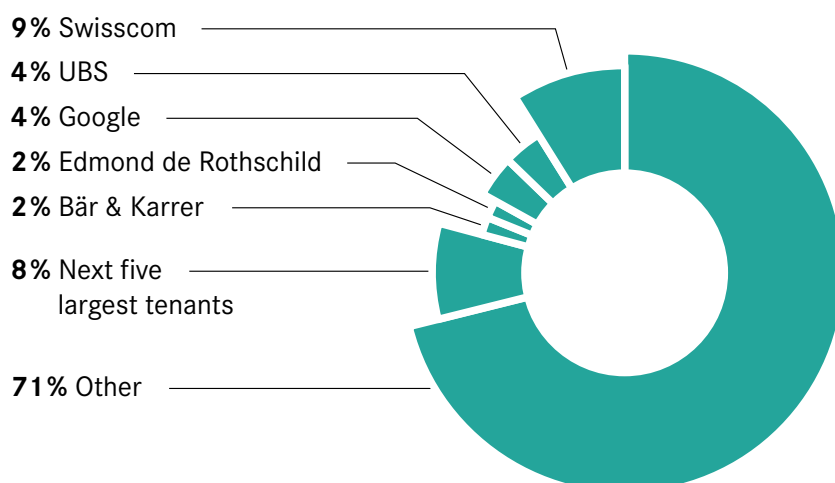
Rent by use



Rent by type of tenant

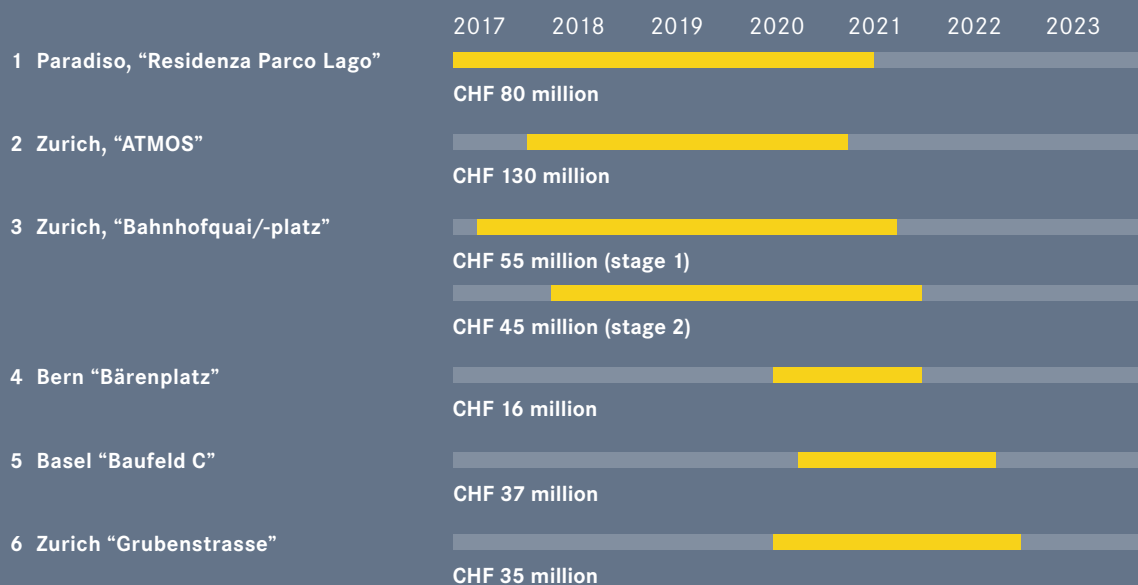


Rent by largest tenants



Portfolio summary

Project pipeline¹



Portfolio key figures

A Zurich area

Portfolio value	CHF 4.4 billion
Rental income	CHF 163.7 million
Implied yield, net	3.3%
Vacancy rate	2.1%
Rentable area	508 271 m ²

B Geneva area

Portfolio value	CHF 1.2 billion
Rental income	CHF 33.5 million
Implied yield, net	2.7%
Vacancy rate	3.4%
Rentable area	76 622 m ²

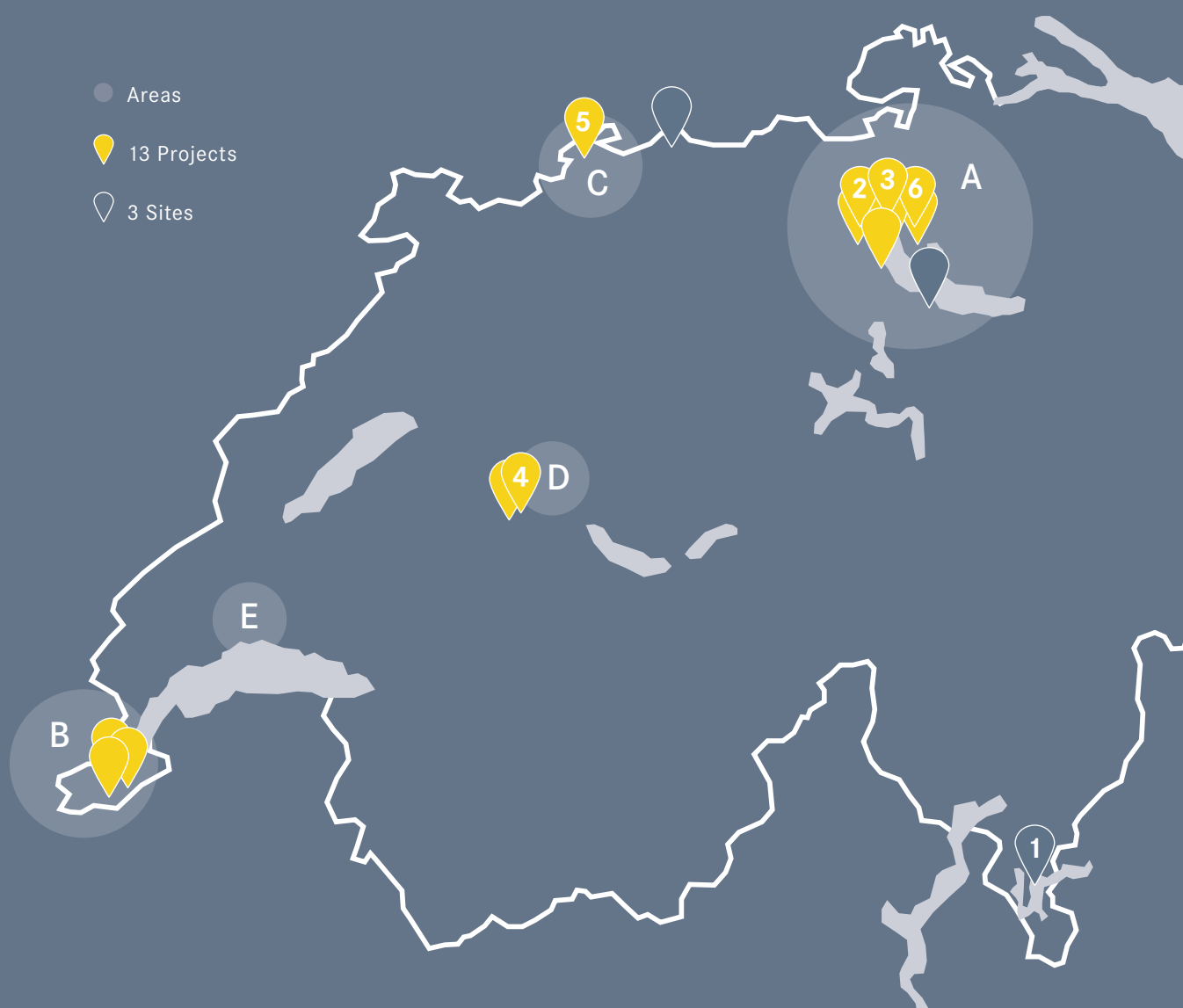
C Basel area

Portfolio value	CHF 0.7 billion
Rental income	CHF 28.9 million
Implied yield, net	3.5%
Vacancy rate	4.1%
Rentable area	107 346 m ²

D Bern area

Portfolio value	CHF 0.5 billion
Rental income	CHF 19.6 million
Implied yield, net	3.3%
Vacancy rate	2.1%
Rentable area	95 693 m ²

¹ Details see on pages 240 to 241.



E Lausanne area

Portfolio value	CHF 0.4 billion
Rental income	CHF 19.0 million
Implied yield, net	3.5%
Vacancy rate	6.5%
Rentable area	82 706 m ²

Other locations

Portfolio value	CHF 0.4 billion
Rental income	CHF 20.4 million
Implied yield, net	4.2%
Vacancy rate	4.5%
Rentable area	84 313 m ²

Zurich West – playing a part in shaping the city

Popularly known as “Züri-West”, the former industrial district around Escher-Wyss-Platz and Hardturm has become a lively new residential and commercial centre in the past 10 years. Between Hardturmstrasse and Förrlibuckstrasse, PSP Swiss Property is one of the actors shaping the new cityscape. Our portfolio includes eleven properties and building complexes, stretching from Förrlibuckstrasse 10 to Förrlibuckstrasse 178/180, Hardturmstrasse 181/183/185, where we recently completed our new “ATMOS” office building.

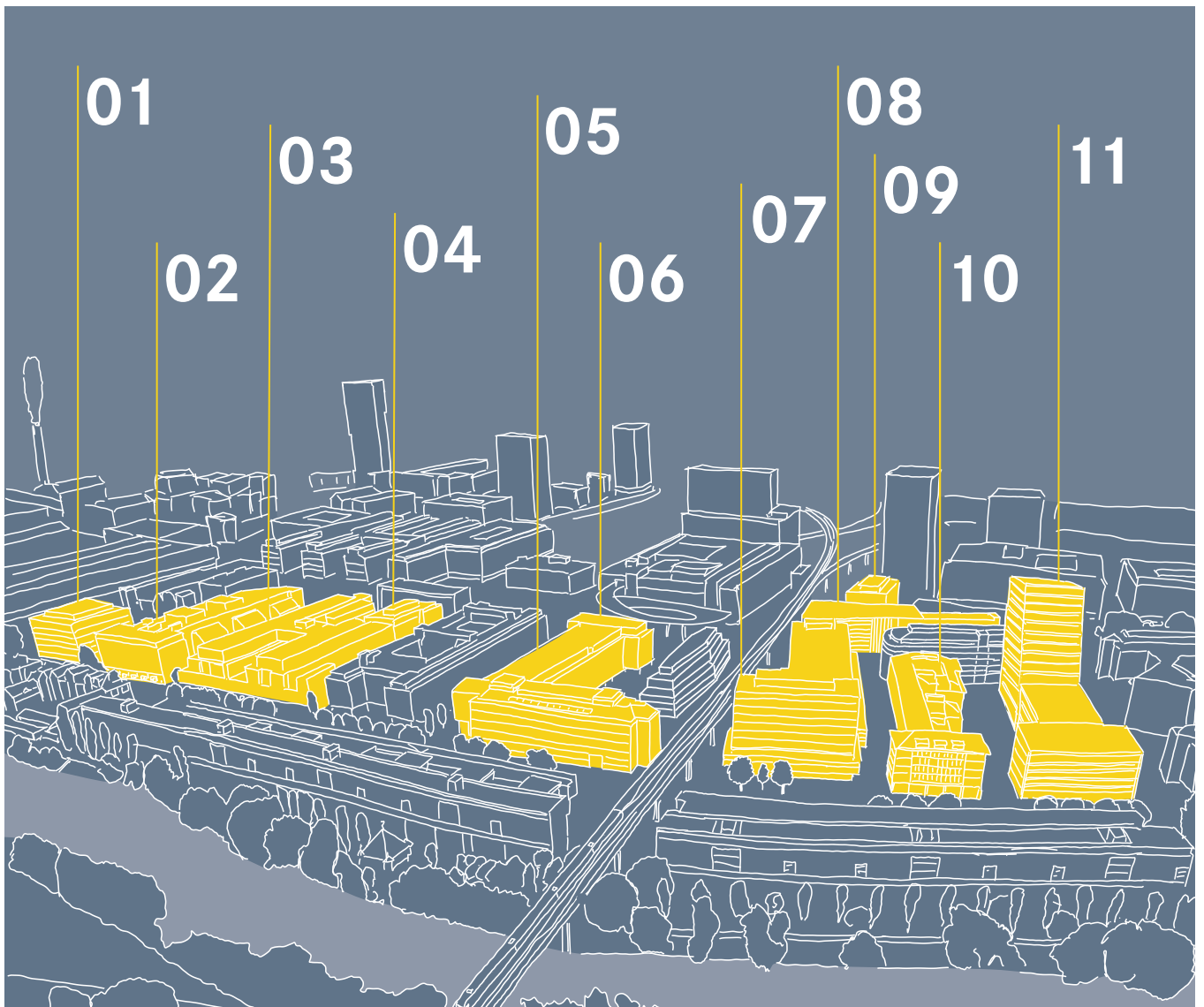
“Zurich West” has developed into a business hub hosting numerous national and international companies, not least due to the large space available and its excellent location. This makes it increasingly attractive for smaller and innovative startup companies too. Public and private transportation links are excellent, and Switzerland’s largest international airport can be reached in as little as 15 minutes.

However, Zurich West does not only offer outstanding business infrastructure, but also quality of life and a diverse range of culinary offerings and sports facilities. To the north it is bordered by the Limmat river. Countless foot-paths, rest areas and green spaces invite you to relax during your lunch break and enjoy nature in the middle of the city. After work you can round off the day with your friends and colleagues in one of the many restaurants or bars.

Zurich West is a strategic focus in the portfolio development of PSP Swiss Property. The latest proof of our commitment is the newly constructed “ATMOS” office building, where we have developed a truly visionary business park. Its open room structure allows for the installation of all kinds of modern office concepts. We were able to hand over “ATMOS” to all our tenants for their interior finishing at the beginning of 2021.

Overall we own eleven commercial properties in Zurich West, offering around 180 000 m² and around 2 000 parking slots of usable space.





Hardturmstrasse 101, 103, 105 / Förrlibuckstrasse 30

This large building complex is another gem in our portfolio. Located between Förrlibuckstrasse and Hardturmstrasse, the ensemble stands out from the neighbouring properties with its light-coloured brick façade. The whole complex includes four adjacent structures and three interior courtyards. All in all, there is around 24 000 m² of rentable space for offices, stores, laboratories and other uses.

02**01****Förrlibuckstrasse 10**

Coming from the south, this office building at the junction of Förrlibuckstrasse and Hardturmstrasse can be considered the gateway to our “Züri-West” portfolio. Constructed by the architects Debrunner and Blankart in 1963, the building was completely renovated in 2002. Due to its distinctive shape (square ground plan and inner courtyard), it is listed as a protected historical property by the municipal authorities. The building has approximately 8 200 m² of usable floor space.





03 Förrlibuckstrasse 60, 62

This property is part of a large and complex building ensemble taking up the space between Förrlibuckstrasse and Hardturmstrasse. The entire ensemble offers a total of around 24 500 m² of rentable, flexibly usable space. Most of it is used for offices, but there is also a school, a dance studio, a retailer, a restaurant, an art gallery as well as an auction house.



04 Förrlibuckstrasse 66

Architecturally, this building is clearly set apart from the neighbouring properties. Constructed in 1969, the blue-striped façade makes it a typical “child of its time”. The building’s high load-bearing capacity and flexibly usable space are particularly appreciated by the tenants. There were renovations in 1992, 2003 and 2004. The available space is around 7 000 m².



06

Förllibuckstrasse 110

This building's special feature is its conspicuous red façade. The commercial property was constructed in 1962 and completely renovated in 2000. Initially planned for mixed commercial use, today's tenants especially appreciate the building's above-average load-bearing capacity and floor-to-ceiling heights; these allow for a wide range of utilisations. The property offers 11 500 m² of usable space on six floors.



05 Hardturmstrasse 131, 133, 135

This large L-shaped building is a direct extension of the property at Förrlibuckstrasse 110 in the direction of Hardturmstrasse. Constructed in 1982, it was completely renovated in 2008. With approximately 23 000 m² of usable space and generous floor plans, this property is perfect for tenants who need large, flexible space.



07 Hardturmstrasse 161 / Förrlibuckstrasse 150

At this property, extensive usable floor space of up to 34 000 m², different finishing standards as well as diverse furnishing concepts allow for individual and flexible solutions. Due to the depth of the building, state-of-the-art building technology and a simple supporting structure, all kinds of individual office concepts are possible. Upscale materials, several elevator sections and generous lobbies create an elegant, tasteful ambience.



08 Car park, Förrlibuckstrasse 151

The car park has two entrances and exits and provides a total of around 1 000 parking spaces on nine parking levels. The A1 motorway (Bern, Basel, St. Gallen) is ideally situated nearby.



- 11 New construction «ATMOS» – Förrlibuckstrasse 178/180, Hardturmstrasse 181/183/185**
 With “ATMOS” we have completed a property with state-of-the-art, high-quality office and commercial space. There are approximately 24 000 m² of flexible space in the three parts of the building complex called “HEAD”, “BRIDGE” and “TOWER”; the latter reaches 68 meters in height with 17 floors. “ATMOS” also offers shared co-working spaces and meeting rooms, a versatile restaurant concept as well as generous parking for tenants and visitors. In addition, the outside is particularly attractive with numerous loggias, a large roof terrace as well as a square with a cafe which are open to the public. Finally, the new building also meets high standards with regard to sustainability.



09 **Förrlibuckstrasse 181**

In a highly urban location between the railway viaduct and the parking garage, this smaller property has architectural qualities that are highly appreciated by the tenants. The top floors, for instance, are staggered one behind the other, thus opening up attractive outside terraces. This modern office building has approximately 5 000 m² of rentable space.



10 **Hardturmstrasse 169, 171, 173, 175**

This commercial building, constructed in 1950s style, offers attractive rental space with a loft-like character. It is especially suited for tenants from the creative sector. The building was renovated in 2018 and comprises around 19 000 m² of lettable space.



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Company portrait

We generate added value by continuously optimising our portfolio and adapting it to our clients' needs.

Real estate portfolio with a long-term perspective

PSP Swiss Property owns a real estate portfolio with office and commercial properties worth CHF 8.6 billion. We manage and maintain the buildings with a long-term perspective. Our goal is income and value appreciation through best use of the properties.

Offices in Geneva, Olten and Zurich ensure a broad regional presence. As a result, we know the local markets well. This allows us to manage and let the properties efficiently, provide personal service to our tenants and evaluate potential purchases adequately.

Value-oriented growth strategy

We generate added value through optimising our portfolio (organic growth) as well as external growth.

Organic growth: We achieve organic growth by focusing on the quality- and value-oriented development of our existing property portfolio. Thereby, the professional collaboration between real estate asset management, construction and property management activities is a crucial key to success. Pro-active and client-oriented letting activities are a further core element in portfolio optimisation.

External growth: External growth may be achieved through company takeovers, property portfolio acquisitions or the purchase of individual proper-

ties. We are particularly meticulous in evaluating potential purchases, as for us size is not an end in itself. Acquisitions are only made if price, location and future prospects promise added value for shareholders. A careful evaluation of the risk/return profile is fundamental to every acquisition.

In the context of the portfolio optimisation, properties can also be sold.

Sustainability

Sustainability (environmental, social and governance, in short ESG) is at the core of our business strategy. We are convinced that success depends on responsible thinking and acting in relation to all stakeholders, from employees, tenants and business partners to our shareholders and the public.

Further information can be found in the Sustainability report on pages 175 to 223.

Strong capital structure

Financial strength and flexibility are crucial for us. Therefore, we make sure that our financial flexibility is assured at all times. This includes keeping the debt ratio low and pursuing a refinancing strategy that reflects our conservative investment policy. With equity of CHF 4.6 billion – corresponding to an equity ratio of 52.8% – we have a solid equity base.

Board of Directors and Executive Board



Corinne Denzler
Member of the
Board of Directors

Luciano Gabriel
Chairman of the
Board of Directors



Adrian Dudle
Member of the
Board of Directors



Peter Forstmoser
Member of the
Board of Directors



Nathan Hetz
Member of the
Board of Directors



Henrik Saxborn
Member of the
Board of Directors

Josef Stadler
Member of the
Board of Directors



**Aviram
Wertheim**
Member of
the Board
of Directors



Office of the Board of Directors
Ronald Ruepp
Secretary of the Board of Directors



Giacomo Balzarini
Chief Executive Officer

Reto Grunder
Chief Investment Officer



Martin Heggli
Chief Operating Officer

The PSP share

Dividend policy

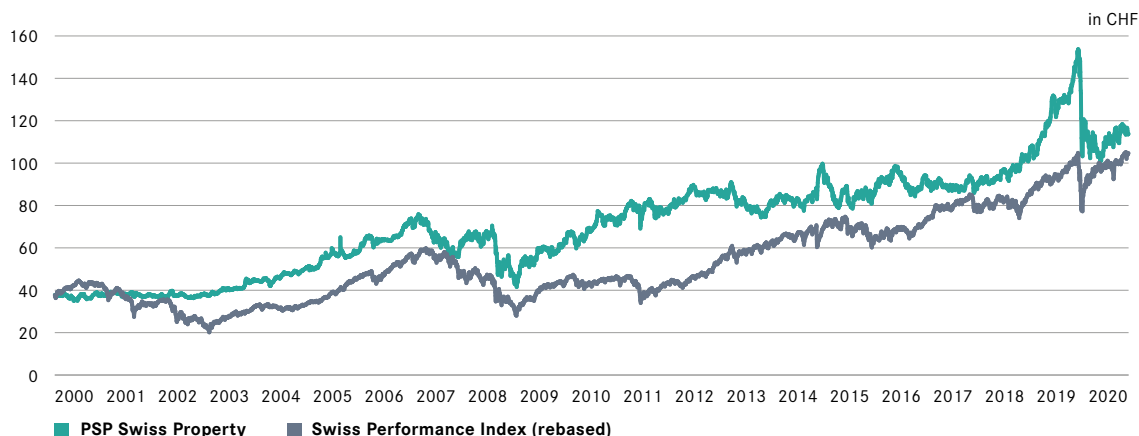
The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated net income excluding gains/losses on real estate investments¹. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

The Board of Directors will propose to the Annual General Meeting on 31 March 2021 a dividend of CHF 3.65 per share. This corresponds to a cash yield of 3.1% on the 2020 year-end share price of CHF 118.30.

Share price development

At year-end 2020, the PSP share price stood at CHF 118.30 (end of 2019: CHF 133.60). Net asset value per share (NAV) amounted to CHF 99.83 at the end of 2020; consequently, the PSP share was traded at a premium of 18.5% at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2020, the PSP share price rose by 213.4%.

The PSP shares are very liquid: on average, 183 401 shares worth CHF 21.4 million were traded daily in 2020 (2019: 130 816 shares worth CHF 15.4 million). In 2020, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 5.4 billion (2019: CHF 3.8 billion).



¹ See definition on page 93, note 30.

Key figures	Unit	2019	2020	+/- ¹
Share price				
High	CHF	133.60	153.70	
Low	CHF	98.00	101.00	
End of period	CHF	133.60	118.30	- 11.5%
SIX Swiss Exchange:				
Symbol PSPN, Valor 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	6 128.0	7 049.9	
Low	CHF million	4 495.1	4 632.7	
End of period	CHF million	6 128.0	5 426.2	- 11.5%
Number of shares				
Issued shares	Number	45 867 891	45 867 891	
Own shares	Number	0	0	
Outstanding shares	Number	45 867 891	45 867 891	
Average outstanding shares	Number	45 867 891	45 867 891	
Reserved shares ²	Number	7 636	7 636	
Per share figures				
Earnings per share (EPS) ³	CHF	9.89	6.37	- 35.6%
EPS excl. gains/losses on real estate investments ^{3,4}	CHF	4.69	4.70	0.3%
Distribution per share	CHF	3.60	3.65 ⁵	1.4%
Payout ratio ⁶	%	76.7	77.6	
Cash yield ⁷	%	2.7	3.1	
Net asset value per share (NAV) ⁸	CHF	97.02	99.83	2.9%
Premium to NAV ⁹	%	37.7	18.5	
NAV per share before deduction of deferred taxes ⁸	CHF	115.82	119.57	3.2%
Premium/(Discount) to NAV before deduction of deferred taxes ⁹	%	15.3	- 1.1	

1 Change to previous year's period 2019 or carrying value as of 31 December 2019 as applicable.

2 For the swap against REG shares which have not yet been exchanged.

3 Based on average number of outstanding shares.

4 See definition "Net income excluding gains/losses on real estate investments" on page 93, note 30.

5 Proposal to the Annual General Meeting on 31 March 2021 for the business year 2020: Dividend payment.

6 Distribution per share in relation to EPS excluding gains/losses on real estate investments.

7 Distribution per share in relation to share price at end of period.

8 Based on number of outstanding shares.

9 Share price at the end of period in relation to NAV resp. NAV before deduction of deferred taxes.

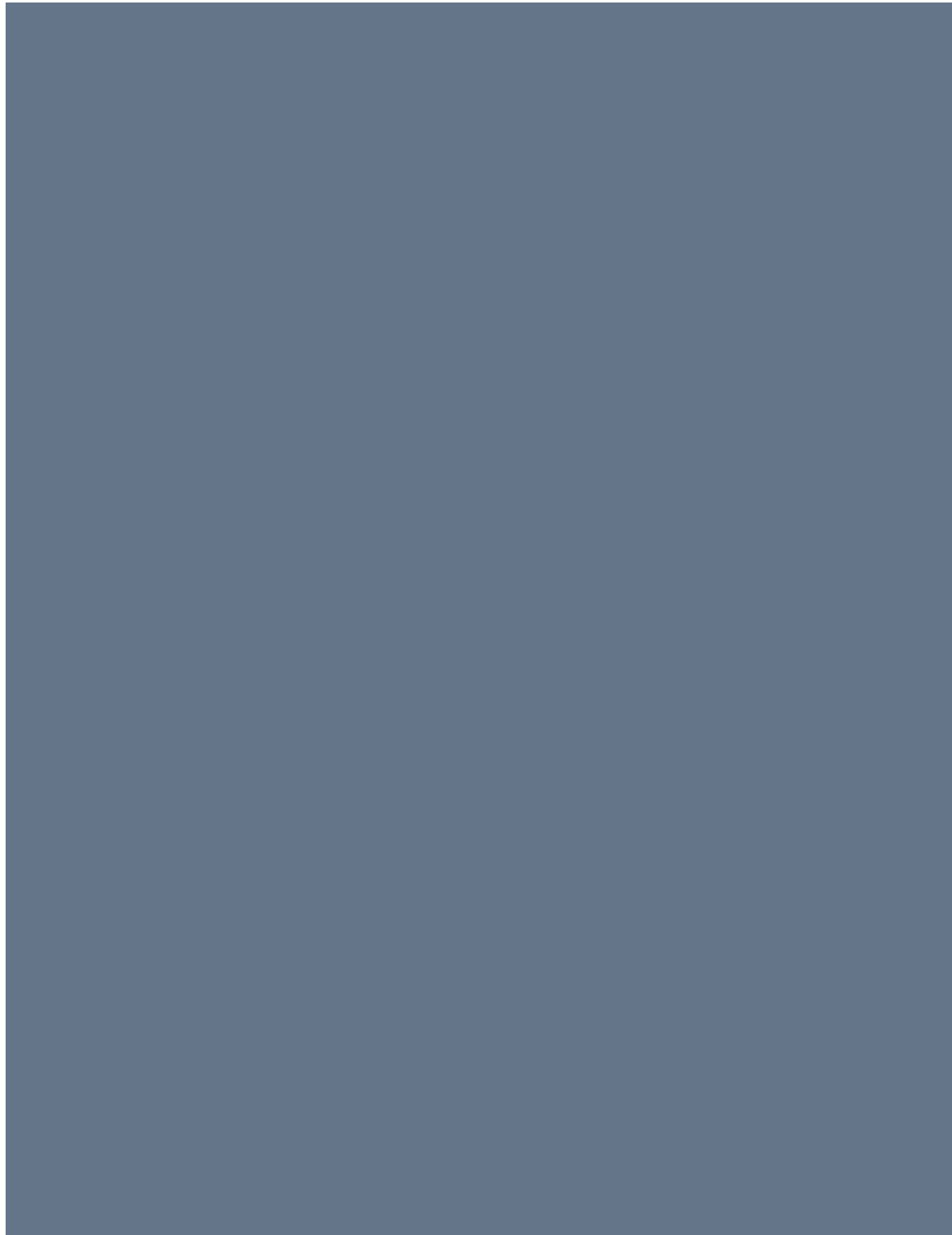
Major shareholders

Details on the major shareholders² are shown in the Holding's "Financial statements" on page 129, note 4.2.

Investor relations

Vasco Cecchini, phone +41 (0)44 625 57 23
vasco.cecchini@psp.info

² Further details on the disclosure notifications are shown under: www.ser-ag.com > Disclosure of Shareholdings > Overview of significant shareholders



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Consolidated statement of profit or loss

(in CHF 1 000)	2019	2020	Note
Rental income	290 460	296 274	5
Net changes in fair value of real estate investments	244 176	101 578	13
Income from property sales (inventories)	45 589	46 665	
Expenses from sold properties (inventories)	- 32 755	- 30 550	
Income from other property sales	14 961	0	6
Income from investments in associated companies	2	4	15
Capitalised own services	4 863	6 211	13
Other income	3 092	6 356	7
Total operating income	570 389	426 538	
Real estate operating expenses	- 12 014	- 10 613	8
Real estate maintenance and renovation expenses	- 16 796	- 15 404	
Personnel expenses	- 19 343	- 20 503	9
Fees to subcontractors	- 48	- 33	
General and administrative expenses	- 7 958	- 7 349	10
Depreciation	- 1 267	- 1 330	
Total operating expenses	- 57 426	- 55 232	
Operating profit (ebit)	512 963	371 306	
Financial income	394	266	11
Financial expenses	- 19 478	- 13 475	11
Profit before income taxes	493 879	358 097	
Income taxes	- 40 454 ¹	- 66 006	12
Net income attributable to shareholders of PSP Swiss Property Ltd	453 425	292 091	
Earnings per share in CHF (basic and diluted)	9.89	6.37	30

1 Incl. release of deferred taxes due to changes in tax rate of CHF 59.1 million.

The notes are part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2019	2020	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	453 425	292 091	
Items that may be reclassified subsequently to profit or loss:			
– Changes in interest rate hedging	1 789	3 412	
– Attributable taxes	365	– 379	12
Items that may not be reclassified subsequently to profit or loss:			
– Changes in pension schemes	– 2 028	– 873	24
– Attributable taxes	305	175	12
Other comprehensive income	431	2 335	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	453 856	294 426	

The notes are part of these consolidated financial statements.

Consolidated statement of financial position

(in CHF 1 000)	31 December 2019	31 December 2020	Note
Cash and cash equivalents	19 673	32 335	
Accounts receivable	6 775	16 353	16
Contract assets	4 928	11 934	14
Deferrals	6 571	5 252	
Current tax assets	704	3 668	
Derivative financial instruments	79	5	17
Sites and development properties for sale	71 533	112 681	13
Total current assets	110 263	182 227	
Tangible assets	229	454	19
Intangible assets	1 820	1 298	18
Derivative financial instruments	1 794	1 733	17
Accounts receivable	7 128	5 853	16
Financial investments	9	9	
Investments in associated companies	72	76	15
Sites and development properties	650 690	782 410	13
Own-used properties	36 254	36 454	13
Investment properties	7 223 187	7 645 544	13
Deferred tax assets	4 799	8 986	20
Total non-current assets	7 925 982	8 482 818	
Total assets	8 036 244	8 665 045	
Accounts payable	22 635	26 186	25
Deferrals	55 912	50 088	
Current tax liabilities	11 621	6 364	
Financial liabilities	350 000	40 000	23
Bonds and notes	199 987	390 003	23
Lease liabilities	553	383	23
Derivative financial instruments	1 315	399	17
Total current liabilities	642 024	513 422	
Financial liabilities	450 000	980 000	23
Bonds and notes	1 579 662	1 631 267	23
Lease liabilities	15 934	15 552	23
Derivative financial instruments	18 017	15 386	17
Pension liabilities	13 229	15 789	24
Deferred tax liabilities	867 159	914 464	20
Total non-current liabilities	2 944 001	3 572 457	
Share capital	4 587	4 587	21
Capital reserves	503 468	503 113	
Retained earnings	3 953 790	4 080 756	
Revaluation reserves	- 11 625	- 9 290	22
Total shareholders' equity	4 450 220	4 579 165	
Total liabilities and shareholders' equity	8 036 244	8 665 045	

The notes are part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	2019	2020	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	453 425	292 091	
Net changes in fair value of investment properties	- 244 176	- 101 578	13
Capitalised/released rent-free periods	1 076	1 556	13
Income from other property sales	- 14 961	0	6
Income from investments in associated companies	- 2	- 4	15
Capitalised own services	- 4 863	- 6 211	13
Changes in pension liabilities recorded in the statement of profit or loss	- 618	1 687	
Compensation in own shares	227	2 031	21
Depreciation	1 267	1 330	
Financial result	19 084	13 209	11
Income taxes	40 454	66 006	12
Changes in sites and development properties for sale	17 744	3 812	
Changes in accounts receivable	4 320	- 9 581	
Changes in contract assets	- 3 209	- 7 006	
Changes in accounts payable	1 599	3 532	
Changes in deferrals (assets)	- 5 570	1 320	
Changes in deferrals (liabilities)	16 890	- 3 829	
Interest paid	- 21 153	- 17 550	
Interest received	393	266	
Dividends received	2	0	
Taxes paid	- 19 994	- 31 315	
Cash flow from operating activities	241 935	209 766	
Purchases of investment properties	- 223 260	- 214 692	13
Purchases of development properties	0	- 146 951	13
Capital expenditures on investment properties	- 45 874	- 37 150	13
Capital expenditures on own-used properties	- 291	- 955	13
Capital expenditures on sites and development properties	- 67 881	- 95 388	13
Sales of investment properties	60 905	3 180	
Payout of loans	- 940	0	
Repayment of loans	1 242	1 275	
Disinvestment of fixed-term deposit	125 000	0	
Investment in tangible assets	0	- 245	
Investment in intangible assets	- 823	- 34	18
Cash flow from investing activities	- 151 921	- 490 960	

(Continued on next page)

(Continued from previous page)

(in CHF 1 000)	2019	2020	Note
Purchases of own shares	- 234	- 2 386	21
Increase in financial liabilities	840 000	1 050 000	23
Repayment of financial liabilities	- 1 160 000	- 830 000	23
Issue of bonds and notes	510 136	562 953	23
Issue expenses of bonds and notes	- 2 297	- 1 052	23
Repayment of bond and notes	- 120 000	- 320 000	23
Amortisation of lease liabilities	- 548	- 553	23
Distribution to shareholders	- 160 521	- 165 107	31
Cash flow from financing activities	- 93 464	293 856	
Changes in cash and cash equivalents	- 3 450	12 662	
Cash and cash equivalents at beginning of period	23 123	19 673	
Cash and cash equivalents at end of period	19 673	32 335	

The notes are part of these consolidated financial statements.

Consolidated statement of shareholders' equity

(in CHF 1 000)	Share capital	Capital reserves	Own shares	Retained earnings	Revaluation reserves	Total shareholders' equity
1 January 2019	4 587	503 474	0	3 660 903	- 12 056	4 156 908
Net income attributable to shareholders of PSP Swiss Property Ltd				453 425		453 425
Changes in interest rate hedging					1 789	1 789
Changes in pension schemes					- 2 028	- 2 028
Attributable taxes					670	670
Other comprehensive income					431	431
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	0	0	0	453 425	431	453 856
Distribution to shareholders				- 160 538		- 160 538
Purchase of own shares			- 234			- 234
Compensation in own shares		- 6	234			227
31 December 2019	4 587	503 468	0	3 953 790	- 11 625	4 450 220
Net income attributable to shareholders of PSP Swiss Property Ltd				292 091		292 091
Changes in interest rate hedging					3 412	3 412
Changes in pension schemes					- 873	- 873
Attributable taxes					- 204	- 204
Other comprehensive income					2 335	2 335
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	0	0	0	292 091	2 335	294 426
Distribution to shareholders				- 165 124		- 165 124
Purchase of own shares			- 2 386			- 2 386
Compensation in own shares		- 355	2 386			2 031
31 December 2020	4 587	503 113	0	4 080 756	- 9 290	4 579 165

The notes are part of these consolidated financial statements.

Notes to the consolidated 2020 financial statements

1 General information

PSP Swiss Property Ltd is a public company whose shares are traded in the real estate segment of the SIX Swiss Exchange. The registered office is located at Kolinplatz 2, 6300 Zug.

PSP Swiss Property Group owns 160 office and commercial properties as well as 16 development sites and individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2020, PSP Swiss Property had 96 employees, corresponding to 89 full-time equivalents (end of 2019: 94 respectively 89).

The consolidated 2020 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2020 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements of PSP Swiss Property for the year 2020 were authorised for issue by the Board of Directors on 22 February 2021. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 31 March 2021.

2 Summary of significant accounting policies

2.1 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and comply with Swiss law and the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

The Group's consolidated financial statements, which are drawn up on the basis of going concern values, are based on the historical cost convention, making allowances for adjustments arising from the revaluation of specific assets and financial instruments. These include, in particular, investment properties, investment properties held for sale, sites and development properties with the intention to hold (if the fair value can be reliably determined), financial investments as well as derivative financial instruments.

PSP Swiss Property decided to present a consolidated statement of profit or loss and a separate consolidated statement of comprehensive income.

The presentation of cash flows in the cash flow statement is made according to the indirect method. Interest paid and received is recorded as cash flow from operating activities.

The consolidated financial statements are prepared in Swiss francs (functional and presentation currency).

2.2 Modifications of accounting principles

The accounting policies applied are consistent with those of the previous period. The following new IFRS standards relevant for PSP Swiss Property became effective during the reporting period:

Amendments to IFRS 16 Leases

On 28 May 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 Leases in order to make it easier for lessees to account for rent concessions relating to Covid-19. The simplification only affects the lessee. PSP Swiss Property acts as lessee mainly in connection with building rights. These were not affected by the lockdown, therefore the adjusted IFRS standard has no impact on the accounting.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (Phase 1)

As part of the reform of the Interbank Offered Rates (IBOR), LIBOR will be replaced by SARON in Switzerland by the end of 2021. The amendments to the IBOR Reform Phase 1 issued by the IAS Board include a number of relief measures that apply to all hedging relationships directly affected by the IBOR reform. This includes the assumption that the hedged cash flows are not affected by the IBOR reform.

PSP Swiss Property uses interest rate swaps to hedge current and future loans in the form of fixed advances against rising interest rates (cash flow hedges). All swaps are based on CHF LIBOR and therefore fall within the scope of the IBOR reform phase 1. At the end of the reporting period, there were eight interest rate swaps with maturities beyond 2021. The fair value of these swaps amounted to CHF -13.7 million. The contracts for none of these swaps were converted, but the conversion process was initiated. For these hedging transactions, PSP Swiss Property makes use of the relief granted and therefore continues hedge accounting unchanged. Further information on derivative financial instruments can be found in Note 17 on page 79.

Apart from that, no new accounting standards relevant for PSP Swiss Property entered into force in 2020.

2.3 Critical estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain assumptions and estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. PSP Swiss Property makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the later actual results. Those areas involving a particularly high degree of judgement or holding a particularly high degree of complexity and areas where assumptions and estimates are highly significant for the consolidated financial statements are discussed below.

Real estate valuations

As required by the Directive on Financial Reporting of the SIX Swiss Exchange combined with the “Scheme C – Real Estate Companies”, the fair value of the properties classified according to IAS 40 / IFRS 5 is assessed every six months by the external, independent valuation company (see the Property Valuation Report of the valuation company Wüest Partner on pages 98 to 105). Thereby, the appraiser has access to company information with regard to lease contracts, operating costs and investments.

The external valuations are verified internally by PSP Swiss Property by means of random checks of the input factors in the discounted cash flow (DCF) valuations, own DCF valuations, a systematic analysis of deviations from previous valuations as well as a discussion of the valuation results with the external appraiser. Furthermore, PSP Swiss Property carries out a periodic back testing of various input factors (rental income, vacancies, operating costs), which were used by the external valuation company. In addition, the valuation results are discussed in detail by the Executive Board and submitted to the Board of Directors.

As a result of the second wave of the Covid-19 pandemic, drastic measures have again been put into force or tightened in Switzerland. As mentioned in the report of the independent valuation expert on page 102, the consequences of these measures for the real estate market are not fully foreseeable. Accordingly, the valuation uncertainty is currently increased.

For the purposes of the impairment tests, the independent appraiser also values own-used properties and development properties, which are valued at historical cost.

Income Taxes

PSP Swiss Property is subject to income taxes in a number of Swiss cantons. The calculation of provisions for income taxes (current and deferred tax liabilities) is based on the respective cantonal laws. The applied parameters (tax rates and multipliers) are checked and, if necessary, adjusted regularly. This allows the minimisation of differences between calculated taxes and the final tax assessment. Where the final tax outcome differs from the amount which was initially recorded, the difference impacts the income tax and the deferred tax provisions in the period in which such determination is made. Cantons with a monistic tax system charge a property gains tax with speculation supplements respectively deductions, depending on the effective holding period of a property. For properties held for sale, PSP Swiss Property applies the effective holding period. For all other properties the applied holding period is either 20 years or the effective holding period, if it is more than 20 years.

2.4 Related parties

In the reporting year, the Board of Directors and parties related to the Board of Directors, the Executive Board, the associated company as well as the Israeli company Alony Hetz Properties & Investments Ltd were considered as related parties (corporate or individual). Details on the transactions with related parties are disclosed in note 32 on page 94.

2.5 Consolidation

Method of consolidation

Group companies are companies over which PSP Swiss Property Ltd has control. Control is presumed to exist if PSP Swiss Property Ltd is exposed to fluctuating returns from its investments in group companies, has rights to those returns and has the ability to influence those returns by means of its ability to influence the Group companies. Capital consolidation is carried out according to the “acquisition method”. Inter-company transactions and relations are eliminated on consolidation.

Associates are companies which are neither group companies nor joint ventures and in which PSP Swiss Property directly or indirectly holds between 20% and 50% of the voting rights and over which it can exercise significant influence without, however, exerting control. Associated companies are accounted for using the “equity method”.

Consolidated companies

The scope of consolidation of PSP Swiss Property includes the financial statements of the holding company PSP Swiss Property Ltd as well as all its group companies as at 31 December of the respective financial year. The companies listed in the following table are fully consolidated in the financial statements.

(in CHF 1 000)	Registered office	Share capital 2019	Ownership 2019	Share capital 2020	Ownership 2020
Directly held investments					
PSP Finance Ltd ¹	Zug	1 000	100%	n.a.	n.a.
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobilien-gesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%

¹ PSP Finance Ltd was merged with PSP Participations Ltd in 2020.

There are no minority interests in any group company. Furthermore, there are no restrictions on the use of the group companies' funds or assets.

2.6 Accounting and valuation principles

Real estate income and expenses

Rental income comprises rental income after deduction of vacancy losses, rent reliefs, write-offs of defaulting tenants and other income. Income from operating-leasing activity is recognised in the income statement when the rent is due. Where significant rent incentives are granted to tenants (e.g. rent-free periods or step-up rents), the equivalent value of the incentive is recognised on a straight-line basis over the entire term of the lease as an adjustment to rental income. Rent reliefs in connection with Covid-19 are recorded if they have been agreed or if a corresponding law would come into force.

At a few properties (see Property details, footnote 5, pages 228 to 239), PSP Swiss Property is lessee of building rights. At one property, PSP Swiss Property is lessor of a building right. The building right contracts are accounted for in accordance with the requirements of IFRS 16.

Direct real estate expenses consist of operating expenses for properties as well as maintenance and renovation expenses. Maintenance expenses do not count as value-enhancing capital expenditures (see section on acquisition costs on page 56) and are therefore charged to the income statement.

Revenue

Revenue is recognised in the financial statements of PSP Swiss Property according to the requirements of IFRS 15. They are shown in the positions “Income from sites and development properties earmarked for sale”, “Income from other property sales”, and “Other income” and are related to trading with properties and intercompany services.

Income from sites and development properties earmarked for sale (inventories)

For PSP Swiss Property, the sale of sites and development properties means, especially, the sale of condominiums or complete building projects with a comparable performance obligation. The performance obligation and the corresponding revenue recognition with regard to condominiums usually starts at the time of the notarisation of the purchase agreement for a specific object and there is sufficient evidence that the agreement with the buyer will be fulfilled by both sides with a high degree of probability. At that point, it is impossible for PSP Swiss Property to offer the buyer a different object without breaking the existing agreement. From this point in time, revenue is recognised pro rata according to the percentage of completion of the entire building project (PoC). For its calculation, an input-based method is applied. The percentage of completion is determined based on the proportion between accrued costs and the estimated overall development costs. The pro rata income from fulfilled performance obligations is accumulated in the position “Contract-based assets”.

A condominium is considered as 100% completed at the time of the transfer of ownership, and the income from the individual unit which has not been recognised yet at that time, is fully realised. Generally, 20% of the sales price is due at the time of the notarisation. At the transfer of ownership, the entire purchase price has to be paid.

Income from other property sales

Income from other property sales corresponds to the difference between the net proceeds achieved and the last reported market value of the corresponding investment properties. The result is fully recognised at the time of the transfer of control (usually upon transfer of ownership).

Revenue from services

PSP Swiss Property only generates revenue from intercompany services. This revenue includes on the one hand, management fees, fees for billing of heating and ancillary costs and fees for construction services, on the other hand, fees for intercompany group-services. These fees are all charged and recorded according to transfer of services and are shown under the items Property management services and Other income in the segment information.

Income from investments in associated companies

Income from investments in associated companies includes the proportional income from the respective participations.

Capitalised own services

Capitalised own services arising from the development of own projects and trading activities are valued at production costs.

Other income

Other operating income includes on the one hand non-period income in connection with the VAT contribution tax due to the voluntary opting-in of rental agreements, and on the other hand income from construction and trading activities as well as management fees from services related to the management of the Group's own real estate portfolio.

Interest expenses

Interest expenses are accrued using the effective interest rate method and charged directly to the income statement (Financial expenses). The treatment of capitalised construction interest is described in the section on "Acquisition costs" on page 56.

Investment properties

Investment properties are properties held to earn long-term rental income and for capital appreciation. They are reported under non-current assets. New acquisitions are recorded at acquisition cost (including transaction costs). After initial recognition, investment properties are carried at fair value. Fair values are determined semi-annually by a external, independent property valuation company. The valuations are based on the discounted cash flow method according to the "Highest and Best Use" concept of IFRS 13. Change in market value or the difference between the acquisition value at initial valuation is recognised in the income statement.

Investment properties held for sale

Investment properties held for sale are valued and recorded like other investment properties. However, investment properties held for sale, which fulfill the criteria of IFRS 5, are reported separately under "Current assets" in accordance with IFRS 5.

Own-used properties

In accordance with IAS 16, own-used properties are carried at historical cost and depreciated over their useful economic life, broken down into significant components. The depreciation period (straight-line method) is 40 years for buildings and 20 years for operating equipment (such as air conditioning, elevators, ventilation, etc.). Associated land is not depreciated. In the case of partial own-use of a property, an area share of less than 25% is considered insignificant, with the result that the entire property is reported in the balance sheet as an investment property at fair value.

Sites and development properties

Sites and development properties are building land, sites and development properties that are held with the intention of developing them as part of a project and making them usable as investment properties. This also includes replacement buildings for existing investment properties. In accordance with IAS 40, these are reported at fair value, provided that the market value can be determined with sufficient reliability. PSP Swiss Property generally assumes that a reliable determination of fair value within the meaning of IFRS 13 is possible from the time a concrete project is available with a corresponding building permit and construction approval by the Executive Board. Changes in valuation are recognised in the statement of profit or loss from this date. Until the conditions for a reliable determination of fair value are met, valuation during the development phase is carried out at historical cost.

Sites and development properties earmarked for sale (inventories)

The treatment of sites and development properties built for sale are carried out in accordance with IAS 2 (Inventories). They are reported in the balance sheet at historical costs or any lower realisable net value. This corresponds to the estimated sales price, less expected investments and sales costs until the sale. The net value is determined by the independent appraiser using the discounted cash flow method (DCF). The sale of such properties is realised and presented on a gross basis in the income statement in accordance with IFRS 15. In the cash flow statement, these sales are shown under “Cash flow from operating activities”.

Acquisition costs

All costs directly related to the acquisition or construction of properties as well as subsequent value-enhancing investments are considered acquisition costs and are capitalised. Value-enhancing investments are capitalised at different rates depending on their ability to be capitalised. In individual cases, the capitalization rate can be up to 100%. Interest expenses are for the financing of development properties and for renovations of investment properties and are relieved under financial expenses. The applied interest rate is determined periodically based on PSP Swiss Property’s debt financing structure; in the reporting year, it was 0.8% (previous year: 0.9%).

Associated companies

Investments in associated companies are recorded as a proportion in the underlying equity according to the equity method. They are carried on the balance sheet at historical cost plus post-acquisition changes in PSP Swiss Property’s share of net assets of the associates, less any impairment in value. The income statement reflects PSP Swiss Property’s share of net results of these associates.

Financial investments

Financial investments are classified in accordance with IFRS 9 “at fair value through profit or loss” and are recognised according to the trade-date principle. Financial investments are recognised at fair value upon acquisition and in subsequent valuations. The fair value of listed financial investments corresponds to the bid price on the balance sheet date. Changes in fair value are recorded directly in equity, taking deferred taxes into account. Upon disposal, the resulting income remains in shareholders’ equity and is not transferred to the income statement. Dividends from financial investments are recorded in the income statement as soon as the Group has a claim to the dividends. The fair value of unlisted financial investments is equal to the Group’s share of equity, provided that this can be regarded as a reasonable approximation of fair value.

Accounts receivable

Accounts receivables are reported at amortised cost. For short-term receivables, this generally corresponds to the nominal value. Impaired receivables are assessed individually and written down accordingly (see section “Impairment” on pages 58 to 59).

Derivative financial instruments

Derivative financial instruments are measured at fair value at the time of acquisition and subsequently value at fair value. The fair values of these derivatives cannot be derived directly from a published source. Instead, they are determined by discounting future cash flows using published interest rates. These are calculated by the relevant banks and plausibility checked by PSP Swiss Property.

Derivative financial instruments are only used for hedging purposes (interest rate swaps). Interest rate payer swaps are used to hedge future cash flows. The interest rate receiver swaps are used in conjunction with fixed credit positions to synthetically map variable loans.

Changes in the fair value of derivatives that are effective hedges of future cash flows are recognised in equity as revaluation reserves. The amounts held in these reserves are transferred to the statement of profit and loss when the hedged cash flows affect the income statement. When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria of IFRS 9, the amounts accumulated in the revaluation reserves remain in equity until the hedged cash flows affect the statement of profit and loss. However, if a future cash flow is no longer expected to occur, the amount accumulated in equity is released to the statement of profit and loss. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit and loss.

The Group documents at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategies for undertaking the hedge. The Group periodically tests the effectiveness of the hedging instrument to determine whether it is highly effective. The risk management effect is still present in order to achieve an effective balancing of risks.

Intangible assets (software)

Software is carried at acquisition or production cost, less any necessary depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

Tangible assets

Tangible assets are reported at acquisition or production cost, less any necessary depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

Right-of-use assets

Right-of-use assets are accounted for in accordance with the requirements of IFRS 16. They only include building right contracts which are related to investment properties according to IAS 40 and are therefore valued using the same valuation method as the investment properties. All building lease contracts are linked to the Land Index for Consumer Prices (LIK). Changes in the index are recorded prospectively. Changes in the value of right-of-use assets are recorded in the net changes in fair value of real estate investments. Right-of-use assets are valued semi-annually and reviewed in each quarter for possible substantial changes in value.

Taxes

The tax expenses include current and deferred income taxes. They are recognised in the statement of profit and loss, with the exception of income taxes on transactions recognised directly in equity. In these cases, income taxes are also recognised in equity. Current income taxes comprise the expected tax payable on the taxable result, calculated at the tax rates applicable on the balance sheet date, property gains taxes on property sales, and adjustments to tax liabilities or assets from previous years.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes are recognised wherever temporary differences exist between the values recognised in the tax accounts and the consolidated balance sheet values. Deferred taxes are calculated on the basis of local tax rates and tax laws that were in force or had been enacted by the balance sheet date and are expected to apply when a deferred tax asset is realised or a deferred tax liability is released.

The deferred tax rates applied to unrealised gains on real estate holdings take into account the intended holding period of the properties, as far as the tax rate is influenced by the holding period of the properties. For cantons with a dualistic system, the expected income tax rates are applied. For cantons with a monistic system, there is a separate real estate gains tax with speculation surcharges or deductions for length of ownership depending on the holding period. For properties held for sale, the effective holding period applies. For all other properties, the effective holding period is 20 years, or the effective holding period if it is more than 20 years. Tax-deductible loss carryforwards are only recognised as deferred tax assets if it is probable that they can be utilised in the future by offsetting against taxable income.

Tax liabilities

Tax liabilities include income taxes (from previous years and the reporting year), which are calculated and deferred in the consolidated financial statements. Tax liabilities are reported under current liabilities.

Cash and cash equivalents

Cash and cash equivalents are carried at nominal value; they include cash, postal accounts and bank deposits.

Impairment

The value of tangible assets not carried at fair value (including own-used properties and development properties at cost) and intangible assets with limited useful lives is reviewed at least every six months. If a book value exceeds the realisable value, an impairment loss is recognised to the value in use or to the value that appears recoverable based on the discounted expected future income (fair value less costs to sell).

Sites and development properties held for sale are reported in the balance sheet at historical cost or at a lower realisable net value, if lower. This corresponds to the estimated sales price, less expected investments and sales costs up to the sale, and is determined by the independent property valuer using the discounted cash flow method (DCF).

Financial assets are reviewed for impairment at each balance sheet date based on special indicators. Financial assets are impaired if there is objective evidence that future cash flows have changed negatively.

In the case of cash and cash equivalents, rent receivables and loans, objective indications of impairment may exist in the following cases: i) significant financial difficulties of the issuer or the counterparty, ii) default or delay in interest and/or capital payments and iii) probability that the counterparty will become insolvent. Receivables from leases are generally due on the first day of the month or quarter. Receivables from service charge settlements are due 30 days after the invoice date. No interest is charged for overdue receivables. Receivables that are more than 90 days overdue are written off individually. The value adjustment for expected losses is based on an individual assessment, taking into account any existing collateral (e.g. rent deposits) and also takes into account corresponding historical experience and the creditworthiness of the counterparty.

Own shares

Own shares are offset against shareholders' equity at acquisition cost. The proceeds received from the sale of own shares are credited directly to shareholders' equity (capital reserves).

Reserves

The item revaluation reserves includes in particular the change in value (after tax) of derivative financial instruments held for cash flow hedging purposes, the actuarial gains and losses of the pension fund in accordance with IAS 19 and revaluations in connection with changes in the use of real estate as defined in IAS 40, paragraph 61. Revaluation reserves are not at the Company shareholders' disposition.

The capital reserves primarily result from a capital increase following a previous merger and from changes from trading in own shares.

Retained earnings include undistributed earnings and realised gains and losses of financial investments classified as "at fair value through comprehensive income".

Financial liabilities

Short- and long-term financial liabilities in the form of bank loans and any bank debt in the form of current account overdrafts are recognised at amortised cost. Short-term financial liabilities have a maximum term of one year.

Lease liabilities

Leasing liabilities are recognised in accordance with the requirements of IFRS 16. Since the interest rate implicit in the lease cannot be readily determined, the present value of the future payment obligations is discounted the lessee's incremental borrowing rate. Short-term leases with a term of less than twelve months and leases for which the underlying asset is of low value are not recognised in the balance sheet and the resulting cash flows are recognised as an expense on a straight-line basis over the term of the lease.

Bonds and notes

Bonds and notes are initially recognised at the consideration received, net of transaction costs. In subsequent periods, they are measured at amortised cost (effective interest method). The difference between the consideration received and the redemption amount is amortised over the lifetime of the bond.

Pension liabilities

Accounting and valuation method for pension liabilities

Benefits following the termination of a work contract include employee pension benefits. These are part of defined benefit pension plans. These are classified either as defined benefit plans or defined contribution plans.

The defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method. Accordingly, the value of pension obligations at the valuation date is equal to the present value of the pension entitlement acquired up to the reporting date, taking into account the duration of insurance, the expected salary on occurrence of the insured event, the periodic adjustment of current pensions and other parameters.

The actuarial assumptions underlying the calculations are based on the expectations at the closing date for the period over which the obligations are to be fulfilled. Pension assets in Switzerland are managed in a foundation separated from the employer. The assets of the plans are accounted for at fair value. An over-funding can only be capitalised at the present value of the future contribution relief.

Actuarial gains and losses arise from changes in previous assumptions, deviations between actual and projected income from plan assets as well as differences between actually acquired benefit claims and claims as projected according to actuarial assumptions. These are recorded under "Other income".

The pension costs are to be recognised in the income statement. Extraordinary events, such as changes in pension schemes which change employee claims, or plan curtailments or plan settlements are immediately recorded in the statement of profit or loss.

Description of pension schemes and pension institutions

PSP Swiss Property has joined a collective foundation for occupational benefits and forms its own pension institution. All employees and pensioners are covered by various pension plans. The collective foundation has its own legal personality in the form of a foundation. Its goal is to provide benefits for the employees in the case of retirement or disability as well as these employees' dependents after their death. The pension schemes exceed the minimum legal provisions in the case of disability, death, old age and contract termination. The risk benefits are determined dependent on the insured salary. The old-age pension is determined according to the projected accrued savings capital (including interest) as well as a conversion rate. The retirement pension results from the savings capital available at the time of retirement and the then applicable conversion rate.

Responsibilities of the employer respectively the foundation board

The foundation board is the foundation's supreme body. Among other things, the foundation board determines possible pension plans, their financing as well as investments. It is responsible for the guidance, supervision and control of the management of the respective collective institutions.

Each pension institution has its own equally represented body. This consists of an equal number of employer and employee representatives, which also applies to PSP Swiss Property. Among other things, the equally represented body issues the pension plan, which in particular describes the nature and extent of the pension benefits and contributions, as well as other regulations specific to the pension scheme.

Special situations

According to the pension plan regulations, the foundation is required to take steps to remedy any instances of insufficient coverage. These measures must be appropriate to the degree of under-funding and be part of a balanced overall concept. They must also be capable of remedying the plan deficit within a reasonable period of time.

If other measures do not solve the problem, the employer and employees may make contributions to remedy the deficit while the plan is underfunded. The contributions made by the employer must be at least as large as the sum of the contributions made by the employees. Should this also prove to be insufficient, the foundation may pay not more than 0.5% less than the minimum interest rate as per art. 15 of the BVG for the duration of the underfunding for a period of not more than five years.

Financing agreements for future contributions

Occupational pension schemes (BVG – Switzerland's federal law on occupations retirement for old-age, dependents and disability with its corresponding ordinances) provide for a minimum of pension benefits at retirement. Legislation requires a minimum of annual contributions. However, employers are allowed to pay higher contributions than those stipulated by law. These contributions are laid down in the pension plans/regulations. In addition, employers are also allowed to make one-off payments or advance payments to the pension institutions, usually as an employer contribution. These contributions may not be repaid to the employer. The employer may, however, use them to pay future employer's contributions (employer contribution reserves).

Even in the case of over-funding, the law requires a minimum of annual contributions. Both the employer and employees must make contributions for those still at work. The employer's contribution must be at least as high as the employees' contributions. The annual contributions depend on the insured person's age and insured salary. They are recorded in the pension plans/regulations.

If an insured person leaves his or her employer before reaching the retirement age, he receives a termination benefit (accrued savings capital). This capital is transferred by the pension institution to the new employer's pension institution.

Provisions

Provisions are made when a legal or factual obligation arises from prior events which is likely to entail an outflow of funds. The amount of provisions made corresponds to the best possible evaluation of the obligation at the time.

Performance-based remuneration in shares for the Executive Board

The Members of the Executive Board receive a performance-based remuneration in company shares with a contractual blocking period of three years – the CEO at 100%, the other Members basically at 50% (there are no further limitations or conditions). Allocation of shares is according to market prices.

According to IFRS 2, the amount related to the allocation of the shares is fully charged to personnel expenses in the corresponding business year.

3 Risk management

3.1 Basis

Great importance is attached to the identification, measurement and control of risks. The Board of Directors and the Executive Board have compiled a list of all relevant risk factors that could lead to unexpected fluctuations in results or to a loss of shareholders' equity. Recommendations for risk control measures are derived from the results. Certain risks are also identified as opportunities. The aim is to find an appropriate balance between the possible resulting losses and the potential gains. Risks that predominantly represent a potential loss are minimised.

The scenario analysis is complemented by stress tests, which quantify the consequences of extremely unfavourable events. All risks that could jeopardise the normal continuation of the company's business as a going concern are strictly avoided. Catastrophic scenarios relating to a widespread collapse of economic activity are discussed, but do not form the basis for risk management.

A risk report is submitted to and discussed by the Board of Directors every six months.

The most important risks are associated with:

- Real estate market risk
- Financial risk:
 - Credit risk
 - Liquidity risk
 - Market risk
 - Equity risk

3.2 Real estate market risks

General economic development and structural changes are the main factors which affect the general and specific development of supply and demand on the office and commercial real estate market; these, in turn, influence the level of rents and the risk of vacancies. Furthermore, capital and financial markets impact yield expectations of real estate investors (discount rate). These risks are addressed by appropriate selection and diversification with regard to properties and tenants, by adjustments to the lease expiry profile and by keeping properties attractive.

Within the framework of its periodic property valuations, PSP Swiss Property checks the external, independent valuation company's valuations using an internal DCF model and according to its own experience with regard to market rents, maintenance and renovation expenses, lengths of vacancies, yield expectations of investors, realised property sales prices and so on. What is important in this comparison is the quantification of sensitivities with regard to critical determinants, rather than the comparison of absolute values. By means of scenario analyses, the impact of changing environmental factors, which are economically consistent, is checked regularly. In most scenarios there are compensating effects of various factors; consequently, property values are more stable than generally assumed. The worst scenario is a deflationary one which lasts several years.

Various tables in this annual report give important indications for judging the diversification of property risks, such as the development of rental income and vacancy rates according to regions (pages 226 to 227), the lease expiry profile or the tenant structure (pages 242 to 243). This information shows that PSP Swiss Property has a well-diversified and balanced portfolio within its defined strategy.

With regard to possible changes in the market environment, there is sensitivity in particular related to discount rates. Changes in market value due to changes in the discount rate were as follows (average discount rate for the entire portfolio, approximate calculation, without building rights):

Average weighted discount rate (nominal)	Change market value in %	Change market value in CHF 1 000	Market value in CHF 1 000
3.60%	- 13.6%	- 1 145 130	7 266 890
3.50%	- 10.6%	- 890 644	7 521 376
3.40%	- 7.3%	- 617 803	7 794 217
3.30%	- 3.9%	- 324 675	8 087 345
3.20% (Valuation as of 31 December 2020)	0.0%	0	8 412 020
3.10%	4.0%	334 007	8 746 027
3.00%	8.4%	706 400	9 118 420
2.90%	13.2%	1 111 370	9 523 390
2.80%	18.5%	1 555 470	9 967 490

An increase respectively decrease of the market rents (price level) on which the estimates are based for all properties by 4% would result in an appreciation respectively depreciation of the entire portfolio of approximately CHF 410 million at most (2019: CHF 380 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/- CHF 334 million (2019: CHF 303 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.1% to 8.1% (2019: from 5.0% to 8.0%) would result in a depreciation of the entire portfolio of approximately CHF 330 million at most (2019: CHF 305 million; assumption: all other valuation variables remain unchanged). This would have the following impact on the Company's results:

- Change in net income: approximately CHF 269 million (2019: CHF 243 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2019: no impact)

The Board of Directors has established the following unchanged diversification guidelines for investment activity:

- The potential income per individual property shall represent a maximum of 10% of overall potential rent of the existing real estate portfolio.
- The potential income to be generated from properties categorised under "Other locations" shall represent a maximum of 30% of overall potential rent for the existing real estate portfolio.
- Reported historical cost of "Sites and development properties" shall represent a maximum of 10% of the overall portfolio value.

All the guidelines established by the Board of Directors were fulfilled as at 31 December 2020 and 31 December 2019.

3.3 Financial risks

Financial risk management is governed by guidelines set by the Board of Directors regarding the capital structure and the term structure of interest rates. The Board of Directors has defined the following guidelines for financial risk management:

- Interest-bearing debt shall not exceed 50% of the balance sheet total.
- Financial debt with floating rates shall not exceed 20% of the value of the real estate portfolio.
- A balanced distribution of maturities for fixed interest rates is aimed for.
- The interest coverage ratio (ebitda excluding gains/losses on real estate investments / net financial expenses) shall amount to a minimum of 2.0.

All the guidelines established by the Board of Directors were fulfilled as at 31 December 2020 and 31 December 2019.

3.4 Credit risk

Credit risks arise if clients do not meet their obligations towards PSP Swiss Property. Furthermore, credit risks may arise from active financial positions (derivative financial instruments, cash and cash equivalents, fixed-term deposits and tenants' receivables as well as tenant loans).

PSP Swiss Property has a broadly diversified tenant base. Creditworthiness is critically checked and documented by the property management before signing contracts, based on standard market data sources. In general, tenant deposits or bank guarantees of between 3 and 6 gross monthly rents are required for rental agreements. As at the end of 2019, PSP Swiss Property had no significant concentrations of credit risk from receivables as at the end of 2020 (see also the tenant structure on page 243). Despite the slightly higher default rate of 1.2% (previous year: 0.5%) on receivables from leases, the credit risk is considered low. The receivables include individual tenant loans. The largest individual position at the end of 2020 was CHF 2.1 million due from a global company (end of 2019: CHF 2.4 million). There are no indications of a default risk.

Our efforts to work with first-class banking institutions ensure that positive fair value receivables from derivative financial instruments (interest rate swaps) as well as cash and cash equivalents and fixed-term deposits are exposed to only minor credit risks. Creditworthiness considerations play an important role both in selecting these institutions and in continuous monitoring. The three largest institutions all had at least an "A" rating (S&P) or "A1" rating (Moody's) at the end of 2020. Together they covered CHF 1.7 million or 100% of all positive derivative financial instruments at the end of 2020 (end of 2019: CHF 1.9 million or 100%) and CHF 20.7 million or 64.1% of all cash (end of 2019: CHF 13.3 million or 67.7%).

3.5 Liquidity risk

The capital and financial markets influence the Group's ability to raise funds. Careful liquidity risk management includes keeping sufficient cash and cash equivalents available and the availability of financing through committed credit lines of an appropriate volume. In addition, the liquidity risk is addressed by an appropriate selection and diversification of financing sources.

Together with PSP Swiss Property's accounting and operating units, Corporate Treasury carries out continuous liquidity planning, which ensures the Company's solvency at all times by taking into account recurring rental income, planned investments and forthcoming interest and dividend payments.

PSP Swiss Property aims to have available liquidity (cash and cash equivalents plus available credit lines) of at least CHF 100 million at all times. At the end of 2020, cash and cash equivalents amounted to CHF 32.3 million (end of 2019: CHF 19.7 million). At the same time, PSP Swiss Property had unused credit lines of CHF 960 million (end of 2019: CHF 1.05 billion), of which CHF 700 million were committed credit lines (end of 2019: CHF 1.05 billion).

The following liquidity-related information required by IFRS 7 is relevant for PSP Swiss Property:

- Credit lines: At the end of 2020, committed credit lines amounted to CHF 1.63 billion; thereof no credit line was subject to short-term notice (end of 2019: CHF 1.85 billion, thereof CHF 0.35 billion subject to short-term notice).
- Financing sources: PSP Swiss Property has bilateral business relations with 11 Swiss banks. In addition, there is a syndicated loan with 11 Swiss cantonal banks. Furthermore, access to the money and capital markets is generally open.

3.6 Market risk

Interest rate risk

Scenario analysis is used to optimise the fixed interest period. This takes into account the exact maturity structure of the existing rental agreements, the intended property purchases and sales, and the development of market rents, inflation and interest rates. This optimisation does not necessarily lead to an equation of the average liability duration with that of the contractually agreed rental income. In view of its conservative attitude towards financial risks, PSP Swiss Property generally hedges interest rates in unclear cases by means of interest rate swaps and forward starting interest rate swaps, even if this may result in higher overall financing costs. In order to minimise interest rate risks, financial debt with variable interest rates should not exceed 20% of the real estate portfolio value.

PSP Swiss Property is financed through long-term capital market bonds, notes and bank loans (fixed advances on a variable basis as well as fixed loans). Fixed advances are mainly hedged with interest rate swaps or forward starting interest rate swaps (cash flow hedges) for several years. Hedging is carried out on a rolling basis. All hedging transactions are carried out with first-class banking institutions, all of which have at least an "A" (S&P) or "A1" (Moody's) rating. There are no significant counterparty and bulk risks.

Based on the financial liabilities as of 31 December 2020 with interest rates fixed for less than twelve months, a change in interest rates of 50 basis points (assuming all other variables remain unchanged) would result in a change in annualised interest costs of approximately CHF 2.4 million (2019: CHF 3.0 million). This would have the following impact on the results:

- Change in net income: CHF 2.0 million (2019: CHF 2.4 million)
- Change in net income excluding gains/losses on real estate investments: CHF 2.0 million (2019: CHF 2.4 million)
- Change in shareholders' equity (retained earnings): CHF 2.0 million (2019: CHF 2.4 million)

An interest rate change of 50 basis points would have the following effects on the valuation of the existing interest rate swaps and would be fully recognised in shareholders' equity (assuming all other variables remain the same):

- Change in net income: no impact (2019: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2019: no impact)
- Change in comprehensive income: CHF 5.5 million (2019: CHF 5.8 million)
- Change in shareholders' equity (revaluation reserves): CHF 5.5 million (2019: CHF 5.8 million)

Overall, the financing structure as at 31 December 2020 can be described as well hedged.

Equity market risk

PSP Swiss Property has no financial investment which is exposed to equity market risk.

Currency risk

Due to the fact that PSP Swiss Property is only active in the Swiss property market, there is no currency risk.

3.7 Equity risk

PSP Swiss Property pursues a conservative equity policy. In particular, care is taken to ensure that there is sufficient room for manoeuvre in any economic situation and that dependence on individual banking institutions remains limited. Equity risk management is controlled by the equity ratio respectively the ratio of interest-bearing debt to total assets.

The optimisation of the equity base or capital structure includes the distribution policy, possible repurchases or issues of own shares or sales of non-strategic properties.

With shareholders' equity of CHF 4.579 billion at the end of 2020 (end of 2019: CHF 4.450 billion) – corresponding to an equity ratio of 52.8% (end of 2019: 55.4%) – PSP Swiss Property has a strong equity base. At the end of 2020, interest-bearing liabilities amounted to CHF 3.057 billion or 35.3% of total assets (end of 2019: CHF 2.596 billion or 32.3%). The remaining 11.9 percentage points (based on total assets) are mainly deferred taxes which do not trigger any interest charges.

4 Segment reporting

Segment reporting was prepared in accordance with IFRS 8 (Operating Segments).

The consolidated results are presented by segments which are based on the Group's internal reporting and organisational structure. Presentation according to segments shall make earnings power as well as the financial situation of the Group's individual activities more transparent.

The Executive Board has determined the operating segments based on the reports which are reviewed by the strategic steering committee and which are used to make strategic decisions.

As of 31 December 2020, the Group was, as in the previous year, organised according to the following three business units:

- Real estate investments: This segment includes the real estate business. It comprises all properties of the Group (investment properties, investment properties earmarked for sale, own-used properties, sites and development properties as well as development projects earmarked for sale). Income in this segment is generated by the properties (mainly rental income and net changes in fair value).
- Property management: This segment includes all services and activities with regard to the management of the Company's own real estate portfolio. Income in this segment is generated by providing the above-mentioned property management services to the other segments.
- Holding: This segment includes the traditional corporate functions (finance, legal, corporate communications, human resources and information technology). Income in this segment is generated by providing the (exclusively internal) mentioned services to the other segments.

For the management of the Company, the Group is divided into three business segments based on the products and services offered. The Executive Board monitors the operational results down to the level of operational income separately for each business segment in order to decide on the distribution of resources and to assess earnings power.

Earnings are determined and the valuation of assets and liabilities is made according to the same principles as in the Group financial statements.

PSP Swiss Property generates income through Real Estate Management and the disposal of properties earmarked for sale. Revenue is recognised according to the accounting principles described in "article 2.6" and is shown in the positions "Rental income", "Income from property sales (inventories)", "Property management services" and "Other income".

Segment information 2019

(in CHF 1 000)	Real Estate Invest- ments	Property Manage- ment	Holding	Subtotal	Elimina- tions	Total Group
Rental income	292 106			292 106	- 1 646	290 460
Net changes in fair value of real estate investments	244 176			244 176		244 176
Income from property sales (inventories)	45 589			45 589		45 589
Expenses from sold properties (inventories)	- 33 402			- 33 402	647	- 32 755
Income from other property sales	13 909			13 909	1 053	14 961
Income from investments in associated companies		2		2		2
Property management services		13 866		13 866	- 13 866	0
Capitalised own services		2 578	2 285	4 863		4 863
Other income	3 011	1 191	20 800	25 002	- 21 910	3 092
Total operating income	565 390	17 637	23 085	606 111	- 35 723	570 389
Real estate operating expenses	- 25 880			- 25 880	13 866	- 12 014
Real estate maintenance and renovation expenses	- 17 607			- 17 607	811	- 16 796
Personnel expenses		- 9 885	- 9 558	- 19 443	100	- 19 343
Fees to subcontractors		- 48		- 48		- 48
General and administrative expenses	- 20 122	- 4 944	- 3 838	- 28 904	20 946	- 7 958
Depreciation	- 749	- 518		- 1 267		- 1 267
Total operating expenses	- 64 358	- 15 395	- 13 395	- 93 148	35 723	- 57 426
Operating profit (ebit)	501 032	2 241	9 689	512 963		512 963
Financial income						394
Financial expenses						- 19 478
Profit before income taxes						493 879
Income taxes						- 40 454
Net income attributable to shareholders of PSP Swiss Property Ltd						453 425
Income with third parties	339 061			339 061		339 061
Income with other segments	1 646	17 554	23 085	42 285	- 37 422	4 863
Total revenue	340 707	17 554	23 085	381 346	- 37 422	343 924
Assets	8 021 014	11 286	30 547	8 062 847	- 26 602	8 036 244
Liabilities	3 576 600	19 368	16 659	3 612 627	- 26 602	3 586 025
Capital expenditures	141 605	823		142 428		142 428
Associated companies		72		72		72

The Real Estate Investments Segment exclusively invests in commercial properties.

As PSP Swiss Property is exclusively active in Switzerland, no geographical segment information is disclosed.

Segment information 2020

(in CHF 1 000)	Real Estate Invest- ments	Property Manage- ment	Holding	Subtotal	Elimina- tions	Total Group
Rental income	297 968			297 968	- 1 694	296 274
Net changes in fair value of real estate investments	101 578			101 578		101 578
Income from property sales (inventories)	46 665			46 665		46 665
Expenses from sold properties (inventories)	- 30 850			- 30 850	300	- 30 550
Income from investments in associated companies		4		4		4
Property management services		13 953		13 953	- 13 953	0
Capitalised own services		2 689	3 522	6 211		6 211
Other income	6 356	1 084	20 505	27 945	- 21 589	6 356
Total operating income	421 717	17 730	24 027	463 473	- 36 935	426 538
Real estate operating expenses	- 24 566			- 24 566	13 953	- 10 613
Real estate maintenance and renovation expenses	- 16 188			- 16 188	784	- 15 404
Personnel expenses		- 12 505	- 8 098	- 20 603	100	- 20 503
Fees to subcontractors		- 33		- 33		- 33
General and administrative expenses	- 20 683	- 5 200	- 3 565	- 29 448	22 099	- 7 349
Depreciation	- 755	- 575		- 1 330		- 1 330
Total operating expenses	- 62 192	- 18 313	- 11 663	- 92 168	36 935	- 55 232
Operating profit (ebit)	359 525	- 583	12 364	371 306		371 306
Financial income						266
Financial expenses						- 13 475
Profit before income taxes						358 097
Income taxes						- 66 006
Net income attributable to shareholders of PSP Swiss Property Ltd						292 091
Income with third parties	349 295			349 295		349 295
Income with other segments	1 694	17 725	24 027	43 446	- 37 235	6 211
Total revenue	350 989	17 725	24 027	392 741	- 37 235	355 506
Assets	8 625 204	10 508	49 137	8 684 849	- 19 803	8 665 045
Liabilities	4 071 215	15 876	18 592	4 105 683	- 19 803	4 085 880
Capital expenditures	172 847	278		173 125		173 125
Associated companies		76		76		76

The Real Estate Investments Segment exclusively invests in commercial properties.

As PSP Swiss Property is exclusively active in Switzerland, no geographical segment information is disclosed.

5 Rental income

(in CHF 1 000)	2019	2020
Potential rent	324 405	326 076
Vacancy	- 28 154	- 18 982
Rent reliefs	n.a.	- 4 634
Write-offs of defaulting tenants	- 1 510	- 2 396
Income from electricity sale	209	296
Other income	- 4 489	- 4 086
Total rental income	290 460	296 274

In the reporting period, rent of CHF 4.6 million was waived in connection with the Covid-19 lockdown. Rent reductions are recorded if they have been agreed or if a corresponding law would come into force. No value adjustment was made for other future rent reductions.

The following accumulated rental income will result from fixed-term lease contracts open as at the respective year-ends:

(in CHF 1 000)	31 December 2019	31 December 2020
Rental income < 1 year	251 927	248 077
Rental income 2 to 5 years	559 938	522 213
Rental income > 5 years	164 948	177 070
Accumulated future rental income	976 813	947 359

Lease contracts for commercial properties usually include an index clause, whereby rents can be raised on the basis of the consumer price index. The vast majority of new contracts usually contain a clause for a 100% adjustment to the index; over the entire portfolio, 74.3% of contracts have a clause for a 100% indexation (end of 2019: 75.7%). At the end of 2020, the average remaining weighted duration for all leases was 4.1 years (2019: 4.2 years).

6 Income from other property sales

The following figures refer to disinvestments of investment properties.

(in CHF 1 000)	2019	2020
Sales proceeds	61 105	3 590
Transaction costs	- 200	- 410
Carrying value of sold properties	- 45 943	- 3 180
Total income from property sales	14 961	0

The sale of a parking lot and the reversion of a property in the reporting year led to a disposal not affecting net income. In the previous year, two investment properties were sold for a total profit of CHF 15.0 million.

7 Other income

(in CHF 1 000)	2019	2020
VAT recovery	2 992	6 356
Other income	99	0
Total other income	3 092	6 356

The voluntary opting of several rental contracts (VAT recovery) resulted in an income of CHF 6.4 million in the reporting year (2019: CHF 3.0 million).

8 Real estate operating expenses

(in CHF 1 000)	2019	2020
Taxes and fees	3 494	3 539
General operating expenses	3 251	2 322
Insurance fees	1 918	1 842
Letting expenses	1 661	1 351
Expenses for caretakers	921	817
Utilities and waste management	451	569
Administrative expenses	493	404
Ancillary expenses received	- 176	- 231
Total real estate operating expenses	12 014	10 613

Real estate operating expenses for vacant objects amounted to CHF 3.1 million in 2020 (2019: CHF 4.1 million). Thereof, CHF 1.4 million were for heating and general operating expenses (2019: CHF 2.0 million).

9 Personnel expenses

(in CHF 1 000)	2019	2020
Wages and salaries	16 766	15 615
Social security expenses	1 566	1 441
Expenses for staff pension schemes	754	3 125
Other expenses	256	321
Total personnel expenses	19 343	20 503
Employees at end of period (people)	94	96
Equal full-time employees (FTE)	89	89

Personnel expenses increased mainly due to a one-off effect from a change of PSP Swiss Property's pension plan.

10 General and administrative expenses

(in CHF 1 000)	2019	2020
IT expenses	2 332	3 063
Administrative expenses	3 542	2 214
General operating expenses	1 608	1 520
Occupancy expenses	340	365
Current capital taxes	137	186
Total general and administrative expenses	7 958	7 349
Expenses for short-term leases	65	65
Expenses for leases of low-value assets	27	25

Operating and administrative expenses decreased mainly due to lower expenses for digitalisation projects and lower legal costs.

11 Financial results

(in CHF 1 000)	2019	2020
Financial income	393	266
Income from financial investments	2	0
Total financial income	394	266
Financial expenses	20 569	15 558
Capitalised interests	- 1 690	- 1 803
Amortisation of issue expenses of bonds and notes	599	- 280
Total financial expenses	19 478	13 475
Total financial result	19 084	13 209
Overall financial expenses for financial instruments at amortised cost	21 168	15 278

Interest-bearing debt amounted to CHF 3.057 billion at the end of 2020 (end of 2019: CHF 2.596 billion). The average interest rate was 0.53% in the reporting year (2019: 0.77%). As at 31 December 2020, the passing average interest rate was 0.47% (31 December 2019: 0.73%).

12 Income tax expenses

(in CHF 1 000)	2019	2020
Current income taxes of reporting period	29 607	23 073
Adjustments for current income taxes relating to other periods	- 237	20
Total current income taxes	29 370	23 092
Deferred income taxes from change in temporary net changes in fair value of investment properties	65 817	47 235
Deferred income taxes from changes in tax rates	- 54 917	- 150
Utilization of unrecognised deferred taxes from losses carried forward	- 280	280
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	465	- 117
Reassessment STAF Step-up	n.a.	- 4 334
Total deferred income taxes	11 084	42 914
Total income taxes	40 454	66 006

Reconciliation to tax expenses:

(in CHF 1 000)	2019	2020
Operating profit before taxes	493 879	358 097
Reference tax rate	20.2%	18.5%
Income taxes at reference tax rate	99 757	66 297
Changes in tax rates on temporary changes in fair value	- 54 917	- 150
Adjustments for current income taxes relating to other periods	- 237	20
Offsetting losses carried forward	- 280	280
Local tax rate differences	- 3 869	3 894
Local tax rate differences	n.a.	- 4 334
Total income tax expenses	40 454	66 006

The reference tax rate is a mixed rate. It takes into account the fact that profits subject to cantonal and municipal tax are currently subject to an average tax rate of 18.5% (including direct federal tax) (2019: 20.2%). The actual tax rate in the year under review was 18.4% (2019: 8.2%).

The income tax effect for each component of the consolidated income statement was as follows:

(in CHF 1 000)	2019	2020
Taxes from change in interest rate hedging	365	- 379
Taxes from staff pension scheme liabilities	305	175
Total income tax expenses (directly reported in equity)	670	- 204

13 Real estate investments

(in CHF 1 000)	Investment properties	Own-used properties	Sites and development properties at market value	Development properties for sale	Total real estate investment
	IAS 40	IAS 16	IAS 40	IAS 2	
Carrying value at 1 January 2019	6 759 255	36 712	624 550	38 624	7 459 141
Purchases	223 260	0	0	0	223 260
Capitalised/released rent-free periods ¹	- 1 293	0	217	0	- 1 076
Transfers	24 962	0	- 75 122	50 160	0
Capital expenditures	45 874	291	67 881	14 959	129 005
Capitalised own services	3 563	0	1 044	256	4 863
Capitalised interests	458	0	994	237	1 690
Disposals	- 45 943	0	0	- 32 703	- 78 646
Net changes in fair value of real estate investments	213 051	n.a.	31 125	n.a.	244 176
Depreciation	n.a.	- 749	n.a.	n.a.	- 749
Carrying value at 31 December 2019	7 223 187	36 254	650 690	71 533	7 981 664
Historical cost		39 791			
Accumulated depreciation		- 3 538			
Carrying value, net		36 254			
Carrying value at 1 January 2020	7 223 187	36 254	650 690	71 533	7 981 664
Purchases	214 692	0	146 951	0	361 644
Capitalised/released rent-free periods ¹	- 1 556	0	0	0	- 1 556
Transfers	77 809	0	- 122 079	44 270	0
Capital expenditures	37 150	955	95 388	26 712	160 205
Capitalised own services	3 356	0	2 520	335	6 211
Capitalised interests	370	0	1 078	355	1 803
Disposals	- 3 180	0	0	- 30 524	- 33 704
Net changes in fair value of real estate investments	93 716	n.a.	7 862	n.a.	101 578
Depreciation	n.a.	- 755	n.a.	n.a.	- 755
Carrying value at 31 December 2020	7 645 544	36 454	782 410	112 681	8 577 089
Historical cost		40 747			
Accumulated depreciation		- 4 293			
Carrying value, net		36 454			

1 Straightlining of incentives given to tenants.

Class of assets fair value change calculation

(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Total real estate investment
Carrying value at 1 January 2019	4 548 419	1 001 978	683 080	296 130	413 732	440 466	7 383 805
Additions	0	0	0	223 260	0	0	223 260
Capitalised/released rent-free periods ¹	- 796	- 185	- 23	0	0	- 72	- 1 076
Capital expenditures	63 155	19 874	14 734	4 938	6 288	4 766	113 755
Capitalised own services	1 291	314	472	2 342	107	83	4 607
Capitalised interest	1 082	163	67	17	74	49	1 452
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	162 279	42 666	10 910	16 708	7 182	4 432	244 176
Deductions	- 46 200	- 18 650	0	- 15	0	- 31 238	- 96 103
Carrying value at 31 December 2019	4 729 230	1 046 159	709 240	543 380	427 383	418 485	7 873 877
<i>Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2019; recognised in the income statement</i>	<i>162 279</i>	<i>42 666</i>	<i>10 910</i>	<i>16 708</i>	<i>7 182</i>	<i>4 432</i>	<i>244 176</i>
Carrying value at 1 January 2020	4 729 230	1 046 159	709 240	543 380	427 383	418 485	7 873 877
Additions	33 540	304 147	0	23 956	0	0	361 644
Capitalised/released rent-free periods ¹	- 2 266	1 012	- 230	0	0	- 72	- 1 556
Capital expenditures	80 935	12 585	24 801	4 512	7 144	2 560	132 537
Capitalised own services	1 669	3 192	365	499	83	68	5 876
Capitalised interest	1 010	188	125	44	27	54	1 448
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	119 102	- 16 594	4 389	- 8 501	2 600	582	101 578
Deductions	- 90	- 44 270	0	0	0	- 3 090	- 47 450
Carrying value at 31 December 2020	4 963 130	1 306 419	738 690	563 890	437 237	418 588	8 427 954
<i>Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2020; recognised in the income statement</i>	<i>119 102</i>	<i>- 16 594</i>	<i>4 389</i>	<i>- 8 501</i>	<i>2 600</i>	<i>582</i>	<i>101 578</i>

1 Straightlining of incentives given to tenants.

In the reporting period, a total of four properties were purchased and two properties were sold.

The following properties were purchased: a development property at Grubenstrasse 6 in Zurich for CHF 33.5 million, a development property at Rue de la Corraterie 5, 7 / Rue de la Cité 6 in Geneva for CHF 113.4 million, an investment property at Rue de la Confédération 2 in Geneva for CHF 190.7 million and an investment property at Seilerstrasse 8 for CHF 24.0 million.

The disposals relate to the reversion of the building lease property at Gurzelngasse 6 in Solothurn for CHF 3.5 million and the sale of the development property at Zurlindenstrasse 134 in Zurich as an overall project for CHF 15.0 million. Further partial disposals were recorded for the properties at Limmatstrasse 250-254/264/266 in Zurich, Parco Lago in Paradiso and Salmenpark in Rheinfelden.

Further information can be found on pages 240 to 241.

The following reclassifications were made during the reporting period:

Property	Classification at beginning of period	Classification at end of period
Basel, Grosspeterstrasse 18 ¹	Investment property	Site and development property
Basel, Steinentorberg 8/12	Site and development property	Investment property
Bern, Bärenplatz 9, 11, 27 / Käfiggässchen 10, 22, 26	Investment property	Site and development property
Genève, Rue du Grand-Pré 54, 56, 58	Investment property	Development property for sale
Genève, Rue du Mont-Blanc 12	Investment property	Site and development property
Genève, Rue du Marché 40	Site and development property	Investment property
Zürich, Füsslistrasse 6	Investment property	Site and development property

1 The property at Grosspeterstrasse 18 in Basel was split off from the property at Grosspeterstrasse 18, 20 in Basel.

Net changes in fair value of real estate investments: The basis and assumptions for the valuation can be found in the valuation report of the external, independent appraiser Wüest Partner AG on pages 100 to 107.

The valuation of the properties by the independent appraiser resulted in an appreciation of CHF 101.6 million as at the end of 2020. Thereof, CHF 93.7 million were related to the investment portfolio and CHF 7.9 million to the sites and developments projects.

The weighted average discount rate for the entire portfolio was a nominal 3.20% at the end of 2020 (end of 2019: 3.32%). The appreciation resulted mainly from the lower discount rate as well as from various lettings and the reduction of the vacancy rate. On the other hand, more cautious income forecasts in connection with Covid-19 had the effect of reducing value in individual cases.

For the properties recognised as at 1 January 2020, the fair value adjustments at the end of 2020 resulted in positive valuation differences totalling CHF 200.6 million (2019: CHF 285.5 million) and negative valuation differences totalling CHF 86.6 million (2019: CHF 40.8 million).

As of 31 December 2020, the independent appraiser had identified a total of nine properties for which significant optimisation of use appears possible (2019: ten properties). The valuation experts have valued these properties as at the balance sheet date in accordance with IFRS 13 on the basis of "Highest and Best Use". For three of these properties in the Zurich region, concrete steps are being taken to implement the optimisation of use. In the case of one property in Lausanne, further progress was also made in dialogue with the City of Lausanne with regard to optimising use. For the remaining five properties (two each in Basel and Zurich and one in Geneva), no concrete measures are currently planned.

In accordance with PSP Swiss Property's accounting and valuation principles, own-used properties are reported at historical cost (IAS 16). The estimated market value for the own-used property (Seestrasse 353, Zurich) amounted to CHF 43.0 million at the end of 2020 (end of 2019: CHF 41.8 million).

Sites and development properties are recognised at fair value if the market value can be determined with sufficient reliability; this applied to the following properties as at the end of 2020: i) "Baufeld C" project in Basel, ii) "Bärenplatz" project in Bern, iii) "Hôtel de Banque" project in Geneva, iv) "Mont-Blanc" project in Geneva, v) "ATMOS" project in Zurich, vi) "Bahnhofquai/-platz" project in Zurich, vii) "Füsslistrasse" project in Zurich, viii) "Grubenstrasse" project in Zurich and ix) "P-West" project in Zurich. The estimated market value of all sites and development properties totalled CHF 782.4 million at the end of 2020 (end of 2019: CHF 650.7 million). Payment obligations for ongoing development and renovation work totalled CHF 99.9 million at the end of 2020 (end of 2019: CHF 143.2 million).

Notary and transfer fees for the sale of all properties were estimated at approximately CHF 105 million at the end of 2020 (end of 2019: approximately CHF 99 million).

14 Contract assets

(in CHF 1 000)	Carrying value 1 January 2019	project-progress	Disposals due to transfer of ownership	Carrying value 31 December 2019
Contract assets	1 719	7 639	0	9 358
Prepayments	- 1 574	- 2 856	0	- 4 430
Net contract assets	145	4 783	0	4 928

(in CHF 1 000)	Carrying value 1 January 2020	project-progress	Disposals due to transfer of ownership	Carrying value 31 December 2020
Contract assets	9 358	31 295	- 24 627	16 025
Prepayments	- 4 430	- 4 293	4 632	- 4 091
Net contract assets	4 928	27 002	- 19 996	11 934

The change in contract assets in 2020 results from project progress and from transfer of ownership of a single development project. The percentage of completion of the units not yet transferred is 71% at the end of 2020. As of 31 December 2020, 20% of the properties have been notarised and the necessary permits have been obtained. A further 22% of the units were transferred in 2020.

15 Investments in associated companies

(in CHF 1 000)	Registered office	Assets	Liabilities	Revenues	Income	Ownership
31 December 2019						
IG REM	Zurich	358	- 0	114	- 16	n.a.
31 December 2020						
IG REM	Zurich	391	0	95	33	n.a.

Together with Livit AG and Helvetia Versicherungen, PSP Swiss Property holds an interest in the REM consortium (IG REM). IG REM deals with the maintenance, the further development and the distribution of the property management software "REM". It is considered as an associated company.

Due to the fact that assets and liabilities as well as expenses and income are allocated according to various distribution keys, there is no percentual capital allocation amongst the three IG REM members. Expenses and income are recognised in the business segment "Property management".

16 Accounts receivable

(in CHF 1 000)	2019	2020
Resulting from business activities with third parties	16 084	27 244
Value adjustment (accumulated)	- 2 181	- 5 038
Carrying value at 31 December	13 903	22 206
thereof short-term (current assets)	6 775	16 353
thereof long-term (non-current assets)	7 128	5 853

The short-term accounts receivable (current assets) consists of outstanding rental payments, claims for ancillary expenses as well as claims on the pension foundation. The long-term accounts receivable (non-current assets) consists of loans granted to tenants with interest rates between 1.5% and 5.0%.

The accumulated impaired receivables changed as follows:

(in CHF 1 000)	2019	2020
Carrying value at 1 January	1 460	2 181
Additions debited to income statement	2 178	4 294
Release credited to income statement	- 375	- 517
Outflow	- 1 083	- 920
Carrying value at 31 December	2 181	5 038

The creation respectively release of provisions for impaired receivables is included in rental income in the statement of profit or loss. Impairments on accounts receivable are made when no additional payments are expected from these receivables.

The accounts receivable had the following age structure:

(in CHF 1 000)	Carrying value 31.12.19	Thereof value- adjusted at reporting date	Thereof neither due nor value- adjusted at reporting date	Thereof due but not value-adjusted			
				< 30 days	30 to 60 days	60 to 90 days	> 90 days
Accounts receivable (current assets)	8 955	2 195	4 516	1 202	359	34	649
Accounts receivable (non-current assets)	7 128	0	7 128	0	0	0	0
Value adjustment	- 2 181						
Total accounts receivable	13 903						

(in CHF 1 000)	Carrying value 31.12.20	Thereof value- adjusted at reporting date	Thereof neither due nor value- adjusted at reporting date	Thereof due but not value-adjusted			
				< 30 days	30 to 60 days	60 to 90 days	> 90 days
Accounts receivable (current assets)	21 391	7 222	10 522	2 255	615	36	740
Accounts receivable (non-current assets)	5 853	0	5 853	0	0	0	0
Value adjustment	- 5 038						
Total accounts receivable	22 206						

The fair value of the accounts receivable corresponds approximately to their carrying value.

As the Group has a broad client base, there is no cluster risk with respect to receivables from rental agreements. The maximum exposure to credit risk at the reporting date is the carrying respectively fair value of each class of receivables mentioned above. Receivables from tenants directly affected by the lockdown amounted to CHF 5.4 million at the end of 2020. Rent receivables from tenants not directly affected by the lockdown amounted to CHF 4.8 million at the end of 2020. Of the receivables from tenants, CHF 2.8 million are deferred as at the end of 2020 in connection with the Covid-19 lockdown.

Due to the low default rate of 1.2% (previous year: 0.5%), the quality of accounts receivable from rental agreements considered as good. At the end of 2020, guarantees (at fair value) totalled CHF 15.9 million on accounts receivable which were due and not value-adjusted of CHF 7.0 million (end of 2019: CHF 11.6 million for CHF 2.2 million).

17 Derivative financial instruments

The fair value of derivative financial instruments (interest rate swaps) is calculated as the present value of future cash flows. The fair value is based on counterparties' valuations. These valuations are checked by PSP Swiss Property with regard to their plausibility by means of Bloomberg valuations. The fair value of derivative financial instruments corresponds to their carrying value.

The interest rate payer swaps as at the reporting date are used for hedging existing and future loans in the form of fixed advances against rising interest rates. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

The contract volumes and the fair value of the existing interest rate swaps are listed in the following table:

Maturity (in CHF 1 000)	Contract value Payer Swaps	Contract value Receiver Swaps	Positive Fair Value ¹	Negative Fair Value ¹
31 December 2019				
2020	150 000	50 000	79	- 1 315
2021	150 000	100 000	0	- 3 452
2022	50 000	0	0	- 1 678
2023	50 000	0	0	- 2 183
2024	50 000	50 000	1 794	- 3 210
2025	0	0	0	0
2026	0	0	0	0
2027	100 000	0	0	- 3 900
2028	100 000	0	0	- 3 594
Total	650 000	200 000	1 873	- 19 331
31 December 2020				
2021	150 000	100 000	5	- 399
2022	50 000	0	0	- 1 102
2023	50 000	0	0	- 1 866
2024	50 000	50 000	1 733	- 2 841
2025	0	0	0	0
2026	0	0	0	0
2027	100 000	0	0	- 4 725
2028	100 000	0	0	- 4 852
Total	500 000	150 000	1 738	- 15 784

1 Excl. accrued interest.

Three interest rate payer swaps and one interest rate receiver swap expired during the reporting period. Two new forward starting interest rate payer swaps have started.

All interest rate swaps fulfil the requirements for applying hedge accounting. The fixed interest rate basis for the interest rate swaps existing at the end of December 2020 was – 0.8000% to 1.5075% (previous year: – 0.8000% to 1.5075%). The variable interest rates are based on the CHF-Libor.

Value changes (after tax) of the interest rate swaps, excluding accrued interest, are recorded income neutral directly in the other comprehensive income (see note 22 on page 82). Accrued interest is recognised directly as financial income. Consequently there are no transfers between other comprehensive income and financial income. As in the previous year, the cash flow hedges were effective in the reporting period.

The maximum exposure to credit risk at the reporting date is the total of the positive fair value of the derivative financial instruments in the balance sheet.

18 Intangible assets (software)

(in CHF 1 000)	2019	2020
Carrying value at 1 January	1 492	1 820
Purchases	823	34
Depreciation	– 495	– 556
Carrying value at 31 December	1 820	1 298
Historical cost	6 138	6 172
Accumulated depreciation	– 4 318	– 4 874
Carrying value, net	1 820	1 298

Intangible assets consists of development cost for internal used software.

19 Tangible assets

(in CHF 1 000)	2019	2020
Carrying value at 1 January	252	229
Purchases	0	245
Depreciation	– 23	– 19
Carrying value at 31 December	229	454
Historical cost	504	749
Appreciation	200	200
Accumulated depreciation	– 475	– 494
Carrying value, net	229	454

20 Deferred tax assets and liabilities

31 December 2019 (in CHF 1 000)	Assets	Liability	Net amount
From derivative financial instruments	2 074	- 201	1 873
From lease liabilities / right-of-use assets	2 681	- 2 681	0
From loss carryforwards	280	0	280
From pension liabilities	2 646	0	2 646
From positive net changes in fair value of properties	0	- 866 744	- 866 744
From contracts with customers	0	- 272	- 272
From accounts receivable	0	- 143	- 143
Total	7 681	- 870 041	- 862 360
There of netted in the balance sheet	- 2 882	2 882	
Deferred taxes as reported in the balance sheet	4 799	- 867 159	- 862 360

31 December 2020 (in CHF 1 000)	Assets	Liability	Net amount
From derivative financial instruments	1 680	- 185	1 495
From lease liabilities / right-of-use assets	2 289	- 2 289	0
From reassessment STAF Step-up	4 334	0	4 334
From pension liabilities	3 158	0	3 158
From positive net changes in fair value of properties	0	- 913 829	- 913 829
From contracts with customers	0	- 635	- 635
Total	11 461	- 916 939	- 905 478
There of netted in the balance sheet	- 2 474	2 474	
Deferred taxes as reported in the balance sheet	8 986	- 914 464	- 905 478

Net deferred tax liabilities (in CHF 1 000)	2019	2020
Carrying value at 1 January	851 946	862 360
Deferred taxes booked to statement of profit or loss	11 084	42 914
Deferred taxes booked to shareholders' equity	- 670	204
Carrying value at 31 December	862 360	905 478

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2020, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 52 million (end of 2019: approximately CHF 119 million).

The expiration profiles with regard to deferred tax assets and liabilities are as follows:

Expiration of tax assets (in CHF 1 000)	31 December 2019	31 December 2020
< 1 year	413	42
> 1 year	4 386	8 945
Total	4 799	8 986

Expiration of tax liabilities (in CHF 1 000)	31 December 2019	31 December 2020
< 1 year	4 537	7 217
> 1 year	862 622	907 248
Total	867 159	914 464

21 Share capital

	Number of registered shares in units	Nominal value per registered share in CHF	Total nominal value in CHF 1 000
Issued, fully paid-in share capital			
31 December 2018	45 867 891	0.10	4 587
31 December 2019	45 867 891	0.10	4 587
31 December 2020	45 867 891	0.10	4 587
Conditional share capital			
31 December 2018	2 000 000	0.10	200
31 December 2019	2 000 000	0.10	200
31 December 2020	2 000 000	0.10	200

During the reporting period, a total of 15 587 own shares were purchased at an average price of CHF 152.90 per share totalling CHF 2.4 million and 15 587 own shares were used as compensation in own shares at an average price of CHF 130.10 per share totalling CHF 2.0 million (previous year's period: 2 300 own shares purchased at an average price of CHF 101.53 and 2 300 own shares used as compensation in own shares at an average price of CHF 98.82).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on page 49.

22 Revaluation reserves

Revaluation reserves were made up as follows:

(in CHF 1 000)	Real estate appreciation due to change of use	Interest rate hedging	Pension liabilities	Total
1 January 2019	9 612	- 17 739	- 3 929	- 12 056
Changes current year	0	1 789	- 2 028	- 239
Income taxes	0	365	305	670
31 December 2019	9 612	- 15 585	- 5 652	- 11 625
Changes current year	0	3 412	- 873	2 539
Income taxes	0	- 379	175	- 204
31 December 2020	9 612	- 12 552	- 6 350	- 9 290

23 Debt

(in CHF 1 000)	31 December 2019	31 December 2020
Short-term financial liabilities	350 000	40 000
Short-term bonds and notes	199 987	390 003
Short-term lease liabilities	553	383
Long-term financial liabilities	450 000	980 000
Long-term bonds	1 579 662	1 631 267
Long-term lease liabilities	15 934	15 552
Total interest-bearing debt	2 596 136	3 057 204

Financial liabilities consist of bank-loans in the form of unsecured advances. Long-term liabilities consist of loans which cannot be called in by the bank within twelve months. Short-term liabilities have a maturity term of maximum twelve months. Bonds with a maturity term of more than twelve months belong to long-term debt those with a shorter maturity term to short-term debt. Debt's market values can be found in note 26 on page 89.

(in CHF 1 000)	Carrying value 01.01.19	Reclassifi- cation	Amortisation of issuer costs	Repayment	Carrying value 31.12.19
Financial liabilities	1 120 000	840 000	n.a.	- 1 160 000	800 000
Bonds	1 391 212	507 838	599	- 120 000	1 779 649
Lease liabilities	17 035	0	- 548	0	16 487
Total interest-bearing debt	2 528 247	1 347 838	51	- 1 280 000	2 596 136

(in CHF 1 000)	Carrying value 01.01.20	Reclassifi- cation	Amortisation of issuer costs	Repayment	Carrying value 31.12.20
Financial liabilities	800 000	1 050 000	n.a.	- 830 000	1 020 000
Bonds and notes	1 779 649	561 901	- 280	- 320 000	2 021 270
Lease liabilities	16 487	0	- 553	0	15 934
Total interest-bearing debt	2 596 136	1 611 901	- 833	- 1 150 000	3 057 204

During the reporting period, fixed advances totalling CHF 1 050 million were drawn down and CHF 830 million were repaid under existing credit lines. In the same period, two bonds with a nominal value of CHF 100 million each maturing in 2021, an additional tranche of a bond with a nominal value of CHF 50 million maturing in 2025 and a bond with a nominal value of CHF 150 million maturing in 2029 were issued. A bond with a nominal value of CHF 200 million was repaid. In addition, four short-term notes with a total nominal value of CHF 160 million were issued. Three of these notes totalling CHF 120 million were already repaid during the reporting period.

At the end of 2020 (as in the previous year), no debt was outstanding which was secured by mortgages on properties, and no debt was outstanding with an amortisation obligation.

All financial key figures (financial covenants) laid down in the existing credit agreements were adhered to in the reporting period. The most important financial covenants concern the consolidated equity ratio, the interest coverage and the debt ratio.

The lease liabilities relate exclusively to obligations in connection with land lease agreements. As at the end of 2020, the contracts have terms from 2046 to 2072. All contracts are renewable and linked to the national consumer price index. The weighted average interest rate on lease liabilities is 1.06% (previous year: 1.05%).

The exposure of the Group's borrowings to interest rate changes at the balance sheet dates was as follows:

(in CHF 1 000)	31 December 2019	31 December 2020
< 6 months	249 987	330 030
6 to 12 months	350 000	149 973
1 to 5 years	999 563	1 081 252
> 5 years	996 586	1 495 949
Total interest-bearing debt	2 596 136	3 057 204

At the end of 2020, the average fixed interest rate period of all debt was 5.0 years (end of 2019: 4.4 years).

Details on the existing bonds and notes are as follows:

(in CHF 1 000)	Carrying value 01.01.19	Reclassi- fication	Issue	Amortisa- tion of issuer costs	Repay- ment	Carrying value 31.12.19	Nominal value 31.12.19
1.000% bond, maturing 08.02.19	119 993	0	0	7	- 120 000	n.a.	n.a.
1.375% bond, maturing 04.02.20	n.a.	199 858	0	130	0	199 987	200 000
Total short-term bonds	119 993	199 858	0	136	- 120 000	199 987	200 000
1.375% bond, maturing 04.02.20	199 858	- 199 858	0	0	0	n.a.	n.a.
0.045% bond, maturing 20.12.21	149 917	0	0	28	0	149 945	150 000
0.060% bond, maturing 11.02.22	99 677	0	0	104	0	99 780	100 000
0.000% bond, maturing 01.09.23	297 482	0	0	552	0	298 033	300 000
0.500% bond, maturing 16.02.24	225 003	0	76 833	- 206	0	301 630	300 000
1.000% bond, maturing 06.02.25	99 863	0	0	22	0	99 885	100 000
0.375% bond, maturing 29.04.26	199 420	0	0	78	0	199 498	200 000
0.700% bond, maturing 08.02.27	n.a.	0	181 183	- 131	0	181 053	180 000
0.550% bond, maturing 04.02.28	n.a.	0	149 938	6	0	149 944	150 000
0.000% bond, maturing 06.02.30	n.a.	0	99 884	10	0	99 893	100 000
Total long-term bonds	1 271 219	- 199 858	507 838	463	0	1 579 662	1 580 000

(in CHF 1 000)	Carrying value 01.01.20	Reclassi- fication	Issue	Amortisa- tion of issuer costs	Repay- ment	Carrying value 31.12.20	Nominal value 31.12.20
1.375% bond, maturing 04.02.20	199 987	0	0	13	- 200 000	n.a.	n.a.
0.000% bond, maturing 29.01.21	n.a.	0	99 965	27	0	99 992	100 000
0.000% bond, maturing 04.02.21	n.a.	0	100 497	- 451	0	100 046	100 000
0.000% note, maturing 10.05.21	n.a.	0	39 990	3	0	39 993	40 000
0.045% bond, maturing 20.12.21	n.a.	149 945	0	28	0	149 973	150 000
Total short-term bonds/notes	199 987	149 945	240 452	- 381	- 200 000	390 003	390 000
0.045% bond, maturing 20.12.21	149 945	- 149 945	0	0	0	n.a.	n.a.
0.060% bond, maturing 11.02.22	99 780	0		104	0	99 884	100 000
0.000% bond, maturing 01.09.23	298 033	0		553	0	298 586	300 000
0.500% bond, maturing 16.02.24	301 630	0		- 379	0	301 251	300 000
1.000% bond, maturing 06.02.25	99 885	0	51 817	- 172	0	151 530	150 000
0.375% bond, maturing 29.04.26	199 498	0		78	0	199 577	200 000
0.700% bond, maturing 08.02.27	181 053	0		- 146	0	180 906	180 000
0.550% bond, maturing 04.02.28	149 944	0		7	0	149 951	150 000
0.150% bond, maturing 02.02.29	n.a.	0	149 642	36	0	149 678	150 000
0.000% bond, maturing 06.02.30	99 893	0		11	0	99 904	100 000
Total long-term bonds	1 579 662	- 149 945	201 458	91	0	1 631 267	1 630 000

Bonds which are listed on the stock exchange are classified as level 1 according to the fair value hierarchy. Bonds which are not listed on the stock exchange are classified as level 2.

The market values of the outstanding bonds and notes and the effective interest rates were as follows:

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
At 31 December 2019				
1.375% bond, maturing 04.02.20, Valor: 22988113	200 000	100.2	200 314	1.44
0.045% bond, maturing 20.12.21, Valor: 34755684	150 000	100.5	150 771	0.07
0.060% bond, maturing 11.02.22, Valor: 37347653	100 000	100.6	100 626	0.16
0.000% bond, maturing 01.09.23, Valor: 33014317	300 000	100.4	301 167	0.18
0.500% bond, maturing 16.02.24, Valor: 30725643	300 000	102.0	305 985	0.37
1.000% bond, maturing 06.02.25, Valor: 26288145	100 000	105.0	104 977	1.02
0.375% bond, maturing 29.04.26, Valor: 31940377	200 000	101.7	203 454	0.42
0.700% bond, maturing 08.02.27, Valor: 39863380	180 000	103.7	186 730	0.62
0.550% bond, maturing 04.02.28, Valor: 41904122	150 000	102.3	153 450	0.55
0.000% bond, maturing 06.02.30, Valor: 48850666	100 000	96.4	96 425	0.01

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
At 31 December 2020				
0.000% bond, maturing 29.01.21, Valor: 56801915	100 000	100.0	100 022	0.10
0.000% bond, maturing 04.02.21, Valor: 46123905	100 000	100.0	100 043	- 0.49
0.000% note, maturing 10.05.21, Valor: 56334873	40 000	100.1	40 041	0.05
0.045% bond, maturing 20.12.21, Valor: 34755684	150 000	100.3	150 476	0.07
0.060% bond, maturing 11.02.22, Valor: 37347653	100 000	100.3	100 324	0.16
0.000% bond, maturing 01.09.23, Valor: 33014317	300 000	100.6	301 896	0.19
0.500% bond, maturing 16.02.24, Valor: 30725643	300 000	102.0	306 042	0.37
1.000% bond, maturing 06.02.25, Valor: 26288145	150 000	104.6	156 881	0.75
0.375% bond, maturing 29.04.26, Valor: 31940377	200 000	102.1	204 226	0.42
0.700% bond, maturing 08.02.27, Valor: 39863380	180 000	104.2	187 488	0.62
0.550% bond, maturing 04.02.28, Valor: 41904122	150 000	103.2	154 779	0.55
0.150% bond, maturing 02.02.29, Valor: 46123906	150 000	100.0	149 973	0.18
0.000% bond, maturing 06.02.30, Valor: 48850666	100 000	98.0	98 043	0.01

24 Pension liabilities

PSP Swiss Property funds various pension schemes for its employees which are legally independent from the Company. The pension schemes are financed by employees' and employer's contributions. In accordance with IAS 19, the pension schemes are qualified as defined benefit pension plans.

Based on the projected unit credit method, the following overview results:

(in CHF 1 000)	31 December 2019	31 December 2020
Pension liabilities (present value)	49 824	55 694
Pension assets at market value	- 36 595	- 39 905
Pension liabilities (technical deficit)	13 229	15 789

The pension contributions recognised as expense in PSP Swiss Property's consolidated income statement were as follows:

(in CHF 1 000)	2019	2020
Actuarial pension expenses	1 726	2 088
Interest expenses	269	104
Expected income on plan assets	- 197	- 77
Changes in pension scheme	- 949	1 089
Administration cost	44	43
Total expenses	893	3 247

The pension liabilities shown in PSP Swiss Property's consolidated balance sheet changed as follows:

(in CHF 1 000)	2019	2020
Carrying value 1 January	11 819	13 229
Expenses for staff pension schemes debited to the income statement	893	3 247
Employer contributions	- 1 511	- 1 560
Actuarial gains and losses on OCI	2 028	873
Carrying value at 31 December	13 229	15 789

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2019	2020
Pension liabilities (present value) at 1 January	42 975	49 824
Actuarial pension expenses	1 726	2 088
Employees' contributions	906	921
Interest expenses	269	104
Changes in pension schemes	- 949	1 089
Paid coverage	540	- 423
Actuarial gains and losses	4 357	2 091
Pension liabilities (present value) at 31 December	49 824	55 694
Pension assets at market value at 1 January	31 156	36 595
Expected income on plan assets	197	77
Employer contributions	1 511	921
Employees' contributions	906	1 560
Paid coverage	540	- 423
Administration cost	- 44	- 43
Actuarial gains and losses	2 329	1 218
Pension assets at market value at 31 December	36 595	39 905
Effective pension income	2 526	1 295

The following table shows the coverage of the defined benefit pension plans and the impact of deviations due to expected or actual values of the pension liabilities and assets.

(in CHF 1 000)	31 December 2019	31 December 2020
Pension liabilities (present value)	49 824	55 694
Pension assets at market value	- 36 595	- 39 905
Pension liabilities recognised in the balance sheet	13 229	15 789
Adjustments of pension liabilities by experience	- 937	- 977
Adjustments of pension liabilities caused by amended assumptions	- 3 420	- 1 114
Adjustments of pension assets by experience	2 329	1 218
Total actuarial gains and losses	- 2 028	- 873

The expected employer contributions for the business year 2021 amount to CHF 1.8 million (expected contributions 2020: CHF 1.5 million).

Calculation of pension liabilities was based on the following assumptions:

(in CHF 1 000)	31 December 2019	31 December 2020
Discount rate	0.25%	0.15%
Expected future salary increases	1.25%	1.25%
Expected future pension increases	0.00%	0.00%
Life expectancy in years at age of retirement (man/woman)	23.66/25.75	23.77/25.85

The assets are managed by an investment foundation. The asset allocation was as follows:

(in CHF 1 000)	31 December 2019	31 December 2020
Cash and cash equivalents	1 464	80
Bonds	11 710	13 129
Equities	9 881	11 892
Real estate	4 757	5 746
Other	8 783	9 058
Total	36 595	39 905

The following sensitivity analysis is based on one changing assumption while all other assumptions remain the same (ceteris paribus). The only exception is a change in the discount rate with a concurrent change in the projected interest rate for savings capital. The same method was applied for the valuation of the sensitivity of pension liabilities as for the valuation of the liabilities in the financial statements (projected unit credit method).

Change in pension liabilities ¹ (in CHF 1 000)	31 December 2019	31 December 2020
Discount rate		
+ 0.25%	1 501	1 680
- 0.25%	- 1 591	- 2 554
Salary change		
+ 0.25%	- 298	- 331
- 0.25%	290	323
Pension change		
+ 0.25%	- 1 271	- 1 422
- 0.25%	n.a.	n.a.
Life expectancy		
+ 1 year at age of retirement	- 1 464	- 1 616

1 A negative amount leads to an increase of pension liabilities and vice versa.

25 Accounts payable

(in CHF 1 000)	31 December 2019	31 December 2020
Resulting from business activities with third parties	7 915	7 458
Prepayments	14 721	18 727
Total	22 635	26 186

The fair value of the accounts payable corresponds to their carrying value.

26 Financial instruments according to categories

The carrying values and the market value of all recorded financial instruments are listed in the following table. The fair value of current financial assets and liabilities at amortised cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

	31 December 2019		31 December 2020	
	Carrying value	Market value	Carrying value	Market value
Financial assets (in CHF 1 000)				
Accounts receivable at amortised cost	13 903	13 903	22 206	22 206
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	1 873	1 873	1 738	1 738
Cash and cash equivalents	19 673	19 673	32 335	32 335
Financial liabilities (in CHF 1 000)				
Financial liabilities at amortised cost	800 000	798 814	1 020 000	1 007 171
Bonds and notes at amortised cost	1 779 649	1 803 899	2 021 270	2 050 233
Accounts payable at amortised cost	22 635	22 635	26 186	26 186
Derivative financial instruments (hedging)	19 331	19 331	15 784	15 784

27 Netting agreements

Receivables and liabilities can generally be offset in the event of the bankruptcy of the other party. An express offsetting ban has been contractually agreed with a counterparty. The contracts in connection with derivative financial instruments provide for a right to offset against other receivables from the counterparty in the event of a liquidation event defined in the contract.

As at 31 December 2019

(in CHF 1 000)	Gross amount	Amount recorded in the balance sheet	Net amount reported in the balance sheet	Clearing options in case of a default of the counterparty	Net amount in case of a default of the counterparty
Financial instruments positive					
Cash and cash equivalents	19 673	0	19 673	- 17 324	2 348
Derivative financial instruments (positive)	1 873	0	1 873	- 1 873	0
Total	21 546	0	21 546	- 19 198	2 348
Financial instruments negative					
Financial liabilities	800 000	0	800 000	- 7 724	792 276
Derivative financial instruments (negative)	19 331	0	19 331	- 10 049	9 282
Total	819 331	0	819 331	- 17 774	801 558

As at 31 December 2020

(in CHF 1 000)	Gross amount	Amount recorded in the balance sheet	Net amount reported in the balance sheet	Clearing options in case of a default of the counterparty	Net amount in case of a default of the counterparty
Financial instruments positive					
Cash and cash equivalents	32 335	0	32 335	- 27 105	5 230
Derivative financial instruments (positive)	1 738	0	1 738	- 1 738	0
Total	34 073	0	34 073	- 28 843	5 230
Financial instruments negative					
Financial liabilities	1 020 000	0	1 020 000	- 17 550	1 002 450
Derivative financial instruments (negative)	15 784	0	15 784	- 10 353	5 431
Total	1 035 784	0	1 035 784	- 27 903	1 007 882

28 Fair value hierarchy

The fair value definition is classified into three categories. Level 1 regards instruments with price quotations in a liquid market. If there is no liquid market for a position and there are no official price quotations, the fair value is determined according to a recognised valuation method. At level 2, the valuation method is mainly based on input parameters with observable market data; at level 3, the valuation method is based on one or several input parameters without observable market data.

The following table shows the market values (fair value) of these positions recognised in the balance sheet.

				Market value
Assets (in CHF 1 000)	Level 1	Level 2	Level 3	31 December 2019
Investment properties (IAS 40 & IFRS 5)	0	0	7 873 877	7 873 877
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 873	0	1 873
Total financial assets	0	1 873	7 873 886	7 875 759
Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	19 331	0	19 331
Total financial liabilities	0	19 331	0	19 331

				Market value
Assets (in CHF 1 000)	Level 1	Level 2	Level 3	31 December 2020
Investment properties (IAS 40 & IFRS 5)	0	0	8 427 954	8 427 954
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 738	0	1 738
Total financial assets	0	1 738	8 427 963	8 429 701
Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	15 784	0	15 784
Total financial liabilities	0	15 784	0	15 784

During the reporting period, no positions were transferred in between the fair value levels (2019: none).

29 Future cash flows from accounts payable

Based on the accounts payable at year-end, the following future payment obligations exist (undiscounted amounts, including interest):

	Carrying value	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	31.12.19	Inter-est	Repay-ment	Inter-est	Repay-ment	Inter-est	Repay-ment	Inter-est	Repay-ment
Financial liabilities	800 000	231	0	288	350 000	900	400 000	1 013	50 000
Bonds	1 779 649	8 145	200 000	68	0	21 528	850 000	- 9 580	730 000
Leasing liabilities	16 487	86	276	86	276	648	1 555	2 793	14 380
Derivative financial instruments ¹	17 458	3 149	0	2 309	0	5 832	0	1 488	0
Accounts payable ²	4 731	0	4 731	0	0	0	0	0	0
Total	2 618 326	11 612	205 007	2 751	350 276	28 908	1 251 555	- 4 286	794 380

	Carrying value	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	31.12.20	Inter-est	Repay-ment	Inter-est	Repay-ment	Inter-est	Repay-ment	Inter-est	Repay-ment
Financial liabilities	1 020 000	663	40 000	740	0	6 838	480 000	3 993	500 000
Bonds and notes	2 021 270	6 120	240 000	68	150 000	25 860	1 050 000	3 585	580 000
Leasing liabilities	15 934	84	191	84	191	632	1 571	2 641	13 981
Derivative financial instruments ¹	14 046	2 256	0	716	0	4 599	0	632	0
Accounts payable ²	5 563	0	5 563	0	0	0	0	0	0
Total	3 076 814	9 123	285 755	1 608	150 191	37 929	1 531 571	10 851	1 093 981

1 Including liabilities resulting from negative CHF-Libor (floating leg).

2 Excluding prepaid rental payments, purchase prices and purchase price advance payments for sold properties.

All instruments were included which were in the portfolio at year-end and for which payments were contractually stipulated.

At the end of 2020, the average weighted duration of the loan agreements was 5.5 years (end of 2019: 3.7 years).

30 Key performance figures and earnings per share

“Ebitda excl. gains/losses on real estate investments” corresponds to the Operating profit (ebit) excluding amortisation and depreciation, net changes in fair value of the real estate investments and net income on sales of investment properties. Income from the sale of properties which were developed by the Company itself is, however, included in “Ebitda excl. gains/losses on real estate investments”.

	2019	2020
Operating profit (ebit)	512 963	371 306
Depreciation	1 267	1 330
Net changes in fair value of real estate investments	- 244 176	- 101 578
Net income from other property sales	- 13 909	0
Net income excl. gains/losses on real estate investments	256 145	271 058

Earnings per share and earnings per share excl. gains/losses on real estate investments are calculated by dividing the reported net income respectively “Net income excl. gains/losses on real estate investments” by the average weighted number of shares, excluding own shares.

“Net income excl. gains/losses on real estate investments” corresponds to the net income excl. net changes in fair value of the real estate investments, net income on sales of investment properties and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the “Net income excl. gains/losses on real estate investments”.

Annual distribution of PSP Swiss Property Ltd is based on “Net income excl. gains/losses on real estate investments”.

	2019	2020
Net income in CHF 1 000	453 425	292 091
Net changes in fair value of real estate investments in CHF 1 000	- 244 176	- 101 578
Net income from other property sales in CHF 1 000	- 13 909	0
Attributable taxes from net changes in fair value of real estate investments in CHF 1 000	16 973	25 282
Attributable taxes from Income from other property sales in CHF 1 000	2 901	0
Net income excl. gains/losses on real estate investments in CHF 1 000	215 214	215 795
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	9.89	6.37
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	4.69	4.70

The following table shows the equity per share:

	31 December 2019	31 December 2020
Shareholders' equity in CHF 1 000	4 450 220	4 579 165
Deferred taxes in CHF 1 000	862 360	905 478
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF¹	97.02	99.83
Net asset value per share before deduction of deferred taxes in CHF¹	115.82	119.57

¹ Based on number of outstanding shares.

31 Dividend payment

Based on the decision of the Annual General Meeting on 9 April 2020, a dividend payment of CHF 3.60 per outstanding share or a total of CHF 165.1 million (previous year: CHF 3.50 per share or a total of CHF 160.5 million) was made on 17 April 2020.

For the business year 2020, the Board of Directors will propose a dividend payment from retained earnings of CHF 3.65 gross per share respectively a maximum of CHF 167.4 million to the Annual General Meeting on 31 March 2021. Treasury shares are not entitled to dividends; therefore, the total amount for dividend payments may deviate from these figures.

32 Related parties

In the reporting year, the Board of Directors and parties related to the Board of Directors, the Executive Board, the associated company as well as the Israeli company Alony Hetz Properties & Investments Ltd, which is controlled by two members of the Board of Directors of PSP Swiss Property Ltd, were considered as related parties (corporate or individual).

The disclosure of the following remunerations to the Members of the Board of Directors and the Executive Board is made according to the accrual principle (relating to the period of service and independent of payments).

(in CHF 1 000)	Executive Board		Board of Directors	
	2019	2020	2019	2020
Fixed compensation in cash	1 376	1 418	658	690
Performance-based compensation in cash	677	493	0	0
Performance-based compensation in shares	2 031	1 480	0	0
Other benefits	0	0	0	0
Employer contributions pension benefits	256	331	13	26
Total	4 339	3 722	671	716

In the reporting year, fees for legal advice were paid in the amount of CHF 0.015 million to the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.009 million). No legal fees were paid to Mr. Forstmoser himself. Since 2001, there has been a lease contract, according to which Niederer Kraft Frey Ltd leases storage facilities from PSP Swiss Property with an annual rent of CHF 0.095 million in the reporting year (previous year: CHF 0.095 million). For Niederer Kraft Frey Ltd as well as for PSP Swiss Property, this annual rent is marginal and therefore negligible compared to legal fee turnover respectively rental income.

No further fees were paid in the year under review (previous year: none).

In the 2020 business year, as in the previous year, no further disclosable compensations were paid directly or indirectly to present or past members of the Board of Directors or the Executive Board respectively their related parties.

As at the end of 2019, the members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2020. As at the end of 2019, the members of the Executive Board (including their related parties) held no options on PSP shares at the end of 2020.

As in the previous year, no loans were granted to members of the Board of Directors or the Executive Board or related parties in 2020. As at the end of 2019, there were no corresponding receivables from this group of persons at the end of 2020. At the end of 2020 (as at the end of the previous year), there were no receivables from related parties.

33 Subsequent events

On 4 February 2021, a 0.200% bond (all-in 0.22%) with a volume of CHF 200 million and a maturity in 2031 was issued.

On 16 February 2021, a 0.000% private placement (all-in -0.42%) with a volume of CHF 50 million and a maturity in September 2021 was issued.

There were no further material subsequent events.



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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 22 February 2021

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of PSP Swiss Property Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 44 to 95 and 226 to 243) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the *International Ethics Standards Board for Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of investment properties, sites and development properties as well as development properties for sale

Risk	Valuation of investment properties, sites and development properties was important for our audit as the valuation process contains material estimates and the respective properties with a carrying amount of CHF 8.6 billion represent the most significant position within the consolidated financial statements of the group. As disclosed in note 13 Real estate investments as well as in section 2.3 Critical estimates and assumptions of the consolidated financial statements, the fair values were derived by an external appraiser based on a discounted cash flow method. These appraisals are based on various assumptions, particularly with regard to market rents, discount factors, vacancy rates and maintenance and renovation expenses as well as development risks for investment properties.
Our audit response	Among other audit procedures we evaluated the objectivity, independence and competence of the external appraiser as well as the used valuation model. Additionally, we verified the correctness of selected property specific data (among others rental income, maintenance expenses), which was used in the valuation. By discussions with the management and the external appraiser we assessed the key assumptions used in the valuation. Our audit procedures did not lead to any reservations concerning the valuation of investment properties, sites and development properties.

Deferred tax liabilities relating to property valuation differences

Risk	Deferred tax liabilities relating to property valuation differences were important for our audit as the process contains material estimates and as the deferred tax liabilities with CHF 914 million represent a significant position within the consolidated financial statements of the group. As disclosed in section 2.6 Accounting and valuation principles of the consolidated financial statements, deferred tax liabilities are calculated using the balance sheet liability method. Deferred tax assets and liabilities are measured on the basis of tax rates (federal, cantonal and communal) which are expected to be applicable at the time a deferred tax asset is realised or a deferred tax liability is released. This method is based on estimates especially related to the applicable tax rates and the expected holding period of the properties.
Our audit response	Among other audit procedures we validated management's assumptions relating to the estimated holding period and compared the



tax rates used for income (federal, cantonal and communal) and property gains tax purposes with the currently applicable tax rates. Furthermore, we re-performed the calculation of changes in value and the classification of gains as either capital gains or depreciation recapture.

Our audit procedures did not lead to any reservations concerning deferred tax liabilities relating to property valuation differences.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, the EPRA reports and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Gianantonio Zanetti
Licensed audit expert



Wüest Partner AG, Bleicherweg 5, 8001 Zurich

PSP Swiss Property
Geschäftsleitung
Kolinplatz 2
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Zurich, 20 January 2021

Independent valuer's report

To the Executive Board of PSP Swiss Property AG

Reference Number
102255.2031

Commission

Wüest Partner AG (Wüest Partner) was commissioned by the Executive Board of PSP Swiss Property AG (PSP Swiss Property) to perform a valuation for accounting purposes of the properties and property units held by PSP Swiss Property as of 31 December 2020 (reporting date). The valuation encompasses all investment properties as well as sites and development properties.

Valuation standards

Wüest Partner confirms that the valuations were carried out in accordance with national and international standards and guidelines, in particular the «International Valuation Standards» (IVS and RICS/Red Book) and the «Swiss Valuation Standards» (SVS). They were also carried out in accordance with the requirements of the SIX Swiss Exchange.

Accounting standards

The market values determined for the investment properties correspond to the «fair value» as described in the «International Financial Reporting Standards» (IFRS) in accordance with «International Account Standard» IAS 40 (Investment Property) and IFRS 13 (Fair Value Measurement). In addition, the regulations of IFRS 16 are taken into account and, in the case of properties with ground leases, the earliest possible reversion is taken into account.

Sites and development properties intended for future use as investment properties are accounted for by PSP Swiss Property in accordance with IAS 40, while sites and development properties intended for sale are accounted for in accordance with IAS 2 (Inventories).

Definition of fair value

The «fair value» is the price that independent market participants would agree upon under normal market conditions on the valuation date when selling an asset or transferring a liability (debt) (disposal price or exit price).

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An exit price is the selling price postulated in the purchase contract, upon which the parties have jointly agreed. Transaction costs, which normally consist of estate agents' commissions, transaction taxes and land registry and notary fees, are not taken into account when determining the fair value. Therefore, in accordance with paragraph 25 of IFRS 13, the fair value is not adjusted for the transaction costs incurred by the acquirer in a sale (gross fair value). This is in line with Swiss valuation practice.

Transaction costs, gross fair value

The valuation at fair value presupposes that the hypothetical transaction for the asset to be valued takes place on the market with the largest volume and the largest business activity (principal market) and that transactions of sufficient frequency and volume occur so that sufficient price information is available for the market (active market). If such a market cannot be identified, the principal market for the asset is assumed to be the one that maximizes the selling price on disposal of the asset.

Principal market, active and most advantageous market

Implementation of fair value

The fair value is determined on the basis of the best possible use of a property (highest and best use). The best possible use of a property is the one which maximizes its value. This assumption assumes a use that is technically/physically possible, legally permitted and financially feasible. Since the determination of the fair value is based on the assumption that the benefits will be maximised, the best possible use may differ from the actual or planned use. Future capital expenditure to improve or increase the value of a property is taken into account accordingly in the fair value measurement.

Highest and best use

The application of the «highest and best use» approach is based on the principle of the significance of the possible difference in value in relation to the value of the individual property and the total property assets as well as in relation to the possible absolute difference in value. Potential added values of a property which are within the usual estimation tolerance of an individual valuation are regarded as insignificant and subsequently neglected

Significance in relation to the highest and best use approach

The fair value is determined according to the quality and reliability of the valuation parameters, in order of diminishing quality/reliability: Level 1 market price, Level 2 modified market price and Level 3 model-based valuation. At the same time, when a property is valued on the basis of fair value, different parameters may be applied to different hierarchies. In this context, the total valuation is classified according to the lowest level of the fair value hierarchy in which the valuation parameters are found.

Fair value hierarchy

The value of PSP Swiss Property's properties is determined using a model-based valuation in accordance with Level 3 on the basis of input parameters not directly observable on the market, whereby adjusted Level 2 input parameters are also applied here (e.g. market rents, operating and maintenance costs, discount/capitalisation rates, proceeds from the sale of residential property). Unobservable input factors are only used if relevant observable input factors are not available.

Valuation level for property valuations

Market rents, vacancies and discount rates are defined as key input factors. These factors are influenced in different ways by market developments. If the input factors change, the fair value of the property also changes. These changes are simulated for each input factor using static sensitivity analyses.

Significant input factors, influence on fair value

Due to the interdependencies of the input factors, the effects on the fair value can cancel each other out; or accumulate. For example, reduced market rents combined with increased vacancy rates and higher discount rates have a cumulative negative effect on the fair value of the property. Due to the regional and object-specific diversification in the portfolio, however, changes in the input factors rarely have a short-term cumulative effect.

The economic environment may be regarded as the most important factor influencing the input factors. When negative economic sentiment exerts downward pressure on market rents, real estate vacancies usually increase. At the same time, however, such market situations usually result in favourable, i.e. low, interest rates, which has a positive effect on discount rates. Thus, a certain compensation of the input factors can be assumed. Continuous optimisation measures of PSP Swiss Property's properties (e.g. conclusion/extension of long-term rental agreements, investments in the expansion of rental space, etc.) prevent such short-term market shocks, which primarily affect market rents and vacancy rates. As mentioned above, the individually risk-adjusted discount rate of the property follows the return expectations of the respective investors or market participants and can only be influenced to a limited extent by the owner.

As a result of the second wave of the COVID 19 pandemic, with rising infection rates, drastic measures have again been put into force, have been tightened or are expected to be tightened in many countries. The consequences of these measures for the real estate market cannot yet be fully anticipated and remain difficult to quantify at the moment due to the still limited amount of available comparative transactions carried out in the context of the second wave. As a result, valuation results include currently a higher level of uncertainty.

The valuation methods used are those that are appropriate in the circumstances and for which sufficient data are available to determine the fair value, whereby the use of relevant observable input factors is maximized and that of unobservable input factors is minimized. In the case of the present valuation procedure, an income-based approach is applied, using discounted cash flow valuations, which are widely used in Switzerland.

Valuation procedures

Valuation method

In valuing PSP Swiss Property's real estate holdings, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (infinite period) net earnings discounted to the valuation date. The net income is discounted separately for each property depending on its individual opportunities and risks and in line with market conditions and risks.

Basis of valuation

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties were analysed in detail

with regard to their qualities and risks (attractiveness and lettability of the rental units, construction method and condition, micro and macro location, etc.). Currently vacant rental units were valued taking into account a marketing period customary in the market.

All properties are inspected by Wüest Partner at least every three years as well as after the purchase of properties and after completion of major renovation work.

Within the review period from the 1 January 2020 to the 31 December 2020, Wüest Partner inspected 39 properties belonging to PSP Real Estate AG, 16 properties belonging to PSP Properties AG and two properties belonging to Immobilien-gesellschaft Septima AG.

Results

A total of 159¹ investment properties and property units as well as eleven investment properties under construction were valued as of the 31 December 2020 by Wüest Partner. As of the 31 December 2020 the fair value of all 159 investment properties is estimated at 7,629,610,000 Swiss Francs and of the eleven investment properties under construction in accordance with IAS 40 at 782,410,000 Swiss Francs.

Changes during reporting period

During the reporting period from the 1 January 2020 to the 31 December 2020 two properties have been purchased and classified as investment properties:

- Bern, Seilerstrasse 8 (merger with Bern, Seilerstrasse 8a);
- Geneva, Rue de la Confédération 2.

In addition, two properties have been purchased and classified as development properties:

- Geneva, Rue de la Corraterie 5/7, Rue de la Cité 6;
- Zurich, Grubenstrasse 6.

Additionally, five properties were reclassified from investment properties to development properties:

- Basel, Grosspeterstrasse 18 (Baufeld C);
- Bern, Baerenplatz 9, 11, 27;
- Geneva, Rue du Grand-Pré 54, 56, 58;
- Geneva, Rue de Mont-Blanc 12;
- Zurich, Fuesslistrasse 6.

Furthermore, two development properties were reclassified from development properties to investment properties:

- Basel, Steinentorberg 8/12;
- Geneva, Rue de Marché 40.

In the same period, the following property was sold from the development properties:

- Zurich, Zurlindenstrasse 134.

¹ Excluding the property Seestrasse 353 in Zurich, which is owner-occupied.

Furthermore, a disposal from the investment properties was recorded due to the expiry of the leasehold agreement on 31 December 2020:

– Solothurn, Gurzelngasse 6.

Independence and confidentiality

In line with Wüest Partner's business policy, the properties of PSP Swiss Property were valued independently and neutrally. The valuation only serves the purpose mentioned above. Wüest Partner does not assume any liability towards third parties.

Valuation fee

The compensation for the valuation services provided by Wüest Partner is independent of the valuation result. It is based on the number of valuations to be carried out and on the leasable area of the property.

Zurich, 20 January 2021

Wüest Partner AG



Patrik Schmid

Chartered Surveyor MRICS | dipl. Architekt ETH/SIA | MAS ETH MTEC/BWL | Partner



Moritz Menges

Chartered Surveyor MRICS | Diplom-Wirtschaftsingenieur | Director

Annex: Valuation assumptions

Investment properties

For the valuation of the 159 properties, the following ranges of nominal discount rates were applied:

<i>Table 1</i>	<i>Minimum discount rate</i>	<i>Maximum discount rate</i>	<i>Average discount rate</i>
<i>Region</i>	<i>in %</i>	<i>in %</i>	<i>(weighted average*)</i>
			<i>in %</i>
<i>Zurich</i>	<i>2.36</i>	<i>4.82</i>	<i>3.09</i>
<i>Geneva</i>	<i>2.36</i>	<i>4.52</i>	<i>3.12</i>
<i>Lausanne</i>	<i>2.76</i>	<i>4.32</i>	<i>3.36</i>
<i>Basel</i>	<i>2.96</i>	<i>3.82</i>	<i>3.42</i>
<i>Bern</i>	<i>2.66</i>	<i>4.27</i>	<i>3.30</i>
<i>Other regions</i>	<i>2.96</i>	<i>5.12</i>	<i>3.85</i>
<i>All regions</i>	<i>2.36</i>	<i>5.12</i>	<i>3.21</i>

* average of discount rates for individual valuations, weighted by market value

For the valuation of the properties, the following ranges of sustainable market rents were applied:

<i>Table 2</i>	<i>Office</i>	<i>Retail</i>	<i>Storage</i>	<i>Outdoor</i>	<i>Indoor</i>	<i>Residential</i>
<i>Region</i>	<i>CHF / m² p.a.</i>	<i>CHF / m² p.a.</i>	<i>CHF / m² p.a.</i>	<i>parking</i>	<i>parking</i>	<i>CHF / m² p.a.</i>
				<i>CHF / p.mo.</i>	<i>CHF / p.mo.</i>	
<i>Zurich</i>	<i>120 - 820</i>	<i>180 - 5'700</i>	<i>50 - 650</i>	<i>35 - 580</i>	<i>70 - 700</i>	<i>158 - 699</i>
<i>Geneva</i>	<i>200 - 800</i>	<i>290 - 4'000</i>	<i>100 - 450</i>	<i>60 - 450</i>	<i>100 - 490</i>	<i>268 - 350</i>
<i>Lausanne</i>	<i>150 - 390</i>	<i>110 - 1'500</i>	<i>80 - 300</i>	<i>67 - 300</i>	<i>150 - 360</i>	<i>127 - 396</i>
<i>Basel</i>	<i>190 - 360</i>	<i>95 - 2'200</i>	<i>85 - 700</i>	<i>70 - 250</i>	<i>50 - 300</i>	<i>170 - 320</i>
<i>Bern</i>	<i>100 - 340</i>	<i>110 - 1'200</i>	<i>30 - 185</i>	<i>60 - 180</i>	<i>60 - 317</i>	<i>170 - 376</i>
<i>Other regions</i>	<i>140 - 445</i>	<i>150 - 1'600</i>	<i>60 - 250</i>	<i>35 - 200</i>	<i>40 - 440</i>	<i>192 - 389</i>
<i>All regions</i>	<i>100 - 820</i>	<i>95 - 5'700</i>	<i>30 - 700</i>	<i>35 - 580</i>	<i>40 - 700</i>	<i>127 - 699</i>

The following ranges for structural vacancies were used for the valuation of the properties:

<i>Table 3</i>	<i>Office</i>	<i>Retail</i>	<i>Storage</i>	<i>Outdoor</i>	<i>Indoor</i>	<i>Residential</i>
<i>Region</i>	<i>in %</i>	<i>in %</i>	<i>in %</i>	<i>parking</i>	<i>parking</i>	<i>in %</i>
				<i>in %</i>	<i>in %</i>	
<i>Zurich</i>	<i>2.5 - 13.0</i>	<i>2.5 - 30.0</i>	<i>2.5 - 60.0</i>	<i>1.0 - 25.0</i>	<i>1.0 - 30.0</i>	<i>1.0 - 15.0</i>
<i>Geneva</i>	<i>3.0 - 6.0</i>	<i>3.0 - 6.0</i>	<i>2.0 - 10.0</i>	<i>3.0 - 6.0</i>	<i>5.0 - 25.0</i>	<i>1.0 - 1.0</i>
<i>Lausanne</i>	<i>4.0 - 9.0</i>	<i>4.0 - 8.5</i>	<i>4.0 - 15.0</i>	<i>3.0 - 10.0</i>	<i>2.0 - 20.0</i>	<i>1.0 - 4.0</i>
<i>Basel</i>	<i>3.0 - 6.5</i>	<i>3.0 - 5.0</i>	<i>3.0 - 20.0</i>	<i>1.0 - 4.0</i>	<i>2.0 - 5.0</i>	<i>2.0 - 5.0</i>
<i>Bern</i>	<i>2.0 - 7.0</i>	<i>3.5 - 10.0</i>	<i>2.5 - 15.0</i>	<i>1.0 - 15.0</i>	<i>1.0 - 10.0</i>	<i>2.0 - 3.0</i>
<i>Other regions</i>	<i>4.0 - 15.0</i>	<i>3.0 - 10.0</i>	<i>3.5 - 30.0</i>	<i>1.0 - 25.0</i>	<i>1.0 - 20.0</i>	<i>1.0 - 5.0</i>
<i>All regions</i>	<i>2.0 - 15.0</i>	<i>2.5 - 30.0</i>	<i>2.0 - 60.0</i>	<i>1.0 - 25.0</i>	<i>1.0 - 30.0</i>	<i>1.0 - 15.0</i>

The following general assumptions underlie the valuations of the investment properties:

- The valuation is based on PSP Swiss Property's rent roll as of the 1 January 2021.
- The DCF model used corresponds to a two-phase model. The valuation period extends from the valuation date to the end of the reporting period with an implicit residual value in the eleventh period.
- The discount rate is based on a risk-adjusted interest rate. The respective rate is determined individually for each property by using corresponding comparative values from freehand transactions. It is calculated as follows: Risk-free interest rate + real estate risk (immobility of capital) + surcharge macrolocation + surcharge microlocation depending on use + surcharge property quality and income risk + any specific surcharges or discounts. Depending on the property, use and location, the nominal discount rates range between 2.36 percent and 5.12 percent (see Table 1).
- Unless otherwise specified, the valuations assume an annual inflation rate of 0.5 percent, both for earnings and for all expenses. The discount rate is adjusted accordingly in nominal terms.
- Credit risks of the respective tenants are not explicitly taken into account in the valuation.
- Specific indexations of existing leases are taken into account on an individual basis. Once the contracts have expired, a degree of indexation of 80 percent (Swiss average) and an average contract term of five years are assumed.
- In the case of existing leases, the individual payments are scheduled in accordance with the terms of the contract. Once the contracts have expired, the cash flows are taken into account quarterly in advance for business use and monthly in advance for residential use.
- As far as operating costs are concerned, it was assumed that completely separate ancillary cost accounts are kept, and that tenants' ancillary costs are outsourced accordingly.
- The maintenance costs (repair and maintenance costs) were calculated using a building analysis tool. Based on a status analysis of the individual components, the remaining service life is determined, the periodic renewal modelled, and the annual annuities calculated. The calculated values are checked for plausibility using the cost benchmarks collected by Wüest Partner.

Sites and development properties

Wüest Partner also determined the market values of the sites and development properties. The valuations of these projects are based on the following assumptions:

- PSP Swiss Property has divided the properties into sub-developments. For reasons of transparency, this subdivision is adopted by Wüest Partner in the valuations. The value of the projects or properties is equal to the sum of the individual properties or parts of properties.
- The overall strategy regarding project development/promotion (e.g. sale vs. letting) is adopted by PSP Swiss Property if it appears plausible to Wüest Partner.
- PSP Swiss Property's basic data is verified and adjusted if necessary (e.g. utilisation, lettable areas, deadlines/development process, letting/absorption).
- The valuations are subjected to an independent income and cost assessment as well as to a return analysis.
- It is assumed that the construction costs are secured by work contracts with general contractors and total contractors.
- The construction costs include PSP Swiss Property's services as client representative and project developer.
- In the case of properties held for sale (e.g. condominiums), the sales costs are included in the valuations.
- The preparatory work is included in the construction costs if these are known (e.g. remediation of contaminated sites, demolitions, infrastructure).
- The construction costs include the usual ancillary construction costs excluding construction financing. These are implicitly included in the DCF model.
- Previously performed and value-relevant services of third parties or PSP Swiss Property are taken into account if they are known.
- It is assumed that income from the planned commercial properties is subject to value-added tax. The posted construction costs are therefore exclusive of VAT.
- The valuations do not include any deferred taxes.

Valuation of investment properties: Discount rates

Discount rates in % (Market value in CHF 1 000)	Zurich area		Geneva area		Basel area		
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value	
2.25 – 2.49	2	289 840	1	56 160	0	0	
2.50 – 2.74	12	1 010 750	3	230 370	0	0	
2.75 – 2.99	15	693 600	4	181 220	1	13 010	
3.00 – 3.24	9	665 740	3	215 410	6	221 320	
3.25 – 3.49	16	797 260	5	333 170	2	204 690	
3.50 – 3.74	6	242 500	2	116 750	4	163 930	
3.75 – 3.99	5	429 000	0	0	2	119 240	
4.00 – 4.24	2	68 740	0	0	0	0	
4.25 – 4.49	5	106 850	0	0	0	0	
4.50 – 4.74	2	51 140	1	39 600	0	0	
4.75 – 4.99	1	19 970	0	0	0	0	
5.00 – 5.24	0	0	0	0	0	0	
Total	75	4 375 390	19	1 172 680	15	722 190	

The discount rates, which are applied at the semi-annual portfolio valuations by the external, independent property valuation company, are property-specific and take into account object-specific factors such as location, tenant quality, ownership conditions and property quality.

At the end of 2020, the portfolio's average weighted nominal discount rate was 3.20% (end of 2019: 3.32%).

	Bern area		Lausanne area		Other areas		All investment properties	
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
	0	0	0	0	0	0	3	346 000
	3	43 980	0	0	0	0	18	1 285 100
	2	67 100	5	222 280	2	19 370	29	1 196 580
	2	48 860	1	25 830	2	32 160	23	1 209 320
	4	212 120	1	6 860	1	10 450	29	1 564 550
	4	110 400	4	73 600	6	77 870	26	785 050
	0	0	0	0	3	151 860	10	700 100
	0	0	2	72 350	2	54 620	6	195 710
	1	33 460	3	32 620	1	52 610	10	225 540
	0	0	0	0	0	0	3	90 740
	0	0	0	0	0	0	1	19 970
	0	0	0	0	1	10 950	1	10 950
	16	515 920	16	433 540	18	409 890	159	7 629 610

EPRA reporting

The European Public Real Estate Association (EPRA) is the widely-recognised market standard guidance and benchmark provider for the European real estate industry. EPRA's Best Practices Recommendations Guidelines dictate the ongoing reporting of a set of performance metrics intended to enhance the quality of reporting by bridging the gap between the regulated IFRS reporting presented and specific analysis relevant to the European real estate industry. These standardised EPRA performance measures provide additional relevant earnings, balance sheet and operational metrics and facilitate for the simple and effective comparison of performance-related information across the industry.

PSP Swiss Property applies the best practices recommendations of EPRA for financial reporting and also for sustainability reporting. This section in PSP Swiss Property's financial statements presents only the EPRA financial reporting.

PSP Swiss Property has been a member of EPRA since 2001 and started to disclose EPRA performance figures in 2010. Since year 2015, the figures have been audited by independent auditors. The report on the figures for this year can be found on pages 120 to 121.

The disclosure is based on the Best Practices Recommendations Guidelines dated October 2019. These guidelines are effective for accounting periods starting on 1 January 2020. The new guidelines introduces three new measures of net asset value (EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV), which replaces EPRA NAV and EPRA NNNAV and suggest addition disclosures in the CapEx table. PSP Swiss Property made the necessary adjustments to the metrics in accordance with the new recommendations and also presented the previously reported EPRA measures of net assets (i.e., EPRA NAV and EPRA NNNAV) for comparative purposes.

For more information about EPRA and EPRA's best practice policies please visit EPRA's web page: www.epra.com.

EPRA Performance Measures

Summary table EPRA performance measures

Measure	Definition	Purpose	2019	2020
1 EPRA EARNINGS PER SHARE	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	CHF 3.94	CHF 4.32
2 EPRA NAV METRICS PER SHARE	EPRA Net Reinstatement Value: Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.		CHF 119.20	CHF 123.19
	EPRA Net Tangible Assets: Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	CHF 116.91	CHF 120.76
	EPRA Net Disposal Value: Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.		CHF 97.26	CHF 100.25
3 (i) EPRA NET INITIAL YIELD (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	3.4%	3.4%
(ii) EPRA "TOPPED-UP" NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).		3.4%	3.4%
4 EPRA VACANCY RATE	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	3.6%	3.0%
5 EPRA COST RATIOS	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	19.3%	18.2%

The details for the calculation of the EPRA performance measures are shown in the following tables.

1 EPRA earnings & EPRA earnings per share (EPS)

(in CHF 1 000)	2019	2020
Earnings per IFRS statement of profit or loss	453 425	292 091
Adjustments to calculate EPRA earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	- 244 176	- 101 578
Profits or losses on disposal of investment properties, development properties held for investment and other interests	- 14 961	0
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	- 12 835	- 16 115
Tax on profits or losses on disposals	4 412	2 887
Negative goodwill / goodwill impairment	n.a.	n.a.
Changes in fair value of financial instruments and associated close-out costs	n.a.	n.a.
Acquisition costs on share deals and non-controlling joint venture interests	n.a.	n.a.
Deferred tax in respect of EPRA adjustments	- 5 155	20 948
Adjustments to above in respect of joint ventures	n.a.	n.a.
Non-controlling interests in respect of the above	n.a.	n.a.
EPRA earnings	180 711	198 233
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	3.94	4.32

2 EPRA Net Asset Value metrics

As of 31 December 2019

(in CHF 1 000)	Current Measures			Previously reported Measures	
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS Equity attributable to shareholders	4 450 220	4 450 220	4 450 220	4 450 220	4 450 220
Include / Exclude:					
Hybrid instruments	n.a.	n.a.	n.a.	n.a.	n.a.
Diluted NAV	4 450 220	4 450 220	4 450 220	4 450 220	4 450 220
Include:					
Revaluation of IP (if IAS 40 cost option is used)	0	0	0	0	0
Revaluation of IPUC (if IAS 40 cost option is used)	0	0	0	0	0
Revaluation of other non-current investments	4 454 ¹	4 454 ¹	4 454 ¹	5 546	5 546
Revaluation of tenant leases held as finance leases	0	0	0		
Revaluation of trading properties	26 353 ¹	26 353 ¹	26 353 ¹	30 028	30 028
Diluted NAV at Fair Value	4 481 026	4 481 026	4 481 026	4 485 794	4 485 794
Exclude:					
Deferred tax in relation to fair value gains of IP	869 639	865 964 ²		865 143	- 1 829
Fair value of financial instruments	17 458	17 458		17 458	
Goodwill as result of deferred tax	n.a.	n.a.	n.a.		
Goodwill as per the IFRS balance sheet		n.a.	n.a.		
Intangibles as per the IFRS balance sheet		- 1 820			
Include:					
Fair value of fixed interest rate debt			- 20 125 ³		- 23 064
Revaluation of intangibles to fair value	0				
Real estate transfer tax	99 347	0			
NAV	5 467 470	5 362 628	4 460 901	5 368 395	4 460 901
Fully diluted number of shares	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
NAV per Share	119.20	116.91	97.26	117.04	97.26

1 Based on the valuation of the external appraiser, shown net after deduction of deferred taxes.

2 For adding back the deferred taxes option 1 was used: The entire investment portfolio is generally intended to be held long-term and the trading properties will be sold short-term.

3 Shown net after deduction of deferred taxes.

Additional deferred tax disclosure

	Fair Value	as % of total portfolio	% of deferred tax excluded
Portfolio that is subject to deferred tax and intention is to hold and not to sell in the long run	7 910 131	100%	100%
Portfolio that is subject to partial deferred tax and to tax structuring	0	0%	0%

As of 31 December 2020

(in CHF 1 000)	Current Measures			Previously reported Measures	
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNAV
IFRS Equity attributable to shareholders	4 579 165	4 579 165	4 579 165	4 579 165	4 579 165
Include / Exclude:					
Hybrid instruments	n.a.	n.a.	n.a.	n.a.	n.a.
Diluted NAV	4 579 165	4 579 165	4 579 165	4 579 165	4 579 165
Include:					
Revaluation of IP (if IAS 40 cost option is used)	0	0	0	0	0
Revaluation of IPUC (if IAS 40 cost option is used)	0	0	0	0	0
Revaluation of other non-current investments	5 273 ¹	5 273 ¹	5 273 ¹	6 566	6 566
Revaluation of tenant leases held as finance leases	0	0	0		
Revaluation of trading properties	28 224 ¹	28 224 ¹	28 224 ¹	33 413	33 413
Diluted NAV at Fair Value	4 612 662	4 612 662	4 612 662	4 619 145	4 619 145
Exclude:					
Deferred tax in relation to fair value gains of IP	9 188 17	9 136 28 ²		9 129 70	- 4 767
Fair value of financial instruments	14 046	14 046		14 046	
Goodwill as result of deferred tax	n.a.	n.a.	n.a.		
Goodwill as per the IFRS balance sheet		n.a.	n.a.		
Intangibles as per the IFRS balance sheet		- 1 298			
Include:					
Fair value of fixed interest rate debt			- 14 418 ³		- 16 134
Revaluation of intangibles to fair value	0				
Real estate transfer tax	104 764	0			
NAV	5 650 290	5 539 039	4 598 244	5 546 161	4 598 244
Fully diluted number of shares	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
NAV per Share	123.19	120.76	100.25	120.92	100.25

1 Based on the valuation of the external appraiser, shown net after deduction of deferred taxes.

2 For adding back the deferred taxes option 1 was used: The entire investment portfolio is generally intended to be held long-term and the trading properties will be sold short-term.

3 Shown net after deduction of deferred taxes.

Additional deferred tax disclosure

	Fair Value	as % of total portfolio	% of deferred tax excluded
Portfolio that is subject to deferred tax and intention is to hold and not to sell in the long run	8 470 974	100%	100%
Portfolio that is subject to partial deferred tax and to tax structuring	0	0%	0%

3 EPRA net initial yield (NIY)

(in CHF 1 000)	31 December 2019	31 December 2020
Investment property – wholly owned	7 873 877	8 427 954
Investment property – share of JVs/Funds	n.a.	n.a.
Trading property (including share of JVs)	71 533	112 681
Less: developments	- 722 223	- 895 091
Completed property portfolio	7 223 187	7 645 544
Allowance for estimated purchasers' costs	n.a.	n.a.
Gross up completed property portfolio valuation (B)	7 223 187	7 645 544
Annualised cash passing rental income	287 826	295 780
Property outgoings	- 43 478	- 39 248
Annualised net rents (A)	244 348	256 532
Add: notional rent expiration of rent free periods or other lease incentives ¹	3 073	5 802
Topped-up net annualised rent (C)	247 421	262 335
EPRA NIY (A/B)	3.4%	3.4%
EPRA "topped-up" NIY (C/B)	3.4%	3.4%

¹ The weighted average rent-free period for the reporting year is 3.5 months (2019: 3.6 months).

4 EPRA vacancy rate

(in CHF 1 000)	31 December 2019	31 December 2020
Estimated rental value of vacant space (A)	10 873	9 200
Estimated rental value of the whole portfolio (B)	300 900	305 132
EPRA vacancy rate (A/B)	3.6%	3.0%

The reduction in vacancies to 3.0% at the end of 2020 compared to the previous year of 3.6% is related to several new lettings. The largest reductions were achieved in the Zurich and Lausanne regions.

5 EPRA cost ratio

(in CHF 1 000)	2019	2020
Administrative/operating expense line per IFRS income statement	56 111	53 869
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	48	33
Other operating income/recharges intended to cover overhead expenses less any related profits	0	0
Share of Joint Ventures expenses	0	0
Exclude (if part of the above):		
Investment property depreciation	0	0
Ground rent costs	0	0
Costs (including direct vacancy costs) (A)	56 159	53 902
Direct vacancy costs	4 139	3 058
Costs (excluding direct vacancy costs) (B)	52 020	50 844
Gross rental income less ground rent costs	290 460	296 274
Add: share of Joint Ventures		
(Gross Rental Income less ground rent costs)	n.a.	n.a.
Gross rental income (C)	290 460	296 274
EPRA cost ratio (including direct vacancy costs) (A/C)	19.3%	18.2%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	17.9%	17.2%
Capitalised operating costs	2 322	2 354

Staff costs for the development of own projects amounting to CHF 2.7 million (2019: CHF 2.6 million) have been capitalised but are not excluded from the table above. All costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditures qualify as acquisition costs and are capitalised. Capitalised own services arising from the development of own projects are valued at production costs.

EPRA Core Recommendations: Investment Property Reporting

Accounting basis under IAS 40

IAS 40.30 allows real estate companies to choose either the fair value model or the cost model as their accounting policy for its investment properties.

PSP Swiss Property discloses the investment properties at fair value. Fair values are determined semi-annually by an external, independent property valuation company. The valuations are based on the discounted cash flow method according to the “Highest and Best Use” concept of IFRS 13.

Valuation information

The description of and disclosure on the valuation procedures adopted by the company should lead to increased confidence in the valuation result and an increase in the prevalence and credibility of external valuations.

The fair value of the properties classified according to IAS 40 / IFRS 5 is assessed every six months by the external, independent valuation company (see the Property Valuation Report of the valuation company Wüest Partner on pages 100 to 107). Thereby, the appraiser has access to company information with regard to lease contracts, operating costs and investments. The external valuations are verified internally by PSP Swiss Property by means of random checks of the input factors in the discounted cash flow (DCF) valuations, own DCF valuations, a systematic analysis of deviations from previous valuations as well as a discussion of the valuation results with the external appraiser. Furthermore, PSP Swiss Property carries out a periodic back testing of various input factors (rental income, vacancies, operating costs), which were used by the external valuation company. In addition, the valuation results are discussed in detail by the Executive Board and submitted to the Board of Directors.

Investment and development assets

Real estate companies should include information on completed investment properties (and trading properties and joint venture interests where they are material) in their management narrative or in an exhibit.

Development activities can represent a source of significant value creation for property companies but can also comprise a greater financial risk than the ownership of existing rented assets. It is important therefore to provide sufficient information to enable investors to gain a clear understanding of the potential risks and opportunities associated with the development assets.

The required information can be found on pages 20 to 27.

Like-for-like rental growth reporting

Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described. At the end of the reporting period the like-for-like portfolio consists of 153 investment properties which have a fair value of CHF 6.953 billion.

(in CHF 1 000)	Net rental income previous years period	Effect from portfolio changes	Like-for-like growth	Like-for-like growth in %	Net rental income reporting period
Zurich	149 217	- 299	- 1 181	- 0.8%	147 736
Geneva	26 452	899	- 562	- 2.2%	26 789
Basel	21 176	0	- 1	- 0.0%	21 174
Bern	16 275	301	- 24	- 0.2%	16 551
Lausanne	14 524	0	417	2.9%	14 941
Other locations	19 157	- 151	791	4.2%	19 797
Sites and development properties	19 426	6 987	0	n.a.	26 413
Net Rental Income¹	266 227	7 736	- 561	- 0.2%	273 402

¹ Net Rental Income consists of the rental income deducting operating expenses from the Real Estate Investment segment.

The positive effect is mainly based on the reduction of vacancies and decrease in non-recoverable property outgoings such as letting costs and vacancy costs. Rent reliefs in connection with Covid-19 had a negative impact on like-for-like growth. EPRA like-for-like growth excluding rent reliefs due to Covid-19 would have been + 1.5%.

Additional portfolio information

Additional information and disclosure on property statistics such as rental data, valuation Data, development and redevelopment as well as lease data can be found on pages 226 to 243.

Capital expenditure disclosure

PSP Swiss Property has decided to use the table provided by EPRA to disclose the EPRA CapEx figures. The following table shows only the value-enhancing expenses and not the portion that is realised in the statement of profit or loss. As PSP Swiss Property is not involved in any joint ventures and therefore no such disclosure is made.

(in CHF 1 000)	2019	2020
Acquisitions	223 260	361 644
Development	68 926	97 908
Investment Properties		
– Incremental lettable space ¹	n.a.	n.a.
– No incremental lettable space	41 323	37 217
– Tenant incentive	8 405	4 244
– Other material non-allocated types of expenditure	n.a.	n.a.
– Capitalised interests	1 690	1 803
Total CapEx	343 603	502 815
Conversion from accrual to cash basis	– 4 372	– 24
Total CapEx on cash basis	339 231	502 791

¹ An increase in lettable space is generally achieved with capex in development properties. Capex in investment properties is generally made to enhance existing lettable space rather than to increase lettable space.

Acquisitions during the reporting period include properties at Grubenstrasse 6 in Zurich, Rue de la Corraterie 5, 7 / Rue de la Cité 6 in Geneva, Rue de la Confédération 2 in Geneva and Seilerstrasse 8 in Berne (Previous year: Properties at Bärenplatz in Berne and Waldeggstrasse in Liebefeld).



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To the Management of
PSP Swiss Property Ltd, Zug

Zurich, 22 February 2021

Independent assurance report on the EPRA reporting

We have been engaged by PSP Swiss Property Ltd. to perform a reasonable assurance engagement of the EPRA reporting containing the EPRA performance measures (pages 110 to 119) of PSP Swiss Property Ltd for the period ended 31 December 2020.

The EPRA reporting was prepared by Management of PSP Swiss Property Ltd based on the corresponding Best Practices Recommendations of the European Public Real Estate Association (EPRA) as published in October 2019.

Management's responsibility

The Management of PSP Swiss Property Ltd is responsible for the preparation of the EPRA reporting in accordance with the EPRA Best Practices Recommendations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an EPRA reporting that is free from material misstatement, whether due to fraud or error. Management is further responsible for the interpretation of the EPRA Best Practices Recommendations.

Independence and quality control

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

Ernst & Young Ltd 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.

Independent practitioner's responsibility

Our responsibility is to express an opinion on the EPRA reporting based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the EPRA reporting containing the EPRA performance measures is free from material misstatement.



2

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the amounts and disclosures in the EPRA reporting. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the EPRA reporting, whether due to fraud or error. In making those risk assessments, the practitioner considers internal control relevant to the entity's preparation of the EPRA reporting.

We performed the following procedures amongst others:

- ▶ Inquiries with persons responsible for the preparation of the EPRA performance measures.
- ▶ Assessing the EPRA performance measures regarding completeness and accuracy of the deductions from the underlying IFRS numbers derived from the consolidated financial statements of PSP Swiss Property Ltd as at 31 December 2020 or if applicable other internal source data.

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

Conclusion

In our opinion, the EPRA reporting of PSP Swiss Property Ltd containing the EPRA performance measures for the period ended 31 December 2020 is prepared, in all material respects, in accordance with the EPRA Best Practices Recommendations as published in October 2019.

Ernst & Young Ltd

Daniel Zaugg

Gianantonio Zanetti

Statement of profit or loss

(in CHF 1 000)	2019	2020	Note
Operating expenses	- 3 645	- 3 308	3.1
Total operating expenses	- 3 645	- 3 308	
Earnings before interest and taxes (ebit)	- 3 645	- 3 308	
Financial income	33 586	34 452	3.2
Financial expenses	- 20 923	- 15 091	3.3
Financial result	12 663	19 361	
Earnings before taxes (ebt)	9 017	16 053	
Direct taxes	- 730	- 1 921	
Net profit	8 287	14 133	

The notes are part of these financial statements.

Balance sheet

(in CHF 1 000)	31 December 2019	31 December 2020	Note
Cash and cash equivalents	11 384	20 961	
Trade receivables			
– to third parties	63	65	
– to investments	72	26	
Financial assets			
– Other financial assets	290	0	3.4
Total current assets	11 809	21 051	
Financial assets			
– Loans to investments	2 155 400	2 453 200	3.4
– Other financial assets	3 070	2 965	3.4
Investments	1 322 245	1 322 245	3.5
Total non-current assets	3 480 715	3 778 410	
Total assets	3 492 524	3 799 461	
Trade creditors			
– to third parties	308	360	
Other current liabilities			
– to third parties	40	58	
Interest-bearing debt			
– to third parties	550 000	430 122	3.6
– to investments	129	133	3.6
Deferred income and accrued expenses	10 510	9 694	
Total current liabilities	560 987	440 367	
Other non-current liabilities			
– to third parties	3 007	4 112	
Non-current interest-bearing debt			
– to third parties	2 030 002	2 610 002	3.6
– to investments	7 300	5 100	3.6
Total non-current liabilities	2 040 310	2 619 213	
Share capital	4 587	4 587	
Legal capital reserves			
– Statutory reserves from capital contributions	381	381	
General legal reserves	2 000	2 000	
Voluntary retained earnings			
– Statutory and regulative-decided retained earnings	874 967	717 612	
– Retained earnings	9 293	15 301	
Total shareholders' equity	891 228	739 881	
Total liabilities and shareholder's equity	3 492 524	3 799 461	

The notes are part of these financial statements.

Notes to the financial statements 2020

1 General information

PSP Swiss Property Ltd is a public company whose shares are traded on the SIX Swiss Exchange. The registered office is located at Kolinplatz 2, 6300 Zug. PSP Swiss Property Ltd was registered in the Commercial Register of the Canton of Zug on 28 July 1999.

The Company's purpose is the acquisition, holding and sale of participations in companies with the following main purposes:

- acquisition, holding and sale of real estate in Switzerland, which serve as permanent establishments
- acquisition, holding and sale of land abroad
- management and brokerage of land
- planning and execution of development and conversion projects of all kinds
- financing of group companies

The Company can incorporate or acquire, finance and participate in companies.

The financial statements of PSP Swiss Property Ltd for the year 2020 were authorised for issue by the Board of Directors on 22 February 2021.

2 Summary of significant accounting policies

2.1 Accounting principles (article 959c, paragraph 1 CO)

The present annual financial statements were drawn up in accordance with the provisions for accounting and reporting of Switzerland's Code of Obligations (CO). The major accounting and valuation principles, which are not already required by the Code of Obligations, are described below.

PSP Swiss Property prepares consolidated financial statements on a Group level according to recognised accounting standards. Therefore, the Company does not publish additional notes, a management report and a cash flow statement (article 961d CO).

2.2 Estimates and assumptions by the Executive Board

The preparation of consolidated financial statements in conformity with Switzerland's Code of Obligations requires the use of certain assumptions and estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. PSP Swiss Property makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the later actual results.

2.3 Financial result

Financial income consists basically of interests from loans to direct or indirect investments. Financial expenses mainly include interest expenses for financial liabilities to third parties.

2.4 Cash and cash equivalents

Liquid assets are shown in the balance sheet at their nominal value; they include bank deposits.

2.5 Trade receivables

Trade receivables are recorded in the balance sheet at their nominal value. Trade receivables liable to default are evaluated on an individual basis and provisions for bad debts are made accordingly.

2.6 Loans to investments

Loans to direct or indirect investments are recorded in the balance sheet at their nominal value. If necessary, value adjustments are made for potential impairment losses.

2.7 Investments

Investments are recorded at historical costs and valued individually. If necessary, value adjustments are made for potential impairment losses.

2.8 Interest-bearing debt, bonds and notes

Short- and long-term financial debts in the form of bank credit lines as well as any bank debts in the form of current account overdrafts are stated at their nominal value. Bonds and notes are recognised at their nominal value. A premium (less issuing costs) is recognised under other non-current liabilities and amortised over the term of the bond (straight-line method). Issuing costs and additional financing expenses are capitalised and amortised over the bonds' term.

2.9 Treasury shares

Treasury shares are deducted at historical costs from shareholders' equity (voluntary retained earnings) at the acquisition date. At the disposal date, sales proceeds are credited to shareholders' equity (voluntary retained earnings).

3 Information and comments on items on the balance sheet and the statement of profit or loss

3.1 Operating expenses

(in CHF 1 000)	2019	2020
Investor Relations / Company expenses	- 2 890	- 2 269
Management fees	- 719	- 754
Other general and administration expenses	- 36	- 285
Total operating expenses	- 3 645	- 3 308

3.2 Financial income

(in CHF 1 000)	2019	2020
Income from loans to investments	33 524	34 452
Other financial income	62	0
Total financial income	33 586	34 452

3.3 Financial expenses

(in CHF 1 000)	2019	2020
Interest expense for liabilities to third parties	- 18 039	- 13 874
Interest expense on cash and cash equivalents	- 110	- 145
Other financial expenses	- 2 774	- 1 072
Total financial expenses	- 20 923	- 15 091

3.4 Financial assets

(in CHF 1 000)	31 December 2019	31 December 2020
Other financial assets	290	0
Total short-term financial assets	290	0
Loans to investments	2 155 400	2 453 200
Other financial assets	3 070	2 965
Total long-term financial assets	2 158 470	2 456 165
Total financial assets	2 158 760	2 456 165

Financial investments are mainly loans to direct or indirect investments.

3.5 Investments

(in CHF 1 000)	Registered office	Share capital 2019	Ownership 2019	Share capital 2020	Ownership 2020
Directly held investments					
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
PSP Finance Ltd ¹	Zug	1 000	100%	n.a.	n.a.
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobilien-gesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%
Associated companies					
IG REM	Zurich	n.a.	n.a.	n.a.	n.a.

¹ PSP Finance Ltd was merged with PSP Participations Ltd in 2020.

None of these investments is listed on a stock exchange.

Together with two other companies, PSP Swiss Property holds a participation in the REM consortium (IG REM). IG REM deals with the maintenance, the further development and the distribution of the property management software "REM".

3.6 Interest-bearing debt

(in CHF 1 000)	31.12.2019	31.12.2020
Liabilities to banks	350 000	40 000
Liabilities to investments	129	133
Short-term bonds and notes	200 000	390 122
Total current interest-bearing debt	550 129	430 255
Liabilities to banks	450 000	980 000
Liabilities to investments	7 300	5 100
Long-term bonds	1 580 002	1 630 002
Total non-current interest-bearing debt	2 037 302	2 615 102

Financial debt due to third parties consists of loans borrowed from various banks in the form of unsecured advances. Long-term debt includes loans which cannot be called in by a bank within twelve months. Short-term debt is any loan with a maximum term of one year.

At the end of 2020 (as at the end of 2019), no debt or loans were outstanding which were secured by mortgages on properties and no debt or loans were outstanding with an amortisation obligation.

3.7 Bonds according to article 959c, paragraph 4 CO

(in CHF 1 000)	Carrying value 31.12.18	Issue / Repayment	Amortisation issue costs	Reclassifica- tion	Carrying value 31.12.19
1.000% bond, maturing 08.02.19	120 000	- 120 000	0	0	n.a.
1.375% bond, maturing 04.02.20	n.a.	0	0	200 000	200 000
Total short-term bonds	120 000	- 120 000	0	200 000	200 000
1.375% bond, maturing 04.02.20	200 000	0	0	- 200 000	n.a.
0.045% bond, maturing 20.12.21	150 000	0	0	0	150 000
0.060% bond, maturing 11.02.22	100 000	0	0	0	100 000
0.000% bond, maturing 01.09.23	300 000	0	0	0	300 000
0.500% bond, maturing 16.02.24	225 003	75 000	- 1	0	300 002
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	200 000	0	0	0	200 000
0.700% bond, maturing 08.02.27	n.a.	180 000	0	0	180 000
0.550% bond, maturing 04.02.28	n.a.	150 000	0	0	150 000
0.000% bond, maturing 06.02.30	n.a.	100 000	0	0	100 000
Total long-term bonds	1 275 003	505 000	- 1	- 200 000	1 580 002

(in CHF 1 000)	Carrying value 31.12.19	Issue / Repayment	Amortisation issue costs	Reclassifica- tion	Carrying value 31.12.20
1.375% bond, maturing 04.02.20	200 000	- 200 000	0	0	n.a.
0.000% bond, maturing 19.01.21	n.a.	100 000	0	0	100 000
0.000% bond, maturing 04.02.21	n.a.	100 000	0	0	100 000
0.000%-note, maturing 10.05.21	n.a.	40 000	0	0	40 000
0.045% bond, maturing 20.12.21	n.a.	0	0	150 000	150 000
Total short-term bonds / notes	200 000	40 000	0	150 000	390 000
0.045% bond, maturing 20.12.21	150 000	0	0	- 150 000	n.a.
0.060% bond, maturing 11.02.22	100 000	0	0	0	100 000
0.000% bond, maturing 01.09.23	300 000	0	0	0	300 000
0.500% bond, maturing 16.02.24	300 002	0	- 1	0	300 002
1.000% bond, maturing 06.02.25	100 000	50 000	0	0	150 000
0.375% bond, maturing 29.04.26	200 000	0	0	0	200 000
0.700% bond, maturing 08.02.27	180 000	0	0	0	180 000
0.550% bond, maturing 04.02.28	150 000	0	0	0	150 000
0.150% bond, maturing 02.02.29	n.a.	150 000	0	0	150 000
0.000% bond, maturing 06.02.30	100 000	0	0	0	100 000
Total long-term bonds	1 580 002	200 000	- 1	- 150 000	1 630 002

4 Further information

4.1 Information on the number of full-time positions

The Company does not employ any employees.

4.2 Major shareholders in accordance with article 663c CO

As at 31 December 2020, PSP Swiss Property Ltd was aware of the following major shareholders in accordance with article 663c of the Swiss Code of Obligations (shareholders with more than 5% of the voting rights):

Name	Domicile	Voting rights	Voting rights
		31 December 2019	31 December 2020
Alony Hetz Properties & Investments Ltd	Ramat-Gan, Israel	7.96%	n.a.
BlackRock Inc.	New York, N.Y., USA	5.95%	5.95%
Credit Suisse Funds AG	Zurich, Switzerland	5.20%	5.20%
Nominee exempt from reporting requirements (Chase Nominees Ltd)	London, UK	9.86%	5.68%

Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, has fallen below the threshold of 3% voting rights according to the last disclosure notice / publication dated 27 August 2020.

Details on the major shareholders in accordance with article 663c of the Swiss Code of Obligations and shareholders known to the Company with participations of 3% or more of the voting rights as well as the disclosures in accordance with article 120 ff. FMIA are shown in the "Corporate governance" section, figure 1.2, page 153.

At the end of the respective periods, the Members of the Board of Directors and the Executive Board held the following number of PSP shares:

Participations of members of the Board of Directors (non-executive)	Number of shares	
	31 December 2019	31 December 2020
Luciano Gabriel, Chairman	198 004	198 004
Corinne Denzler, Member	250	250
Adrian Dudle, Member	0	0
Prof. Dr. Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member	3 650 000	531 309
Henrik Saxborn, Member ¹	n.a.	0
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	3 850 422	731 731

¹ Elected at the Annual General Meeting of 9 April 2020.

In 2020, no participation rights or options were allocated to Members of the Board of Directors.

Participations of members of the Executive Board	Number of shares	
	31 December 2019	31 December 2020
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer	50 000	48 000
Reto Grunder, Chief Investment Officer ¹	n.a.	0
Martin Heggli, Chief Operating Officer	2 646	4 378
Adrian Murer, Chief Investment Officer ²	7 524	n.a.
Total	60 170	52 378

¹ As of 1 January 2020

² Until 31 December 2019

Neither the Members of the Board of Directors nor the Members of the Executive Board held any options on PSP shares in 2020 or 2019. As in 2019, no loans were granted to Members of the Board of Directors or the Executive Board in 2020. As at the end of 2019, there were no claims on these Members at the end of 2020.

4.3 Compensations to the Members of the Board of Directors and the Executive Board

The disclosures required by the federal ordinance against excessive pay in stock exchange listed companies as well as the disclosure of the number and value of participation rights for Members of the Board of Directors and the Executive Board according to article 959c, paragraph 2 (11) CO are shown in the "Compensation report" on pages 136 to 138.

4.4 Treasury shares

	Number of registered shares	Cost/Sale value in CHF 1 000	Average transaction price in CHF
Purchases	2 300	234	101.53
Performance-based compensation in shares for the Executive Board	- 2 300	- 227	98.82
Effect of performance-based compensation		- 6	
31 December 2019	0	n.a.	n.a.
Purchases	15 587	2 383	152.90
Performance-based compensation in shares for the Executive Board	- 15 587	- 2 028	130.10
Effect of performance-based compensation		- 355	
31 December 2020	0	n.a.	n.a.

4.5 Contingent liabilities

With regard to value added tax, PSP Swiss Property Group companies are taxed on a Group level. As part of this Group, PSP Swiss Property Ltd bears joint and several liability to the tax authorities for their VAT obligations.

4.6 Subsequent events

On 4 February 2021, a 0.200% bond (all-in 0.22%) with a volume of CHF 200 million and a maturity in 2031 was issued.

On 16 February 2021, a 0.000% private placement (all-in - 0.42%) with a volume of CHF 50 million and a maturity in September 2021 was issued.

There were no further material subsequent events.

Board of Directors' proposal concerning the appropriation of the retained earnings

The Board of Directors will propose to the Annual General Meeting on 31 March 2021, the appropriation of the retained earnings 2020 and the statutory and regulative-decided retained earnings as well as the distribution of a dividend of CHF 3.65 **gross per share** to the shareholders as follows.

Retained earnings (in CHF 1 000)	2019	2020
Profit carried forward from the previous year	1 006	1 169
Net Profit	8 287	14 133
Retained earnings	9 293	15 301
Allocation from statutory and regulative-decided retained earnings	157 000	153 000
Total available to the Annual General Meeting	166 293	168 301
Dividend payment of CHF 3.65 gross per share	- 165 124	- 167 418
Balance carried forward	1 169	883

If the proposal is approved, the statutory and regulative-decided retained earnings will change as follows:

Statutory and regulative-decided retained earnings (in CHF 1 000)	2019	2020
Balance carried forward from the previous year	874 974	717 967
Effect of performance-based compensation	- 6	- 355
Statutory and regulative-decided retained earnings	874 967	717 612
Transfer to retained earnings	- 157 000	- 153 000
Balance carried forward	717 967	564 612

If the proposal is approved, the dividend payment of CHF 3.65 gross per share – less withholding tax – is expected to be made from 8 April 2021 on. Accordingly, as of 6 April 2021, the shares will be traded ex-dividend.

The proposed dividend distribution is based on the Company's 45 867 891 registered shares. Any own shares owned by the Company are not entitled to dividend. The number of dividend-entitled shares is not determined until the payout record date. The amounts for the dividend distribution and the balance-carried forward may therefore change accordingly.



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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zürich, 22 February 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 122 to 131), for the year ended 31 December 2020.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings and statutory and regulative-decided retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Gianantonio Zanetti
Licensed audit expert



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Compensation report

1 Compensation of the Board of Directors

Compensation to members of the Board of Directors business year 2019 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits ¹	Total compensation
Luciano Gabriel, Chairman	160	0	0	0	160
Corinne Denzler, Member	75	0	0	3	78
Adrian Dudle, Member	75	0	0	3	78
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	91	0	0	0	91
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	658	0	0	13	671

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 13 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 32. No member of the Board of Directors is insured under a company pension scheme.

Compensation to members of the Board of Directors business year 2020 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits ¹	Total compensation
Luciano Gabriel, Chairman	160	0	0	0	160
Corinne Denzler, Member	75	0	0	3	78
Adrian Dudle, Member	75	0	0	3	78
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	83	0	0	0	83
Henrik Saxborn, Member ²	64	0	0	13	77
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	83	0	0	4	87
Total	690	0	0	26	716

1 The pension-forming employer contributions to social insurance totalling TCHF 26 are recorded as remuneration elements and reported under employer pension contributions. The total employer contributions to the social security insurances amount to TCHF 44. No member of the Board of Directors is insured under a company pension scheme.

2 Elected at the Annual General Meeting of 9 April 2020.

2 Compensation of the Executive Board

Compensations to members of the Executive Board business year 2019 (in CHF 1 000)	Fixed compen- sation in cash	Perfor- mance- based compen- sation in cash	Other bene- fits	Performance-based compensation in contractual blocked shares ¹		Employer contribu- tions pension benefits ²	Total compen- sation
				Amount	in number of shares		
Giacomo Balzarini, Chief Executive Officer/ Chief Financial Officer	652	0	0	1 354	10 391	125	2 131
Adrian Murer, Chief Investment Officer	452	451	0	451	3 464	83	1 437
Martin Heggli, Chief Operating Officer	272	226	0	226	1 732	48	771
Total	1 376	677	0	2 031	15 587	256	4 339

1 Allocated at the market value per share (average of daily closing prices week 50/2019: CHF 130.30).

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 11 in 2019 that entitles to the maximum AHV pension benefits – included as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 193. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

Compensations to members of the Executive Board business year 2020 (in CHF 1 000)	Fixed compen- sation in cash	Perfor- mance- based compen- sation in cash	Other bene- fits	Performance-based compensation in contractual blocked shares ¹		Employer contribu- tions pension benefits ²	Total compen- sation
				Amount	in number of shares		
Giacomo Balzarini, Chief Executive Officer/ Chief Financial Officer	652	0	0	986	8 881	189	1 827
Reto Grunder, Chief Investment Officer ³	352	247	0	247	2 220	65	910
Martin Heggli, Chief Operating Officer	302	164	0	164	1 480	54	685
Adrian Murer, Chief Investment Officer ⁴	113	82	0	82	740	24	301
Total	1 418	493	0	1 480	13 321	331	3 722

1 Allocated at the market value per share (average of daily closing prices week 50/2020: CHF 111.06).

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 15 in 2020 that entitles to the maximum AHV pension benefits – included as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 167. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

3 As of 1 January 2020.

4 The information contains the compensation owed on a pro-rated basis pursuant to the employment contract and the termination agreement respectively, until the leaving of the Company per end of March 2020 and includes for the business year the fixed and performance-based compensations, other benefits and employer contributions for pension benefits until the exit date.

3 Additional comments and information

The listed compensations refer to the 2020 business year and are disclosed according to the accrual principle (relating to the period of service and independent of the payment flows).

The compensation system and the compensations 2020 compared to those of the previous year are lined out in the following explanations on page 140 ff.

Further details as to the provisions of the Articles of Association on the compensations of the Board of Directors and the Executive Board are shown in section 5.2 of the Corporate Governance report on page 168 ff.

In the 2020 business year, as in the previous year, no loans and credits were granted to present or past members of the Board of Directors or the Executive Board respectively their related parties. In addition, as per 31 December 2020 – as likewise per 31 December 2019 – there were no such claims vis-à-vis of this group of people.

In the 2020 business year, legal fees of TCHF 15 were paid to lawyers of the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2019: TCHF 9). No legal fees were paid to Mr. Forstmoser himself.

Since 2001, there has been a lease contract, according to which Niederer Kraft Frey Ltd leases storage facilities from PSP Swiss Property with an annual rent of TCHF 95 in the reporting year (2019: TCHF 95). For Niederer Kraft Frey Ltd as well as for PSP Swiss Property, this annual rent is marginal and therefore neglectable compared to legal fee turnover respectively rental income (see the respective confirmation of Mr. Peter Forstmoser at www.psp.info > company > investors > governance > corporate governance).

In the 2020 business year, as in the previous year, no further disclosable compensations were paid directly or indirectly to present or past members of the Board of Directors or the Executive Board respectively their related parties.



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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 22 February 2021

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of PSP Swiss Property Ltd (pages 136 to 138) for the year ended 31 December 2020.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

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

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

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of PSP Swiss Property Ltd complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Gianantonio Zanetti
Licensed audit expert

Explanations on the compensation system

1 Key features of the compensation system

The compensation system for the Board of Directors and the Executive Board of PSP Swiss Property is laid down in the Articles of Association (see Articles 22 ff. of the Articles of Association) and can be summarized for the **2020 business year** as follows:

- *The compensations of the members of the Board of Directors and the Executive Board are determined adequately and in line with market by the Board of Directors based on the proposal of the Compensation Committee.*
- *The members of the Board of Directors exclusively receive a fixed compensation, payable in cash and/or in equity securities.*
- *The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation, payable in cash and/or equity securities or option rights.*
- *The variable, performance-based compensation of the Executive Board is calculated pursuant to a formula – as explained in section 5.2 below – taking mainly into account the net earnings per share (EPS) without gains/losses on real estate investments and its change compared to the previous year. It is paid in shares with a contractual blocking period of three years, for the Chief Executive Officer (CEO) in 100% of such shares, for the remaining members of the Executive Board in 50% of such shares.*
- *As from 2015, the Annual General Meeting approves with binding effect and prospectively 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 next business year).*
- *As from 2015, the shareholders have a say on pay by way of an advisory vote on the compensation report.*

These key features remained the same as in the previous business year.

2 Determination of the compensations

The procedure for determination of the compensations of the members of the Board of Directors and the Executive Board was effective – without change compared to the previous year – for the **entire 2020 business year**.

The compensations are discretionary determined by the Board of Directors both adequately and in line with market and they are reviewed periodically. The Compensation Committee submits respective proposals to the Board of Directors, namely as to the compensation principles, the individual compensations and the corresponding employment contracts respectively mandates (for specific activities in the reporting year, see section 6 below).

The Board of Directors submits annually, based on the proposal of the Compensation Committee, the maximum total amounts of the compensations for the Board of Directors (for the period until the next Annual General Meeting) and for the Executive Board (for the next business year) to the Annual General Meeting for approval. The compensations determined by the Board of Directors are subject to such approvals by the Annual General Meeting. The employment contracts of the members of the Executive Board contain a corresponding proviso.

In the meetings of the Compensation Committee, the other members of the Board of Directors and the members of the Executive Board do not take part in general. The Chairman of the Board of Directors, the CEO and other invitees, however, may attend the meetings upon invitation of the Chairman of the Compensation Committee. They have only advisory vote. All members of the Board of Directors have access to the minutes of the Compensation Committee (for the work method of the Compensation Committee in the reporting year, see also section 3.4.2 f. on page 162 ff. of the Corporate Governance report).

These procedures have not changed compared to the previous year.

3 Compensation Committee

The members of the Compensation Committee are elected at the Annual General Meeting for a **term of office of one year** until the next Annual General Meeting. The Compensation Committee constitutes itself. **After the elections at the Annual General Meeting of 9 April 2020**, it is composed as follows:

Members	For the first time elected by the Annual General Meeting
Peter Forstmoser, Chairman	Annual General Meeting 2014
Adrian Dudle	Annual General Meeting 2016
Nathan Hetz	Annual General Meeting 2014
Josef Stadler	Annual General Meeting 2014

4 The compensations of the Board of Directors

4.1 Basis and elements of the compensations of the Board of Directors

The basis and elements of the compensations of the Board of Directors were effective – without change compared to the previous year – for the **entire 2020 business year**:

- *Non-executive members of the Board of Directors receive a **fixed compensation**, payable in cash and/or equity securities.*
- *The company pays the **employer's contributions to social security insurances (AHV/IV/EO/ALV)** and to the compulsory family compensation fund as well as allowances for out-of-pocket business expenses, which are not part of the salary. Only the employer contributions to the state pension scheme (Old Age and Survivors' Insurance, "AHV") are – to the extent that they entitle to the maximum AHV pension benefits – regarded as compensation element.*

- *Executive members of the Board of Directors, if any, are remunerated as members of the Executive Board and do not receive an additional remuneration for activities as members of the Board of Directors. Respective compensations are disclosed – and approved by the General Meeting – as part of the compensations of the Executive Board.*
- *The activities and the chairmanship in the Committees are not separately remunerated.*
- *Non-executive members of the Board of Directors are not insured under an employee pension scheme.*

4.2 The amounts of compensations of the members of the Board of Directors

The last modification of the **fixed compensations** of the Board of Directors was made on **18 August 2008** and the respective amounts have **remained unchanged since, also for the reporting year**:

- *The Chairman of the Board of Directors receives an annual gross compensation of CHF 160 000, irrespective of the number of meetings of the Board of Directors.*
- *A member of the Board of Directors receives an annual gross compensation of CHF 75 000 and an additional CHF 8 000 gross for each meeting of the Board of Directors in excess of six meetings.*
- *Members of the Board of Directors who travel from abroad receive an additional CHF 8 000 gross for each meeting of the Board of Directors.*
- *The activities and chairmanship in the Committees are not separately remunerated.*

The compensations of the members of the Board of Directors for the 2020 business year are set out in **section 1** of the compensation report.

4.3 Addendum: The compensations of the members of the Board of Directors for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020

The Annual General Meeting of 4 April 2019 has approved a maximum total amount of compensations for the members of the Board of Directors, including the Chairman, of TCHF 1 000 until the Annual General Meeting 2020. Such amount was calculated based on the assumption of a maximum of ten Board Meetings during the term of office. Because at the time of the publication of the 2019 compensation report on 25 February 2020 the number of Board Meetings to be held until the Annual General Meeting 2020 was still uncertain, the total amount of compensations could only be stated tentatively therein with an amount of TCHF 671. The definite total amount of compensations is **TCHF 671** and is composed as follows:

Total compensations of the Board of Directors ^{1,2}	(in CHF 1 000)	from AGM 2019 to 31 December 2019	from 1 January 2020 to AGM 2020	from AGM 2019 to AGM 2020
Luciano Gabriel, Chairman		120	40	160
Corinne Denzler, Member		59	20	78
Adrian Dudle, Member		59	20	78
Peter Forstmoser, Member		56	19	75
Nathan Hetz, Member		64	27	91
Josef Stadler, Member		59	20	78
Aviram Wertheim, Member		83	28	111
Total		499	172	671

1 See section 1 of the compensation report.

2 Inclusive of the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") that entitle to the maximum AHV pension benefits in the amount of TCHF 13.

The total amount of compensations for the members of the Board of Directors of **TCHF 671** (previous period: TCHF 672) for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020 was thus well **below the approved maximum total amount of TCHF 1 000**.

4.4 The compensations of the members of the Board of Directors for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021

The Annual General Meeting of 9 April 2020 has approved a maximum total amount of compensations of **TCHF 1 000** for the eight elected members of the Board of Directors (including the Chairman) **until the Annual General Meeting 2021** (previous period: TCHF 1 000). Such amount was calculated based on the assumption of a maximum of eight Board Meetings during the term of office.

The compensations for the 2020 business year are listed in section 1 of the compensation report. They amount to TCHF 716 in total (previous year: TCHF 671).

The compensations for the period from the Annual General Meeting 2020 to 31 December 2020 are based on three Board Meetings and eight members of the Board of Directors, i.e. one member more than in the previous period. They total **TCHF 544** (previous period: TCHF 499). On the assumption that only one more ordinary Board Meeting will be held until the Annual General Meeting 2021, such amount will increase by TCHF 178 to **TCHF 722**.

Total compensations of the Board of Directors ^{1, 2}	(in CHF 1 000)	from AGM 2020 to 31 December 2020	from 1 January 2021 to AGM 2021 ³	from AGM 2020 to AGM 2021 ³
Luciano Gabriel, Chairman		120	40	160
Corinne Denzler, Member		59	20	78
Adrian Dudle, Member		59	20	78
Peter Forstmoser, Member		56	19	75
Nathan Hetz, Member		56	19	75
Henrik Saxborn, Member		77	22	99
Josef Stadler, Member		59	20	78
Aviram Wertheim, Member		59	20	78
Total		544	178	722

1 See section 1 of the compensation report.

2 Inclusive of the mandatory employer contributions to the social security insurances in the amount of TCHF 29.

3 Based on the assumption of one Board Meeting from 1 January 2021 until AGM 2021 with all members participating, without travelling from abroad.

Thus, the compensations for the members of the Board of Directors for the current term of office will most likely be **below the approved maximum amount of TCHF 1 000**. The Board of Directors will disclose the definite total amount of compensations in the 2021 compensation report.

5 The compensations of the Executive Board

In the reporting year, the Executive Board consisted of Mr. Giacomo Balzarini, Chief Executive Officer (CEO) / Chief Financial Officer (CFO), Mr. Reto Grunder, Chief Investment Officer (CIO) and Mr. Martin Heggli, Chief Operating Officer (COO).

The remuneration entitlements of Mr. Adrian Murer, who left the Executive Board per the end of 2019, lasted, pursuant to the employment contract and the termination agreement respectively, until the end of March 2020. The information on the remuneration of the Executive Board in the reporting year thus includes – on a pro rated basis – the fixed and performance-related compensations, the other benefits and the employer contributions for pension benefits of Adrian Murer until his exit date. Please refer also to Footnote 2 of the table in section 5.4 below.

5.1 Basis and elements of the compensations of the Executive Board

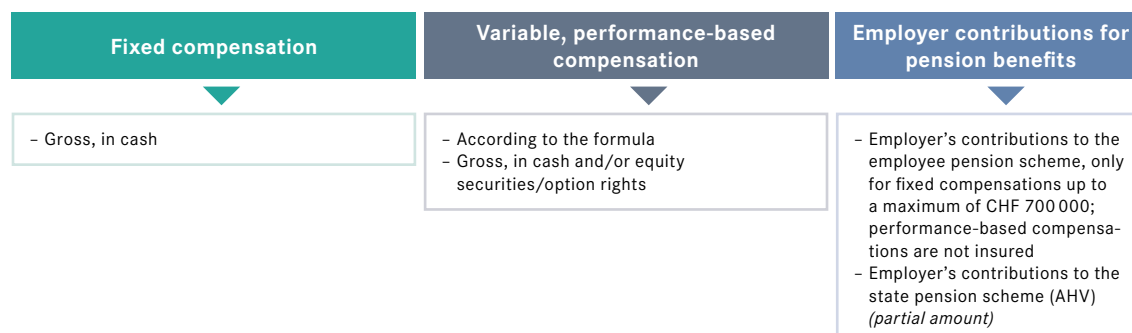
The basis and the elements of the compensations of the members of the Executive Board were effective – without change compared to the previous year – for the **entire 2020 business year**:

- *The Chief Executive Officer (CEO) and the other members of the Executive Board receive a **fixed compensation in cash and a variable, performance-based compensation**.*
- *The **performance-based compensation** is calculated in full by applying a mathematical **formula** as further **described under section 5.2 below**. It may be paid in cash and/or by granting of equity securities or option rights.*
- *The performance-based compensation of the CEO is paid **100% in shares with a contractual blocking period of three years**, while such compensation of the other members of the Executive Board is paid **in cash (one half) and in shares with a blocking period of three years (one half)**. When granting shares, the amount of compensation equals the market value of such shares 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.*
- *For the purposes of the **employee pension scheme** (obligatory and over-obligatory components), only the fixed compensation up to CHF 700 000 is insured; the performance-based compensation is not insured¹.*
- *The employer pays the **employer's contributions to the social security insurances (AHV/IV/EO/ALV)**. However, only such partial amount of the employer's contributions to the state pension scheme (Old Age and Survivors' Insurance, "AHV") that entitle to the maximum AHV pension benefits are regarded as compensation element.*
- *The employer reimburses **out-of-pocket business expenses** by lump sum payments according to its business expenses policy as approved by the tax authorities. It also pays the premiums of risk insurances (for accidents and daily allowances during illness) and the employer's contributions to the compulsory family compensation fund. These payments, premiums and contributions respectively are not part of the compensations.*

As from the business year 2018, **share ownership guidelines** apply to the CEO prescribing a holding of a minimum number of **22 000 shares of the Company**, which number was based on **three times** the amount of the CEO's **annual fixed compensation 2018** and the **average of the end of day share prices of week 50/2017**, i.e. CHF 90.45, and remained unchanged for the **entire 2020 business year**.

¹ As it was the case since the inception of the respective pension scheme, the members of the Executive Board were insured under identical plans with the members of the senior management, which plans insure 15% of the employees (without caretakers; 2019: 15%).

Presentation of the elements of the total compensation of a member of the Executive Board:



5.2 The performance-based compensation

The basis and the formula for the calculation of the variable, performance-based compensation of the members of the Executive Board were effective – without change compared to the previous year – for the **entire 2020 business year**.

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 (see Article 23 (3) of the Articles of Association).

The specific amount of the performance-based compensation is calculated entirely based on a **mathematical formula** as set out below. The formula takes mainly into account the EPS excluding gains/losses on real estate investments (see the definitions on page 93, note 30) of the respective business year, its difference to the previous business year as well as a multiplier. The multiplier is individually set forth for each member of the Executive Board (the “individual factor”). Except for such individual factors, the formula is **identical for each member of the Executive Board**. The formula and the individual factors are contained in their respective **employment contracts**.

$$\text{Performance-based compensation} = K \times (1.60 \times \text{EPS}_{\text{w/o IRE}} + 0.40 \times \text{EPS}_{\text{IRE}} + 2.00 \times \Delta \text{EPS}_{\text{w/o IRE}})$$

Legend:

K = Individual Factor
 EPS_{w/o IRE} = EPS excluding gains/losses on real estate investments
 EPS_{IRE} = Contribution of gains/losses on real estate investments to the EPS
 ΔEPS_{w/o IRE} = Difference in EPS excluding gains/losses on real estate investments compared to the previous year

K for Giacomo Balzarini = 120 000 (2019: 120 000)

K for Reto Grunder = 60 000 (2019: n/a)

K for Martin Heggli = 40 000 (2019: 40 000)

K for Adrian Murer = 80 000 (2019: 80 000)

The size of the real estate portfolio itself is consciously not taken into account for the formula, because acquisitions are not a primary goal but a means to increase the EPS. Not only the absolute amount of EPS excl. gains/losses on real estate investments is considered, but also its change. A positive (negative) change in EPS excl. gains/losses on real estate investments compared to the previous year has a positive (negative) impact on the compensation. If the formula results in a negative figure for the performance-based compensation, it will not be deducted from the respective fixed compensation, it will, however, be carried forward to the following years. In this case, payments of variable compensations will only be made when all loss carry-forwards have been compensated ("catch up").

5.3 Individual caps and approval required by the Annual General Meeting

Each employment contract contains an **individual maximum amount** ("cap") of the **maximum total compensation owed** by the employer per calendar year. Such caps were – unchanged compared to the previous year – for the 2020 business year: TCHF 2 200 for Mr. Giacomo Balzarini (2019: TCHF 2 200); TCHF 1 130 for Mr. Reto Grunder (2019: n/a) and TCHF 820 for Mr. Martin Heggli (2019: TCHF 800).

The **maximum amount of the performance-based compensation** for each member of the Executive Board can be calculated by deducting from the above mentioned caps (i) the fixed compensation and (ii) the employer contributions for pension benefits relating thereto. For the 2020 business year such calculation results in the following capped amounts for the performance-based compensations: TCHF 1 359 for Mr. Giacomo Balzarini (2019: TCHF 1 423), TCHF 713 for Mr. Reto Grunder (2019: n/a) and TCHF 464 for Mr. Martin Heggli (2019: TCHF 481).

In addition, the employment contracts contain **a proviso as to the approval** of the maximum total amount of compensations of the Executive Board by the Annual General Meeting.

5.4 Compensations of the Executive Board 2020

The compensations of the Chief Executive Officer (CEO) and the other members of the Executive Board are determined in the **respective individual employment contracts**, which were entered into with **Mr. Giacomo Balzarini** and **Mr. Martin Heggli** as per taking their new positions as **CEO/CFO** and **COO respectively, on 1 April 2017**, and with **Mr. Reto Grunder** as per taking office as **CIO on 1 January 2020**.

The employment contracts, containing namely the discretionary determined fixed and performance-based compensations, including the individual cap, the formula and the individual factor "K", all as described in **section 2** of the compensation report and in sections 5.2 and 5.3 above respectively, were effective for **the entire 2020 business year**. In comparison to the previous year, the fixed compensation of Mr. Martin Heggli was increased to **TCHF 302** (previously: TCHF 272) and the cap augmented to **TCHF 820** accordingly (previously: TCHF 800).

The compensations of each member of the Executive Board for the **2020 business year** are listed in **section 2** of the compensation report and can be summarized as follows:

Executive Board compensations (in CHF 1 000)	Fixed com- pensations		Other benefits		Employer contributions pension benefits		Perfor- mance-based compensa- tion ¹		Total compensations		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	Δ
Giacomo Balzarini	652	652	0	0	189	125	986	1 354	1 827	2 131	- 304
Reto Grunder	352	n/a	0	n/a	65	n/a	493	n/a	910	n/a	n/a
Martin Heggli	302	272	0	0	54	48	329	451	685	771	- 86
Adrian Murer ²	113	452	0	0	24	83	164	903	301	1 437	- 1 136
Total	1 418	1 376	0	0	331	256	1 973	2 708	3 722	4 339	- 617

1 The ratios compared to the fixed compensations are for Giacomo Balzarini 151% (2019: 208%), for Reto Grunder 140% (2019: n/a), for Martin Heggli 109% (2019: 166%) and for Adrian Murer 146% (2019: 200%).

2 On the Executive Board until 31 December 2019 and leaving the Company respectively on 31 March 2020. Included is the compensation owed until 31 March 2020 pursuant to the employment contract, effective as per taking his office as Chief Investment Officer on 1 July 2016, and the termination agreement respectively. It contains – on a pro rated basis – the fixed and performance-based compensations, other benefits and employer contributions for pension benefits until his exit date of 31 March 2020. On a pro rated basis, the cap was TCHF 375 (2019: TCHF 1 500) and the maximum amount of the performance-based compensation was TCHF 239 (2019: TCHF 966).

The **total amount of compensations** amounted to TCHF 3 722 (2019: TCHF 4 339). Compared to the previous year, this means a **decrease** of TCHF 617. This is mainly due to the lower **performance-based compensations** and in spite of the fact, that until 31 March 2020, in addition to the compensations to Mr. Reto Grunder, also compensations for Mr. Adrian Murer occurred.

The **performance-based compensations** decreased in comparison with the previous year from TCHF 2 708 to TCHF 1 973, despite of the strong business results, which led to a slightly **positive change in the EPS excluding gains/losses on real estate investments** compared to the previous year (CHF 4.70; 2019: CHF 4.69). On the other hand, however, **the EPS** decreased in comparison to the previous year (CHF 6.37; 2019: CHF 9.89).

The **shares for the 2020 business year** were allocated based on the average of the end of day share prices of week 50/2020, i.e. CHF 111.06 (2019: week 50/2019: CHF 130.30).

5.5 Compensations of the Executive Board for the 2020 business year within the approved total amount

The Annual General Meeting of 4 April 2019 has approved a maximum total amount of compensations for the Executive Board of **TCHF 4 500 for the 2020 business year** (2019: TCHF 4 500). This prospectively approved total amount was sufficient for the actually incurred compensations of the members of the Executive Board of TCHF 3 722 (see section 5.4 above).

5.6 Shareholdings of the members of the Executive Board

The members of the Executive Board, except for Mr. Reto Grunder, participated in the success of the company in the 2020 business year through their personal shareholdings and they will continue to do so in the future:

Shareholdings of members of the Executive Board	Number of shares	
	31 December 2020	31 December 2019
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer ¹	48 000	50 000
Reto Grunder, Chief Investment Officer	0	n/a
Martin Heggli, Chief Operating Officer	4 378	2 646
Total	52 378	52 646

¹ The shareholding of Mr. Balzarini was within the applicable CEO share ownership guidelines, see section 5.1 above.

6 Compensation-related activities in respect to the reporting year

The Board of Directors has upon recommendation by the Compensation Committee not seen any reason to change the elements and principles of the compensations of the Board of Directors and the Executive Board in comparison to the 2019 business year.

In the 2020 business year, the basis applicable to the Board of Directors since 18 August 2008 (see section 4.2 above) were – taking into account the election of a new member of the Board of Directors – not changed.

Also the basis applicable to the Executive Board in its new composition as of 1 January 2020, as described above in section 5.4, remained unchanged. In this regard, the Board of Directors has already in 2019 – with recommendation by the Compensation Committee – approved at its own discretion as per 1 January 2020 both, the employment contract with Mr. Reto Grunder pursuant to the standard then applicable for Executive Board members – and with the elements as further described under sections 2, and 5.2 and 5.3 respectively, above – as well as the amended employment contract with Mr. Martin Heggli (see sections 2 and 5.4 respectively above).

Proposals to the Annual General Meeting 2021

The Board of Directors will submit the following compensation-related proposals to the Annual General Meeting of Wednesday, 31 March 2021. Details will be stated in the invitation to the Annual General Meeting, which will govern in any event.

1 Advisory vote on the compensation report

The Board of Directors has decided to submit the 2020 compensation report to the Annual General Meeting for approval by way of non-binding advisory vote.

2 Approval of the maximum total amount of compensations for the Board of Directors until the Annual General Meeting 2022

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2021 to approve the maximum total amount of compensations for the Board of Directors from the Annual General Meeting 2021 **until the Annual General Meeting 2022**.

The **maximum total amount** will be calculated based on the **sum of the fixed compensations – which remained unchanged compared to the previous year** – of all members of the Board of Directors (including the Chairman) proposed for election and the **potential additional amounts** payable to members arriving from abroad and on the assumption of eight board meetings during the term of office. The proposed maximum total amount is **CHF 1 000 000** (previous period: CHF 1 000 000). For details, refer to the invitation to the Annual General Meeting of 31 March 2021.

3 Approval of the maximum total amount of compensations for the Executive Board for the 2022 business year

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2021 to approve the maximum total amount of compensations for the Executive Board **for the 2022 business year**.

The maximum total amount is calculated based on the **sum of the individual caps of the maximum compensations payable** to the current members of the Executive Board **per calendar year** as contained in their employment contracts and amounts to **CHF 4 150 000** (previous period: CHF 4 150 000). For details, refer to the invitation to the Annual General Meeting of 31 March 2021.

The actual compensations for the 2022 business year will be established on the basis of the employment contracts and the 2022 business year results. They will be shown in detail in the 2022 compensation report, which will be submitted to the Annual General Meeting 2023 for approval by way of non-binding advisory vote.



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Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2020 and follows the Directive of 20 June 2019 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.)

In the reporting year, PSP Finance AG, Ltd, was merged into PSP Participations Ltd, Zug.

Listed holding company

Company	PSP Swiss Property Ltd
Registered office	Zug, Switzerland
Listing	SIX Swiss Exchange, Zurich
Market capitalisation 31 December 2020	CHF 5.426 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.5 on page 127 of PSP Swiss Property Ltd’s annual financial statements.

¹ Available at: www.ser-ag.com > Fundamentals> Laws, Rules, Provisions

² The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA
Only the German original of the Articles of Association is legally binding.

Business segments

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

1.2 Major shareholders as at 31 December 2020

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 ten 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) **Vontobel Fonds Services AG**, Zurich, Switzerland, to the extent of 3.0063% of the voting rights, pursuant to the **disclosure notification/publication on 26 August 2020** (31 December 2019: n/a).
- (b) **PGGM Vermogensbeheer B.V.**, Zeist, Netherlands, to the extent of 3.05% of the voting rights, pursuant to the **disclosure notification/publication on 7 July 2020** (31 December 2019: n/a).
- (c) **Credit Suisse Funds AG**, Zurich, Switzerland to the extent of 5.2% of the voting rights, pursuant to the **latest disclosure notification/publication on 14 November 2019**. There was no disclosure notification in the reporting year.
- (d) **BlackRock, Inc.**, New York, N.Y., United States of America, to the extent of 5.86% of the voting rights (purchase position) respectively 0.09% (sale position), pursuant to the **latest disclosure notification/publication on 2 September 2017**. There was no disclosure notification in the reporting year.
- (e) **UBS Fund Management (Switzerland) AG**, Basel, to the extent of 3.06% of the voting rights, pursuant to the **latest disclosure notification/publication on 13 July 2017**. There was no disclosure notification in the reporting year.
- (f) **One nominee exempt from reporting requirements** to the extent of 5.68% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 9.86% in the previous year).

Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, fell below the threshold of 3% of the voting rights pursuant to the **latest disclosure notification/publication on 27 August 2020** (31 December 2019: 7.96%).

1.3 Cross-shareholdings

As at 31 December 2020, there were no cross-shareholdings.

³ Further details on the disclosure notifications are shown under: www.ser-ag.com > Disclosure of Shareholdings > Overview of significant shareholders

1.4 Shareholders as at 31 December 2020

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	4 216	83.12	970 445	2.12			
1 001 to 10 000	592	11.67	1 918 194	4.18			
10 001 to 100 000	206	4.06	6 430 099	14.02			
100 001 to 1 000 000	55	1.09	14 803 944	32.28			
1 000 001 to 1 376 036	1	0.02	1 370 771	2.99			
1 376 037 (3%) to 2 293 394	1	0.02	1 505 728	3.28			
2 293 395 (5%) and above	1	0.02	2 607 214	5.68			
Total registered shareholders/shares	5 072	100.00	29 606 395	64.55			
Total non-registered shares					16 261 496	35.45	
Total							45 867 891

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 343	85.63	2 692 046	9.09
Legal entities	729	14.37	26 914 349	90.91
<i>(thereof nominees/trustees)</i>	(53)	(1.04)	(7 078 421)	(23.91)
Total	5 072	100.00	29 606 395	100.00
Switzerland	4 710	92.86	21 627 438	73.05
Europe (excluding Switzerland)	283	5.58	6 259 318	21.14
North America	33	0.65	1 031 654	3.49
Other countries	46	0.91	687 985	2.32
Total	5 072	100.00	29 606 395	100.00

2 Capital structure

2.1 Share capital as at 31 December 2020

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.”

The conditional share capital of not more than CHF 200 000 amounts to 4.36% of the existing share capital of CHF 4 586 789.10.

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 2018	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2019	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2020	45 867 891	0.10	4 587
Conditional share capital at 31 December 2018	2 000 000	0.10	200
Conditional share capital at 31 December 2019	2 000 000	0.10	200
Conditional share capital at 31 December 2020	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 2020, 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 recognised 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 Association⁴.

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 2020, 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 2020, neither convertible bonds nor options were outstanding.

⁴ The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

3 Board of Directors

At the Annual General Meeting of 9 April 2020, Mr. Henrik Saxborn was newly elected to the Board of Directors.

3.1 Members of the Board of Directors

The Board of Directors consists of the following eight members:

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chairman, non-executive member.

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 since March 2002, initially as Chief Financial Officer and, from April 2007 until April 2017, as Delegate and Chief Executive Officer.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Gabriel did perform, as at 31 December 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of the publicly listed COIMA RES S.p.A. SIIQ., Milan, Italy, and member of the Board of Directors of the association Verband Immobilien Schweiz VIS, Bern, Switzerland.

Corinne Denzler, 1966, CH, Rotkreuz, 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. From 2008 until 2020 she was Chief Executive Officer of the Tschuggen Hotel Group, with hotels and spas in Ascona, Arosa and St. Moritz. From March until December 2020, Ms. Denzler was General Manager of Chenot Palace in Weggis and responsible for its opening.

Other activities and vested interests: In addition to her mandate at PSP Swiss Property Ltd, Ms. Denzler did not perform, as at 31 December 2020, any activities or functions which are subject to disclosure in accordance with the DCG.

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

Education: Lic. iur. University Freiburg i. Ue. (1989), bar exam (1992), MBL-HSG (2000).

Professional activity: Mr. Dudle is the founder and managing director of DEGAP business • law, a legal consultancy firm based in Kilchberg, Switzerland. As from 2012 until 2020, he was the Chief Legal Officer of Ringier AG, Zofingen/Zurich. Prior, Mr. Dudle worked as Group General Counsel & Secretary to the Board for Orascom Development Holding Ltd (2008–2012) and Mövenpick Holding Ltd (2001–2007). Previously he performed various functions inter alia for SAir Group, Universal Music Ltd and KPMG Ltd.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Dudle did perform, as at 31 December 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Co-Chairman of Smiling Gecko Switzerland, a NGO based in Dübendorf, Switzerland.

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 since 1975 a Partner at the law firm Niederer Kraft Frey AG in Zurich.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Forstmoser did perform, as at 31 December 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of Hesta Ltd, Baar, Switzerland.

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 (since 1989) 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 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors and Chief Executive Officer of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, as well as Chairman of the Boards of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and of Brockton Everlast Inc. Limited, London, UK, all controlled by Alony Hetz Properties & Investments Ltd, as well as Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, an associated company of Alony Hetz Properties & Investments Ltd.

Henrik Saxborn, 1964, SE, Gothenburg, MSC at KTH in Real Estate Economy, non-executive member.

Education: Master of Science (MSC) in Real Estate Economy at the KTH Royal Institute of Technology, Stockholm, Sweden (1990), Executive Master in Management and Marketing of IHM Management Institute in Engsholm/Stockholm, Sweden (1996).

Professional activity: Since 2013 CEO of Castellum AB, Gothenburg, Sweden, and previously, Deputy CEO of Castellum AB (as from 2006). Prior to that, Mr. Saxborn worked in various positions in the field of real estate asset management and advisory, including positions as Managing Partner of NIAM AB, Stockholm, Sweden (as from 2000), CEO of Newsec Asset Management AB, Gothenburg, Sweden (1999) and Head Asset Management of Westpartner AB, Gothenburg, Sweden (as from 1994).

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Saxborn did perform, as at 31 December 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of United Spaces, Stockholm, a nationwide co-working space provider in Sweden, owned by Castellum AB, Vice Chairman of the Board of Directors of the European Public Real Estate Association (EPRA), Brussels, Belgium, and member of the Board of Directors of BRIS Sweden – Children's Rights in Society, a NGO in Stockholm, Sweden.

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

Education: Lic. oec. HSG, University of St. Gallen (1987), MBA Harvard Business School (1994).

Professional activity: UBS AG, member of the Global Executive Committee Wealth Management (since 2009); previously, Mr. Stadler was Head of JP Morgan Switzerland (2000–2009) and, prior to that, he performed various functions for Morgan Stanley London and UBS AG.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not perform, as at 31 December 2020, 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 (since 1996) 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. Wertheim did perform, as at 31 December 2020, 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, as well as member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, and of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, both controlled by Alony Hetz Properties & Investments Ltd, as well as member of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, an associated company of Alony Hetz Properties & Investments Ltd.

General representations

Except for Mr. Luciano Gabriel, none of the 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 2020 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.”*

General representation

No member of the Board of Directors 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
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
Henrik Saxborn	Annual General Meeting 9 April 2020
Josef Stadler	Annual General Meeting 2 April 2009
Aviram Wertheim	Annual General Meeting 2 April 2009

As at 31 December 2020, 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
Luciano Gabriel	Annual General Meeting 5 April 2017

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 Association⁴); 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 Association⁴ as a body. The Board of Directors has delegated the management and the representation of the Company to the Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association⁴ governing the delegation of duties and as permitted by law (see section 3.5 below). Tasks among Board Members are not specifically allocated.

The individual members of the Board of Directors have the following special competencies: Mr. Luciano Gabriel, as Chairman, contributes his real estate expertise and financing know-how as well as his management expertise. Messrs. Nathan Hetz and Henrik Saxborn add their real estate expertise. Messrs. Josef Stadler and Aviram Wertheim support the Board of Directors in strategic respectively investor and real estate issues, Mr. 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.

⁴ The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

3.4.2 Committees of the Board of Directors

In view of its current size, the Board of Directors sees 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**, a **Compensation Committee** and a **Nomination Committee**, which basically have only advisory and preparatory tasks.

The **Audit Committee** consists of the following four members of the Board of Directors. Mr. Peter Forstmoser is its Chairman.

	Member since the General Meeting of
Peter Forstmoser	30 March 2010
Adrian Dudle	3 April 2014
Nathan Hetz ¹	9 May 2007
Josef Stadler	2 April 2009

¹ respectively since the existence of the Audit Committee

The Audit Committee submits recommendations to the Board of Directors above all with regard to the approvals of the annual, interim and quarterly financial statements as well as in respect to the evaluation of the effectiveness of the audit, the performance, fees and independence of the Statutory Auditors as well as the relationship with them. All members have appropriate expertise in accounting and finance, be it as acting or former Chief Executive Officer (CEO) or because of actual or former education and/or professional activities as Certified Public Accountant (CPA) or legal expert.

The **Compensation Committee** (see section 3.3.3 above) was elected at the Annual General Meeting 2020. It appointed Mr. Forstmoser as Chairman. The duties of the Compensation Committee are set forth in Articles 22 (4) ff. 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.”

The **Nomination Committee** consists of the following three members of the Board of Directors. Mr. Josef Stadler is its Chairman.

	Member since the existence of the Nomination Committee
Josef Stadler	26 February 2018
Corinne Denzler	26 February 2018
Adrian Dudle	26 February 2018

The Nomination Committee has preparatory tasks and supports the Board of Directors in respect to its relevant decisions concerning the nomination of members of the Board of Directors, of its Committees and of the Executive Board and it submits respective proposals. They include in particular an evaluation as to the composition of the Board of Directors, its independence and the availability of its members. The overall responsibility remains with the Board of Directors. It may assign further preparatory tasks to the Nomination 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 Chief Executive Officer (CEO). The CEO informs the Chairman – and as the case may be directly the other members of the Board of Directors – between Board meetings, not only regarding extraordinary business events, but also about other events of importance or high-visibility. In the reporting year, the CEO namely at the beginning of the COVID-19 crisis directly informed the Board of Directors about the effects of the crisis on the Company as well as about the measures taken in order to protect the employees and to communicate with the business partners.

Discussions of the Compensation Committee take place as required, namely in preparation of the proposals to the Annual 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 and the resolution for the proposal to the Annual General Meeting regarding the re-election of the current Statutory Auditors, or the election of new Statutory Auditors respectively. The Nomination Committee meets as often as required, above all in preparation of the proposals to the Annual General Meeting regarding the re-election of current members of the Board of Directors, or the election of new Board Members respectively.

In the reporting year, four ordinary Board of Directors meetings took place, lasting two hours on average. The Audit Committee met four times, one hour on average; the Compensation Committee and the Nomination Committee met once for a quarter of an hour. The Board of Directors and the Nomination Committee took one resolution by written consent. Due to the COVID-19 crisis and, respectively, the prescribed or necessary protective measures and (travel) restrictions, meetings could also be attended by video- and/or telephone-conferences. The attendance rate of the Board of Directors and of its Committees respectively was 100%.

In the reporting year, the Board of Directors has upon recommendation by the Nomination Committee proposed to the Annual General Meeting 2020 the re-election of all current members of the Board of Directors, of the current Chairman of the Board of Directors and of all current members of the Compensation Committee. In addition, on recommendation of the Nomination Committee, the Board of Directors proposed Mr. Henrik Saxborn for election to the Board of Directors at the Annual General Meeting. The members of the Nomination Committee and other members of the Board of Directors had the opportunity to meet with Mr. Saxborn beforehand. In respect to the compensation-related activities of the

Board of Directors and the Compensation Committee, refer to section 6, Compensation-related activities in respect to the reporting year, of the compensation report on page 148.

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, respectively section 8.4 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 all four meetings of the Board of Directors and at all four meetings of the Audit Committee.

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 Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association⁴ 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 Chief Executive Officer in consultation with the Chairman, respectively the Chief Executive Officer on his own or in consultation with the members of the Executive Board.

The duties of the Chief Executive Officer 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 2012/6 March 2017):

Article 5 The Chief Executive Officer (CEO)

"(5.2) The CEO is Chairman of the Executive Board 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 CEO 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 CEO in consultation with the Chairman or (iii) the CEO 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 CEO 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 CEO 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.

4 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

(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 CEO makes his decision and reports to the Board of Directors immediately.

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

(5.3.4) The CEO 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 CEO, 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."*

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 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. Reto Grunder was appointed Chief Investment Officer and member of the Executive Board as of 1 January 2020⁵.

4.1 Members of the Executive Board

	Member since
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer	1 April 2007
Reto Grunder, Chief Investment Officer	1 January 2020
Martin Heggli, Chief Operating Officer	1 April 2017

Giacomo Balzarini, 1968, CH and IT, Wollerau, lic. oec. publ., MBA, Chief Executive Officer/Chief Financial Officer of PSP Swiss Property (in this position as of 1 April 2017; prior since 1 April 2007 Chief Financial Officer) and Chairman of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

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. Mr. Balzarini has worked for PSP Swiss Property since 1 December 2006.

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 2020, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Trustees of Ernst Göhner Foundation, Zug, Switzerland, and Chairman of the Board of Directors of Seewarte Holding Ltd, Zug, Switzerland – which is entirely controlled by Ernst Göhner Foundation – and of its subsidiaries Seewarte Ltd, Zurich, Switzerland, Seewarte Agrar Ltd, Zug, Switzerland and Seewarte Romandie Ltd, Lausanne, Switzerland.

Reto Grunder, 1974, CH, Adliswil, lic.iur., Attorney-at-Law, MLP-HSG, CAS in Construction and Real Estate Law, Chief Investment Officer (since 1 January 2020) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Grunder studied law at the University of Bern and graduated in 2001 with a licentiate. In 2004, he was admitted to the Bar of the Canton of Bern.

Professional activity: From 2004 to 2007, Mr. Grunder worked as a lawyer in law firms in Biel and Thun. In 2008, he joined PSP Swiss Property as Legal Counsel. He then worked from 2016 as an Asset Manager and has been Head of Acquisition & Sales in 2019.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Grunder did not perform, as at 31 December 2020, any activities or functions which are subject to disclosure in accordance with the DCG.

⁵ As successor of Mr. Adrian Murer, who left the Executive Board as per the end of 2019.

Martin Heggli, 1977, CH, Mettmenstetten, Swiss Certified Expert for Accounting and Controlling, MAS Accounting & Finance, Chief Operating Officer (as of 1 April 2017) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Heggli obtained his degree as a Swiss Certified Expert for Accounting and Controlling in 2005. In 2009, he graduated from the University of Applied Sciences Zurich, obtaining a Master in Advanced Studies (MAS) in Accounting & Finance.

Professional activity: From 1999 until 2005, Mr. Heggli was responsible for accounting at the real estate trust department of BDO Visura. He started working for PSP Swiss Property in September 2005, initially responsible for merging and organising the accounting department following the merger with REG Real Estate Group and, since 2010, responsible for accounting and financial reporting.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Heggli did not perform, as at 31 December 2020, any activities or functions which are subject to disclosure in accordance with the DCG.

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 section 3.2 above).

General representation

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

4.3 Management contracts

As at 31 December 2020, 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 page 136 ff. in the compensation report together with the explanations on the compensation system on pages 140 to 148.

With regard to the shareholdings and loans of members of the Board of Directors and of the Executive Board, see also the financial statements, note 4.2 page 129.

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 137.

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 137.

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 2020 business year.

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 2020 business year, no loans and credits were granted (see the compensation report page 138).

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 2020 business year, see the compensation report page 137.

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

In the reporting year, pursuant to the Swiss Federal Council’s Ordinance 2 on Measures to Combat the Coronavirus of 13 March 2020 (as of March 17, 2020), the Annual General Meeting of 9 April 2020 was held at the registered office of the Company without the presence of shareholders. They could exercise their voting rights through the independent shareholder representative.

6.1 Voting-rights restrictions and representation pursuant to the Articles of Association

According to Article 14 of the Articles of Association⁴, 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 Association⁴.

⁴ The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association⁴ and Article 8 ff. 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 Association⁴, 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 quorums 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 Association⁴, 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 Association⁶.

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 31 March 2021, the 45th day before the date of the General Meeting is 14 February 2021.

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 Association⁴).

6.5 Record date for entries in the share register

According to Article 12 (1) of the Articles of Association⁴, 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 31 March 2021, such record date is Thursday, 25 March 2021.

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 Association⁴.

⁴ The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

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 1 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

Ernst & Young AG, Zurich, was elected for the first time as new Statutory Auditors by the Annual General Meeting of 5 April 2017 for the 2017 business year. Ernst & Young AG was re-elected as Statutory Auditors for the 2020 business year at the Annual General Meeting of 9 April 2020.

The Lead Engagement Partner responsible for the existing auditing mandate in the 2020 business year took up office with the election of the Statutory Auditors at the Annual General Meeting on 5 April 2017. The maximum term of office is determined by Article 730a para. 2 CO and lasts seven years. It will expire by the end of the 2023 business year.

8.2 Auditors' fees

The costs for auditing the financial statements of the subsidiaries and the consolidated financial statements 2020 as well as for reviewing the interim financial statements as per 30 June 2020 and the quarterly financial statements as per 31 March and 30 September 2020 amounted to CHF 0.562 million (previous year: CHF 0.545 million).

8.3 Additional fees

For the reporting period, additional fees of CHF 0.08 million were charged by Ernst & Young AG for advice in the segments sustainability reporting as well as review of the EPRA performance key figures (previous year: CHF 0.06 million for the same services).

8.4 Supervisory and control instruments vis-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.

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. The Chairman of the Audit Committee meets with the Lead Engagement Partner at least once before the ordinary February meeting.

In the reporting year, the representatives of the Statutory Auditors attended four meetings of the Board of Directors and of the Audit Committee. The Lead Engagement Partner met with the Chairman of the Audit Committee in respect to the audit and review work to be carried out for the annual report 2020.

As mentioned under section 3.6 above, the Board of Directors and the 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 election of the Statutory Auditors, the Board of Directors and the Audit Committee evaluate the auditors' performance, fees and independence.

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 comply with Swiss law and the standards laid down by the SIX Exchange Regulation's Listing Rules.

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Agenda

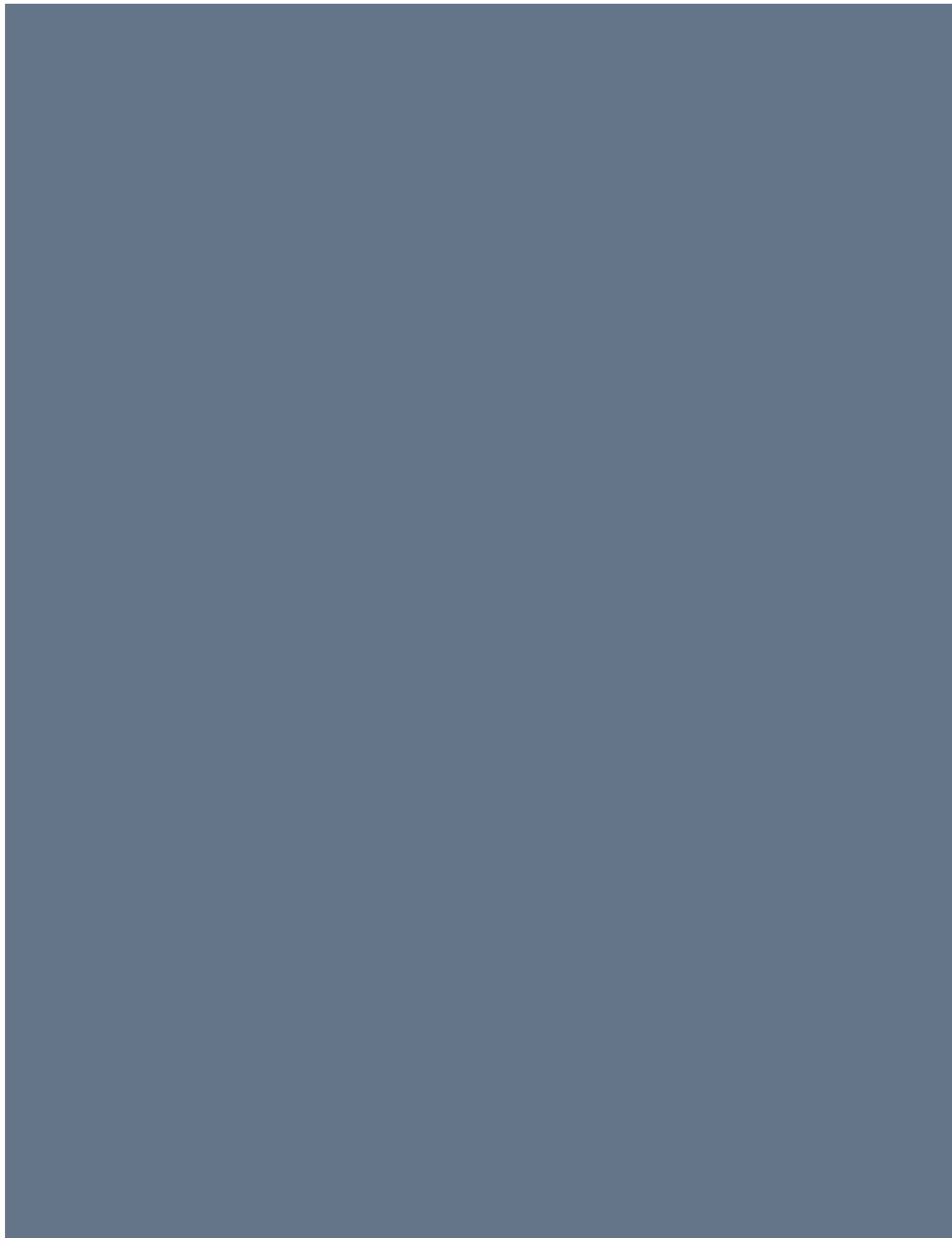
31 March 2021	Annual General Meeting 2021
30 April 2021	Publication Q1 2021
20 August 2021	Publication H1 2021
9 November 2021	Publication Q1 – Q3 2021

Preview

22 February 2022	Publication FY 2021
31 March 2022	Annual General Meeting 2022

www.psp.info

Additional information and all publications including, in particular, the **2020 annual report** and the **Articles of Association** of the Company, are available under www.psp.info, namely under www.psp.info/en/investors/downloads/financial-reports respectively under www.psp.info/AoA; the information service (E-mail distribution) under www.psp.info/en/investors/investor-relations/information-service; the ad hoc notices under www.psp.info/en/news-media/press-releases. **The publications may also be requested at the above Investor Relations address.**



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Sustainability report

We have been reporting on our sustainability efforts in our annual report for over ten years. Our main concerns include saving resources and reducing CO₂ emissions. Further sustainability priorities are established on the basis of our materiality analysis and the resulting key issues.

The sustainability report outlines our activities in the reporting year as well as the priorities for the coming year; it describes the prioritisation and organisation around sustainability topics and provides the corresponding key figures. Since 2015 we have been publishing our performance measures according to the EPRA Sustainability Best Practices Recommendations (sBPR).

During the reporting year, the Coronavirus crisis made various efforts more difficult and shifted priorities. Comparisons with previous years are therefore skewed in various respects. This is in particular the case where we, our employees as well as our tenants and business partners have been affected by restrictions due to the Coronavirus, such as (partial) lockdowns or home-office working. The comments and comparisons provided below must be considered against this backdrop.

Important activities in the reporting year:

- **Definition of the new CO₂ reduction target for 2035 and calculation of CO₂ reduction path:** we have far exceeded the five-year target set in 2015 of a 5% CO₂ reduction. The further award of a score of A- in the Climate Change 2020 survey carried out by the CDP (Climate Disclosure Project) has reinforced our commitment to pursuing this route. During the year we thoroughly analysed our portfolio and our renovation plan, calculated our CO₂

reduction path to 2050 in line with various measures and inferred the following target:

By placing a clear focus on the replacement of heating powered by fossil fuel along with thermal insulation measures and operational efficiency, our aim is to reduce the CO₂ emissions of our portfolio by around 50% by 2035.

- **District heating and cooling networks:** major efforts are underway in the cities of Geneva and Zurich to create inner-city energy networks using lake water. During the reporting year we carried out a thorough analysis of the connection prospects of our properties to the planned GeniLac heating and cooling network in Geneva and are also engaging intensively in Zurich with the parties involved.
- **Photovoltaics:** in the 2019 Annual Report we identified the further expansion of photovoltaic installations as a priority for 2020. Delays due to the Coronavirus restrictions meant that we were only able to realise this aim in part, installing one photovoltaic system each in Basel and Geneva.

- **Involvement of tenants in attaining sustainability goals:** as a result of the Corona-virus crisis, ecological issues have not been a priority for tenants, but rather issues such as the restricted use of spaces or compliance with social distancing and hygiene rules. Nevertheless, we have already made considerable progress in discussions with one major tenant concerning the implementation of Green Lease addenda to the lease
- **Sustainability within the tenant survey:** in the tenant survey conducted in the autumn of 2020 we included questions on sustainability for the first time. Tenants have a positive attitude to sustainability issues, in particular in terms of improved data exchange and alignment of sustainability targets. For example, they are very open to measures to enhance energy efficiency or the purchase of renewable electricity.
- **Enhancement of competence in tenant fit-outs and product development:** in October 2020 PSP Swiss Property created the new Business Development unit, which focuses on bringing the tenant perspective into planning and construction. This will enable us to integrate sustainability considerations such as resource efficiency or the wellbeing, health and safety of tenants at an early stage into the planning and implementation of tenant fit-outs.
- **Employees:** in May 2020 we were ranked in 8th place by Great Place to Work Switzerland in the category of medium-sized enterprises in Switzerland ("Best Medium Workplaces™") and commended in particular for our considerable investment in the workplace culture and employee satisfaction. We have been able to build on this during the Coronavirus lockdown as well as over the subsequent period characterised by numerous restrictions. We have done a lot to support employees, to maintain a positive spirit and to make home-office work as comfortable for them as possible.
- **Equal pay analysis:** on 1 July 2020, the revised Swiss Federal Act on Gender Equality came into force, which requires an internal company equal pay analysis to be carried out. We pre-empted this law, carrying out an analysis in the early summer with the assistance of an external partner. We are proud to say that PSP Swiss Property was confirmed to be a fair employer that guarantees equal pay for men and women. The external testing body SGS issued us with "Fair-ON-Pay+" certification.

Focuses for 2021:

- **Adjustment of the Sustainability Guidelines for New Buildings and Renovations:** in 2021 we plan to overhaul our Sustainability Guidelines for New Buildings and Renovations to supplement them with practical check lists for asset management and construction.
- **District heating and cooling networks and photovoltaic installations:** we plan to pursue our efforts in relation to the planning of connections to heating and cooling networks and proceed with the implementation of the planned photovoltaic systems. The pipeline is being continuously examined and adjusted.
- **Biodiversity:** we are planning a pilot project in the area of landscaping with a specific focus on improving biodiversity in order to be able to derive a scalable template for other environmental works in the portfolio.
- **Greater involvement of tenants in attaining sustainability goals:** we shall continue discussions concerning Green Leases and adopt various measures based on a detailed analysis of the tenant survey on sustainability issues.
- **Employees:** during the new financial year we want to improve the competence of our employees in issues relating to physical and mental health by offering further training.
- **Promotion of internal communication:** we want to exploit synergies with ongoing projects relating to data management, IT and communication in order to improve downstream, horizontal and upstream communication and thus enhance the exchange of knowledge on sustainability topics.
- **Sustainability at our own offices:** based on analyses and a survey of employees at the Zurich location, we have identified various scope for improving sustainability at our own offices. In 2021 we shall implement individual measures and also review the other offices.

Sustainability in our business strategy

Our core business is the rental of commercial properties in Switzerland. This business model with a long-term focus requires that we assume our responsibility towards people and the environment. Sustainability is therefore an integral part of our business strategy.

Commercial properties can only be sustainable if they are rented out and provide good rental income in the long term. This also presupposes that the tenants are satisfied and that the rental properties meet changing requirements in terms of property and location quality, price and service. Sustainability is therefore an integral part of our business strategy and is based on our values. www.psp.info/values

Our employees, tenants, business partners, investors as well as the public are crucial stakeholder groups for us. Through openness, transparency and regular dialogue, we strive to receive, reflect on and where appropriate implement their concerns for the success of our Company. Our transparency and good performance in the area of sustainability have also been confirmed by external ratings and awards. For instance, we once again received a score of Score A- ("Implementing current best practices") in the CDP Climate Change 2020 Survey, along with "Green Star" status under the Global Real Estate Sustainability Benchmark

(GRESB), whilst EPRA presented us with the sBPR Gold Award for the fifth time in a row for our disclosures in the area of sustainability.

In 2019 we carried out a materiality analysis, assessing whether the demands of our stakeholders and the effects of our work on the environment and society are reflected appropriately in our business approach. We also considered in which areas we can and must be able to make a meaningful contribution to achieving the UN Sustainable Development Goals (UN SDGs). The analysis resulted in the identification of 12 thematic areas, which we have been able to match up with the most important requirements. We have allocated the 12 thematic areas to the four levels of our business activity. The topics mentioned first are considered to be important by various stakeholders or are central from an ecological perspective (such as CO₂ reduction and saving resources). However, we consider all issues to be material. Further information concerning our materiality analysis can be found on our website.

www.psp.info/sustainability



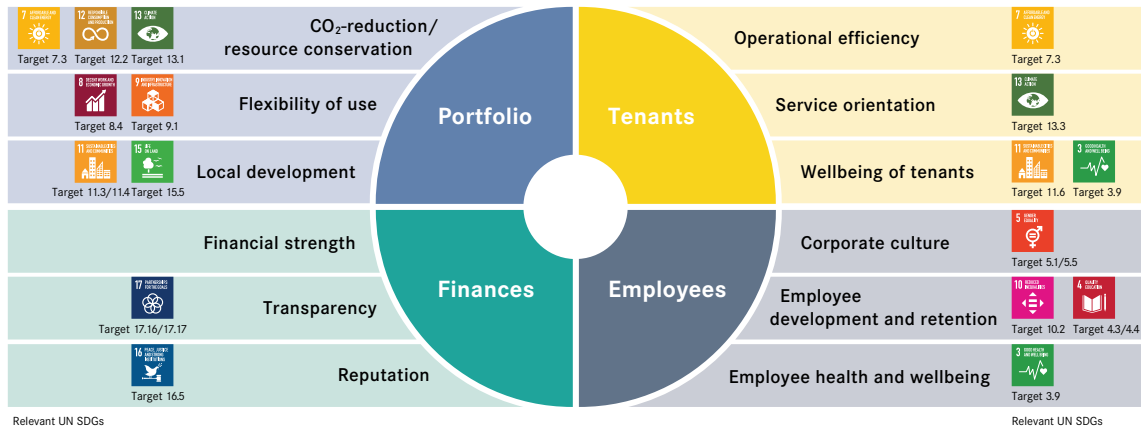
EPRA sBPR Gold-Award



CDP-Score: A-



GRESB Green Star



Sustainability initiatives are steered by an eight-member panel composed of representatives from property management, construction, asset management, human resources and communications. The coordination of activities is carried out by the communication and sustainability office. Sustainability initiatives and prioritisation are discussed with and defined by the Executive Board. Implementation is in the hands of the most involved department for each initiative. Selected individuals assume this responsibility as part of their job description or as project managers for a specific sustainability initiative. A graphic representation of the sustainability organisation can be found on our website.

www.psp.info/sustainability

The priorities of our initiatives in the area of sustainability are based on our materiality analysis and the material issues derived from it on the various levels of our business operations. Further information concerning our targets and measures may be found below in the parts concerning portfolio, tenants and employees.

Portfolio

We focus on easily accessible, centrally located properties that create both economic and social value and have a low environmental impact. Since the launch of our sustainability programme in 2010, we have been able to reduce the specific greenhouse gas emissions of our properties by 52%.

Preserving resources and minimising CO₂ emissions over the entire life cycle of a building, flexibility of use and the contribution of the building to local development are the three aspects that significantly shape the sustainability of our buildings. A major focus of our activities in 2020 involved defining the new CO₂ target and the CO₂ reduction path.

Reduction in CO₂ emissions and conservation of resources

According to the Federal Office for the Environment, the building industry accounts for around one quarter of Swiss greenhouse gas emissions. At the same time, buildings use around 50 percent of primary energy. We are thus obliged to keep our ecological footprint as small as possible throughout the overall lifecycle of our properties and to reduce emissions in line with national and international efforts to combat climate change. Efforts to reduce CO₂ emissions are also of major significance due to potential future restrictions – such as CO₂ taxes or building regulations. The further award of a score of A- in the Climate Change 2020 Survey carried out by the CDP (Climate Disclosure Project) confirms that we are playing a leading role in this area.

Our clear long-term focus on CO₂ reduction has had a significant impact on both our new construction and renovation projects, as well as our efforts in operations. Since the launch of our sustainability

programme in 2010, we have been able to reduce our properties' specific emissions **from 21.1 to 10.1 kg CO₂e per square metre**. This amounts to a reduction of 52%. The corresponding saving of around 30 million kWh of heating energy is equivalent to the annual heating requirements of approximately 3 000 average singlefamily homes.

Climate change and climate risks

We want to keep the negative effects of our business operations on the environment and people as low as possible. Conversely, we are also examining the extent to which climate conditions and climate risks may adversely affect our buildings, either at present or in future. The exposure of our portfolio to natural hazards such as flooding, landslides or avalanches is very limited. We consider the greatest risk in terms of the physical effects of climate change to be the increasingly hot summers.

Adjustment to hotter summers has therefore been incorporated into the Guidelines for New Buildings and Renovations. It is important to strike the right balance between passive heat gain and protection against heat and to assess efficient cooling methods. We are also considering the usage of innovative, electrochromic windows in order to reduce the cooling energy required. These windows are designed to reflect infrared radiation and thus reduce heating, whilst at the same time letting through visible light where desired. This

results not only in a reduced need for cooling energy and lower maintenance costs, but also increases tenants' wellbeing. Further information concerning our strategy and the action taken by us in relation to the physical risks associated with climate change to which our portfolio is exposed may also be found in our responses to the Carbon Disclosure Project's (CDP) climate change questionnaire. These are publicly available.

www.cdp.net

Careful usage of resources throughout the lifecycle

We want to keep resource usage and environmental pollution caused by the construction, modernisation and operation of our buildings as low as possible and minimise negative effects on the general public this may have. We endeavour to use carefully both land and building materials as resources.

We therefore factor sustainability considerations into all phases of business operations:

Acquisition of buildings

We examine potential purchase properties with regard to their environmental impact or possible exposure to physical risks, and also assess their ecological characteristics. Access to public transport, materialisation and energy efficiency are essential criteria. This does not mean that we only consider ecologically high-quality and energy-efficient properties. Most older buildings do not meet today's ecological standards. However, if our assessment comes to the conclusion that a building can be renovated at reasonable cost, such a property also offers an opportunity to contribute to improving sustainability and generate added value in the long term.

New buildings and renovations

Our development areas are previously developed former brewery sites. New acquisitions within the portfolio are generally speaking centrally-located commercial properties in major economic centres. In this way we ensure that we do not contribute to urban sprawl or impair biodiversity.

In new construction and renovation projects, we try to balance the possibilities for optimising energy efficiency, flexibility of use, optimal access to public transport, and the impact on the neighbourhood-specific social environment.

New buildings: sustainability and energy efficiency are key criteria for new buildings. As a general rule, we aim to comply with the Minergie standard and often exceed it. Since we generally own and manage the newly constructed buildings ourselves, we optimise them for operation and invest in good long-term energy management systems. Considerations on adapting to the effects of climate change, so-called physical risks, are also reflected in our specifications for new buildings. However, new buildings only represent a small part of our business.

Modernisations: considerations on energy efficiency and reduction in CO₂ emissions are important factors that also shape our long-term investment plan (see Measures and Goals under Focus Issue: CO₂ reduction target and CO₂ reduction path). We carry out renovations in accordance with regional regulations as well as the Minergie standard. We employ full-time specialists in the field of HVAC (heating, ventilation, air conditioning) in order to implement the optimisation process in terms of operation and construction. Our employees strive to continuously acquire new know-how in energy and sustainability issues. Examples of successful renovations may be found on our website.

Tenancy changeovers: we are seeking to reduce resource consumption between tenancies. By increasingly incorporating a certain basic infrastructure and using generally appealing, flexible usage concepts, we aim to avoid rental properties having to be thoroughly refurbished following each change of tenant. Further information concerning this aspect may be found in the section "Flexibility of use" on page 190.

In 2021 we plan to overhaul our guidelines applicable to new buildings, tenant fit-outs and modernisation and to improve criteria such as grey energy or reusability in the choice of materials, energy efficiency or indoor climate, and to provide more guidance on how to balance and prioritise different sustainability goals.

Certified buildings: a total of 8.3% of our rental space is certified according to a label for sustainable construction (Minergie and LEED). However, the percentage of certifications is not the only way to measure the sustainability of a property portfolio. When we construct new buildings or carry out major renovations, we aim for the level of a sustainable building label, but not necessarily for the certification itself. The Minergie standards have been incorporated into many cantonal energy laws. Therefore, such certification is of secondary importance to PSP Swiss Property. The key issue is not the number of certified buildings, but rather the effect of the measures across the overall portfolio.

In addition, it is not always possible to implement all desired measures for achieving improved energy efficiency for buildings that are subject to historic preservation. In some cases, the costs of administrative requirements necessary for the “last mile” of certification are not reasonable. The money saved is better invested in actual consumption-reducing measures in order to avoid the so-called “performance gap” arising in relation to new and renovated buildings. Often, once in operation, significantly more energy is consumed than predicted. Therefore, we regularly invest in the development of a comprehensive energy management system which allows for a continuous energy analysis and optimised operation. We are convinced that these investments will lead to a greater leverage effect in energy-saving measures and effective CO₂ emissions than mere certification. The resulting lower operating costs are

in the best interest not only of the owner, but also of the tenants.

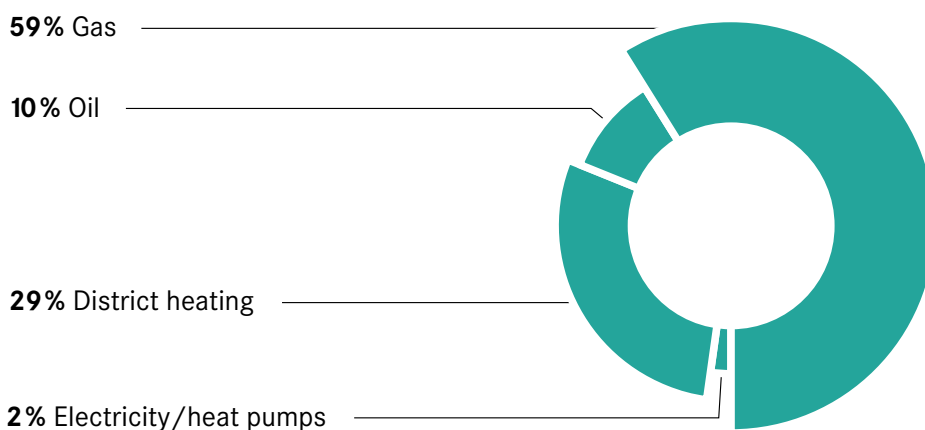
[Environmental performance measures page 214: certified buildings](#)

Operation of properties

Automated measurement: we place particular value on well-maintained buildings. By optimising operations over the long term, we aim to keep energy consumption low whilst maintaining a high level of equipment efficiency. An important prerequisite for this is suitable measurement. For this reason, we are constantly expanding our smart metering and monitoring functions. Further information on our consumption-reducing measures can be found in the section “operational efficiency” on page 198.

Acquisition of thermal energy and electricity from renewable sources: With our clear focus on reducing CO₂, we are continuously optimising our contracts with energy suppliers (electricity, gas, district heating) in terms of the proportion of renewable energies. We precisely monitor the development of existing (and the planning of new) district heating and cooling networks in the catchment area of our properties in order to coordinate our long-term plans for replacing heating and cooling systems with these developments. Inner-city energy networks that use lake water are also becoming increasingly important in this context. The constant heat of deep water in the lake is used for heating and cooling purposes. Depending upon the particular network, heat pumps are

Energy sources for heating 2020



incorporated into systems either centrally or locally in order to achieve the desired temperature level. The most significant challenge in this respect is timing. From our side, we determine a renovation cycle for our properties and installations. The planning and expansion of the energy networks does not always overlap with this cycle. As a result, we attempt to find and define joint transition solutions at an early stage.

Own production of solar electricity: We also produce energy from renewable sources such as solar electricity in order to make our own contribution to expanding capacity and also to give our tenants the opportunity to benefit from clean electricity at favourable costs. Where possible, we apply the model of a property producing and consuming its own energy. Under this model, the solar power produced is sold directly to the tenants or consumed in situ in the building's technical systems (heat pumps, cooling systems, etc.). Such models make sense if the majority of the electricity produced can be used within the property, so that only a small part of it has to be fed in to the grid. In 2019, we commissioned a study by an external consulting company to determine the potential for solar power production in our portfolio.

End-of-life of a property and recycling of building materials

Large quantities of building waste are generated during the demolition and replacement of a property. A large part of it is still disposed of and thus destroyed as a resource. The idea of the circular economy is to keep products and materials in circulation in order to avoid waste. As a result, the consumption of primary raw materials is reduced. In the event of demolition it is important to ensure reuse or at least recycling as far as possible. Reprocessing is only possible if construction materials can be segregated properly during demolition. For instance in the Orion building, which had to give way to the new ATMOS building, it was possible to find a new home for various construction materials (façade elements, stairways, windows, radiators, sinks, bannisters) in the Halle 118 conversion in Winterthur. However, as this is not possible in the same way for every demolition project, considerations concerning the circular economy should already be incorporated into the planning

stage. This is the case for example for the reduction of built-in grey energy, the utilisation of reusable or recyclable materials, avoiding composite materials that are difficult to separate or using easily-detachable fastenings. In future, such criteria will be more centrally incorporated into our Guidelines for New Buildings and Renovations.

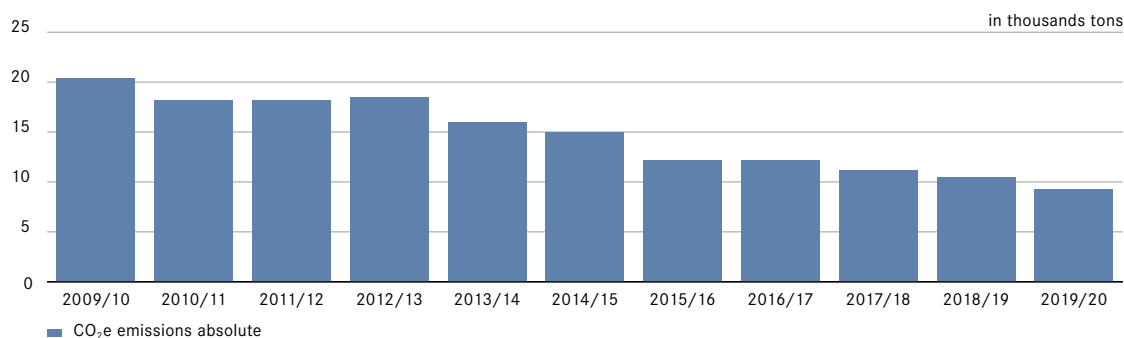
Initiatives carried out during the reporting year

We discuss below a few of the major initiatives concluded during the reporting year that have had effects on CO₂ emissions. The stated quantities are estimates of the expected savings. These savings have not yet been fully factored into the figures for this reporting year.

- **Complete renovations:** In the late summer of 2020 we were able to complete the renovation of the property situated at **Rue du Marché 40** in Geneva (see also the picture pages 194–197). The property, which previously contained offices, was converted into a hotel and now only requires half as much energy. We concluded renovation work on the property at **Steinentorberg 8/12** in Basel in the summer of 2020. This involved, amongst other things, the installation of a control system and the adjustment of the ventilation concept. Thanks to improved control capabilities, this should lead to a significant reduction in energy consumption.
- **Building envelope and building technology:** We have been renovating the entire property at Greifengasse 21 in Basel over a number of years. During the reporting year we were able to install a new façade with high-performance thermal insulation panels, in line with the specifications of the Cityscape Committee. This should considerably reduce thermal energy requirements. When overhauling the piping system at Marktgasse 5 we also renovated the roof, installing new thermal insulation. We have also replaced the windows in various buildings.

- **Heating systems:** Following the renovation of Rue Saint-Martin 7 in Lausanne in 2019, the results are now becoming apparent: due to the switch from oil and gas heating to district heating and improved energy efficiency, it has been possible to make annual emissions savings of 70 tonnes of CO₂. In the autumn of 2020, the gas heating system at Förrlibuckstrasse 181 was replaced with a connection to the district heating network. Assuming efficiency remains the same, this will result in a reduction in annual CO₂e emissions in future by around 21 tonnes. This means that all our properties in the West Zurich area (see also picture pages 28–35) are now connected to the district heating network.
- **Acquisition of district heating and cooling:** major efforts are currently underway in the cities of Geneva and Zurich to create inner-city energy networks using lake water. A strategy report for Geneva was drawn up by an external partner during the reporting year, which set out the supply options for properties with the planned GeniLac ecological heating and cooling network. We have a major interest in connecting our properties in Geneva, which are still largely heated with oil, to this lake water network. However, for many properties synchronising the timing of plans represents a major challenge for us. One potential consequence of this may be that we are only able to complete the connection of certain properties to GeniLac after the next generation of heat generators has been removed. Nonetheless, action should be taken to ensure that connection would be possible at that time without any considerable extra cost. An important factor for achieving optimal solutions in the field of district heating and cooling is long-term and forward-looking planning by all parties involved. For example, connections to the district heating networks have already been prepared for the properties at Grand Pré 54–58 in Geneva and at Seefeldstrasse 123 in Zurich, even though renovations will only take place at the end-of-life of the systems in a couple of years. This will avoid the road having to be dug up again in order to lay piping.
- **Construction of photovoltaic installations:** due to the Coronavirus crisis some projects have unfortunately been delayed. Nevertheless, in 2020 we were able to place a new, small system into service in the renovated property at Steinentorberg 8/12 in Basel with an expected production of 25.9 MWh. A PV installation has also been installed in the property at Place Saint-François 5 in Lausanne, which will come onstream at the end of February 2021. We have made available the roof of the property at Rue Saint-Martin 7 in Lausanne for a PV system realised by the tenants.

CO₂e emissions absolute



Impact of the measures on consumption and CO₂ emissions at portfolio level

Due to numerous interdependencies as well as internal and external influences, it is difficult to precisely calculate the effects of our renovation projects and operational optimisations on consumption and CO₂ emissions. Consumption figures for 2020 should be treated with particular caution due to the Coronavirus crisis. Data relating to energy and water are recorded after a lag of half a year, based on the statements of account for heating and ancillary costs. The current reporting period for these figures runs from 1 July 2019 until 30 June 2020. Accordingly, the lockdown from 16 March until the end of April/middle of May falls within this measurement period, however, the effects on the second half of the year are not yet apparent in the figures.

All the figures below concerning the contributions of the measures are approximations.

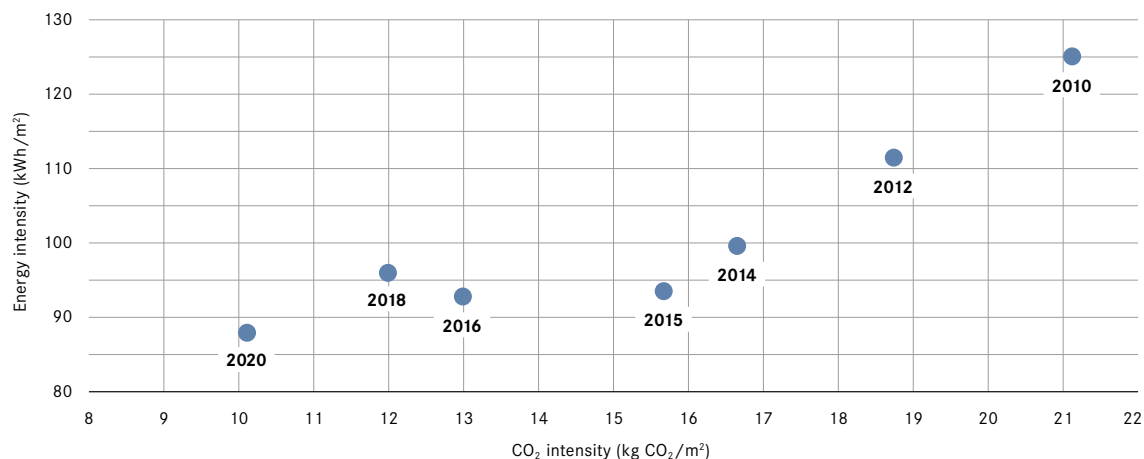
Analysis of absolute consumption and emissions

In absolute terms, we reduced our total energy consumption in the investment portfolio from 83.1 million kWh to 80.3 million kWh in 2020. This 3.4% reduction compared to the previous year resulted in a 11.5% reduction in CO₂e emissions, or 1 214 tonnes. These absolute values give an idea of the environmental footprint of our portfolio. However, their suitability for analysing the effects of taken measures is limited, considering that the investment portfolio changes from year to year due to purchases, sales and reclassifications (see delimitations and explanations on page 219).

Analysis of specific consumption and emissions

The specific values (the consumption and emissions per square metre of rental space) provide the best indication of effective improvements in the portfolio. Our specific energy consumption declined by 5.8% from 93.4 kWh/m² to 87.9 kWh/m² in 2020. **Adjusted for heating degree days**, the reduction amounted to **5.7%**.

CO₂ intensity vs. energy intensity



As a result of the restrictions of the Corona crisis and the first lockdown in March and April, the figures are difficult to interpret. The partial closure of premises or entire offices has led to a reduced demand for heating energy at various properties. The analysis of electricity consumption proves to be more difficult. While electricity consumption in most properties was slightly below the average, there was a significant increase in consumption in some larger properties. This is partly due to refurbishment and fit-out projects and a reduction in vacancies. In aggregate, therefore, there was a slight increase in electricity consumption.

A reduction in the vacancy usually increases energy and water consumption, both in absolute terms and per square metre of rental space. In the reporting year¹, we reduced vacancies from 4% to 3.4%. This corresponds to an increase of the heated floor area of approximately 0.6%. We therefore estimate that without measures on our part, this would have increased energy consumption by the same percentage (0.6%). However, in view of the irregularities in use due to the Corona measures, this effect seems rather negligible.

Specific CO₂e emissions have fallen by 14% from 11.8 kg CO₂e/m² to 10.1 kg CO₂e/m² as a result of these reductions in energy consumption and lower CO₂ intensity of fuels (less oil, more biogas).

Analysis of the “like-for-like” data

The “like-for-like” portfolio includes only those properties that were under our operational control and classified as investment properties, both in the reporting year and in the previous year. The changes therefore relate to exactly the same number of properties. This allows conclusions to be drawn about the improvement in operational efficiency and the effects of measures taken during operation. However, the impact of major renovations is not apparent here, as properties under renovation are not included in the “like-for-like” portfolio.

In the like-for-like portfolio, we were able to reduce heat consumption by 7%. Electricity consumption however slightly increased by 0.2% compared to the previous year. The resulting 5.3% reduction in total energy consumption from 81 672 MWh to 77 366 MWh led to **a 13.2% reduction in CO₂e emissions. This corresponds to 1 351 tonnes of CO₂e.** Adjusted for heating degree days, energy consumption in the “like-for-like” portfolio amounted to 73 692 MWh. Compared to the previous year’s consumption of 77 726 MWh adjusted for heating degree days, this corresponds to a reduction of 5.2%. These reductions have been achieved despite a slight reduction in vacancy. The extent to which they are due to effective efficiency improvements is difficult to ascertain this year due to the Corona-related differences in utilisation.

[Environmental performance measures page 214:](#)
[Electricity, District heating and cooling,](#)
[Fuels \(oil/gas\)](#)

[Environmental performance measures page 214:](#)
[Greenhouse gas emissions Scope 1, 2 and 3](#)
[Environmental performance measures page 214:](#)
[Energy intensity, Greenhouse gas intensity](#)

Share of renewable energy and own production of solar power

The share of energy purchased from renewable sources was 42% in the reporting year. The increase is due to a higher share of biogas and a slightly higher share of renewable energy sources in electricity and district heating. We already cover 99% of the electricity demand for our entire portfolio with renewable energy. For district heating and cooling, the share is 46% and for fuels, 10.4% are renewable (biogas).

In 2020, we produced around **1 323 MWh of environmentally friendly solar electricity with our own photovoltaic systems.**

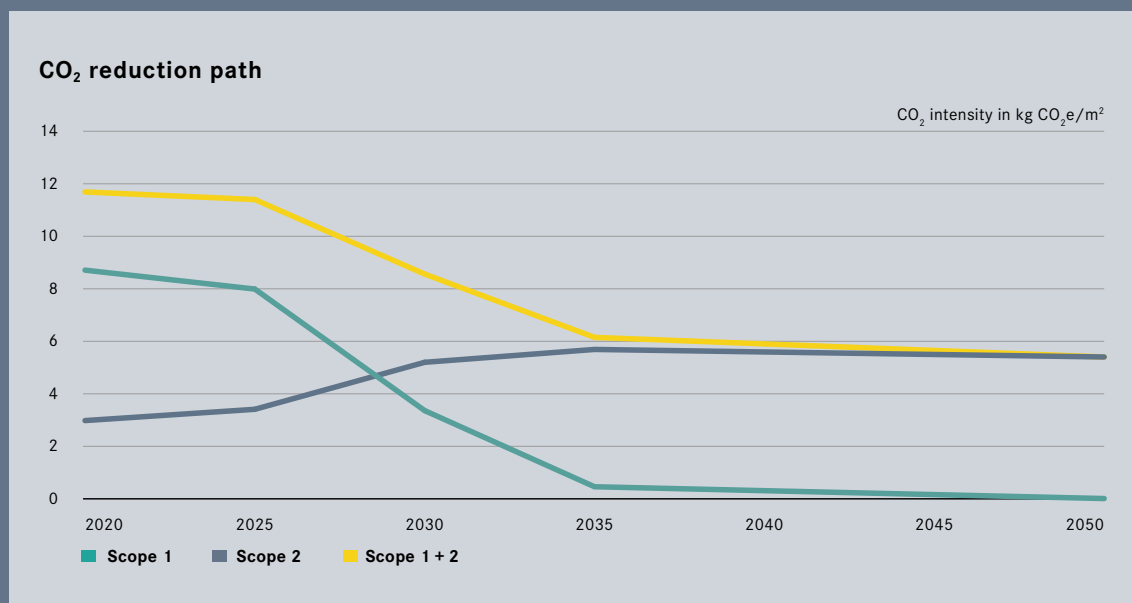
[Environmental performance measures page 214:](#)
[Proportion of total landlord-obtained energy from renewable sources](#)

¹ The reporting year i.e. measurement period for the environmental key figures is 01.07.2019 – 30.06.2020. The vacancy rate on 21.12.2020 stood at 3%

Focus Issue: CO₂ reduction target and CO₂ reduction path

Specific CO₂ emissions of the portfolio have decreased by 35% since 2015. We have therefore far exceeded the five-year target set in 2015 of a 5% reduction. In order to continue making our contribution to the achievement of national and international efforts to combat climate change, we would like to reduce further the specific CO₂ emissions of our properties. In conjunction with an external partner, this year we calculated, analysed and defined our CO₂ reduction path to 2050. In doing so we based our actions on international and national targets and framework conditions, although also on the actual circumstances of individual buildings. We have taken into account the potential for reductions, the proportionality of investment costs and potential operating cost savings as well as the optimal time for the relevant measures. The reduction path set out shows the changes in specific CO₂ emissions until 2050 based on the following scenario.

- All existing oil or gas-powered heating systems will be replaced either by district heating or by heat pumps. All district heating potential will be exploited.
- The electricity purchased will originate from renewable energy sources.
- The CO₂ emissions factor for district heating will remain constant until 2050, i.e. no technological improvements have been factored into the calculation, or any shift of the district heating mix to a higher proportion of renewable energy sources. The proportion of renewable energy is currently 46%. The burning of waste has been incorporated into our calculations according to the Greenhouse Gas Protocol and is thus not considered to be climate-neutral, or is only considered to be 50% renewable².
- The focus of thermal renovation has been placed on properties that currently have high energy consumption. Only those renovation measures that are cost-efficient in terms of reducing CO₂ have been taken into account. This is a conservative assumption as other measures may potentially be implemented for other reasons (e.g. tenant comfort).
- The potential influence of operational efficiencies on further reductions has not been incorporated into the calculation. It has been assumed that the purpose of operational optimisation will be principally to achieve the expected reductions in actual fact, and not to raise energy consumption again at a later stage.
- The baseline for the reduction path are the 2019 emissions of 11.7 kg CO₂/m².



² According to the accounting rules of the Coordination Conference of Construction and Property Corporations of Public Sector Developers [KBOB], the share of waste incineration in the district heating mix is calculated with a Scope 2 CO₂ factor of 0. This is not the case under the Greenhouse Gas Protocol. Source: Alig M., Tschümperlin L, Frischknecht R. 2017: Treibhausgasemissionen Strom- und Fernwärmemixe Schweiz gemäss GHG Protocol

As the chart shows, the aim is to cut scope 1 emissions, i.e. emissions generated from the burning of oil and gas in properties, to practically zero by 2035. Scope 2 emissions will increase mainly due to the higher share of district heating. The CO₂ contribution of electricity is negligible, since it is renewable. According to the assumption mentioned above that there will be no technological improvements in district heating or any increase in the renewable proportion within the district heating mix, there will be a base level in 2050 of 5.4 kg CO₂e/m². Work on the building envelope (insulation, replacing windows) will contribute around 10% to reducing CO₂.

Based on this scenario, we have set a target of reducing specific CO₂ emissions by 2035 by around 50% to 6.15 kg CO₂e/m².

Based on conservative assumptions, it will be possible to reduce specific CO₂ emissions between 2035 and 2050 by a further 12% to 5.4 kg CO₂e/m². If the renewable portion of district heating is increased, CO₂ emissions will be reduced further accordingly.

In order to be able to continuously reduce the CO₂ emissions of our portfolio, we consider our priorities to be as follows:

Area	Measures/targets
Reduce CO₂ intensity of energy consumption	
Replace fossil heating by heating with a lower CO ₂ footprint: dependent (in part) on lifecycle	- As a general rule, no fossil fuel heating systems will be incorporated into new buildings. - When renewing heating/cooling systems, we shall where possible switch to heat pumps or district heating/cooling with a higher renewable element. This is the biggest and most economically efficient lever for reducing CO₂ emissions. - We are actively enquiring into connection opportunities to existing and planned district heating and cooling networks
Sourcing of electricity	- We aim to source 100% of electricity from renewable energy sources by 2025.
Improve energy efficiency	
Energy renovation (insulation, replacing windows): dependent on lifecycle	- For new buildings and conversions we shall assess the scope for optimising energy efficiency, flexible usage and tenant wellbeing. As a general rule, we shall base our action on the Minergie standard, although will in many cases go further.
Measures not dependent on lifecycle (e.g. lighting)	- Lighting units will be replaced by LED units where possible. By increasing tenant awareness we also aim to help reduce their electricity consumption in future.
Optimisation of operations	- We regard the optimisation of operations as an ongoing task. In order to be able to better coordinate our efforts, we have further expanded our internal facility management expertise.
Own production of renewable energy	
Increasing own photovoltaic capacity	- We are always seeking to increase our own photovoltaic production within the ambit of the existing potential analysed. Implementation occurs in line with the renovation cycle and economic considerations.

Flexibility of use

We want to offer our tenants high-quality properties that will also meet their requirements in the long term. With the increasing degree of digitalisation, new forms of cooperation and decentralised, mobile work patterns are emerging in the office world. Following the outbreak of the Coronavirus crisis, many people started to work from home for particular periods of time or indefinitely. It remains to be seen whether this will actually lead to a fall in the demand for office space. It is possible that workplaces will be configured more spaciouly in future. In addition, more space will be provided for flexible cooperation and exchange. An office is no longer just a workplace with a desk, but rather a productive, creative and social meeting place where people work together in constantly changing structures.

In the light of these developments, the product and quality of spaces offered will become even more important: sufficient space and flexibility, security, calm, daylight, energy efficiency as well as further sustainability considerations will increasingly become priorities for our tenants. The UN Sustainable Development Goals which have been stipulated as being relevant for us in this context present us with some challenges: on the one hand, we need to save resources and make buildings as resilient as possible – also in terms of climate change. On the other hand, buildings will have to be adaptable in line with the changing demands of users. Even if a building is of high ecological quality, it is not sustainable if nobody wants to work in it any longer because needs have changed. The challenge is therefore to build economically and ecologically sustainable buildings, which can at the same time be repurposed without any major expenditure of resources. We achieve greater flexibility through the following measures and thus also consume resources more responsibly.

Basic infrastructure and flexibility

Even today, larger companies in particular want to rent premises for the longer term and fit them out according to their very specific requirements. However, in order to avoid everything having to be removed upon departure in order to cater to the needs of the next tenant, we are becoming increasingly convinced that providing some level of

basic infrastructure makes sense. Apart from heating, this includes ventilation, toilets, showers and, increasingly, also air-conditioning. Since building technology is becoming ever more complex, planning cannot stop at the basic fit-out stage, but must incorporate tenant fit-out considerations. For instance, even if there is optimal generation of cool air there is still a need for an optimal delivery device within the tenant fit-out. This will also be beneficial for future tenants thanks to the operating cost savings thereby enabled. In addition, a uniform electrical distribution system in the basic fit-out, such as for example a raised-access floor, will support tenants in simplifying upgrades and conversions. Pre-calculated **fit-out options** make it easier for tenants to plan costs. It is important to find generally appealing, flexible designs and materials, so that a tenant fit-out with a lifespan of 20 years can be used for more than one rental client.

A good arrangement of the spatial and technical infrastructure allows a **high degree of flexibility** in the subdivision of rental space. This applies to, for example, the precise positioning of the bathrooms and entrances, as well as the option of moving walls. Depending on the need, large spaces should be available on one level, which can be divided into smaller units in case of changes in tenancy. While in existing buildings the potential for increased flexibility is predetermined and often limited by the construction method (e.g. solid or framed), in new buildings the façade and column grid is already planned with this in mind. The new ATMOS building is based on this concept. Such considerations have also been centrally incorporated into recent renovations, for example at Gerbergasse 5.

More space for exchange and cooperation

We are making more room for flexible **cooperation and exchange**. It is possible that demand for space within offices for workstations may fall, including as a consequence of the Coronavirus crisis. At the same time however, demand is rising for larger interaction spaces and common, multi-functional and open meeting areas, including spaces for informal exchanges. Infrastructure for mobility (e.g. bicycle parking spaces, charging stations for electric vehicles etc.) and fitness as well as additional service offers (e.g. lobby, catering

or bookable conference rooms) are also becoming increasingly important.

The significance of **co-working** will increase further. We consider the co-working providers to be an ideal complement to our long-term rental business. This allows our tenants to react to short-term space needs in an uncomplicated manner and, for example, to rent areas tailored to the needs of a specific project. On the other hand, co-working tenants can rent a larger space directly from us when they grow. We already have several co-working providers as tenants. We are convinced that co-working spaces will continue to expand, including as a consequence of the Coronavirus crisis. These may supplement traditional working spaces, potentially also as a half-way-house between an office and working at home, whether at regional or central level.

Closer support for tenants in tenant fit-out

In order to better coordinate the increasing demands for technical infrastructure and flexibility with the specific needs of tenants, we have enhanced our capacities in the area of **support for tenant fit-out work**. The Business Development Team, which was set up in the autumn of 2020, will ensure that the customer's perspective is incorporated more centrally into planning from the outset, even if there is not yet any specific tenant.

Local development

Most of our properties are positioned in central locations and are well connected to public transport. From a sustainability point of view, they are therefore generally well positioned, as they are accessible by environmentally-friendly mobility and do not contribute to urban sprawl. Due to their central location, these properties also have a special importance in the cityscape and in revitalising the surrounding area. With their spatial presence, our properties influence not only the immediate surroundings and the everyday life of tenants and neighbours, but also the perception of passers-by. For this reason, we attach great importance to architectural quality for new buildings and conversions, but also for major renovations, which ultimately leads to an enhancement of the public space.

Preservation of historical properties

The urban location of our properties in large cities means that a considerable number of them are under historic preservation. A monument reminds us of historical events, cultural events, social or technical achievements. Such protected buildings have an identity-forming character, and with their preservation we can conserve an intangible value for society. As owners, we therefore bear a great responsibility, which we fulfil with the help of selected artisans and other partners. These properties offer a high quality work environment and are popular with tenants because of their uniqueness.

At the Bahnhofplatz in Zurich, the natural stone façade facing on to Bahnhofplatz 1/Bahnhofquai has been fully reconstructed in conjunction with the authorities responsible for the protection of historic monuments. It now looks like it did before the major fire in the summer of 2018. Also the building at Marktgasse 74 in Winterthur, which is subject to historic preservation, has undergone a complex renovation. At Greifengasse 21 in Basel, restoration work needed to be carried out on the natural stone façade of the building. In order to comply with the requirements of the Cityscape Committee (e.g. retention of the existing façade alignment and similar surface structure) whilst nonetheless achieving energy improvement, it was possible to install a façade incorporating high-performance thermal insulation panels and coloured mineral plaster. The conversion of Rue du Marché 40 (see picture page 194–197), which was completed in August 2020, shows that it is entirely possible to optimally align historic preservation, energy efficiency objectives and demands for digitalisation and modernity.

Participatory development and local commitment

Local commitment also means that, when developing large areas or during major construction projects, we think about neighbourhood development with the goal of finding solutions with all parties involved, leading to a sustainable use of the site from an ecological, social and economic point of view. We want to create animated areas where people can meet, where they like to linger, and where local jobs are created.

We engage closely with authorities, partners and local residents in relation to major construction projects. We seek to develop solutions in as cooperative a manner as possible that generate economic and social value over the long term and cause minimal damage to the environment. We take account of the urban development objectives regarding the mix of uses, infrastructure and sustainability for the respective areas and try to support them in the best possible way. We also give due consideration to aspects of city identity. For instance, the new ATMOS building, which should comply with the Minergie P-Eco standard, will contribute to achieving a sustainable neighbourhood development with high construction quality and thus a high-quality urban identity. New outdoor spaces will significantly enhance the surroundings and will turn into welcome relaxation areas and meeting points for old and young. Following the renovation of our property at Rue du Marché 40, we have opened the beautiful inner courtyard to the general public.

Communication and interaction with local stakeholders and neighbours is an essential element of our social commitment, within both construction projects as well as when operating properties. That is why we conduct regular dialogue and information events, especially in relation to new-build projects. However, we are unable to organise everything in formalised “programmes”. Some interesting projects also emerge from the situation, for example in the case of interim use. In any case, it is important to be open – and we are.

[Social performance measures page 217:](#)

[Local commitment](#)

Ecological enhancement of the surroundings

We endeavour to better exploit the potential for promoting biodiversity by ecologically enhancing the surroundings to our properties – and where possible also terraces and roofs. Although this involves individual measures in some cases, it often occurs in the context of replacement new buildings, renovations or other improvement measures that offer added value to tenants. The design and enhancement of the immediate surroundings of a property are also of major significance against the backdrop of our responsibility towards the environment and the general public. For example, a versatile roof terrace has been designed in the new ATMOS building, which can also be used as an outdoor workspace. The small, tree-covered oases on the extensively landscaped plaza will contribute to reducing heat islands.

In 2021 we intend to plan a pilot project in the area of environmental design focusing specifically on the improvement of biodiversity and expect to implement it in the following year. This will be used to derive a scalable template for other environmental work in the portfolio.

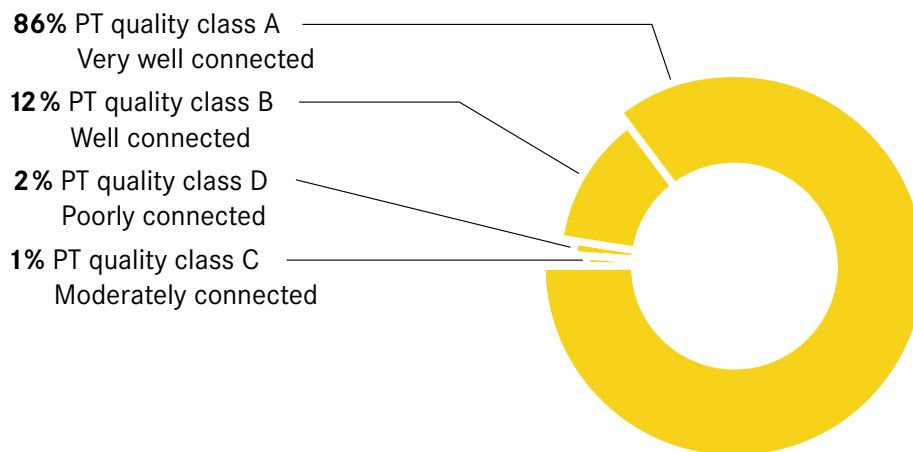
Demand for sustainable mobility

It is important to predict the mobility needs of users of offices and commercial premises, to take appropriate account of them within planning and strive for mobility that is as sustainable as possible. Good accessibility is therefore an important criterion within our purchasing decisions.

More than 85% of the buildings in our portfolio are situated in areas falling within PT [Public Transport] Class A, and are therefore very well connected. Less than 3% of the portfolio is moderately or poorly connected according to PT Classes.

Public transport quality classes

The public transport (PT) quality classes provide information on the accessibility of an area with public transport. Important criteria that are included in this indicator are the distance to the stop, the type of transport, and its frequency.



Source: INFOPLAN-ARE, opentransportdata.swiss

Generally speaking, requirements for bicycle parking, charging stations for electrical vehicles as well as cloakroom and shower facilities are incorporated into the planning of new buildings. For example, a large bicycle parking unit has been included within plans for the new ATMOS building. In addition, there is a basic system with power rails for any further expansion of electric charging stations. These criteria are also taken into account

within renovation projects. One initiative has been the creation of bicycle parking spaces and bicycle stands at Moosstrasse 2 in Rüschlikon. In 2020, electrical charging stations were retrofitted also at Seebahnstrasse 89, at Förrlibuckstrasse 60/62 and at Hardturmstrasse 161 in Zurich. The basic system at the last two locations has been designed so that further charging stations can be connected at any time.

Rue du Marché 40 – Renovation of a historic building in the heart of Geneva

In 2017, PSP Swiss Property initiated the renovation of the historic «Maison Bonnet» building in the heart of Geneva's Rues Basses. The conversion from an office property into a hotel was a challenge. The result of this complex conversion is a successful example of how high demands for modernity and digitalisation, strict requirements on the conservation side and energy efficiency goals can be reconciled.

Maison Bonnet was completely remodelled inside: Previously occupied by commercial and administrative space, the historic building was transformed into a hotel with 144 modern rooms. With citizenM, we managed to attract an international hotel operator with an innovative, promising concept. Its approach of "luxury at an affordable price" relies on simple and useful technology, clearly recognisable design, prefabricated architecture and specially commissioned artwork.

Listed buildings do not particularly lend themselves to applying a uniform standard to them. The integration of all the technological and avant-garde requirements of the operator citizenM therefore required close cooperation of different actors with different languages and cultures and different expertise. The hotel was opened in September 2020.

On the ground floor and basement, the property continues to house two Swiss brands: Aeschbach Chaussures SA, a traditional Geneva house, and previous tenant Swatch, which wanted to retain its central location.

This conversion has not only given new life to Maison Bonnet – it also revitalises and enhances Geneva's city centre.





Energetic refurbishment

It was important to implement state-of-the-art building technology to enable both the adaptation to tenant needs as well as compliance with historic preservation requirements.

Thanks to the renovation, energy consumption is halved despite more intensive use. The GEAK classification of E for the building envelope or D for the overall energy efficiency could be raised to a B. The GEAK (building certificate of the cantons) classifies buildings from A (best rating) to G (worst rating).

The building will be connected to the ecological heating network GeniLac for heating and cooling. This infrastructure is powered by water from Lake Geneva and 100 % renewable electricity.

Thanks in part to these achievements, the “Marché 40” project was awarded first place in the hotel category of the “Prix Bilan de l’immobilier 2020”.



“Curated chaos”

Different corners for working and eating, cosy lounges, a bar-restaurant open around the clock with fresh products: the “curated chaos” of colourful fabrics and lights combined with cool designer furniture and artworks invites you to linger, enjoy and exchange.

Historical building gets a facelift

The listed 17th century building shines in new splendour and revitalises Geneva’s city centre.

The façade, which had already undergone several changes, has been restored to its former aesthetic. The previously hidden, sublime inner courtyard is now open to the public.



**Efficient and customised**

Guests can check in independently at terminals and control ambient light, opening and closing of blinds, room temperature and much more via a 'MoodPad' or even via app.

**Affordable luxury**

citizenM caters to the needs of modern city travellers. The positioning as a luxurious boutique hotel at a very fair price is very much appreciated by a mixed crowd of guests.

Tenants

Satisfied tenants are the number one priority for the success of a real estate company. We like to have tenants who value our service and our buildings and can work productively in them. This means that having personal contact and working in partnership are absolute priorities for us.

With our own **property management and caretakers**, we aim to offer our tenants an optimal framework for successful business activities – by having a customer focus and providing functional, flexible and attractive business premises. When doing so we work as efficiently as possible so as to enable our tenants to benefit from low costs. Thanks to our efforts in relation to energy efficiency and reducing CO₂ we have already been able for instance to save at least CHF 32 million in energy costs and CO₂ taxes for our tenants since 2010.

Operational efficiency

Operational efficiency in the management and maintenance of our properties reduces our costs and improves our internal communication as well as our engagement with tenants and business partners. It also has positive effect on ancillary expenses.

As part of operational efficiency, we also want to keep the environmental impact as low as possible, especially in the areas of energy and water consumption as well as CO₂ emissions. An important basis for this is the adequate measurement of consumption. More than two-thirds of our properties are now connected to our energy control and alarm management system. This enables us to centrally monitor the relevant consumption values of our properties and see at a glance whether or not the current figures are within the tolerance range. In the event of irregularities such as a conspicuous increase in water consumption, we can react immediately. Permanent monitoring

therefore also pays off economically for tenants as it reduces heating costs and CO₂ emissions.

Optimisation of operations

It is possible to reduce energy consumption significantly through structural measures. However, there is also scope for improvement on the operations side. For us the optimisation of operations is directly related to the type of building and the applicable warranty conditions.

Operational optimisation immediately after handover of new buildings and renovations

At the start-up or acceptance of technical installations, often only one operating condition can be assessed (e.g. summer/winter). The interaction of the systems through all seasons requires adjustment with monitoring. The focus here is on ensuring operation and comfort to the satisfaction of the tenants. The actual energy optimisation takes place afterwards. Due to the ever-increasing connectivity of technical systems, the early detection and elimination of defects and software errors becomes increasingly important. Essentially, all completed projects at PSP Swiss Property pass through this phase. For larger and more complex buildings we involve various external specialists. The first phase of operational optimisation has been completed on the Grosspeter Tower. This has allowed us to gain experience for future projects in terms of the reciprocal dependence of technical systems on each other within such a complex system.

Energetic operational optimisation in existing buildings

During operation, problems with comfort or sudden increases in energy consumption cannot be completely excluded. As owners, we strive to recognise these at an early stage and to take appropriate countermeasures immediately. Operational optimisation is currently being carried out on the Richtipark Wallisellen in conjunction with an external partner following the identification of significant further potential for reducing energy consumption. The optimisation mentioned last year on the Hürlimann development site is steadily providing relevant information for strategic decisions in terms of future energy supply to the site, and has not yet been completed.

Energetic operational optimisation as a permanent task

During the course of technical renovations, we equip the facilities with a building management system, if appropriate. At a minimum, this includes the central energy control and alarm system, which enables central energy management and performance monitoring. With these instruments, we are able to react to changes in use, or at least to verify them. The focus is on efficient plant operation, which we ensure for the entire expected duration. Depending on the use, the task of optimisation can also consist in preventing energy consumption from rising. For example, following the achievement of significant energy improvements over the last two years, we have moved the property at Hardturmstrasse 161 on to this phase.

[Environmental performance measures page 214: Electricity, district heating and cooling, fuels \(oil/gas\)](#)

[Environmental performance measures page 214: Greenhouse gas emissions Scope 1, 2 and 3](#)
[Environmental performance measures page 214: Energy intensity, Greenhouse gas intensity](#)

Water consumption and waste prevention

The focus of our ecological efforts in relation to operational aspects clearly lies on reducing energy consumption and CO₂ emissions. However, other resources are consumed in addition to energy, such as for instance water, office materials or cleaning materials. Furthermore, waste is produced. User behaviour is a significant factor here, although we are only able to influence it to a limited extent. We seek to make efforts as far as possible in order to minimise the negative effects of operations.

- **Structural measures:** as a general rule, office buildings are not major consumers of water. Water-saving valves and devices are installed in new and renovated buildings. Specific water consumption was 0.48 m³/m² in 2020 (2019: 0.56 m³/m²). Last year's consumption was significantly above average due to a renovation project at the thermal baths on the Hürlimann development site in Zurich, whereas the figure for the reporting year is slightly below the long-term average. Due to the Corona-related influence on use, it is not possible to draw conclusions about the success of water saving measures for 2020.
- **User behaviour:** we are increasingly seeking to raise awareness concerning environmental protection amongst building users. This applies in particular to water saving but also waste. Since waste disposal and the payment of volume-based waste charges, based on the polluter-pays principle, are the responsibility of the tenants in Switzerland, we do not collect any data relating to waste. However, we endeavour to support our tenants in this area and to provide suitable infrastructure and access to services that enable and facilitate the avoidance of waste as well as reuse and recycling.

[Environmental performance measures page 214: Water consumption](#)

[Environmental performance measures page 214: Wasser intensity](#)

Service orientation and wellbeing of tenants

For us, appreciation, reliability, quality and transparency are the basis of a professional business relationship that is successful in the long term. We want to be a solution-oriented, trustworthy and flexible partner for our customers and business partners.

Service orientation

A long-term customer relationship begins with the rental of offices or shops. However, its basis is laid even earlier, during the first customer discussions, the evaluation of the ideal property, and the professional handling of the rental process. This step is followed by comprehensive support for fit-out and occupation. After that, it is the task of our property managers and local caretakers to identify new customer needs at an early stage, provide proactive support, and take the appropriate measures. **Setting us apart from other companies, we offer all these services in-house.**

Good communication is essential in order to identify the needs of tenants and also to raise their awareness concerning issues such as climate change. The preparation and analysis of the **“Customer Journey Map”** in 2019 helped to identify various areas where there is potential for increasing efficiency and quality as well as for better communication. Our focus was specifically on those moments in the process when we can actively influence the customers’ decision in a positive way. The sustainability factor was always part of this process. An important basis for any long-term relationship is the need for rental spaces to be perfectly suited to the tenant. This makes sense for both parties but also for the environment as it helps to avoid expensive and energy-intensive relocations. The following issues will be addressed as a matter of priority in future:

- **Increased digitalisation in marketing:** supports this process through greater transparency, efficiency and improved support in finding the ideal property. Efforts are underway, for example, in the areas of electronic rental dossiers, 3D visualisation, and electronic rental contracts.

- **Efficient and competent support:** thanks to our own property management we are uniquely close to our tenants. Digitalisation is also increasingly being used in property management, in order to be able to react faster and in a more targeted manner. Initial results from a pilot test with an app for recording tenant concerns have been positive.
- **Green lease:** we would like to raise our tenants’ awareness in relation to sustainability and make them more involved in our efforts, for example in relation to energy optimisation and water saving. During the second half of the year we held discussions with a major tenant concerning a more formal documentation of both sides’ ambitions in the area of sustainability. Since there are no official templates for green leases in Switzerland, we have drawn up our own green lease addendum to the lease. In 2021 we shall attempt to engage in similar discussions also with other tenants. The results from the tenant survey (see Focus Issue page 201) suggest tenants are already willing to take action in this area.

Wellbeing of tenants

Our tenants should feel at ease in our buildings so that they can carry out their business activities productively and successfully. This includes a pleasant indoor climate and suitable infrastructure enabling efficient work and engagement in social contact, as well as supporting a good work-life balance. It is also important to guarantee safety and security.

The tenant survey carried out in the late autumn of 2020 showed that demand for hygiene measures has increased sharply as a result of the Corona-virus crisis. The particular importance of hygiene is not always easy to reconcile with trends such as desk sharing or calls for more common spaces. Needs such as greater air exchange or opening windows could in turn have detrimental effects in terms of energy efficiency requirements. By communicating with tenants we seek to make them aware of these conflicts and to set the right priorities in order to guarantee their satisfaction and wellbeing.

In order to enable us to focus more strongly on tenant needs, we have further enhanced our capacities in tenant fit-out, and in October 2020 transferred them to our **new Business Development unit**. This unit is envisaged as an internal and external service provider and works across departments and on an interdisciplinary basis. This enables us to take on board sustainability considerations, such as resource efficiency or wellbeing, health and safety, at an early stage into the planning of tenant fit-out work. The unit aims to carry out trend analyses and test innovations. For example, the team considers the optimal configuration of the various areas within the office in order to enable the office to continue to be usable

without restriction also during a pandemic. We have tested our own offices for “Covid-suitability” and, in conjunction with an external service provider, drawn up a so-called “health check” for offices and shops, which can also be offered to our tenants where required. The check takes account of the layout and furnishing of the office or shop, building technology, facility management and cleaning. It further highlights action that can be taken by the tenant in relation to behaviour, equipment and working time organisation

[Social performance measures page 217:](#)
[H&S impact assessments, and number of incidents](#)

Focus Issue: more detailed consideration of sustainability in the tenant survey

In the autumn of 2020 we carried out a survey amongst the largest tenants, asking how satisfied they were with their tenancy in general but also specifically in relation to the property, caretaker and quality of support from property management. Detailed questions were asked in relation to rental space needs, sustainability, digitalisation and future services. Satisfaction increased compared to the 2017/18 survey.

In order to be able to better identify needs in relation to sustainability and to identify any interest in taking action, for the first time we incorporated a major block on this issue into this year's tenant survey. The survey identified a high level of interest in sustainability topics. However, due to the focus on larger tenants the information collected is not representative of the entire tenant base.

Out of the tenants surveyed, 80% are already pursuing a specific sustainability strategy. More than 80% view improved data exchange in a positive light and support the formal documentation of re-

ciprocal sustainability ambitions. There is also a particular openness towards measures to ensure energy efficiency and the purchase of renewable electricity, although according to respondents a lot has already been done in these areas.

Moreover, a sustainable building concept is considered to be important or very important for two thirds of respondents. 48% of the tenants surveyed state that they would even be willing to accept higher costs as a result. It appears to be significant for more than one third for such buildings to be certified with a sustainable building label. Whether it is really the label that is decisive or simply the existence of a high standard must be examined more closely in the follow-up. In addition, bicycle parking spaces and charging stations for e-mobility are high up the list.

We shall analyse the detailed answers provided in the tenant survey in greater detail in 2021 and make follow-up enquiries in order to understand various aspects better. However, it is clearly apparent from the survey that enhanced cooperation in relation to sustainability would be absolutely welcomed.



Gian-Marco Hosang, PSP Swiss Property – Project manager Business Development (Tenant fit-out)

“The Steinentorberg property in Basel is a prime example of a successful renovation. We achieved a great result with a convincing overall concept that we pulled off despite a bumpy road at times. While adhering to all specifications and deadlines, we designed a flexible room concept with open space, combi-offices and freely scalable conference rooms that the tenant can adapt to his needs with little effort. Our product is sustainable and has been convincing. One year after the conversion, the property is fully let.”

On the picture Thomas Kraft, PSP Swiss Property – Asset manager Steinentorberg property and Gian-Marco Hosang



Andreas Widmer, Westhive – Founder & Partner

“I have been a ‘child of Züri West’ ever since I can remember. The pulsating life, the cosmopolitanism of the district and the many brownfields where new and innovative things are created – this mix has always fascinated me. As pioneers of co-working, we are in exactly the right place at Hardturmstrasse. The building offers a flexible room layout, the mix of living and working is right. PSP Swiss Property has supported us unbureaucratically from the very beginning. Their trust was and is very important to us.”





Nicolas Martin, On – Head of Retail Expansions & Office Spaces

“Next year, On will open On Labs – a new campus that will bring our growing teams together under one roof in Zurich West! ATMOS offers us this opportunity. True to On’s spirit, it will be an environment that never stands still – a centre for creativity and technology where ideas are rapidly implemented. PSP Swiss Property has understood this vision.”



Tobias Bischoff, tiny Fish

“We launched tiny fish in August 2020. Not an ideal time, but the opportunity to open a second location on Bleicherweg made the decision easy for us. High-quality sushi at fair prices, sustainably produced and fresh every day – that’s what convinced PSP Swiss Property. As a young company, we really appreciate their trust in our business model and the open, honest cooperation.”

On the picture Tobias Bischoff and Yurany Murillo, PSP Swiss Property – Real Estate Agent

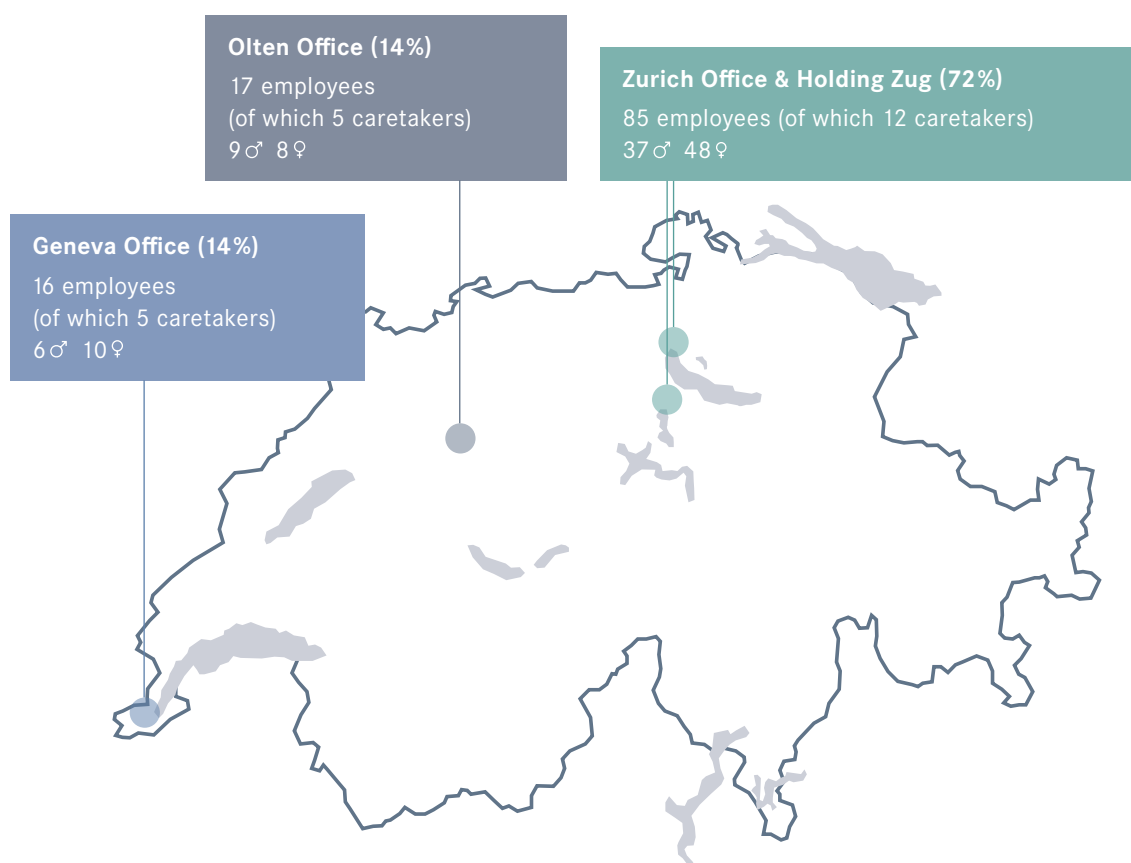
Employees

Well-trained, competent and motivated employees are the key factor in the success of our business. Every day, they are committed to the concerns of our tenants and business partners and ensure that we will be able to fulfil our ambitious targets for the future.

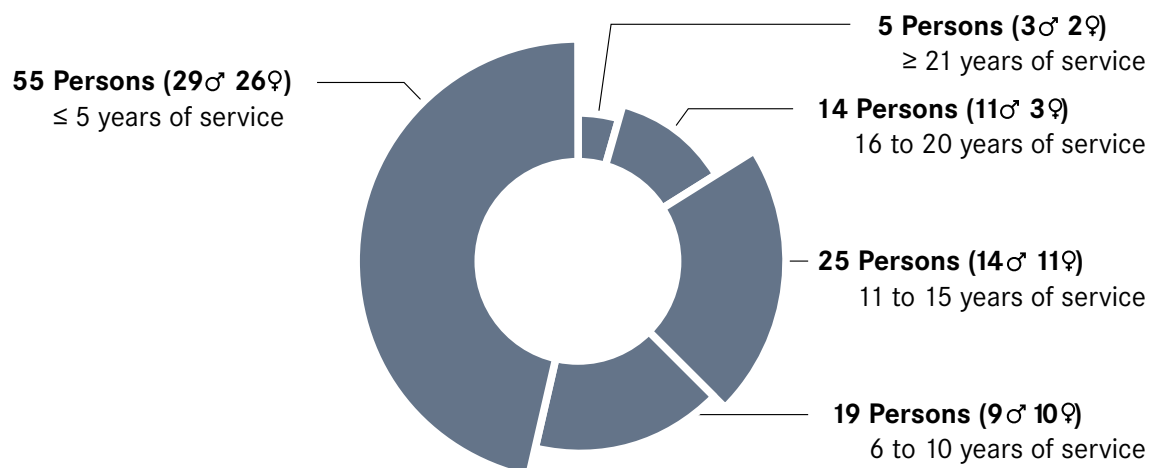
At the end of 2020, 118 employees were working at PSP Swiss Property, 22 of whom were caretakers (end of 2019: 119 employees, 25 of them caretakers). The caretakers work on a property-related basis and are managed by the property management unit of PSP Management AG. Details on our operational organisation can be found on our website.

www.psp.info/management-structure

The labour market poses numerous challenges, not only for the real estate market. The needs of different stakeholders differ significantly between generations. We take account of this fact by offering an attractive, safe and varied working environment with flexible workplaces and friendly discussion and meeting areas that increases the motivation of our employees and enables them to perform to a high standard. We also promote the professional and personal development of our



Years of service of employees



employees. Our business management places particular value on short communication channels and exchanges across all hierarchical levels. This is very much feasible thanks to the low and stable number of employees. Cooperation, interdisciplinary exchange and taking the initiative are promoted, which is particularly appreciated by our employees.

As previously mentioned in the 2019 Annual Report, at the end of 2019 PSP Swiss Property was certified as a “Great Place to Work®”. This certification is testament to an excellent workplace culture. The survey identified workplace culture and employer attractiveness based on five dimensions: credibility, respect, fairness, pride and team spirit. These values are important for us, and we seek to embody them through our actions. The results were announced within the company and management have defined potential areas for action with employees and also taken appropriate action.

www.psp.info/values

Thanks to the very good results of the employee survey, we also qualified in 2020 for participation in the “Best Employer in Switzerland” competition in the medium-sized category (50–250 employees). In May 2020 we were ranked in 8th position in the category of the best medium-sized companies in Switzerland.



Corporate culture

With our open corporate culture, we lay the foundation for creating trust, conveying security and convincing all our stakeholders with optimal solutions. Our principles on employment rights and obligations are also set out in the **code of conduct** published in 2019.

Workplace culture and communication

We offer an attractive and varied working environment that increases motivation and enables high-quality achievements. An **open discussion culture, flat hierarchies, and our manageable size** allow us to efficiently exchange and discuss ideas, information and concerns. In the context of collaborative corporate management, as much responsibility and competence as possible is transferred to the employees.

We welcome the uncomplicated and interdisciplinary exchange of information and ideas among our employees. For this purpose, we want to create thinking and work spaces that can also bring employees and business partners together in an uncomplicated way. Our so-called "Collaboration Lab" at the Zurich site is actively used for exchanges. The 400 m² Collaboration Lab offers moveable tables, workstations and lounges equipped with state-of-the-art audio and video technology for presentations. The photographs on our website provide an insight into our cooperation and meeting areas.

The employee survey conducted in autumn 2019 confirmed that our managers are approachable, open to dialogue, and that they keep their promises. We inform all employees in a timely manner about important business transactions and internal matters (such as personnel information and organisational changes) in German and French. In the interest of good internal networking and communication, we regularly inform employees in the quarterly report about current topics, the developments and goals of the Company, as well as about the current course of business.

Our open corporate culture is intended to provide all employees with a feeling of confidence and

security. Cooperation between us is built on reciprocal appreciation as well as respect, loyalty and responsibility. More than half of employees have been working for us for longer than 5 years.

[Social performance measures page 216:](#)

[Fluctuation](#)

Equal opportunity and diversity

It is only by ensuring equal opportunities for all along with a diverse employee team that we can draw on the experiences and perspectives of all employees alike as a source of innovation, problem solving and dedication. The property and construction industry is traditionally male-dominated. Gender equality is therefore an important issue for us. However, we also take the challenges associated with demographic change in Switzerland very seriously: a growing group of older employees will be working alongside a comparatively smaller number of younger professionals. In future, both younger and older employees will have to be increasingly ready to benefit from one another's experience and knowledge. All employees enjoy equal opportunity. We do not tolerate any discrimination based on nationality, gender, sexual orientation, age, religion, or ideology.

With 52 **women** working for the Company, their share in 2020 was 44%. As a result, the gender ratio is almost balanced overall, with a different distribution in the different departments. While in property management the gender ratio is fairly balanced, women are still greatly under-represented in the construction and caretaker department. It is quite unlikely that the proportion of female caretakers will increase significantly over the coming years. In the construction sector on the other hand a trend is apparent. During the reporting year we were able to appoint a further woman to the energy and building technology team as owner representative focusing on facility management. When appointing staff we always seek to form teams with a gender and age balance. Deserving employees may continue to work also after retirement age, for example on a part-time basis or by the hour.

[Social performance measures page 216:](#)

[Gender diversity](#)

Employee development and retention

Training and continuing education is not a matter exclusively for the state or private individuals. Companies must also take on responsibility for training up people and support them in realising their potential. We are mindful of this responsibility and take it very seriously. Ultimately, we also benefit from well-trained and motivated employees.

Recruitment

We are looking for people who fit into our corporate culture and identify with our values. This requires expertise and willingness to perform, but also a high level of service and customer orientation as well as social skills. We attach great importance to the careful introduction of all new employees into our organisation. In the reporting year 2020, 9 employees took up new positions. Carrying out induction during the lockdown was a particular challenge. Thanks to intensive communication, we were fully able to integrate all of the new employees hired during this pandemic year, despite all of the restrictions.

[Social performance measures page 216:](#)
[New hire rate and turnover](#)

Assessment and development

There are regular personnel reviews between managers and employees involving discussions of individual situations, which are held at least once

a year. They provide our employees with important feedback on their work and define their contribution to the achievement of goals within the Company. It is important for us that employees can also continue progressing within our company, for example by switching to a different department or by taking up a new role. Some changes of this type occurred in 2020.

[Social performance measures page 216:](#)
[Performance appraisals](#)

Training and continuing education

We promote the professional and social skills of employees and support them in their professional development with personal training and continuing education. Our internal theme lunches ("PSP Academy Lunches"), which we hold on a regular basis, are also popular. At these events, current business cases are analysed or themes and trends are presented and discussed.

External training and continuing education include courses in the areas of real estate, IT, management, communications, accounting, and sustainability. As language skills are becoming increasingly important, also in the local property business, we have been offering our employees free courses in German, French and English for several years. These can be attended during working hours at the office locations. During the lockdown and while our employees were working from home these courses were held online, and will be until further notice.

[Selection of the various qualifications that our employees obtained in 2020](#)

MAS in Energie- und Ressourceneffizienz	CAS Entscheidung, Strategie und Digitalisierung	
CAS Digital Innovation & Business Transformation	Dipl. Techniker HF / Gebäudetechnik	
Introduction à l'Economie Immobilière SVIT	CAS in Marketing- & Corporate Communications	
Eidg. Fachausweis Bewirtschaftung	CAS Leadership	Professional Scrum Product Owner
ICT-System und Netzwerktechnik mit Eidg. Fachausweis	CAS in Immobilienmanagement	

In 2020 each employee completed an average of 3.4 days of internal or external training or continuing education. This figure is slightly lower than last year's level as some training has been cancelled or deferred due to the pandemic.

[Social performance measures page 216:](#)
[Training and development](#)

Fair market salaries

We pay competitive market-based salaries, which we determine individually according to criteria such as education, function and level, professional experience and performance. All employees receive a bonus based on the business results, as well as benefiting from other advantages. These include free continuing education and the financing of accident insurance as well as the provision of daily sickness benefits insurance by the employer. By providing financial support to employees for the use of public transport, we also make an additional contribution to ecological sustainability.

It goes without saying that we guarantee equal opportunity for all employees. In order to ensure equal pay between men and women, we regularly compare the salaries of our employees. We also always compare salaries when hiring.

Equal pay analysis

In the middle of 2020 the revised Gender Equality Act [GIG] came into force, which obliges companies with at least 100 employees to carry out an internal equal pay analysis according to scientific and legally approved methods (Articles 13 et seq GIG). The aim of this is to analyse salary equality between men and women within the company, which the Swiss Federal Constitution seeks to achieve, and to make adjustments in the event of any existing or unexplainable gender-specific salary differences.

In the early summer, the management decided to carry out this equal pay analysis. The firm Comp-On supported us in carrying out this analysis, preparing and analysing our payroll data for the Federal Government's standard analysis method. As required by law, a formal review of the results was conducted by the auditing company SGS³. We were issued with the "Fair-ON-Pay+" certificate in June 2020. This means specifically that PSP Swiss Property distinguished itself as a fair employer that guarantees equal pay for men and women.

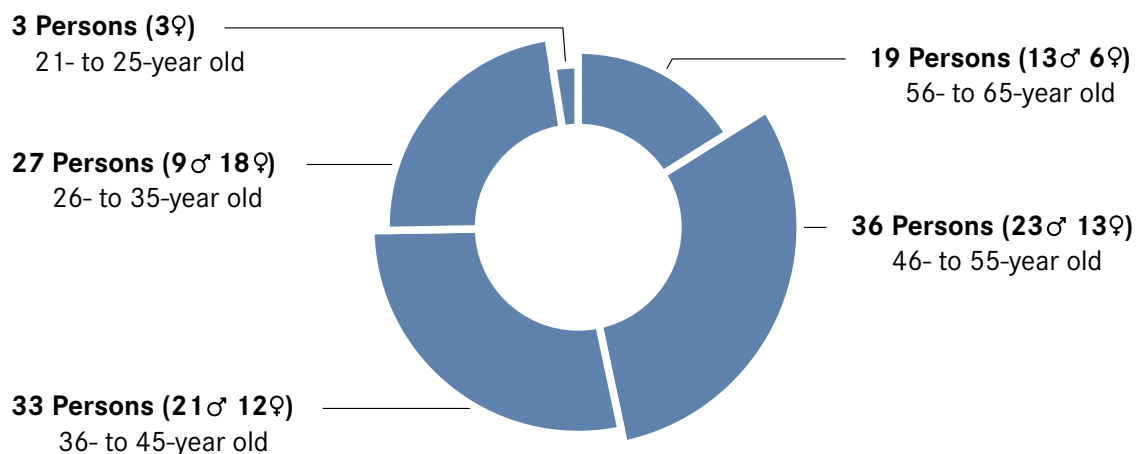
[Social performance measures page 216:](#)
[Gender pay gap](#)



³ SGS (Société Générale de Surveillance SA) in Switzerland is one of the leading providers of services in the areas of auditing, testing, verification and certification and employs around 200 staff at six locations throughout Switzerland.

Age of employees

The average age of all employees is 44, specifically 46 for men and 40 for women.



Employee health and wellbeing

For us, generous, modern work areas, an attractive work environment, and a high-quality infrastructure are a matter of course and create ideal conditions for working. However, it is also important for physical and mental health for employees to strike a good balance between work, family, free time and other duties. We received very good marks in our employee survey for our good working environment, enabling a good work-life balance and our understanding of different life situations.

Health and safety

We want to help our employees to feel at ease in our buildings and to be able to work productively there. We naturally ensure that our buildings do not give rise to any risks for employees (e.g. from VOC emissions from carpets or risks of falling). Aside from the extraordinary measures required as a result of the Covid-19 pandemic (see Focus Issue page 210), we also supported the health of our employees this year through various measures.

Workplaces: for us, generous, modern work areas, an attractive work environment, and a high-quality infrastructure are a matter of course and create ideal conditions for working. In line with the strict Suva (Swiss Accident Insurance Fund) standards,

we also provide all employees with ergonomic chairs and desks equipped with electric height adjustment.

Meals: all locations have a bright break area. When purchasing products we support Swiss family businesses or our tenants where possible.

Fitness: the in-house fitness facilities set up in Zurich are actively used by our employees. Our employees in Olten and Geneva benefit from contributions to fitness subscriptions. This year PSP Swiss Property participated for the first time in the Swiss health promotion initiative “bike-to-work”. Since the action was well received (see also photograph pages 212–213), we shall be repeating it this year.

Occupational safety and mental health: in the area of occupational health and safety, we have the appropriate emergency protocols, organise the required courses (first aid courses, defibrillator, fire) and regularly carry out drills involving all staff. We also offer our employees the opportunity to obtain free, anonymous advice on personal or professional matters from external specialists. In order to deal with any potentially stressful crisis situations, we have had a contract with a care organisation since the beginning of 2020 that could support in dealing with them.

Focus Issue: dealing with Covid-19

The Covid-19 pandemic confronted society as a whole and us as a company with a number of challenges in 2020. The health of our employees and the general public is a priority issue, along with securing operational organisation and communication and interaction with our tenants, business partners and where necessary the authorities. Since February 2020, developments have been regularly discussed by a small crisis team and appropriate action has been adopted, announced and implemented.

Hygiene and safety measures: we have regularly informed our employees, and continue to do so, concerning the latest requirements and recommendations of the Federal Office of Public Health (FOPH) as well as the measures inferred by PSP from them. As early as February 2020 we started to provide disinfectant at all business locations and introduced social distancing rules. In order to be able to identify any need for improvement in relation to infection risks we arranged for a health check to be carried out for our business locations. We then implemented further measures in the areas of hygiene equipment, signage and layout.

Home-office workplace equipment: around 80% of employees spent the lockdown period working from home. Although PSP Swiss Property had already had the option of home-office working for some time, the drastic shift was a new experience for most employees. Thanks to excellent IT support this worked extremely well on a technical level. In order to enable pleasant and efficient work, we have, where necessary, unbureaucratically equipped employees with screens, keyboards and further equipment in addition to their laptops.

Conveying a feeling of security and confidence: during its regular communications management was very keen to convey a feeling of security, to encourage employees and to express its understanding for the challenging family and work situation.

Thanks to our solid company culture, employees have so far come through the challenging time well. The experience of working from home has been largely positive. The working methods introduced during this period as well as the competences developed in the area of digitalisation will also be beneficial after the pandemic has passed. Nevertheless, we continue to consider the office as an important place at which our company culture and our values can be best conveyed and experienced.

During the new financial year we would like to improve further the competence of our employees in issues relating to physical and mental health and expand what we offer.

[Social performance measures page 216:](#)

[Injury rate, lost day rate](#)

Work-life balance

We are responsible first and foremost for the well-being of our employees at work, but we are aware of the challenge of balancing work and private life. Balance is important for personal development. It also strengthens physical and mental health and general wellbeing. The younger generations in particular take flexible working hours, state-of-the-art workplaces, the latest technologies, and having a say for granted. As an employer, we try to take this “New Work” trend into account as far as possible, the focus of which is on the development of an individual’s potential. Accordingly, we can offer flexible working time models with part-time work, part-time work after retirement, employment on an hourly basis, or early retirement.

In 2020, 28 were employed part-time, which corresponds to a share of around 24%. Sixteen female employees and one male employee without rank as well as nine female and two male middle-management staff had a part-time contract.

In 2018, we introduced the so-called “annual working time” for all employees and caretakers. This is intended to allow flexible working hours. In this way, we can manage fluctuations in workload and the varying needs of employees. On the one hand, this enables us to increase operational efficiency, but on the other hand it also increases the time autonomy of employees, thus ensuring a better balance between family, leisure, and career.

Since 2020, the holiday entitlement for all employees has been at least five weeks, corresponding to 25 days per year. The legal minimum in Switzerland is four weeks, or 20 days per year.

[Social performance measures page 216:](#)

[Absentee rate](#)

Nadja Müller – Receptionist Zurich Office

“The year before last I was going through the hardest time of my life. I can consider myself very fortunate that I got back on my feet – or rather, back on my bike. How fantastic to feel the wind in my face and to be able to breathe freely again! When I took part in the Bike to Work Challenge last year with a PSP team, I felt pure joy of life again. I am so happy that I was motivated to do this. As a result of this I even got a wonderful bike for my birthday.”



Margrith Rupp – Head of Human Resources

“This year, we once again became aware of how important the topic of health is to all of us: physical as well as psychological health. Communication with each other plays a crucial role. Especially when we work in a home-office, we must not forget how important interpersonal exchange is. Line managers are especially called upon here. There are numerous ways to have daily contact with employees – inviting them to virtual coffee breaks, discussing pending issues and agenda items via Skype or simply asking them how things are going at home.”



**Angelika Waibl – Project Manager Facility Management**

“I started my job at PSP Swiss Property at the beginning of May 2020, in the middle of the lockdown. On the first day, to my delight, there was a beautiful bouquet of flowers on the table. I kept seeing new faces offering to help me settle in and wishing me good luck. I also received valuable tips online, as many of my new work colleagues were still working from home. In the meantime, I know that this interest is genuine. At PSP Swiss Property, no one is a number, but a person.”

**Martin Raymann –Energy and Building Services Specialist / Safety Officer**

“During the lockdown last spring, everything happened so quickly. From one day to the next, home-office was the order of the day. To support my colleagues as much as possible, we unceremoniously dismantled their workstations and delivered screens, keyboards and mice to their homes. Included in the service was also a forgotten pair of trainers from the fitness room.”

Performance measures

EPRA Sustainability performance measures – Environment ☒

The following table contains the environment-related performance measures for 2019 and 2020. Performance measures which are reported according to the EPRA sBPR standard and are marked with the respective EPRA code. Ernst & Young Ltd provided limited assurance on the information marked with ☒ for 2020.

EPRA code	Unit	Indicator	Scope	
Energy				
Elec-Abs, Elec-LfL		Electricity	For landlord shared services, air-conditioning, ventilation	
			(Sub)metered exclusively to tenants	
			Total landlord-obtained electricity	
			Proportion of landlord obtained electricity from renewable sources¹	
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	
			Proportion of landlord obtained district heating and cooling from renewable sources	
Fuels-Abs, Fuels-LfL		Fuels (oil/gas)	Heating passed on to tenants	
			(Sub)metered exclusively to tenants	
			Total landlord-obtained fuels	
			Proportion of landlord obtained fuels from renewable sources	
		Total Energy	Total landlord-obtained energy²	
			Proportion of total landlord obtained energy from renewable sources	
Greenhouse gas (GHG) emissions				
GHG-Dir-Abs	Tonnes CO₂e	Direct	Scope 1	
GHG-Indir-Abs		Indirect	Scope 2	
			Scope 3	
		Total	Scope 1, Scope 2, Scope 3	
Water				
Water-Abs, Water-LfL	m³	Water	Water passed on to tenants	
			(Sub)metered exclusively to tenants	
			Total landlord-obtained water	
Specific				
Energy-Int	kWh/m²	Energy Intensity	Landlord-obtained energy³	
Water-Int	m³/m²	Water Intensity	Landlord-obtained water	
GHG-Int	kg/m²	GHG Intensity	Scope 1, Scope 2	
Certified buildings				
Cert-Tot	7 buildings or 8.3% of lettable space as a percentage of the reported portfolio are certified (LEED and Swiss “Minergie” standard)			

1 Emissions are calculated using market-based emissions-factors.

2 These figures are not adjusted for heating degree days. Adjusted for heating degree days, absolute energy use for 2019 and 2020 is 79 083 039 kWh and 76 474 438 kWh respectively. Adjusted for heating degree days, Like-for-like energy use for 2019 and 2020 is 77 725 921 kWh and 73 691 553 kWh respectively.

3 These figures are not adjusted for heating degree days. Adjusted for heating degree days, energy intensity for 2019 and 2020 is 88.833 kWh/m² and 83.755 kWh/m² respectively.

EPRA Sustainability performance measures – Social

Employees ☒

The following table contains the key performance measures for 2019 and 2020 that relate to social aspects. The performance measures are marked with the respective EPRA code. The caretakers work on a property-related basis and are managed by the management unit of PSP Management Ltd. Ernst & Young Ltd provided limited assurance on the information marked with ☒ for 2020.

				Performance measure	
EPRA code	Unit	Indicator	Scope	2019	2020
Diversity					
Diversity-Emp	% of employees	Gender diversity	Board of Directors	86% ♂ / 14% ♀	88% ♂ / 12% ♀
			Executive Board	100% ♂ / 0% ♀	100% ♂ / 0% ♀
			Senior Management ¹	100% ♂ / 0% ♀	100% ♂ / 0% ♀
			Middle Management ²	58% ♂ / 42% ♀	54% ♂ / 46% ♀
			Employees without rank ³	21% ♂ / 79% ♀	19% ♂ / 81% ♀
			Caretakers	88% ♂ / 12% ♀	91% ♂ / 9% ♀
Diversity-Pay	Female to male ratio	Gender pay gap ⁴	Board of Directors ⁵	1	1
			Middle Management	0.89	0.93
			Employees without rank	1.09	1.06
Development, Training and Turnover					
Emp-Training	Average hours per year and employee	Training and development ⁶		32.6h	28.4h
Emp-Dev	% of total workforce	Performance appraisals		92%	97%
Emp-Turnover	Total number	New hires	Direct employees	19	9
		Leavers		17	10
		Number of employees at year end		119	118
	Rate in %	New hire rate		16.0%	7.6%
		Turnover		14.3%	8.5%
Health & safety					
H&S-Emp	Number of injuries per 200 000 hours worked	Injury rate	Direct employees	1.9	0.99
	Number of lost days per 200 000 hours worked	Lost day rate		5.8	101.8 ⁷
	% of average hours worked	Absentee rate ⁸		2.3%	2.4%
	Total number	Fatalities		0	0

1 We classify employees with the rank "Direktion" as Senior Management.

2 We classify employees with the rank "Kader" as Middle Management.

3 Direct employees excluding caretakers.

4 We do not report pay gap for the Executive Board as there are no female members of the Executive Board and we do not consider the corresponding performance measure to be meaningful. Compensation of our Executive Board is disclosed in the compensation report. We do not report pay gap for Senior Management as there are currently no women in Senior Management. We do not report pay gap for caretakers because the cumulated FTE of female caretakers is too small to generate a meaningful performance measure.

5 Excl. Chairman of the Board, excluding expenses for travel and time compensation for international members of the board.

6 Incl. internal and external education and development per employee.

7 Lost days are due to a single occupational accident.

8 Absentee rate excludes long-term absences of more than 12 weeks. Absentee rate including long-term absences was 3.2% for 2019 and 2.8% for 2020.

Assets

EPRA code	Unit	Indicator	Scope	Performance measure	
				2019	2020
Health & Safety					
H&S-Asset	% of assets	H&S impact assessments ⁹	Assets under operational control	100%	100%
H&S-Comp	Total number	Number of incidents	Incidents of non-compliance scope: assets and assessments identified under H&S-Assets	0	0
Community					
Comty-Eng	% of assets	% of assets with community engagement initiatives ¹⁰		N/A	N/A

⁹ Quality management is implemented on our processes and in all our properties and sites. Health and safety checks are carried out in particular at our development projects. We strictly follow the standard requirements by the federal government, SUVA (Swiss National Accident Insurance Fund), SIA (Swiss Society of Engineers and Architects) and our internal regulations.

¹⁰ This Performance measure is not reported because we have not yet identified a good basis of measurement by which this can be expressed as a clear percentage. The topic is commented on page 192.

EPRA sustainability performance measures – Governance

The following table contains the governance related key performance measures for 2019 and 2018. The key performance measures are marked with the respective EPRA code.

				Performance measure	
EPRA code	Unit	Indicator	Scope	2019	2020
Board composition					
Gov-Board	Total number	Executive members	Board of Directors	0	0
		Non-executive members		7	8
		Independent members		6	7
		Independent and non-executive members with competencies relating to environmental and social topics ¹		4	5
	Years	Average tenure of Board members		9.7	9.5
Nomination and selection					
Gov-Select	Narrative	Description of the nomination and selection process	Board of Directors	See below ²	See below ²
Conflicts of interest					
Gov-Col	Narrative	Processes for managing conflicts of interest	Board of Directors	See below ³	See below ³

1 Please refer to the Corporate Governance section in the annual report 2020 (page 151 ff.), where specific competencies are listed and skills and experiences become apparent from the biographies of Ms. Corinne Denzler, Mr. Peter Forstmoser, Mr. Nathan Hetz, Mr. Aviram Wertheim and Mr. Henrik Saxborn. Mr. Hetz, Mr. Wertheim and Mr. Saxborn for example developed specific competencies and experiences in environmental and social topics pertaining to their functions and proven track records as members of the board and CEOs of renowned and listed real estate companies in their home country market; the same holds true for Ms. Denzler, who looks back on a career in the field of Swiss tourism and is actually CEO of a reputable Swiss hotel group. Mr. Forstmoser, has developed and demonstrated over years respective competencies, inter alia as former Chairman of Swiss Re, a leading Swiss reinsurance company accustomed with sustainability topics, as former Chairman of «The Sustainability Forum» Zurich, and as former Member of the Board of the «Center for Corporate Responsibility and Sustainability», an organisation connected with the University of Zurich.

2 In 2018, a Nomination Committee was formed, which assists the Board of Directors in nomination/selection processes as set out in the Corporate Governance section of the annual report 2020 (page 163f.).

3 PSP Swiss Property is required to publish information on management and control at the highest corporate level of the company in its annual report under a separate Corporate Governance section pursuant to the disclosure obligations stipulated in the Directive Corporate Governance (DCG) of SIX Swiss Exchange (see annual report 2019, page 143 ff. and annual report 2020, page 151 ff. respectively). It includes the relationship between individual bodies of the company (checks and balances) and the disclosure of specific information. Information on potential conflicts of interest is thus set out throughout the entire Corporate Governance reports, namely in respect to cross-board memberships and cross-shareholdings (none, see Section 1.3 and Section 3.1), major shareholders (Section 1.2) and substantial business relationships with the company (none, see Section 3.1), as well as inter alia in the note 32 to the consolidated financial statements in respect to related parties.

Delimitations and explanations on the performance measures

EPRA Reporting

We have been reporting in accordance with the Best Practices Recommendations (sBPR) of EPRA (European Public Real Estate Association) since 2015. In 2020, PSP Swiss Property received the EPRA Gold Award for its 2019 reporting - for the fifth consecutive year.

The EPRA sBPR require information on the areas of environmental performance, social performance and governance. We strive to report our performance according to all these performance measures. This is an ongoing process. For figures that were not available at the time of reporting, "N/A" (not available) applies.

We take the liberty of expanding the table of performance measures to include additional data that does not comply with the EPRA standard. All key figures reported according to sBPR are marked with the corresponding EPRA code.

Delimitations

Organisational boundaries

The organisational boundary for property reporting is defined by the full operational control over individual properties. Consequently, properties under joint ownership and properties where a single tenant exercises sole operational control are therefore not taken into account. New buildings and renovations are only taken into account if they were operational for the entire reporting year. Properties sold during the reporting period are not included. Properties purchased during the reporting period are only included in the following year.

Time boundaries

Compared to the financial reports, the reporting of the energy and water-related data (EPRA table of environment-related performance measures) is

shifted by half a year (in line with the heating and ancillary cost accounts). The current reporting period for these performance measures thus runs from July 1, 2019 to June 30, 2020. The social indicators (EPRA table performance measures) and the governance-related performance measures refer to the same period as the financial reports (January 1, 2020 to December 31, 2020).

Boundaries tenant/landlord

We always procure the heating energy ourselves and charge it to the tenants via the heating bill. Consequently, heating energy is factored into our calculations. The same applies to electricity for common areas (access) as well as ventilation and air-conditioning, where ventilated or air-conditioned spaces are leased. Electricity consumed by tenants on their premises is settled directly between the tenants and the utilities via a separate meter and is not included in our calculations.

Own-used properties

We are tenants in our own properties in Zurich, Geneva, Olten and Zug. Heating energy and general electricity as well as the water consumption of the properties concerned are recorded as well.

Degree of coverage

Within the defined organisational boundaries, we cover all properties in operation.

Reporting segments

Our real estate portfolio consists mainly of office space. Several properties have mixed use, i.e. in addition to offices, there is also retail space (mostly on the ground floor) and, in some cases, apartments. We also own hotels and thermal baths/spas. However, independent non-office uses make up an insignificant part of the total lease area (<2%). Therefore, we do not define or disclose specific segments for these areas.

Investment properties taken into account for different performance measures

Absolute values (Abs)

In 2020, we analysed 155 investment properties with 913 078 m² of lettable space (2019: 153 investment properties with 890 240 m² of lettable space). On 30 June 2020, the portfolio comprised 161 investment properties.

The difference to the 155 investment properties included in the Sustainability Report is explained as follows: PSP Swiss Property does not exercise operational control over properties rented by a single tenant or in a joint ownership. This applies to the following properties: Via Respini 7/9, Locarno; Port Noir Hammam & Bain Genève Plage, Cologny; Bahnhofstrasse 66, Brandschenkestrasse 70 and 72 as well as Mühlebachstrasse 6 (all in Zurich); Seilerstrasse 8a, Bern. The property Rue de Sébeillon 2 in Lausanne consists of parking spaces only, and thus has no energy consumption. The newly renovated property Steinen-torberg 8/12 in Basel was reclassified as an investment property as of Q2, but is not included in the sustainability reporting because it was renovated during the reporting period. Furthermore, the property at Grosspeterstrasse 20 (formerly Grosspeterstrasse 18/20) was not included, as demolition work had already taken place in Q2.

These 10 mentioned properties were therefore not included in the Sustainability Report. On the other hand, the following 4 properties intended for sale or reclassified as development properties were taken into account: Seestrasse 40/42 in Kilchberg; Füsslistrasse 6, Sihlramstrasse 5 and Zurlindenstrasse 134 in Zurich. The properties Rue de Berne in Geneva and Bankstrasse 11 in Uster, which were sold during the reporting period, are not included in the performance measures for 2020.

New buildings and renovations completed during the reporting period will be included in the analysis in the following year. However, properties where renovation work was carried out during operation were taken into account.

“Like-for-like” values (Lfl):

The “like-for-like” portfolio comprises only those properties which were under operational control and classified as investment properties both in the reporting year and in the previous year. The “like-for-like” portfolio for this reporting year comprises 150 properties.

Specific figures (intensities)

The reference value for the specific consumption figures (kWh energy/m², m³ water/m² and kg CO₂e/m²) is the lettable floor space in line with the values published in the Annual Report for the mentioned 155 properties.

Explanations on the data basis

Estimates

Of the energy we procure, 8.4% of total was estimated in 2020 (9.7% in 2019). For properties for which the final settlements are not yet available at the closing date, we use the previous year's figures. Some larger properties are rented by major tenants; these receive their invoices directly from the providers. Since we offer air-conditioned offices at these premises (which is part of the basic configuration) and because multi-tenant leases would be possible, we estimate consumption at these properties (for which we do not receive a statement from the tenant) on the basis of figures for comparable properties.

Oil and gas

The conversion from volume or mass units to energy is carried out in line with the conversion factors according to SIA380:2015 and refer to the upper heating value HO.

Waste

In Switzerland, disposal of waste as well as the payment of the waste charges, based on the polluter-pays principle, are the responsibility of the tenants. We have no data on tenants' waste production and therefore do not disclose these performance measures.

CO₂e emissions Scope 1 and 2

We calculate our energy and CO₂ data with the help of Myclimate's Smart3 data management system and CO₂ factors provided by Myclimate and an external partner. Market-based emission factors are applied for both electricity and district heating, based on the electricity and district heating mix that exists for the respective property according to the contract and information provided by the suppliers. Waste incineration is only classified as 50% "renewable" and is not considered climate neutral in the calculations.

CO₂e emissions Scope 3

Business travel: We also calculate the CO₂e emissions from our business travel (air, car, train). Emissions from business travel in 2020 amounted to 69.5 tonnes CO₂e (2019: 49 tonnes). Despite Corona-related limited business travel activity in the second quarter of 2020, emissions increased. This is due to some long-haul flights for investor meetings that could not be carried out in the previous year.

Correction/reporting of environmental indicators

In the year under review, we took various measures that required the previous year's figures to be corrected or restated to ensure comparability:

Corrections of previous year's figures: Due to a closer analysis, measurement errors were discovered in some previous year's values. This concerns 16 values. These were corrected. The corrections led to the following deviations between the previous year's values in the last annual report and the newly presented previous year's values: oil & gas: 1% higher; electricity: 0.06% higher; district heating: 2.3% lower; water: 0.7% higher; CO₂e emissions Scope 1: 1.3% higher; CO₂e emissions Scope 2: 2.8% lower.



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To the management of
PSP Swiss Property AG, Zug

Zurich, 22 February 2021

Independent assurance report

We have undertaken a **limited assurance** engagement of the following quantitative performance measures marked with a “☑” disclosed in the PSP Swiss Property AG Annual Report in the chapter “Sustainability Report” for the reporting period from 1 January 2020 to 31 December 2020:

- ▶ Table on energy and emissions performance measures on pages 214-215 of the Sustainability Report
- ▶ Social performance measures related to employees on page 216 of the Sustainability Report

Our engagement was limited to the performance measures listed above. We have not assessed the following performance measures or information disclosed in the report:

- ▶ Information other than the sustainability performance measures indicated above
- ▶ Performance measures related to previous reporting periods
- ▶ Qualitative statements



Responsibility of PSP Swiss Property AG's management

The management of PSP Swiss Property AG is responsible for the preparation of the Information marked with a “☑” in the chapter “Sustainability Report” in the Annual Report in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of performance measures that are free from material misstatement, whether due to fraud or error.



Applicable criteria

PSP Swiss Property AG defined as applicable criteria (hereafter “applicable criteria”):

- ▶ EPRA Sustainability Best Practices Recommendations Guidelines for the environmental performance measures and for the social performance measures

Summaries of these guidelines are presented on the EPRA website (online at <https://www.epra.com/sustainability/sustainabilityreporting/guidelines>). We believe that these criteria are a suitable basis for our review.

The quantification of greenhouse gases (GHG) 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.



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.

The firm applies the 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.

(Translation of the original report in German language)



2



Our responsibility

Our responsibility is to express a limited assurance conclusion on the above-mentioned performance measures based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised)", issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the performance measures marked with a „☑“ in the report are free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatements in the report with regard to the applicable criteria.

The procedures we performed included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.



Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- ▶ Assessment of the suitability of the underlying criteria and their consistent application
- ▶ Inquiries of company's representatives at selected locations responsible for collecting, consolidating and calculating the performance measures marked with a „☑“ in order to assess the process of preparing the data, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- ▶ Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data and testing such documentation on a sample basis
- ▶ Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of quantitative data
- ▶ Critical review of the report regarding plausibility and consistency with the information marked with a „☑“ in the report

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether PSP's performance measures marked with a „☑“ have been prepared, in all material respects, in accordance with the applicable criteria.



Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information marked with a „☑“ in the report are not prepared, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Tobias Meyer
Partner

Mark Veser
Senior Manager

(Translation of the original report in German language)



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Key financial figures by area

(in CHF 1 000)	Number of properties	Rental income	Operating expenses	Maintenance and renovation	Net rental income	in % of total	Potential rent ¹	in % of total
Zurich								
2020	76	163 686	9 591	10 837	143 257	55.7%	171 779	55.3%
2019	77	166 330	9 954	10 577	145 799	58.6%	173 079	57.8%
Geneva								
2020	19	33 455	4 594	460	28 401	11.0%	42 672	13.7%
2019	19	32 646	4 265	1 533	26 848	10.8%	34 692	11.6%
Basel								
2020	15	28 851	2 145	1 655	25 051	9.7%	31 321	10.1%
2019	14	25 815	1 816	1 428	22 572	9.1%	27 259	9.1%
Bern								
2020	16	19 619	2 007	828	16 784	6.5%	21 661	7.0%
2019	17	19 995	2 326	1 027	16 642	6.7%	21 486	7.2%
Lausanne								
2020	16	18 985	2 435	1 244	15 306	6.0%	21 499	6.9%
2019	16	17 642	2 617	1 225	13 800	5.6%	21 133	7.1%
Other locations								
2020	18	20 430	1 695	1 121	17 615	6.8%	21 877	7.0%
2019	19	20 413	1 882	1 648	16 883	6.8%	22 021	7.3%
Sites and development properties								
2020	16	12 941	2 099	42	10 800	4.2%	n.a. ⁸	n.a.
2019	12	9 266	3 021	170	6 075	2.4%	n.a. ⁹	n.a.
Overall total portfolio								
2020	176	297 968	24 566	16 188	257 214	100.0%	310 810	100.0%
2019	174	292 106	25 880	17 607	248 620	100.0%	299 669	100.0%

1 Annualised rental income (market rent for vacant area).

2 According to the external property appraiser (as per reporting date, annualised).

3 Based on the market valuation by the external property appraiser.

4 Annualised rental income divided by average value of properties.

5 Annualised net rental income divided by average value of properties.

6 As per reporting date (market rent for vacant area).

7 Vacancy (CHF) in % of potential rent.

8 Annualised rent of potential rent amounts to TCHF 23 971 in 2020.

9 Annualised rent of potential rent amounts to TCHF 22 497 in 2019.

	Market rent ²	in % of total	Net changes in fair value ³	Value of proper- ties	in % of total	Implied yield gross ⁴	Implied yield net ⁵	Vacancy in CHF ⁶	Vacancy rate (CHF) ^{6,7}	Vacancy in m ²	Vacancy rate (m ²)
	165 349	54.2%	103 352	4 411 844	51.4%	3.7%	3.3%	3 650	2.1%	12 780	2.5%
	170 398	56.6%	151 988	4 348 754	54.5%	3.9%	3.4%	4 267	2.5%	16 469	3.2%
	42 842	14.0%	- 11 978	1 176 219	13.7%	3.2%	2.7%	1 460	3.4%	2 422	3.2%
	34 605	11.5%	21 616	890 009	11.2%	3.7%	3.1%	1 542	4.4%	2 505	3.3%
	30 057	9.9%	6 759	722 190	8.4%	4.0%	3.5%	1 289	4.1%	4 368	4.1%
	27 516	9.1%	10 643	631 430	7.9%	4.2%	3.6%	1 160	4.3%	5 087	5.4%
	22 668	7.4%	- 8 639	515 920	6.0%	3.9%	3.3%	456	2.1%	3 774	3.9%
	23 788	7.9%	16 708	543 380	6.8%	3.7%	3.1%	733	3.4%	4 354	4.6%
	23 340	7.6%	2 600	437 237	5.1%	4.4%	3.5%	1 397	6.5%	4 968	6.0%
	23 314	7.7%	7 182	427 383	5.4%	4.2%	3.3%	1 764	8.3%	5 511	6.7%
	20 876	6.8%	582	418 588	4.9%	4.9%	4.2%	976	4.5%	4 635	5.5%
	21 277	7.1%	4 432	418 485	5.2%	4.9%	4.1%	1 125	5.1%	5 513	6.5%
	n.a.	n.a.	8 901	895 091	10.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	31 607	722 223	9.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	305 132	100.0%	101 578	8 577 089	100.0%	3.8%	3.3%	9 227	3.0%	32 947	3.5%
	300 900	100.0%	244 176	7 981 664	100.0%	4.0%	3.4%	10 591	3.5%	39 439	4.2%

Property details

Area	Land area m ²	Office area m ²	Retail area m ²	Gas-tronomy area m ²	Other area m ²	Total rentable area m ²
Zurich						
Rüschlikon, Moosstr. 2	6 798	5 606	0	0	3 560	9 166
Urdorf, Heinrich Stutz-Str. 23/25	3 788	988	0	0	2 960	3 948
Urdorf, Heinrich Stutz-Str. 27/29	30 671	43 467	0	195	3 134	46 796
Wallisellen, Richtistr. 3	5 578	7 538	0	0	0	7 538
Wallisellen, Richtistr. 5	5 197	6 469	0	0	496	6 965
Wallisellen, Richtistr. 7	4 582	8 454	0	0	719	9 173
Wallisellen, Richtistr. 9	4 080	6 003	0	0	0	6 003
Wallisellen, Richtistr. 11	4 988	7 051	0	0	321	7 372
Zürich, Alfred Escher-Str. 17	275	950	0	0	47	997
Zürich, Augustinergasse 25	236	255	0	327	157	739
Zürich, Bahnhofplatz 9	998	2 519	2 036	0	0	4 555
Zürich, Bahnhofstr. 10 / Börsenstr. 18	344	646	844	0	0	1 490
Zürich, Bahnhofstr. 28a / Waaggasse 6	763	1 888	649	419	277	3 233
Zürich, Bahnhofstr. 39	1 093	1 751	1 740	0	71	3 562
Zürich, Bahnhofstr. 66	627	0	4 868	0	0	4 868
Zürich, Bahnhofstr. 81 / Schweizergasse 2/4	355	714	1 338	0	300	2 352
Zürich, Binzing 15/17	33 878	35 680	0	0	4 660	40 340
Zürich, Bleicherweg 10 / Schanzengraben 7	1 155	3 329	332	0	358	4 019
Zürich, Bleicherweg 14	398	530	0	0	0	530
Zürich, Brandschenkestr. 70 (KH)	298	0	0	0	0	0
Zürich, Brandschenkestr. 72 (KG)	247	0	0	0	0	0
Zürich, Brandschenkestr. 80, 82, 84 (Tertianum)	7 384	0	0	0	13 072	13 072
Zürich, Brandschenkestr. 90 (DL1)	12 770	11 686	0	0	0	11 686
Zürich, Brandschenkestr. 100 (DL2)	5 139	8 627	0	0	1 134	9 761
Zürich, Brandschenkestr. 110 (DL3)	5 860	15 979	0	0	0	15 979
Zürich, Brandschenkestr. 130/132 (Markt)	3 605	1 020	1 043	641	0	2 704
Zürich, Brandschenkestr. 150 (Markt)	5 926	3 572	1 067	0	334	4 973
Zürich, Brandschenkestr. 152 (Sudhaus)	5 194	0	0	3 802	4 759	8 561
Zürich, Brandschenkestr. 152a (DL4)	583	2 448	0	0	0	2 448
Zürich, Brandschenkestr. 152b (Kesselhaus)	818	711	0	0	0	711

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

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3 Year of last overall renovation.

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	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	122	0.0%	2.7%	1969 89	2010 20	01.06.2002	PR	SO	100.0%
	59	0.5%	5.4%	1967	1989	01.11.2015	PR	SO	100.0%
	209	0.4%	6.9%	1976	2002 03 10 13	01.07.2004	PR	SO	100.0%
	137	0.0%	7.8%	2000 01	2011	01.11.2001	PR	SO	100.0%
	126	27.4%	2.3%	2003	2011	01.04.2003	PR	SO	100.0%
	156	1.4%	5.3%	2003	2011	01.04.2003	PR	SO	100.0%
	105	0.0%	6.0%	2010		13.06.2008	PR	SO	100.0%
	123	16.6%	6.4%	2010		13.06.2008	PR	SO	100.0%
	0	0.0%	3.6%	1907	2000	01.10.1999	PR	SO	100.0%
	1	0.0%	1.4%	1850	1994 2000 04	01.04.2004	PP	SO	100.0%
	0	0.0%	3.1%	1933	2003 04 14	01.04.2004	PP	SO	100.0%
	0	0.0%	2.6%	1885	1984 2015	01.10.1999	PR	SO	100.0%
	0	0.0%	2.5%	1812	2005 10 19	01.04.2004	PP	SO	100.0%
	7	0.0%	2.0%	1911	1984 2003 13	01.01.2000	PR	SO	100.0%
	0	0.0%	2.3%	1967	1995 2014	01.07.2005	PP	SO	100.0%
	0	0.0%	2.1%	1931	2001	01.04.2004	PP	SO	100.0%
	140	0.0%	5.6%	1992		01.04.2001	PR	SO	100.0%
	17	2.5%	2.5%	1930 76	1985 2006 09 20	01.10.1999	PR	SO	100.0%
	7	0.0%	3.2%	1857	1998 99	01.07.2005	PP	SO	100.0%
	0	0.0%	0.0%	1921	2003	01.04.2004	PP	FA	15.4%
	0	0.0%	0.0%	2003		01.04.2004	PP	FA	10.8%
	56	0.0%	2.8%	2005	2020	01.04.2004	PP	SO	100.0%
	272	0.0%	2.9%	2003		01.04.2004	PP	SO	100.0%
	0	0.0%	2.7%	2003		01.04.2004	PP	SO	100.0%
	0	0.0%	3.2%	2007		01.04.2004	PP	SO	100.0%
	0	0.0%	3.6%	1877 82	2004	01.04.2004	PP	SO	100.0%
	0	0.0%	3.6%	1882	2004	01.04.2004	PP	SO	100.0%
	0	0.0%	2.7%	1913	2012	01.04.2004	PP	SO	100.0%
	0	0.0%	2.9%	2008		01.04.2004	PP	SO	100.0%
	0	0.0%	4.7%	1890	2013	01.04.2004	PP	SO	100.0%

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FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Area	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Zurich (continuation)						
Zürich, Dufourstr. 56	900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7	1 296	2 788	433	0	35	3 256
Zürich, Förrlibuckstr. 10	4 122	7 552	0	0	606	8 158
Zürich, Förrlibuckstr. 60/62	10 382	15 737	0	885	7 854	24 476
Zürich, Förrlibuckstr. 66	2 055	5 192	0	0	1 953	7 145
Zürich, Förrlibuckstr. 110	2 963	10 007	350	194	905	11 456
Zürich, Förrlibuckstr. 181	1 789	4 813	0	0	144	4 957
Zürich, Freieckgasse 7	295	285	89	210	224	808
Zürich, Gartenstr. 32	694	1 707	0	0	0	1 707
Zürich, Genferstr. 23	343	946	0	0	72	1 018
Zürich, Gerbergasse 5	606	1 759	784	0	7	2 550
Zürich, Goethestr. 24	842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9	1 488	7 313	810	0	904	9 027
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30	7 567	18 186	4 941	0	544	23 671
Zürich, Hardturmstr. 131, 133, 135	6 236	16 666	1 530	0	5 230	23 426
Zürich, Hardturmstr. 161 / Förrlibuckstr. 150	8 225	28 486	0	280	5 124	33 890
Zürich, Hardturmstr. 169, 171, 173, 175	5 189	12 361	417	80	5 816	18 674
Zürich, Hottingerstr. 10-12	1 922	3 402	0	0	602	4 004
Zürich, In Gassen 16	331	0	0	487	620	1 107
Zürich, Konradstr. 1 / Zollstr. 6	686	265	385	190	2 237	3 077
Zürich, Kurvenstr. 17 / Beckenhofstr. 26	657	1 537	0	0	202	1 739
Zürich, Limmatquai 4	529	2 370	159	222	114	2 865
Zürich, Limmatquai 144 / Zähringerstr. 51	429	1 471	0	243	367	2 081
Zürich, Limmatstr. 250-254, 264, 266 ("Red")	4 705	7 808	0	283	711	8 802
Zürich, Limmatstr. 291	973	2 866	0	0	154	3 020
Zürich, Lintheschergasse 23	135	359	0	80	171	610
Zürich, Löwenstr. 16	206	484	153	0	179	816
Zürich, Löwenstr. 22	250	643	198	0	115	956

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2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd

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	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	12	0.0%	3.2%	1950	1997 2006	01.10.1999	PR	SO	100.0%
	65	1.8%	5.1%	1982	2007	01.10.1999	PR	SO	100.0%
	85	6.1%	3.7%	1963	2002	29.06.2001	PR	SO	100.0%
	311	1.2%	5.1%	1989	2016 17	01.04.2001	PR	SO	100.0%
	78	0.4%	4.9%	1969	1992 2003 04	01.12.2002	PR	SO	100.0%
	64	4.9%	4.4%	1962	2000	01.12.2002	PR	SO	100.0%
	39	0.3%	3.7%	2002		01.12.2002	PR	SO	100.0%
	0	0.0%	2.7%	1700	1992 2012	01.04.2004	PP	SO	100.0%
	23	0.8%	2.5%	1967	1986 2005	01.07.2005	PP	SO	100.0%
	0	0.2%	3.4%	1895	1998 2014	01.10.1999	PR	SO	100.0%
	2	0.0%	2.9%	1904	1993 2010 12 18	27.05.2004	PP	SO	100.0%
	0	0.0%	2.7%	1874	2014	01.04.2004	PP	SO	100.0%
	15	0.7%	3.6%	1969	1986 2008	31.12.2004	PR	SO	100.0%
	236	0.5%	3.6%	1992	2009 13	01.08.2016	PR	SO	100.0%
	41	0.5%	4.6%	1982	2008	01.12.2002	PR	SO	100.0%
	66	5.8%	3.8%	1975	1999 2019	01.12.2002	PR	SO	100.0%
	44	4.3%	4.2%	1952	1997 2006 18	01.12.2002	PR	SO	100.0%
	18	0.0%	3.6%	1914 40	1994	01.04.2001	PR	SO	100.0%
	0	8.0%	2.5%	1812	1984 2007	01.04.2004	PP	SO	100.0%
	0	20.3%	2.3%	1879 1982	1990	01.04.2004	PP	SO	100.0%
	35	0.0%	3.5%	1971	1999 2006 07 12	01.10.1999	PR	SO	100.0%
	0	0.0%	2.8%	1837	2000	01.01.2000	PR	SO	100.0%
	0	0.0%	3.3%	1888	1994	01.04.2004	PP	SO	100.0%
	34	1.7%	2.8%	2013		01.10.2010	PP	SO	100.0%
	7	0.0%	4.3%	1985	2016	01.04.2001	PR	SO	100.0%
	0	0.0%	3.0%	1879	2001	01.04.2004	PP	SO	100.0%
	1	0.0%	2.8%	2015		01.04.2004	PP	SO	100.0%
	4	1.1%	3.0%	1964	2003 07 11	31.12.2000	PR	SO	100.0%

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Area	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Zürich (continuation)						
Zürich, Mühlebachstr. 6	622	616	0	0	0	616
Zürich, Mühlebachstr. 32	536	2 070	0	0	55	2 125
Zürich, Obstgartenstr. 7	842	1 876	0	0	7	1 883
Zürich, Poststr. 3	390	811	854	0	34	1 699
Zürich, Schaffhauserstr. 611	1 981	2 874	656	0	79	3 609
Zürich, Seebahnstr. 89	2 455	2 999	739	0	1 325	5 063
Zürich, Seefeldstr. 5	498	604	0	306	289	1 199
Zürich, Seefeldstr. 123	2 580	6 586	1 562	0	138	8 286
Zürich, Seestr. 353 ⁷	3 593	7 319	0	0	378	7 697
Zürich, Splügenstr. 6	430	1 072	0	0	31	1 103
Zürich, Stampfenbachstr. 48 / Sumatrastr. 11	1 589	4 418	222	0	389	5 029
Zürich, Stauffacherstr. 31	400	534	0	204	863	1 601
Zürich, Theaterstr. 12	1 506	2 233	4 323	0	40	6 596
Zürich, Theaterstr. 22	324	459	0	283	237	979
Zürich, Uraniastr. 9	989	3 489	313	909	664	5 375
Zürich, Walchestr. 11, 15 / Neumühlequai 26, 28	1 074	2 950	676	102	358	4 086
Zürich, Wasserwerkstr. 10, 12 / Stampfenbachstr. 109	1 760	6 481	0	0	1 455	7 936
Zürich, Zweierstr. 129	597	1 759	260	0	834	2 853
Total	241 609	385 234	34 063	10 458	78 516	508 271

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	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	7	0.0%	3.9%	1975	1993	01.10.1999	PR	FA	29.8%
	21	0.0%	3.3%	1981	1999 2007	01.10.1999	PR	SO	100.0%
	16	11.7%	3.5%	1958	1981 2002	01.10.1999	PR	SO	100.0%
	0	0.0%	2.8%	1893	1999	01.10.1999	PR	SO	100.0%
	60	0.0%	4.4%	2001 02	2017	01.07.2005	PP	SO	100.0%
	76	1.4%	3.6%	1959	2003 08 18	01.04.2001	PR	SO	100.0%
	0	19.1%	2.7%	1840	2000	01.04.2004	PP	SO	100.0%
	85	0.2%	3.2%	1972	2004 17	01.10.1999	PR	SO	100.0%
	125	4.2%	5.3%	1981 2001	2010	01.04.2010	PR	SO	100.0%
	8	0.0%	3.2%	1896	1998 2011	01.10.1999	PR	SO	100.0%
	35	0.8%	3.6%	1929	1999 2001 07	01.10.1999	PR	SO	100.0%
	3	0.4%	3.1%	1896	2000	01.04.2004	PP	SO	100.0%
	3	0.0%	2.5%	1973	1993 2004 07	01.10.1999	PR	SO	100.0%
	0	0.0%	2.4%	2013		01.04.2004	PP	SO	100.0%
	2	19.4%	1.6%	1906	1992 2002	01.04.2004	PP	SO	100.0%
	6	0.1%	3.6%	1919	2000 08 09	01.10.1999	PR	SO	100.0%
	125	3.2%	3.5%	1981	2006 16 18	01.04.2004	PP	SO	100.0%
	7	3.0%	4.0%	1958	2003	01.10.1999	PR	SO	100.0%
	3 296	2.1%	3.3%						

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6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Area	Land area m ²	Office area m ²	Retail area m ²	Gas-tronomy area m ²	Other area m ²	Total rentable area m ²
Geneva						
Carouge GE, Route des Acacias 50/52	4 666	9 557	0	0	31	9 588
Carouge GE, Rue de la Gabelle 6	990	1 016	0	0	0	1 016
Cologny, Port Noir Hammam & Bain Genève Plage	0	0	0	0	2 829	2 829
Genève, Cours de Rive 13, 15 / Helv. 25	882	4 512	1 173	0	42	5 727
Genève, Place du Molard 7	593	2 112	0	821	418	3 351
Genève, Rue de Hollande 14 / Rue de Hesse 16bis	314	1 601	0	0	0	1 601
Genève, Rue de l'Arquebuse 8	347	2 160	0	0	0	2 160
Genève, Rue de la Confédération 2 ⁶	8 650	7 210	897	0	0	8 107
Genève, Rue de la Corratierie 24/26	1 005	1 579	614	0	185	2 378
Genève, Rue de la Fontaine 5	226	950	240	0	77	1 267
Genève, Rue des Bains 31bis, 33, 35	3 368	10 377	1 249	0	369	11 995
Genève, Rue du Marché 40	798	0	1 129	1	27	1 157
Genève, Rue du Prince 9/11	578	2 985	796	0	366	4 147
Genève, Rue du XXXI-Décembre 8	1 062	2 258	366	131	1 012	3 767
Genève, Rue F. Bonivard 12 / Rue des Alpes 11	392	2 048	269	0	46	2 363
Genève, Rue François-Diday 8	632	2 438	0	0	0	2 438
Genève, Rue Jean-Petitot 12	354	1 343	0	0	0	1 343
Genève, Rue Jean-Petitot 15 / Rue Firmin-Abauzit 2	294	1 412	0	0	0	1 412
Genève, Rue Richard-Wagner 6	6 634	9 976	0	0	0	9 976
Total	31 785	63 534	6 733	953	5 402	76 622
Basel						
Basel, Barfüsserplatz 10	3 655	336	0	530	314	1 180
Basel, Dornacherstr. 210	4 994	9 794	2 770	0	1 963	14 527
Basel, Falknerstr. 31 / Weisse Gasse 16	320	133	0	345	724	1 202
Basel, Freie Str. 38	299	365	848	0	65	1 278
Basel, Greifengasse 21	416	199	878	0	839	1 916
Basel, Grosspeterstr. 24	3 657	11 289	0	0	53	11 342
Basel, Grosspeterstr. 44 (Grosspeter Tower)	2 801	11 418	0	5 493	1 096	18 007
Basel, Hochstr. 16 / Pfeffingerstr. 5	7 018	15 393	0	0	0	15 393
Basel, Kirschgartenstr. 12/14	1 376	4 895	787	143	576	6 401
Basel, Marktgasse 4	272	374	367	0	327	1 068
Basel, Marktgasse 5	330	939	296	0	289	1 524
Basel, Marktplatz 30/30A	560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90	3 900	11 738	0	0	483	12 221
Basel, Steinentorberg 8/12	2 845	6 958	0	0	7 757	14 715
Basel, St. Alban-Anlage 46	1 197	3 192	0	245	336	3 773
Total	33 640	79 093	5 946	7 187	15 120	107 346

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	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	181	0.0%	3.8%	1965	2006 10 13	31.12.2000	PR	SO	100.0%
	5	0.0%	4.2%	1987		01.01.2000	PR	SO	100.0%
	0	0.0%	4.7%	2015		07.05.2013	PR	BL	100.0%
	64	4.4%	3.4%	1981		01.10.1999	PR	SO	100.0%
	0	8.6%	1.6%	1975	2005 06	01.04.2004	SI	SO	100.0%
	0	0.0%	3.0%	1900	2011 15	01.02.2018	PR	SO	100.0%
	10	0.0%	3.3%	1900	2011 14	01.02.2018	PR	SO	100.0%
	0	0.0%	2.6%	1935	1991	22.09.2020	PR	SO	100.0%
	10	4.3%	1.7%	1825	1996 2016	01.10.1999	PR	SO	100.0%
	0	11.5%	0.1%	1920	2000 01 20	01.10.1999	PR	SO	100.0%
	255	14.4%	3.4%	1994	2016	01.07.2002	PR	SO	100.0%
	0	0.0%	1.3%	1972	2006 20	01.07.2002	PR	SO	100.0%
	4	10.4%	2.5%	1966	2000 01 06	01.01.2000	PR	SO	100.0%
	0	0.4%	3.4%	1962	1992 2001 11	01.10.1999	PR	SO	100.0%
	0	0.0%	3.4%	1852	1995 2013 14	01.10.1999	PR	SO	100.0%
	0	0.0%	2.6%	1924	2012 17	01.02.2018	PR	SO	100.0%
	0	0.0%	2.9%	1800	2014	01.02.2018	PR	SO	100.0%
	0	0.0%	2.9%	1870	2011 12	01.02.2018	PR	SO	100.0%
	69	0.0%	3.1%	1986		01.07.2004	PR	SO	100.0%
	598	3.4%	2.7%						
	0	0.0%	1.3%	1914	1997 2006 11	01.04.2004	PP	SO	100.0%
	4	1.3%	4.1%	1969	1998 2004 06 15	31.12.2000	PR	SO	100.0%
	0	5.1%	2.8%	1902	1998 2005 08 12	01.04.2004	PP	SO	100.0%
	0	0.0%	2.6%	1896	1981 82 2005 16	01.07.2005	PP	SO	100.0%
	0	0.0%	2.5%	1930	1984 98 2015 19	01.04.2004	PP	SO	100.0%
	0	0.0%	5.6%	1988		01.12.2005	PR	SO	100.0%
	152	9.8%	3.0%	2017		01.12.2005	PR	SO	100.0%
	227	0.0%	5.0%	1986	2000	01.01.2001	PR	SO	100.0%
	90	0.6%	4.2%	1978	2003 05 10	01.01.2000	PR	SO	100.0%
	0	0.0%	2.6%	1910	2002 08	01.04.2004	PP	SO	100.0%
	0	9.7%	-0.9%	1924	1975 2002 05 20	01.10.1999	PR	SO	100.0%
	0	4.4%	2.8%	1936	2001 06	01.04.2004	PP	SO	100.0%
	108	12.0%	3.5%	2000		01.09.2014	PR	FA	100.0%
	68	2.7%	3.3%	1991	2020	01.12.2001	PR	SO	100.0%
	53	0.0%	4.0%	1968	2000 11	01.10.1999	PR	SO	100.0%
	702	4.1%	3.5%						

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SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Area	Land area m ²	Office area m ²	Retail area m ²	Gas-tronomy area m ²	Other area m ²	Total rentable area m ²
Bern						
Bern, Bollwerk 15	403	1 215	435	119	161	1 930
Bern, Eigerstr. 2	3 342	4 356	240	0	94	4 690
Bern, Genfergasse 4	325	952	0	544	291	1 787
Bern, Haslerstr. 30 / Effingerstr. 47	2 585	6 188	0	0	786	6 974
Bern, Kramgasse 49	235	50	173	270	322	815
Bern, Kramgasse 78	241	178	510	0	351	1 039
Bern, Laupenstr. 10	969	1 835	571	0	233	2 639
Bern, Laupenstr. 18/18a	5 436	7 191	1 427	0	789	9 407
Bern, Seilerstr. 8/8a ⁶	1 049	5 844	566	0	2 672	9 082
Bern, Waisenhausplatz 14	826	1 224	1 849	0	354	3 427
Bern, Zeughausgasse 26/28	629	520	395	1 755	781	3 451
Liebefeld, Waldegstr. 30	5 532	14 660	0	0	1 157	15 817
Liebefeld, Waldegstr. 37	5 335	11 109	0	0	810	11 919
Liebefeld, Waldegstr. 38	11 975	3 082	0	0	698	3 780
Liebefeld, Waldegstr. 41, 45, 47	7 044	3 398	0	182	661	4 241
Wabern bei Bern, Gurtenbrauerei 10-92	67 099	2 774	749	0	11 172	14 695
Total	113 025	64 576	6 915	2 870	21 332	95 693
Lausanne						
Lausanne, Av. Agassiz 2	757	1 394	0	0	0	1 394
Lausanne, Av. de Cour 135	1 800	2 259	0	262	388	2 909
Lausanne, Av. de Sévelin 40	3 060	1 622	0	0	4 931	6 553
Lausanne, Av. de Sévelin 46	3 320	10 158	0	361	4 745	15 264
Lausanne, Av. de Sévelin 54	1 288	544	0	0	2 466	3 010
Lausanne, Ch. de Bossons 2	1 930	2 135	0	0	0	2 135
Lausanne, Ch. du Rionzi 52, Depot	0	3 407	0	0	5 662	9 069
Lausanne, Grand Pont 1	371	0	1 069	0	0	1 069
Lausanne, Place Saint-François 5	1 070	2 789	2 227	0	889	5 905
Lausanne, Place Saint-François 15	5 337	9 011	1 430	0	36	10 477
Lausanne, Rue Centrale 15	486	1 299	543	0	440	2 282
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 807	329	0	4 117	12 253
Lausanne, Rue de Sébeillon 2	5 955	0	0	0	0	0
Lausanne, Rue du Grand-Chêne 2	555	1 770	1 338	0	0	3 108
Lausanne, Rue Saint-Martin 7	2 087	3 370	1 458	0	94	4 922
Lausanne, Rue du Pont 22	465	1 331	330	295	400	2 356
Total	31 351	48 896	8 724	918	24 168	82 706

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd

PP = PSP Properties Ltd

IS = Immobiliengesellschaft Septima AG

SI = SI 7 Place du Molard Ltd

	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	0	0.0%	3.2%	1924	2002	01.10.1999	PR	SO	100.0%
	115	0.0%	4.2%	1964	1999 2005 11	01.10.1999	PR	SO	100.0%
	0	0.0%	3.0%	1899	1984 2005 06	01.04.2004	IS	SO	100.0%
	6	0.0%	5.1%	1964 76	1995 2006 09 18	01.12.2005	PR	SO	100.0%
	0	0.0%	0.0%	1900	2011 13 20	01.04.2004	IS	SO	100.0%
	0	0.0%	2.9%	vor 1900	1991 92	01.07.2005	PP	SO	100.0%
	0	0.0%	3.6%	1965	1997 2004 11 17	01.07.2004	PR	SO	100.0%
	7	0.2%	3.9%	1935 60	1997 2009 12	01.07.2004	PR	SO	100.0%
	115	3.8%	4.0%	1971	2001	01.10.1999	PR	SO	100.0%
	0	0.0%	2.2%	1950	2001	01.10.1999	PR	SO	100.0%
	0	8.7%	3.3%	1900	1999	01.04.2004	IS	SO	100.0%
	140	2.9%	3.2%	2014		01.01.2019	IS	SO	100.0%
	229	1.0%	3.2%	2003		01.01.2019	IS	SO	100.0%
	57	0.0%	3.3%	1918	2016	01.01.2019	IS	SO	100.0%
	86	0.7%	3.5%	1907 12	2008 10	01.01.2019	IS	SO	100.0%
	72	7.8%	2.9%	1863 2016	2016	01.04.2004	IS	SO	100.0%
	827	2.1%	3.3%						
	9	0.0%	2.9%	1880	2002 12 15	01.02.2018	PR	SO	100.0%
	23	5.2%	4.5%	1973	2001 04 05	01.10.1999	PR	SO	100.0%
	146	24.0%	4.2%	1992		01.12.2005	PR	SO	100.0%
	10	14.9%	4.0%	1994		01.12.2005	PR	SO	100.0%
	0	0.0%	6.3%	1932	1990 2002	01.12.2005	PR	SO	100.0%
	8	0.0%	6.2%	1971	1998	01.04.2001	PR	SO	100.0%
	63	0.0%	4.3%	1971	1996 2014	01.04.2004	IS	BL	100.0%
	0	0.0%	3.6%	1957	2000	01.07.2005	PP	SO	100.0%
	0	14.9%	0.8%	1913	1989 2004 20	01.10.1999	PR	SO	100.0%
	61	0.0%	3.9%	1900	1998 2003 04	01.04.2001	PR	SO	100.0%
	0	0.0%	3.3%	1938	1987 2013	01.01.2000	PR	SO	100.0%
	60	10.3%	4.7%	1963	1998	01.12.2005	PR	SO	100.0%
	221	10.8%	2.0%	n.a.		01.12.2005	PR	SO	100.0%
	0	0.2%	2.8%	1910 11	1985 2001	01.10.1999	PR	SO	100.0%
	77	0.9%	4.6%	1962 63	1998 2002 19	31.12.2000	PR	SO	100.0%
	0	3.4%	3.2%	1952	2003	01.07.2005	PP	SO	100.0%
	678	6.5%	3.5%						

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Area	Land area m ²	Office area m ²	Retail area m ²	Gas-tronomy area m ²	Other area m ²	Total rentable area m ²
Other locations						
Aarau, Bahnhofstr. 18	496	1 380	671	0	43	2 094
Aarau, Bahnhofstr. 29/33	1 375	2 053	1 595	0	625	4 273
Aarau, Igelweid 1	356	280	104	0	184	568
Biel/Bienne, Aarbergstr. 107	5 352	14 313	555	0	3 472	18 340
Biel/Bienne, Bahnhofplatz 2	4 928	7 315	3 441	0	2 032	12 788
Fribourg, Rue de la Banque 4 / Rte d. Alpes	269	879	474	0	179	1 532
Fribourg, Rue de Morat 11-11A-11B-11C	2 642	1 118	0	0	0	1 118
Interlaken, Bahnhofstr. 23	419	0	353	0	0	353
Locarno, Via Respini 7/9	0	0	0	0	4 916	4 916
Lugano, Via Emilio Bossi 9	1 049	1 626	59	0	0	1 685
Lugano, Via Ginevra 2	1 176	2 267	0	0	0	2 267
Lugano, Via Pessina 16	356	565	611	0	265	1 441
Luzern, Maihofstr. 1	930	2 263	328	0	596	3 187
Olten, Baslerstr. 44	657	2 091	307	0	645	3 043
Rheinfelden, Salmencenter / Quellenhaus Baslerstr. 2-16	34 241	4 937	5 992	0	12 800	23 729
Winterthur, Marktgasse 74	351	0	599	0	619	1 218
Winterthur, Untertor 34	146	403	0	92	220	715
Zug, Kolinplatz 2	285	730	119	0	197	1 046
Total	55 028	42 220	15 208	92	26 793	84 313
Sites and development properties⁸						
Basel, Project "Baufeld C"	2 227	n.a.	n.a.	n.a.	n.a.	n.a.
Bern, Project "Bärenplatz"	649	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Project "Hôtel de Banque" ⁶	7 900	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Project "Grand-Pré" ⁹	2 864	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Project "Mont-Blanc"	258	n.a.	n.a.	n.a.	n.a.	n.a.
Kilchberg, Project "Seestrasse" ⁹	3 401	n.a.	n.a.	n.a.	n.a.	n.a.
Köniz, Project "Spiegel" ⁹	1 608	n.a.	n.a.	n.a.	n.a.	n.a.
Paradiso, "Residenza Parco Lago" ⁹	11 117	n.a.	n.a.	n.a.	n.a.	n.a.
Rheinfelden, "Salmenpark" ⁹	5 513	n.a.	n.a.	n.a.	n.a.	n.a.
Wädenswil, Areal "Wädenswil" ⁹	19 354	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "ATMOS"	10 557	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Bahnhofquai/-platz"	3 379	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Füsslistrasse"	907	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Grubenstrasse" ⁶	4 152	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "P-West"	3 495	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Sihlamsstrasse" ⁹	354	n.a.	n.a.	n.a.	n.a.	n.a.
Total	77 735	n.a.	n.a.	n.a.	n.a.	n.a.
Overall total portfolio	584 173	683 553	77 589	22 478	171 331	954 951

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd

PP = PSP Properties Ltd

IS = Immobiliengesellschaft Septima AG

SI = SI 7 Place du Molard Ltd

	Parking spaces	Vacancy rate (CHF) ¹	Implied yield net ²	Year of construction	Year of renovation ³	Purchase date	Owner ⁴	Owner-ship status ⁵	Owner-ship percentage
	11	0.0%	3.9%	1968	2001 02 06 20	01.01.2000	PR	SO	100.0%
	18	0.3%	3.7%	1971	2004 09 10	01.03.2008	PR	SO	100.0%
	0	0.0%	4.1%	1945	2000	01.07.2005	PP	SO	100.0%
	63	0.1%	5.0%	1994	2018	15.12.2005	PR	SO	100.0%
	80	0.4%	5.3%	1928 62	1986 93 2012	01.08.2006	PR	SO	100.0%
	3	3.0%	4.3%	1970	2001	01.01.2000	PR	SO	100.0%
	21	0.0%	5.8%	1730 1978	2008 15	01.02.2018	PR	SO	100.0%
	0	0.0%	5.1%	1908	2003	01.07.2005	PP	SO	100.0%
	0	0.0%	5.1%	2013		30.01.2012	PP	BL	100.0%
	23	0.6%	4.4%	1977	2000 14	01.02.2018	PP	SO	100.0%
	10	0.0%	4.4%	1930 95	2012	01.02.2018	PP	SO	100.0%
	0	20.2%	2.9%	1900	1980	01.07.2005	PP	SO	100.0%
	43	0.0%	4.8%	1989	2010	01.10.1999	PR	SO	100.0%
	21	0.6%	3.6%	1964	1993 95 2009 11	01.01.2000	PR	SO	100.0%
	413	12.2%	3.6%	2016		01.01.2004	PP	SO	100.0%
	0	13.8%	2.1%	1595	2002 03 14 19	01.07.2005	PP	SO	100.0%
	0	0.0%	2.5%	1879	1996 2014	01.04.2004	PP	SO	100.0%
	1	0.0%	3.9%	1491	1925 70 2004 09	01.10.1999	PR	SO	100.0%
	707	4.5%	4.2%						
	n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.01.2019	IS	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		22.09.2020	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.10.1999	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.10.1999	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2004	IS	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.01.2004	PP	FA	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO FA	100.0%
	n.a.	n.a.	n.a.	n.a.		01.12.2002	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2001	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		25.03.2020	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.12.2002	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0%
	n.a.	n.a.	n.a.						
	6 808	3.0%	3.3%						

5 BL = Building right
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 240 to 241.
9 Current development project designed for sale.

Additional information development projects

Project "ATMOS"

Zurich, Hardturmstrasse 181, 183 / Förrlibuckstrasse 190

Project description

Replacement construction
Usable floor space approx. 24 000 m².

State of project

Under construction

Planned investment sum: approx. CHF 130 million
(thereof CHF 92.1 million spent)
Letting level: 100%

Completion

Beginning of
2021

"Residenza Parco Lago"

Paradiso, Via Bosia 5

Project description

Project with freehold apartments, office,
commercial and retail space.
Usable floor space approx. 13 000 m².

State of project

Under construction

Planned investment sum: approx. CHF 80 million
(thereof CHF 57.2 million spent)
Sale level: 52%

Completion

Q2 2021

Project "Bahnhofquai/-platz"

Zurich, Bahnhofplatz 1, Bahnhofquai 9/11/15; Waisenhausstrasse 2/4, Bahnhofquai 7; Bahnhofplatz 2

Project description

Total renovation in three stages.
Overall planned investment sum:
approx. CHF 117 million.

State of project

Under construction (stage 1)

Property Bahnhofplatz 1, Bahnhofquai 9/11/15
Planned investment sum: approx. CHF 55 million
(thereof CHF 24.6 million spent)
Letting level: 95%

Completion

Q3 2021

Under construction (stage 2)

Property Waisenhausstrasse 2/4, Bahnhofquai 7
Planned investment sum: approx. CHF 45 million
(thereof CHF 28.8 million spent)
Letting level: 100%

End of 2021

In planning (stage 3)

Construction start: Mid of 2021
Property Bahnhofplatz 2
Planned investment sum: approx. CHF 17 million
Letting level: n.a.

Beginning of
2023

Project "Bärenplatz"

Bern, Bärenplatz 9,11,27

Project description

Total renovation
Usable floor space approx. 3 300 m².

State of project

Under construction

Planned investment sum: approx. CHF 16 million
(thereof CHF 3.0 million spent)
Letting level: 30%

Completion

End of 2021

Project “Baufeld C”
Basel, Grosspeterstrasse 18

Project description	State of project	Completion
Replacement construction Usable floor space approx. 5 600 m².	Under construction Planned investment sum: approx. CHF 37 million (thereof CHF 5.8 million spent) Letting level: 58%	End of 2022

Project “Grubenstrasse”
Zurich, Grubenstrasse 6

Project description	State of project	Completion
Replacement construction Usable floor space approx. 11 300 m².	Under construction Planned investment sum: approx. CHF 35 million (thereof CHF 0.6 million spent) Letting level: n.a.	Beginning of 2023

Project “P-West”
Zurich, Förrlibuckstrasse 151 (Parking)

Project description	State of project	Completion
Total renovation	In planning Planned investment sum: approx. CHF 5 million (thereof CHF 1.2 million spent) Letting level: 90%	tbd

The remaining sites and development properties are currently under review or already completed.

Property purchases

Location	Land area m ²	Office area m ²	Retail area m ²
Bern, Seilerstrasse 8 ¹	n.a.	2 202	180
Genève, Rue de la Confédération 2	8 650	7 210	897
Genève, Rue de la Corraterie 5, 7 / Rue de la Cité 6	7 900	n.a.	n.a.
Zürich, Grubenstrasse 6	4 152	n.a.	n.a.

1 To be merged with the existing property at Seilerstrasse 8a in Bern.

Property sales

Location	Land area m ²	Office area m ²	Retail area m ²
Solothurn, Gurzelngasse 6	0	519	507
Zürich, Zurlindenstr. 134	487	n.a.	n.a.

Expiry of lease contracts

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	5%	5%
2021	13%	17%
2022	16%	18%
2023	11%	17%
2024	8%	7%
2025	14%	13%
2026	6%	7%
2027	3%	1%
2028	6%	4%
2029	2%	1%
2030	6%	3%
2031 +	10%	8%
Total	100%	100%

	Gastronomy area m ²	Other area m ²	Total rentable area m ²	Parking spaces	Purchase date	Selling date
	0	2 103	4 485	5	15.07.2020	n.a.
	0	0	8 107	0	22.09.2020	n.a.
	n.a.	n.a.	n.a.	n.a.	22.09.2020	n.a.
	n.a.	n.a.	n.a.	n.a.	25.03.2020	n.a.

	Gastronomy area m ²	Other area m ²	Total rentable area m ²	Parking spaces	Purchase date	Selling date
	0	0	1 026	0	01.07.2005	31.12.2020
	n.a.	n.a.	n.a.	n.a.	01.10.1999	15.07.2020

Tenant structure

	31 December 2019	31 December 2020
Swisscom	9%	9%
UBS	n.a.	4%
Google	4%	4%
Edmond de Rothschild	2%	2%
Schweizer Post	2%	n.a. ¹
Bär & Karrer	2%	2%
Next five largest tenants	8%	8%
Other	72%	71%
Total	100%	100%

¹ At the end of the reporting period, Swiss Post was no longer one of the five largest tenants and is therefore no longer disclosed as an individual line item.

The rental income is fully recognised by the segment “Real estate investments”.

Five year review

Key financial figures	Unit	2016	Restated 2017	2018	2019	2020
Rental income	CHF 1 000	276 316	272 454	279 373	290 460	296 274
EPRA like-for-like change	%	- 1.6	- 1.1	0.9	1.2	- 0.2
Net changes in fair value of real estate investments	CHF 1 000	- 50 208	83 253	166 692	244 176	101 578
Income from property sales (inventories)	CHF 1 000	14 224	19 614	10 484	12 835	16 115
Income from property sales (investment properties)	CHF 1 000	1 354	627	2 472	14 961	0
Total other income	CHF 1 000	6 291	5 043	8 172	7 957	12 571
Total operating income	CHF 1 000	247 976	380 991	467 193	570 389	426 538
Total operating expenses	CHF 1 000	- 56 970	- 55 892	- 58 642	- 57 426	- 55 232
Operating profit (ebit)	CHF 1 000	191 006	325 729	408 551	512 963	371 306
Financial results	CHF 1 000	- 26 430	- 24 370	- 21 979	- 19 084	- 13 209
Profit before income taxes	CHF 1 000	164 577	301 360	386 572	493 879	358 097
Income taxes	CHF 1 000	- 29 710	- 43 957	- 78 420	- 40 454	- 66 006
Net income	CHF 1 000	134 867	256 890	308 152	453 425	292 091
Net income excluding gains/losses on real estate investments¹	CHF 1 000	172 548	177 738	176 250	215 214	215 795
Ebitda excluding gains/losses on real estate investments¹	CHF 1 000	241 572	242 187	241 743	256 145	271 058
Ebitda margin	%	81.3	81.5	80.8	82.0	83.4
Interest coverage ratio ²	Factor	9.1	10.0	11.0	13.4	20.5
Cash flow from operating activities	CHF 1 000	205 380	173 499	207 660	241 935	209 766
Cash flow from investing activities	CHF 1 000	- 341 315	- 249 628	- 81 230	- 151 921	- 490 960
Cash flow from financing activities	CHF 1 000	127 705	88 434	- 136 735	- 93 464	293 856
Total assets	CHF 1 000	7 041 368	7 384 243	7 619 283	8 036 244	8 665 045
Non-current assets	CHF 1 000	6 950 038	7 138 560	7 418 689	7 925 982	8 482 818
Current assets	CHF 1 000	91 329	245 683	200 594	110 263	182 227
Shareholders' equity	CHF 1 000	3 866 754	3 988 560	4 156 908	4 450 220	4 579 165
Equity ratio	%	54.9	54.0	54.6	55.4	52.8
Return on equity	%	3.5	6.6	7.6	10.5	6.5
Liabilities	CHF 1 000	3 174 613	3 395 683	3 462 376	3 586 025	4 085 880
Non-current liabilities	CHF 1 000	3 088 106	3 337 953	2 778 335	2 944 001	3 572 457
Current liabilities	CHF 1 000	86 508	57 730	684 041	642 024	513 422
Interest-bearing debt	CHF 1 000	2 248 436	2 491 087	2 511 212	2 596 136	3 057 204
Interest-bearing debt in % of total assets	%	31.9	33.7	33.0	32.3	35.3
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	96.4	96.0	76.5	76.9	84.3
Average interest rate (period)	%	1.42	1.16	0.94	0.77	0.53
Average remaining term to maturity interest-bearing debt	Year	4.3	3.6	3.0	4.4	5.0

Portfolio key figures	Unit	Restated				
		2016	2017	2018	2019	2020
Number of properties	Number	161	157	163	162	160
Carrying value properties	CHF 1 000	6 297 968	6 383 901	6 778 932	7 259 441	7 681 998
Implied yield, gross ³	%	4.3	4.2	4.1	4.0	3.8
Implied yield, net ³	%	3.6	3.5	3.5	3.4	3.3
Vacancy rate (CHF) ³	%	9.3	8.2	5.0	3.5	3.0
Number of sites and development properties	Number	10	12	11	12	16
Carrying value sites and development properties	CHF 1 000	595 885	661 892	663 174	722 223	895 091
Headcount						
Employees	People	90	86	91	94	96
Full-time equivalents	FTE	84	81	86	89	89
Per share figures						
Earnings per share (EPS) ⁴	CHF	2.94	5.60	6.72	9.89	6.37
EPS excluding gains/losses on real estate investments⁴	CHF	3.76	3.87	3.84	4.69	4.70
Distribution per share	CHF	3.35	3.40	3.50	3.60	3.65⁵
Payout-Ratio ⁶	%	89.1	87.5	91.1	76.7	77.6
Cash yield ⁷	%	3.8	3.7	3.6	2.7	3.1
Net asset value per share (NAV)⁸	CHF	84.30	86.96	90.63	97.02	99.83
Premium to NAV ⁹	%	4.4	6.2	6.9	37.7	18.5
NAV per share before deduction of deferred taxes⁸	CHF	100.95	104.22	109.20	115.82	119.57
Premium/(discount) to NAV before deduction of deferred taxes ⁹	CHF	- 12.8	- 11.4	- 11.3	15.3	- 1.1
Share price high	CHF	99.10	94.50	99.20	133.60	153.70
Share price low	CHF	78.95	85.75	85.95	98.00	101.00
Share price end of period	CHF	88.00	92.35	96.85	133.60	118.30
Outstanding shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891

1 See definition "Net income excluding gains/losses on real estate investments" on page 93, note 30.

2 Ebitda excluding gains/losses on real estate investments in relation to financial results.

3 For investment properties.

4 Based on average number of outstanding shares.

5 Proposal to the Annual General Meeting on 31 March 2021 for the business year 2020: Dividend payment.

6 Distribution per share in relation to EPS excluding gains/losses on real estate investments.

7 Distribution per share in relation to share price at the end of period.

8 Based on number of outstanding shares.

9 Share price at the end of period in relation to NAV resp. NAV before deduction of deferred taxes.

Contacts and important dates

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Agenda

Annual General Meeting 2021

31 March 2021, without physical presence of shareholders at the registered office of the Company, Kolinplatz 2, 6300 Zug.

Publication Q1 2021

30 April 2021

Publication H1 2021

20 August 2021

Publication Q1–Q3 2021

9 November 2021

Publication FY 2021

22 February 2022

Annual General Meeting 2022

31 March 2022

Customer care

Front units

Thanks to its broad regional presence, PSP Swiss Property has detailed knowledge of the local real estate markets. The well developed branch network allows efficient management of all properties.

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Masthead

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February 2021

Charts/tables

Due to roundings, certain numbers presented in this report may not add up precisely to the totals provided. All key figures and changes were calculated using the precise numbers and not the presented, rounded ones.

English translation of German original

This is an English translation of the German original.

Only the German original is legally binding.

Sustainability

For environmental reasons, there is no printed version of this report.

This report is available as PDF on www.psp.info/reports.



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