



Grand City Properties S.A.  
*Société Anonyme*  
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(the "**Company**")

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**REMUNERATION REPORT**

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for the  
FINANCIAL YEAR 2019

## Remuneration Report

This Remuneration Report (the “**Report**”) provides detailed information about the remuneration received by the board of directors and the senior management of Grand City Properties S.A. (the “**Company**”) during the financial year 2019. In accordance with article 7ter of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies, as amended (the “**2011 Law**”), implementing the Shareholder Rights Directive II (EU) 2017/828 (the “**Directive**”) hereinafter the system of fixed and variable remuneration for the financial year 2019 shall be summarized.

This Report is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 9 of the annual general meeting of the Company’s shareholders to be held on 24 June 2020 (the “**AGM**”).

## Remuneration Policy

In accordance with article 7ter of the 2011 Law, the Company established a remuneration policy (the “**Policy**”) with respect to the remuneration paid by the Company to its directors which shall have effect as of the financial year 2020. The Company’s remuneration committee established the Policy applicable to the board of directors and the executive management of the Company. The Policy which was acknowledged by the board of directors is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 10 of the AGM.

The Policy shall have effect as of the 2020 financial year.

The Policy is intended to remain in place for four years, i.e. until the annual general meeting to be held in 2024.

In the event of material changes and in any case, every four years, the remuneration policy shall be submitted to the advisory vote the Company’s shareholders.

## **1. INTRODUCTION**

This Report for the financial year 2019 has been prepared in accordance with relevant corporate governance and legal requirements. The board of directors has approved this Report on 20 May 2020 upon recommendation of the Remuneration Committee. This Report provides a description of the 2019 remuneration granted by the Company and its group companies to the board of directors and senior management.

This Report is submitted to the advisory vote of the Company's shareholders in connection with agenda item 9 of the AGM.

With the presentation of the results for the financial year ending 31 December 2019, the Company provided a detailed overview of the relevant facts and developments in the performance and business environment of the Company.

The Company exhibited increasing efficiencies coupled with solid top-line development demonstrated by the like-for-like rental growth of 3.6% which led to strong operational profitability growth year-over-year. The adjusted EBITDA and FFO I, increased by 8% and 7%, respectively as compared to FY 2018.

The Company's policy of maintaining a proactive stance with regards to its conservative financing structure has been particularly beneficial in 2019, as the average cost of debt decreased from 1.6% to 1.3% as of the end of December 2019 and the long average debt maturity period stands at 8 years. For the year 2019, the business generated operational profits sufficient to cover its financial costs (ICR) 6.6 times over, highlighting the solid and stable financing structure of the Company.

Financial statements for FY 2019 are available on the Company's website:

<https://www.grandcityproperties.com/investor-relations/publications/financial-reports/>

## **2. MAIN CONSIDERATIONS OF THE REMUNERATION**

The Company's remuneration structure for the executive board members and senior management is based on fixed and variable compensation and involving long-term and/or short-term incentives. The independent directors' remuneration is based on a fixed amount only.

The overall aim of the Company's remuneration structure is to provide a total compensation to motivate executive management and directors towards the achievement of long-term goals and short-term milestones which promote long-term goals in order to promote the Company's business strategy, long-term value creation and sustainability. It shall provide adequate compensation in consideration of the responsibilities, competency, commitment, workload, time spent and performance of each individual. The Company aims to ensure that the Company continues to attract and retain those individuals who consistently perform at or above expected levels and contribute to the success of the Company. The remuneration

structure shall further ensure a close link between the interests of the executive management and the interests of the Company's stakeholders.

### **3. FIXED REMUNERATION**

During the financial year 2019 the Company paid the following fixed remuneration:

#### **3.1 Base Remuneration, Fees and Allowances**

The non-performance related fixed remuneration for the financial year 2019 was as follows:

##### CEO

The CEO received a fixed compensation for his executive management role within the Company and its Group of annual 174 TEUR gross plus 24 TEUR of fringe benefits.

##### CFO and Chairman of the Board of Directors

The CFO received a fixed compensation for his executive management role within the Company and its Group of annual 430 TEUR plus 89 TEUR of fringe benefits.

##### Independent Directors

The independent directors Mrs. Simone Runge-Brandner and Mr. Daniel Malkin each received a fixed compensation of annually 60 TEUR gross for their mandate in the financial year 2019. In addition, for their mandate as members in the Company's Audit Committee Mrs. Simone Runge-Brandner and Mr. Daniel Malkin each received a fee of annually 40 TEUR gross plus 12 TEUR of fringe expenses.

#### **3.2 Allowances**

The term "allowances" refers to one or more of the following: company car, accommodation, communication and other benefits..

Travel expenses have been reimbursed according to the Company's travel expense policy.

Pension arrangements or other extraordinary items have not been granted.

### **4. SHARE-BASED (VARIABLE) REMUNERATION**

During the financial year 2019, the Company granted the following share-based remuneration to its executive management (CEO and Chairman/CFO) based on the Company's share incentive plans.

## CEO

The Company and the CEO entered into share-based incentive programs as follows:

**Program A** - a fixed amount of shares of 18,000 shares vested annually

**Program B** - since 2020, the CEO is entitled to the following success parameters:

- (i) additional 5,000 shares in case the Company shall receive a A- rating or above until 30 June 2021,
- (ii) additional 5,000 shares if the funds from operations one (FFO I) per share growth of the Company are equal or above 6% in average per year in the following three financial years (2020-2022) and
- (iii) additional 5,000 shares if the net asset value (NAV) per share growth of the Company is equal or above 11% in average per year in the following three financial years (2020-2022).

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A amounted to 340 TEUR, minus all tax deduction.

## Chairman and CFO

The Company and the CFO entered into share-based incentive programs as follows:

**Program A** - relating to a fixed amount of 35,000 shares vested proportionally for the period since 1 July 2016 until 30 June 2020.

**Program B** – relating to a fixed amount of 40,000 shares vested proportionally for the period since 1 July 2019 until 30 June 2022.

**Program C** - a variable amount of shares which linked to the following success parameters:

- (iv) additional 3,500 shares in case the Company shall receive a A- rating or above until 30 June 2021,
- (v) additional 3,500 shares if the funds from operations one (FFO I) per share growth of the Company are equal or above 6% in average per year in the following three financial years (2019-2021) and
- (vi) additional 3,500 shares if the net asset value (NAV) per share growth of the Company is equal or above 11% in average per year in the following three financial years (2019-2021).

All shares vested under Program A and Program B will be delivered at the end of each program. However, it was agreed that CFO shall receive the total vested amount pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the amount vested shall be reduced to 1/3 in order to motivate the CFO to complete the full vesting period.

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A and B amounted to 236 TEUR.

## **5. COMPLIANCE WITH THE REMUNERATION POLICY**

The Company's remuneration policy is presented to the AGM of the Company on 24 June 2020 and is therefore for the first time subject to an advisory non-binding vote of its shareholders. Such remuneration policy is intended to be applicable as of the financial year 2020. Therefore, the Company will report on its compliance with, or in case applicable, any derogations and deviations from its Policy and from the procedure for its implementation with the then applicable remuneration in its remuneration report for the financial year 2020.

In this context, the Company makes reference to the transitional regime as set out in the draft guidelines on the standardised presentation of the remuneration report under the Directive, as communicated by the Commission of the EU.

With regard to the remuneration paid during the financial year 2019, the principles of fixed remuneration and variable remuneration have been reviewed and recommended by the Company's remuneration committee.

## **6. COMPARATIVE INFORMATION OF REMUNERATION**

A comparison with the previous financial years will be provided in the Company's future reports concerning the following financial years. Due to the new implementation of the Directive, the Company was so far not required to report on the specific reporting parameters set out in the Directive concerning the remuneration of its directors. Therefore, the Company will start to provide its comparative information of remuneration with the remuneration report for the financial year 2020, comparing to financial year 2019. Hereinafter, year by year, the Company will fulfil the required comparison of that least five most recent financial years.

In this context, the Company makes reference to the transitional regime as set out in the draft guidelines on the standardised presentation of the remuneration report under the Directive, as communicated by the Commission of the EU.

With regard to the remuneration paid during the financial year 2019, the principles of fixed remuneration and variable remuneration have been reviewed and recommended by the Company's remuneration committee.

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