

Regulations of the Audit Committee

Zug Estates Holding AG



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1 General

1.1 Principles

These regulations of the Audit Committee of the board of directors of Zug Estates Holding AG are being enacted by the company's board of directors on the basis of art. 716 to 716b CO, art. 14(3) of the company's articles of association as well as section 6.3 of the organisational regulations.

1.2 Purpose

The purpose of these regulations is to define the composition, organisation as well as the duties and responsibilities of the Audit Committee.

2 Composition and organisation

2.1 Composition

The Audit Committee is comprised of at least two members of the board of directors who are independent within the meaning of Economiesuisse's "Swiss Code of Best Practice for Corporate Governance". The majority of its members, including the chairperson, has finance and accounting experience.

The board of directors appoints the chairperson.

2.2 Frequency of meetings

The Audit Committee meets at the invitation of its chairperson as often as business requires but at least for two regular meetings per year.

The meetings of the Audit Committee are generally attended by the chief executive officer (CEO) and the chief financial officer (CFO) of Zug Estates Holding AG and a representative of the statutory auditor. Furthermore, the chairperson of the board of directors is authorised to attend the meetings of the Audit Committee in accordance with section 6.4.2. of the organisational regulations.

2.3 Communication with the board of directors

The minutes from the meetings of the Audit Committee are made available to all members of the board of directors.

3 Duties and powers

3.1 General

Pursuant to section 6.3 of the organisational regulations, the Audit Committee shall perform the duties and exercise the powers described in the organisational regulations and in these regulations. The Audit Committee assists the board of directors with the performance of its duties.

Through the Audit Committee, the board of directors intends to:

- safeguard the appropriateness of the financial reporting system, the internal control system and the general monitoring of business risks;
- promote optimal communication between the board of directors, Group management and the external auditor in the interest of optimising corporate governance and control; as well as
- ensure the independence of the external auditor.

The Audit Committee is responsible for the duties entrusted to it. It collaborates closely with the CFO and, where needed, works together with the CFO to prepare for the board meetings all business that falls within the remit of the board of directors in the subject areas mentioned below in section 3.2. Nevertheless, overall responsibility for the duties assigned to the Audit Committee remains with the entire board of directors.

3.2 Duties

The Audit Committee supports the board of directors in its overall supervisory and management role by performing the necessary preparatory work, audits and investigations in the subject areas that fall within its remit:

- Preparation of the financial statements
- External audit
- Valuation of properties by the independent valuation expert
- Risk management and internal control system (ICS), incl. compliance with laws, ordinances and internal guidelines
- Financing / liquidity management
- Taxes
- Insurance

With respect to the above-mentioned subjects, the Audit Committee has the following standing duties and obligations, in particular:

- Form an independent opinion regarding the quality of the annual financial statements (separate and consolidated financial statements) as well as the quality of the interim financial statements intended for publication, including appraisal reports of estimated market values, and discuss these with Group management, the head of internal audit and the statutory auditor
- Perform a critical analysis to depict significant or special circumstances in the reporting
- Submit a motion to the board of directors indicating whether the separate and consolidated financial statements as well as the annual report (incl. the corporate governance report and compensation report) can be recommended for approval and subsequent publication
- Review the lawfulness of the motion to the general meeting of shareholders regarding the appropriation of retained earnings / dividend
- Discuss with the statutory auditor any material findings made during the audit, the comprehensive report and all management letters or other significant reports regarding the internal control system (ICS) or financial reports that are prepared or proposed by the statutory auditor as well as Group management's responses to such reports. The Audit Committee reports to the board of directors and, where appropriate, proposes practicable solutions and monitors the implementation of measures
- Discuss with Group management and the statutory auditor their opinion of the general quality of financial reporting as well as any estimates that were made by Group management and applied in the financial reporting and also perform a critical analysis
- Assess the performance and remuneration of both the property appraiser and external auditor and ascertain their independence. The Audit Committee also checks that the auditing is compatible with other advisory mandates, where applicable
- Evaluate the effectiveness of the external auditor (statutory auditor)
- Assess, for the attention of the board of directors, the design and effectiveness of the internal control system (ICS) with due consideration of risk management, paying particular attention to the prevention of errors and irregularities or else intentional misrepresentations in the financial reporting as well as the IT infrastructure risks posed by cyber attacks
- Approve the risk report for the attention of the board of directors
- Perform a critical analysis of the quarterly financial statements as well as related supplemental documentation and reports
- Evaluate compliance with laws, regulations, and principles of financial reporting as well as compliance with internal regulations and directives
- Address legal developments that could have a major impact on the Zug Estates Group

- Evaluate, for the attention of the board of directors, the opinions of the board of directors with respect to all material pending or ongoing legal cases
- Perform a critical analysis, for the attention of the board of directors, of the insurance policies of the company and of the Zug Estates Group
- Examine the financial payments between the companies of the Zug Estates Group (esp. management fees) and evaluate these for the attention of the board of directors
- Conduct a critical examination of the reports from Group management in connection with management transactions, obligations pursuant to FMIA as well as the defence strategy
- Evaluate the interest-bearing debt of the company and of the Zug Estates Group
- Examine the financing strategy, come up with a recommendation for the board of directors and review the operational implementation of the decisions
- Evaluate the liquidity management
- Evaluate, for the attention of the board of directors, the tax situation of the Zug Estates Group and the resulting tax strategy, review its implementation, obtain information from Group management regarding the status of tax assessments and examine the results and consequences of tax audits

The Audit Committee then proposes solutions to the board of directors in the event that any discrepancies arise between Group management and the statutory auditor with regard to financial reporting and also offers suggestions for further improvements that could be made within the domains of the specialist areas mentioned above.

3.3 Powers

The Audit Committee may take any steps it deems necessary to it to fulfil the duties mentioned in section 3.2.

3.4 Other duties and powers

The board of directors may, by resolution, assign additional project-based or other specific duties and powers to the Audit Committee.

4 Duties of the chairperson of the Audit Committee

The chairperson of the Audit Committee:

- draws up an annual programme detailing the activities of the Audit Committee;
- defines the agenda items for the meetings of the Audit Committee;
- issues invitations to the meetings of the Audit Committee;
- ensures that minutes of the meetings are taken;
- is responsible for coordination with the chairman/chairwoman of the board of directors and Group management;
- where reasonable and especially on matters concerning motions from Group management to the Audit Committee, works together with the CEO and/or the CFO to prepare the meetings of the Audit Committee; and
- reaches a decision regarding the participation of additional persons at meetings of the Audit Committee and invites them to attend.

The chairperson casts a deciding vote in the event of a tie.

5 Evaluation

The Audit Committee reviews and evaluates the contents of these regulations on a regular basis, however at least once a year, and recommends any amendments needed to the board of directors.

6 Final provisions

6.1 Amendments

These regulations may be amended at any time by way of a resolution of the board of directors.

6.2 Entry into force

These regulations were approved by the board of directors at its meeting on 30 November 2021 and shall enter into force with immediate effect. They replace the earlier regulations of the Audit Committee.