

Compensation report

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The Zug Estate Group's compensation policy provides a suitable basis for the remuneration of employees and managers that is both performance-based and in line with the market. The compensation system is structured in such a way that the interests of the key employees are compatible with the interests of the Group. It is built on the following guiding principles:

- The Group's compensation system is straightforward and transparent.
- Members of the board of directors receive fixed compensation only.
- The variable compensation for members of Group Management is set at a moderate level.

On an annual basis, the general meeting of shareholders votes on whether to approve the proposal of the board of directors for the total compensation to be paid to the board of directors for the period until the next ordinary general meeting as well as for the total compensation to be paid to Group Management for the coming financial year. The general meeting also acknowledges the compensation report by consultative vote.

The following remarks outline the principles of the compensation system and the details of the compensation received by the board of directors and Group Management for the 2014 financial year.

Board of directors

Pursuant to article 18 of the company's articles of association, the members of the board of directors receive a fixed compen-

sation in cash. They will, in principle, also be reimbursed for expenses incurred on behalf of the company, provided that any such reimbursement of further expenses will be paid only in exceptional cases and if evidenced by supporting documentation within 60 days. No such expenses were paid in the year under review.

Acting on the proposal of the Nomination and Compensation Committee, the entire board of directors determines at its discretion on an annual basis the amount of the fixed cash compensation to be paid to the individual members for the period from the next ordinary general meeting of shareholders to the subsequent ordinary general meeting and submits this amount to the general meeting for approval. When determining said amount, particular consideration is given to the performance of additional functions and to work done on the committees of the board of directors (function bonus). External consultants are not engaged.

The compensation paid to the board of directors in the year under review was slightly lower than in the previous year. At the 2015 general meeting of shareholders, the board of directors will propose that, compared with the 2014 financial year, a slightly higher amount be made available as the total fixed cash compensation payable to the members of the board of directors until the next ordinary general meeting of shareholders. The envisaged increase is primarily due to the fact that, with effect from January 1, 2015, those members of the board of directors who pay their social insurance contributions themselves will in future receive an additional payment in the amount of these contributions (AHV, IV, EO, ALV). This is to ensure that

those members of the board of directors who settle their contributions themselves are treated equally to the other members.

Group Management

Pursuant to article 18 of the company's articles of association, the compensation paid to members of Group Management comprises a fixed cash compensation, a performance-based compensation in cash, and a reimbursement of expenses in accordance with the expenses regulations approved by the cantonal tax authorities.

The fixed cash compensation is determined according to the actual area of responsibility, professional profile and expertise of each individual member of Group Management and the amount of work performed.

The performance-based compensation paid to Group Management is intended to ensure that the interests of Group Management, the board of directors and the shareholders correspond as closely as possible. Pursuant to article 18 of the company's articles of association, it may be equivalent to a maximum of half the fixed cash compensation.

When determining this amount, consideration is given mainly to the progress of business, as well as to individual performance, personal initiative and attainment of the agreed targets. The progress of business is evaluated in terms of economic success. This in turn is generally measured on the basis of the earnings drivers, with particular consideration given to the payout potential generated, earnings prospects and other factors. Accordingly, in the year under review, not only were the factors growth and earnings taken into account, but also the criteria of organization, processes and sustainability. Acting on the proposal of the Nomination and Compensation Committee, the board of directors determines at its discretion on an annual basis the fixed cash compensation and the performance-based compensation within the limits of the total amount approved by the general meeting of shareholders.

The compensation paid to Group Management in the year under review was practically unchanged compared with the previous year. At the 2015 general meeting of shareholders, the board of directors will propose that a larger amount be made available as the total fixed cash compensation and performance-based compensation in cash payable to the members

of Group Management for the 2016 business year. It must be noted in this connection that the two periods being compared are two years apart and that the proposed total amount includes a reserve that allows the board of directors scope when determining the future compensation payable to the Group Management.

Of the compensation paid in the year under review, the fixed cash component accounted for 87% and the performance-based component payable in the following year for 13% (previous year: fixed 93% and performance-based 7%). No external consultants were engaged.

Members of Group Management are not present at meetings of the Nomination and Compensation Committee or of the board of directors dealing with employment contracts of members of Group Management and, in particular, compensation received by the latter.

The employment contracts of the members of Group Management stipulate a period of notice of six months.

Shareholding programs

Zug Estates Holding AG does not have any participation or option programs, and no shares, option rights or conversion rights were assigned to members of the board of directors, Group Management or associated persons.

Loans and credits

No loans or credits were granted to members of the board of directors or Group Management or associated persons, and none are outstanding.

Former members

All compensation paid to former members of the board of directors or Group Management who left the respective bodies in the 2014 financial year are shown in the compensation overview. Moreover, Zug Estates Holding AG has paid no direct or indirect compensation to former members of the board of directors or Group Management or associated persons.

There are no loans or credit facilities outstanding in relation to former members or associated persons.

Compensation for the calendar year in CHF	Compensa- tions net	Pension contri- butions ¹	Total 2014	Compensa- tions net	Pension contri- butions ¹	Total 2013
Hannes Wüest Chairman of the board of directors	350 000	0	350 000	250 000	0	250 000
Chairman of the Strategy and Investment Committee						
Heinz M. Buhofer ² Member of the board of directors	116 666	0	116 666	240 505	56 986	297 491
Chairman of the Nomination and Compensation Committee						
Prof. Dr. Annelies Häcki Buhofer Member of the board of directors	56 667	8 560	65 227	50 000	7 553	57 553
Member of the Hotel and Audit Committees						
Dr. Hajo Leutenegger ³ Member of the board of directors	16 667	1 061	17 728	50 000	4 187	54 187
Member of the board of directors						
Armin Meier Member of the board of directors	95 000	14 351	109 351	84 463	12 823	97 286
Chairman of the Hotel Committee						
Dr. Beat Schwab ³ Member of the board of directors	33 333	5 035	38 368	–	–	–
Member of the board of directors						
Heinz Stübi Member of the board of directors	66 667	10 071	76 738	56 670	8 561	65 231
Chairman of the Audit Committee						
Martin Wipfli Member of the board of directors	95 000	0	95 000	83 330	0	83 330
Member of the Strategy and Investment Committee as well as the Nomination and Compensation Committees						
Total board of directors²	830 000	39 078	869 078	814 968	90 110	905 078
Stephan Wintsch ³ CEO (to July 31, 2014)	235 671	110 855	346 526	401 150	187 895	589 045
Tobias Achermann ³ CEO (from 1 July 2014)	171 371	61 796	233 167	–	–	–
Total Group Management	647 401	266 543	913 944	613 214	280 537	893 751

¹ Employer's and employee's contributions to pension schemes, health insurance, accident insurance, AHV (old age and survivors insurance), IV (invalidity insurance), EO (compensation for loss of earnings) and ALV (unemployment insurance); members of the board of directors receive AHV, IV, EO and ALV contributions only.

² Heinz M. Buhofer was chairman of the board of directors until the 2014 general meeting of shareholders.

³ Compensation for members of the board of directors and Group Management who were appointed to or left the respective bodies in the course of 2014 is drawn pro rata (Dr. Beat Schwab for eight months from April 11, 2014, Tobias Achermann for six months from July 1, 2014, Dr. Hajo Leutenegger for four months until April 11, 2014 and Stephan Wintsch for seven months until July 31, 2014). The largest amount paid to a member of Group Management in 2014 was received by Stephan Wintsch. Compensation paid to the new CEO, Tobias Achermann, is disclosed on a voluntary basis.

The stated amounts cover compensation for the entire calendar year for activities at all Zug Estates Group companies.

Report of the statutory auditor on the compensation report



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 5 March 2015

Report of the statutory auditor on the compensation report

We have audited the compensation report dated 5 March 2015 of Zug Estates Holding AG for the year ended 31 December 2014 presented on page 45 to 46.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2014 of Zug Estates Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Andreas Blank
Licensed audit expert