



Grand City Properties S.A.  
*Société Anonyme*  
37, Boulevard Joseph II  
L-1840 Luxembourg  
R.C.S. Luxembourg: B165560  
  
(the “Company”)

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**REMUNERATION REPORT**

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for the  
Financial Year 2023

## **Remuneration Report**

This Remuneration Report (the “**Report**”) provides detailed information about the remuneration received by the members of the board of directors and the senior management of Grand City Properties S.A. (the “**Company**”) during the financial year 2023 for their service in the Company and its consolidated subsidiaries (together with the Company, the “**Group**”). 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 2023 is presented below.

This Report is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 13 of the annual general meeting of the Company’s shareholders to be held on 26 June 2024 (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 the members of the board of directors and the senior management, which took effect as of the financial year 2021. The Company’s remuneration committee established the Policy applicable to the board of directors and the executive management of the Company. The Policy was acknowledged by the board of directors of the Company and approved by advisory vote of the Company’s general meeting of shareholders in connection with agenda item 10 of the annual general meeting that took place on 24 June 2020.

## 1. INTRODUCTION

This Report for the financial year 2023 has been prepared in accordance with relevant corporate governance and legal requirements. This Report provides a description of the 2023 remuneration granted by the Company and its group companies to members of the board of directors and the senior management.

This Report is submitted to the advisory vote of the Company's shareholders in connection with agenda item 13 of the AGM.

With the presentation of the results for the financial year ending 31 December 2023, the Company provided a detailed overview of the relevant facts and developments in the performance and business environment of the Company.

Net rental income increased by 4% to €411 million, mainly due to the solid like-for-like rental growth of 3.3%. The growth is driven by in-place rent growth of 3.1% and occupancy increase of 0.2%, recording an historic low vacancy rate of 3.8%. The historic low vacancy rate along with the increase in the in-place rent underline the Company's ability to extract rental growth potential and are reflective of the strong positive momentum in the market. Adjusted EBITDA increased to €320, from €308 million in 2022, an increase of 4%. FFO I decreased by 4% to €184 million in 2023, as compared to €192 million in the in 2022. The higher finance expenses and perpetual notes attribution are the main drivers of the decrease in FFO I, while the solid operational growth partially offset the decrease. FFO I per share amounted to €1.07 per share in 2023, as compared to €1.14 per share in 2022. FY 2023 FFO I guidance is therefore achieved at the top of the range.

As part of the full year audited report GCP revalued its full portfolio, recording a like-for-like revaluation loss of 9%. Property revaluation and capital gains amounted to a negative balance of €890 million, as GCP recorded negative revaluation across the entire portfolio. The portfolio has been revalued in full by independent external valuers, bringing the portfolio value to the most up-to-date status. The revaluation loss is driven by higher discount and cap rates as a result of higher interest rates. The yield expansion was partially offset by the operational growth driven by higher in-place rent and lower vacancy. Portfolio valuations remain materially below replacements costs and benefit from the systemic supply/demand imbalance which is resulting in acceleration of rental growth in GCP's portfolio locations.

In 2023, GCP continued its proactive approach of strengthening liquidity, reducing refinance risk and maintaining a conservative financial profile with stable LTV ratio. Successful disposals along with proactive repayment of bonds enhanced the liquidity position of the Company, while the strong operational performance and the suspension of the 2022 dividend allowed GCP to maintain an LTV of 37%, remaining broadly stable compared to the 36% as at the end of 2022. During the year, GCP successfully disposed assets amounting to €306 million, at a slight discount to book value of 3%, thereby generating profit over total cost of €72 million and affirming the company's capacity to successfully dispose properties even in a challenging economic environment.

GCP raised over €550 million of new bank financing in 2023, supporting further its liquidity position. The Company's average cost of debt was 1.9% as at year-end 2023, as compared to 1.3% at year-end 2022. GCP decided to raise secured debt, using its large pool of unencumbered assets, with relatively higher cost of debt compared to its existing debt, and significantly lower compared to the current bond

market, in order to significantly strengthening its liquidity position and extending the refinancing period further, thereby significantly reducing the refinancing risk. As of December 2023, GCP had an average debt maturity of 5.3 years and cash and liquid assets of €1.2 billion, which including signed disposals cover its debt maturities for the next three years, until the end of 2026.

### **Operational and Financial Highlights 2023**

- Top range of FY 2023 guidance achieved.
- Net rental income of €411 million, higher by 4% as compared to €396 million in FY 2022.
- Solid like-for-like rental growth of 3.3%, as a result of in-place rent increase of 3.1% and occupancy increase of 0.2%.
- Historic low vacancy rate of 3.8% as of December 2023, following the strong declining trend from 4.2% as of December 2022 and 5.1% as of December 2021.
- Adjusted EBITDA of €320 million in FY 2023, higher by 4% as compared to €308 million in FY 2022.
- Increased liquidity position by €800 million to €1.2 billion as of December 2023, reflecting 28% of total debt and covering next 3 years of debt maturities until the end of 2026.
- Solid financial position maintained with an LTV ratio of 37% as of December 2023 remaining stable compared to 36% in December 2022
- EPRA LTV (considering perpetual notes as debt) as of December 2023 is 48%, up from 46% in December 2022 due to negative property revaluation.
- ICR ratio of 5.6x and €6.6 billion of unencumbered assets (75% of total portfolio value).
- FFO I of €184 million in 2023 (1.07 per share), lower by 4% as compared to €192 million in 2022, mainly driven by the higher financing cost and perpetual notes attribution.
- Full year negative property revaluation of -9% on a like-for-like basis, primarily driven by higher discount and cap rates.
- Loss of €638 million as a result of the negative property revaluation, offset by strong operational profits.
- EPRA NTA amounted to €4 billion or €23.2 per share as of December 2023.
- Due to current macro-economic environment, the company does not propose to pay dividend for 2023.

Financial statements for the financial year 2023 are available on the Company's website at:

[https://www.grandcityproperties.com/grandcityproperties.com/Data%20Objects/Downloads/Financial%20Reports/FY%202023%20Financials/GCP\\_FY\\_2023.pdf](https://www.grandcityproperties.com/grandcityproperties.com/Data%20Objects/Downloads/Financial%20Reports/FY%202023%20Financials/GCP_FY_2023.pdf)

## **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 involves long-term and/or short-term incentives. The independent directors' remuneration is based on a fixed amount only. With respect to the variable remuneration elements, the Policy provides for certain performance related elements to be considered by the Board of Directors in awarding variable remuneration, including (i) the performance of the price per Company share and (ii) operational performance measured by improvements in the Company's credit rating, funds-from-operations I per share and EPRA net asset value per share ((i) and (ii) together, the "**Key Performance Indicators**").

The Company believes that the variable remuneration of the executive board members and the senior management, with an emphasis on share-based remuneration, creates strong personal incentives for the Company's executives to improve the Key Performance Indicators, resulting in a strong alignment of executives' personal financial interest and the Company's targets with the aims of the Policy. The Company notes that the variable remuneration granted to its executives (for variable remuneration granted as of 1 January 2023 or later) is based on the expectation that its executives will generate returns for the Company's shareholders (as measured by the Company's share price performance) that are at least substantially in line with shareholder returns generated by the Company's peers and substantially achieve the Company's annual guidance. The Board of Directors is empowered to adjust executives' variable remuneration in the event that executives have failed to improve the Key Performance Indicators.

The overall aim of the Company's remuneration structure is to provide a total compensation to motivate the executive board members and senior management towards the achievement of long-term goals and short-term milestones which support 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. SHORT TERM REMUNERATION**

During the financial year 2023, the Company granted the following fixed remuneration:

### **3.1 Fixed Remuneration**

The non-performance related fixed remuneration for the financial year 2023 was as follows:

#### Mr. Refael Zamir (CEO)

The CEO received a fixed compensation for his executive management role within the Company and its Group of annual 450 TEUR gross plus 121 TEUR of allowances gross.

#### Mr. Idan Hadad (CFO)

The CFO received a fixed compensation for his executive management role within the Company and its Group of annual 161 TEUR gross plus 24 TEUR of allowances gross.

Mr. Christian Windfuhr (Executive Director and Chairman of the Board of Directors)

The Chairman received a fixed compensation for his executive management role within the Company and its Group of annual 60 TEUR gross plus 26 TEUR of allowances gross.

Independent Directors

The independent director Simone Runge-Brandner received a fixed compensation of annually 60 TEUR gross and Markus Leininger received a prorated fixed compensation of 25 TEUR gross, for their mandates as Independent Directors during the financial year 2023. Markus Leininger was voted onto the Company's Board of Directors as an Independent Director at the Company's AGM on 28 June 2023. In addition, Simone Runge-Brandner received a fee of annually 40 TEUR gross plus 12 TEUR of allowances for her mandate as members on the Company's Audit Committee.

Daniel Malkin departed from the Company's Board of Directors at the Company's AGM on 28 June 2023 as his mandate was not up for renewal. For his mandates as an Independent Director and member on the Company's audit committee in 2023 he received a prorated fixed compensation of 30 TEUR gross, 20 TEUR gross (prorated) for his mandate as a member on the Company's Audit Committee and an allowance of 6 TEUR, respectively.

### **3.2 Variable Remuneration – Short Term Incentive Payments**

Mr. Refael Zamir (CEO)

During financial year 2023, the Company recorded an expense for a short-term fixed cash incentive granted to Mr. Zamir in the amount of 150 TEUR gross.

Mr. Idan Haddad (CFO)

During financial year 2023, the Company recorded an expense for a short-term fixed cash incentive granted to Mr. Hadad in the amount of 40 TEUR gross.

Mr. Christian Windfuhr (Executive Director and Chairman of the Board of Directors)

Mr. Windfuhr received no short-term fixed cash incentive for the financial year 2023.

### **3.3 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.

## **4. LONG TERM SHARE INCENTIVE REMUNERATION**

As of the financial year 2023, the Company granted the following incentive remuneration to its executive member of the board of directors and the senior management as further described below.

The Company did not reclaim any variable remuneration during the financial year.

Mr. Refael Zamir (CEO)

**Program 3 –**

- I. from 1 July 2021 a fixed amount of 16,000 shares total, vested for a period of three (3) years until 30 June 2024; and
- II. from 1 July 2021 on an award incentive with a vesting period of three years of up to EUR 2.1 million (“Award”), whereby annually 1/3 of the Award is calculated in shares by the average weighted share price of the respective year. Such Award is exercisable on 30 June 2024.

**Program 4 –**

- I. from 1 July 2023 a fixed amount of 140,000 shares total, vested for a period of two (2) years until 30 June 2025;

It was agreed that the CEO shall receive the Program 3 and 4 that vested pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the vested programs shall be reduced to 1/3 in order to motivate the CEO to complete the full vesting period. (except Program 3.I which the CEO shall receive in total in all event of premature terminations)

All shares vested under Program 3 and 4 shall be paid at the end of the program. An immediate acceleration in full of Program 3 and 4 in the event a change of control occurs, was agreed.

During the financial year 2023, the Company recorded an expense for the share-based remuneration to which the employee is entitled in the amount of 844 TEUR gross.

Mr. Idan Hadad (CFO)

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

- from 1 January 2021 a fixed amount of 10,000 shares total, vested for a period of four (4) years until 31 December 2024;
- from 1 January 2023 on an incentive award with a vesting period of three years of up to EUR 160,000 (“Award”), whereby annually 1/4 of the Award is calculated in shares by the average weighted share price of the respective year. Such Award is exercisable on 31 December 2026.

It was agreed that the CFO shall receive the share incentive that vested pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the vested Award shall be reduced to 1/3 in order to motivate the CFO to complete the full vesting period.

During the financial year 2023, the Company recorded an expense for the share-based remuneration to which the employee is entitled in the amount of 92 TEUR gross.

Mr. Christian Windfuhr (Chairman of the Board of Directors)

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

**Program –**

- from 1 January 2020 a fixed amount of 6,000 shares total, vested for a period of four (3) years until 31 December 2023;
- a variable component of
  - 1) additional in total 2,100 shares, vested for a period of three (3) years, out of which annually 700 shares shall be allocated at the end of each year, once the Company maintains its investment grade rating;
  - 2) additional in total 450 shares vested for period of three (3) years, out of which 150 shares shall be allocated at the end of each year, once the Company's financial policy is maintained;
  - 3) and in total 450 shares vested for period of three (3) years, out of which 150 shall be allocated at the end of each year, once the Company reaches during the year an EPRA net asset value growth.

The Chairman's incentive remuneration program concluded at the end of financial year 2023. The Company recorded a total expense for the entire share-based remuneration to which the employee is entitled under the above incentive remuneration program in the amount of 63 TEUR gross.

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

The Company's remuneration policy was presented to the AGM of the Company on 24 June 2020 and was approved by advisory non-binding vote of its shareholders. The remuneration policy is applicable as of the financial year 2021. During the financial year 2023, the Company has conformed the total remuneration package of its executive directors and senior management with the requirements of the Policy. The changes agreed are scheduled to take effect as of financial year 2023 (in the case of one (1) member of the senior management) and 2024 (in the case of one (1) member of the senior management and (1) executive member of the Board of Directors).

Therefore, the Company reports 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 2021.

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

A comparison report is presented below of the remuneration of the Company's senior management, executive, non-executive and independent directors and employees for financial years 2019 to 2023 in TEUR.

With regard to the remuneration granted during the financial year 2023, the principles of fixed remuneration and variable remuneration have been reviewed and recommended by the Company's remuneration committee.



	Refael Zamir					Christian Windfuhr					Idan Hadad
	CEO	CEO/CFO	CEO/CFO	CEO/CFO <sup>1</sup>	CFO/Chairman	Chairman	Chairman	Chairman	CEO/Chairman <sup>2</sup>	CEO	CFO <sup>3</sup>
Grants allocated in TEUR (gross):	<b>2023</b>	2022	2021	2020	2019	<b>2023</b>	2022	2021	2020	2019	<b>2023</b>
<b>SHORT TERM REMUNERATION</b>											
Base Remuneration and Short Term Incentive Payments	<b>600</b>	600	455	400	430	<b>60</b>	60	60	172	174	<b>201</b>
Allowances	<b>121</b>	111	108	98	89	<b>26</b>	26	25	27	24	<b>24</b>
Total	<b>721</b>	711	563	498	519	<b>86</b>	86	85	199	198	<b>225</b>
<b>VARIABLE REMUNERATION:</b>											
Long Term Incentive Remuneration	<b>844</b>	638	811	608	236	<b>63</b>	63	63	341	340	<b>92</b>
<b>TOTAL REMUNERATION</b>	<b>1,564</b>	1,349	1,374	1,106	755	<b>149</b>	149	148	540	538	<b>318</b>

1 Mr. Refael Zamir served as CFO of the Company and as Chairman of the board of directors until 30 September 2020. Effective as of 1 October 2020, Mr Zamir became the Company's CEO (Daily Manager - *administrateur-délégué*) and continued to serve as the Company's CFO until January 2023.

2 Mr Christian Windfuhr served as CEO (Daily Manager - *administrateur-délégué*) until 30 September 2020. Effective as of 1 October 2020 Mr. Christian Windfuhr withdrew from his position as the CEO (Daily Manager - *administrateur-délégué*) in order to replace Mr. Refael Zamir as a member and Chairman of the Board of Directors as of that date.

3 Mr. Idan Hadad became the Company's CFO (Daily Manager - *administrateur-délégué*) as of 23 January 2023.

	Simone Runge-Brandner					Daniel Malkin					Markus Leininger
	Independent Director	Independent Director	Independent Director	Independent Director	Independent Director	Independent Director <sup>4</sup>	Independent Director	Independent Director	Independent Director	Independent Director	Independent Director
grants allocated in TEUR (gross):	<b>2023</b>	2022	2021	2020	2019	<b>2023</b>	2022	2021	2020	2019	<b>2023<sup>5</sup></b>
<b>BASE REMUNERATION, FEES AND ALLOWANCE:</b>											
Annual base remuneration	<b>60</b>	60	60	60	60	<b>30</b>	60	60	60	60	<b>25</b>
Audit Committee	<b>40</b>	40	40	40	40	<b>20</b>	40	40	40	40	/
Allowances	<b>12</b>	12	12	12	12	<b>6</b>	12	12	12	12	/
Total	<b>112</b>	112	112	112	112	<b>56</b>	112	112	112	112	<b>25</b>
<b>VARIABLE REMUNERATION:</b>											
Share-based and cash-bonus payment	/	/	/	/	/	/	/	/	/	/	/
<b>TOTAL REMUNERATION</b>	<b>112</b>	112	112	112	112	<b>56</b>	112	112	112	112	<b>25</b>

Average FTE Compensation in TEUR (gross)	<b>2023</b>	2022 <sup>6</sup>	2021	2020	2019
<b>Grand City Properties S.A. Workforce</b>	<b>62</b>	70	/	/	/

4 Daniel Malkin departed from the Company's Board of Directors at the Company's AGM on 28 June 2023 as his mandate was not up for renewal.

5 Markus Leininger was voted onto the Company's Board of Directors as an Independent Director at the Company's AGM on 28 June 2023.

6 The Company started to report salary per average FTE as of financial year 2022.