

Empire State Realty Trust, Inc.  
Form DEF 14A  
April 05, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No.     )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

Empire State Realty Trust, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:
  
- (4) Date Filed:



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111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor

New York, NY 10120

T (212) 687-8700

F (212) 850-2751

April 5, 2018

Dear Stockholder:

You are invited to attend the Annual Stockholders Meeting of Empire State Realty Trust, Inc., which will be held on Thursday, May 17, 2018, at 11:00 a.m., local (Eastern) time, at State Grill, 21 West 33<sup>rd</sup> Street, New York, New York 10118.

Please refer to the accompanying Notice of Annual Stockholders Meeting and Proxy Statement for detailed information on the meeting and each of the proposals to be considered and acted upon at the meeting.

Your vote is very important. Whether you plan to attend the meeting or not, we ask you please to cast your vote. You may vote your shares via the Internet, by telephone, by mail or in person at the meeting.

We look forward to seeing you at the meeting.

Sincerely,

Anthony E. Malkin

*Chairman and Chief Executive Officer*

**TELEPHONE AND INTERNET PROXY AUTHORIZATION**

**Empire State Realty Trust, Inc. s Class A and Class B common stockholders of record on the close of business on March 8, 2018, the record date for the 2018 Annual Stockholders Meeting, may authorize their proxies by telephone or Internet by following the instructions on their Proxy Card. If you have any question regarding how to authorize your proxy by telephone or Internet, please call (212) 850-2678.**

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111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor

New York, NY 10120

T (212) 687-8700

F (212) 850-2751

April 5, 2018

**NOTICE OF ANNUAL STOCKHOLDERS MEETING**

**To be held on May 17, 2018**

The 2018 Annual Stockholders Meeting of Empire State Realty Trust, Inc., a Maryland corporation, will be held on Thursday, May 17, 2018 at 11:00 a.m., local (Eastern) time, at State Grill, 21 West 33<sup>rd</sup> Street, New York, New York 10118. At the Annual Stockholders Meeting, Class A and Class B common stockholders will be asked to consider and vote upon the following proposals:

- (1) a proposal to elect the seven director nominees named in the enclosed Proxy Statement to serve on our Board of Directors until the next annual stockholders meeting or until their successors are elected and qualified;
- (2) a proposal to approve, on a non-binding, advisory basis, the compensation of our named executive officers; and
- (3) a proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

In addition, stockholders may be asked to consider and act upon any other matter that may properly be brought before the Annual Stockholders Meeting or at any adjournment or postponement thereof. Any action may be taken on the foregoing matters at the Annual Stockholders Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Stockholders Meeting may be adjourned, or to which the Annual Stockholders Meeting may be postponed.

Our Board of Directors has fixed the close of business on March 8, 2018 as the record date for determining the Class A and Class B common stockholders entitled to notice of, to vote at, and to attend, the Annual Stockholders Meeting and any adjournment or postponement thereof. Only holders of record of our Class A common stock and Class B common stock at the close of business on that date will be entitled to such notice, vote, and attendance.

If you do not plan to attend the meeting and vote your shares of common stock in person, we urge you to vote your shares as instructed in the Proxy Statement. If you received a copy of the Proxy Card by mail, you may sign, date and promptly mail the Proxy Card in the postage-paid envelope provided.

If your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares voted.

**Our Board of Directors recommends a vote FOR each of the seven director nominees and FOR each of proposals 2 and 3.**

By Order of our Board of Directors,

Thomas N. Keltner, Jr.

Secretary

**Important Notice Regarding the Availability of Proxy Materials  
for the Annual Stockholders Meeting to be Held on May 17, 2018.  
This Proxy Statement and our 2017 Annual Report to Stockholders  
are available at [www.proxyvote.com](http://www.proxyvote.com).**

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*2018 Proxy Statement*

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April 5, 2018

**PROXY STATEMENT**

We are sending this Proxy Statement and the enclosed Proxy Card(s) to our Class A and Class B common stockholders on or about April 5, 2018, in connection with the solicitation of proxies by the Board of Directors of Empire State Realty Trust, Inc., a Maryland corporation, for use at the 2018 Annual Stockholders Meeting to be held on Thursday, May 17, 2018, at 11:00 a.m., local (Eastern) time, at State Grill, 21 West 33<sup>rd</sup> Street, New York, New York 10118 or at any postponement or adjournment of the meeting. References in this Proxy Statement to (i) we, us, our, ours, and the company refer to Empire State Realty Trust, Inc. and its consolidated subsidiaries and (ii) stockholders refers to holders of our Class A common stock and Class B common stock, unless the context requires otherwise.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL STOCKHOLDERS MEETING**

**Who is entitled to vote at the meeting?**

Holders of record of our Class A common stock and Class B common stock at the close of business on March 8, 2018, which is referred to in this Proxy Statement as the record date, are entitled to attend and vote their shares at the Annual Stockholders Meeting. Holders of Class B common stock are entitled to fifty votes per share, to the extent they own 49 limited partnership units in Empire State Realty OP, L.P. (our operating partnership) for each share of Class B common stock they hold. We may request verification from holders of Class B common stock of their (or their qualified transferees) continued ownership of operating partnership units in connection with the counting of votes associated with Class B common stock.

**Who may attend the meeting?**

You are entitled to attend the Annual Stockholders Meeting only if you were a stockholder of record of shares of Class A common stock or Class B common stock of Empire State Realty Trust, Inc. at the close of business on the record date, or you hold a valid proxy for the meeting. In order to be admitted to the Annual Stockholders Meeting, you must present valid government-issued photo identification (such as a driver's license or passport) and proof of ownership of shares of our common stock on the record date. Proof of ownership can be accomplished through the following:

a brokerage statement or letter from your broker or custodian with respect to your ownership of shares of our common stock on the record date;

the Notice of Internet Availability of Proxy Materials;

a printout of the proxy distribution email (if you receive your materials electronically);

a Proxy Card;

a voting instruction form; or

a legal proxy provided by your broker or custodian.

*Empire State Realty Trust* **1**

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We reserve the right to determine the validity of any purported proof of ownership. For the safety and security of our stockholders, we will be unable to admit you to the Annual Stockholders Meeting if you do not present photo identification and proof of ownership of shares of our common stock or if you otherwise refuse to comply with our security procedures. Cameras, recording devices and other electronic devices will not be permitted, and attendees may be subject to security inspections and other security precautions.

### **Why did I receive a notice in the mail regarding the Internet availability of the proxy materials, instead of a paper copy of the proxy materials?**

Under rules adopted by the Securities and Exchange Commission (the "SEC") we may furnish proxy materials to our stockholders primarily over the Internet, instead of mailing a printed copy. We believe that this process should expedite stockholders' receipt of proxy materials, lower the costs of our Annual Stockholders Meeting and help to conserve natural resources. On or about April 5, 2018, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice of Availability") containing instructions on how to access and review the proxy materials, including this Proxy Statement and our Annual Report, on the Internet and instructions on how to vote on the Internet, in person, or by mail. The Notice of Availability also contains instructions on how to receive a paper or electronic copy of the proxy materials. If you received a Notice of Availability by mail, you will not receive a printed copy of the proxy materials unless you request one. If you received paper copies of our proxy materials, you may also view these materials over the Internet by following the instructions contained in the Notice or Proxy Card. The Proxy Statement and our Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

### **What is the purpose of the meeting?**

At the Annual Stockholders Meeting, you will be asked to vote on the following:

- Proposal 1:*** to elect the seven director nominees named in this Proxy Statement to serve on our Board of Directors until the next annual stockholders meeting or until their successors are duly elected and qualified;
  
- Proposal 2:*** to approve, on a non-binding, advisory basis, the compensation of our named executive officers; and
  
- Proposal 3:*** to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

You may also be asked to consider and act upon any other matters that may properly be brought before the Annual Stockholders Meeting or at any adjournments or postponements thereof.

**What constitutes a quorum?**

The presence, in person or by proxy, of Class A and Class B common stockholders entitled to cast a majority of all votes entitled to be cast at the Annual Stockholders Meeting is necessary to constitute a quorum for the transaction of business at the meeting. Holders of Class A common stock are entitled to one vote per share. Holders of Class B common stock are entitled to fifty votes per share, to the extent they own 49 limited partnership units in our operating partnership for each share of Class B common stock so voted. Holders of Class A common stock and Class B common stock vote together as a single class on the matters to be considered at the Annual Stockholders Meeting, and their votes are counted and totaled together. As of March 8, 2018, 162,258,144 shares of Class A common stock totaling 162,258,144 votes entitled to be cast and, to our knowledge, 1,048,161 shares of Class B common stock (totaling 52,408,050 votes entitled to be cast) were outstanding, so that an aggregate of 214,666,194 votes are entitled to be cast at the Annual Stockholders Meeting. Class A and Class B common stockholders do not have the right to cumulative voting for the election of directors or otherwise.

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### **What vote is needed to approve each proposal?**

The affirmative vote of a plurality of all the votes cast at the Annual Stockholders Meeting at which a quorum is present is necessary for election of each nominee for director named in this Proxy Statement. However, our Policy on Majority Voting requires that any nominee who receives a greater number of votes against than votes for in an uncontested election will, within two weeks following certification of the stockholder vote, submit a written resignation offer to our Board of Directors for consideration by our Nominating and Corporate Governance Committee. See Corporate Governance Matters Policy on Majority Voting. A majority of all the votes cast at the Annual Stockholders Meeting at which a quorum is present is necessary for: (i) approval, on a non-binding, advisory basis, of the compensation of our named executive officers and (ii) ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. Abstentions do not constitute a vote for or against any matter being voted on at the Annual Stockholders Meeting and will not be counted as votes cast. Therefore, abstentions will have no effect on Proposals 1 through 3 or any other matter that may properly be brought before the Annual Stockholders Meeting or at any adjournment or postponement thereof, assuming a quorum is present. Broker non-votes, or proxies from brokers or nominees indicating that such broker or nominee has not received instructions from the beneficial owner or other entity entitled to vote such shares on a particular matter with respect to which such broker or nominee does not have discretionary voting power, will be treated in the same manner as abstentions for purposes of the Annual Stockholders Meeting. There will not be any broker non-votes with respect to Proposal 3, because Proposal 3 is a routine matter on which brokers are permitted to vote without instructions from the beneficial owner. If you are a beneficial owner whose shares of common stock are held of record by a broker, your broker has discretionary voting authority under the New York Stock Exchange, Inc. ( NYSE ) rules to vote your shares on Proposal 3, even if the broker does not receive voting instructions from you. However, under the NYSE rules, your broker does not have discretionary authority to vote on Proposals 1 and 2 or any other matter that may properly be brought before the Annual Stockholder Meeting or any adjournment or postponement thereof without instructions from you, in which case a broker non-vote will occur and your shares of common stock will not be voted on these matters at the Annual Stockholders Meeting. None of the proposals, if approved, entitle any of our stockholders to appraisal rights under Maryland law or our charter.

### **How do I vote?**

***Voting in Person at the Meeting.*** If you are a Class A or Class B common stockholder of record and attend the Annual Stockholders Meeting, you may vote in person at the meeting. If your shares of common stock are held in street name and you wish to vote in person at the meeting, you will need to obtain a legal proxy from the broker, bank or other nominee that holds your shares of common stock of record.

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***Voting by Proxy for Shares Registered Directly in the Name of the Stockholder.*** If you hold your shares of common stock in your own name as a holder of record with our transfer agent, American Stock Transfer & Trust Company, you may instruct the proxy holders named in the Proxy Card how to vote your shares of common stock in one of the following ways:

<i>Vote by</i>	<i>Vote by</i>	<i>Vote by</i>
<i>Internet</i>	<i>Telephone</i>	<i>Mail</i>
<p>You may vote via the Internet by following the instructions provided in the Notice of Availability or, if you received printed materials, on your Proxy Card. The website for Internet voting is printed on the Notice of Availability and/or Proxy Card. Please have your Notice of Availability or Proxy Card in hand. Internet voting is available 24 hours a day until 11:59 p.m., Eastern Time, on May 16, 2018. You will receive a series of instructions that will allow you to vote your shares of common stock. You will also be given the opportunity to confirm that your instructions have been properly recorded. If you vote via the Internet, you do not need to return your Proxy Card.</p>	<p>You also have the option to vote by telephone by calling the toll-free number listed on your Notice of Availability and/or Proxy Card. Telephone voting is available 24 hours a day until 11:59 p.m., Eastern Time, on May 16, 2018. When you call, please have your Notice of Availability or Proxy Card in hand. You will receive a series of voice instructions that will allow you to vote your shares of common stock. You will also be given the opportunity to confirm that your instructions have been properly recorded. If you vote by telephone, you do not need to return your Proxy Card.</p>	<p>If you received printed materials and would like to vote by mail, please mark, sign and date your Proxy Card and return it promptly in the postage-paid envelope provided. If you did not receive printed materials and would like to vote by mail, you must request printed copies of the proxy materials by following the instructions on your Notice of Availability.</p>

***Voting by Proxy for Shares Registered in Street Name.*** If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares of common stock voted.

Please see the Notice of Availability and/or Proxy Card for further instructions on how to submit your vote. If you have any question regarding how to authorize your proxy by telephone or Internet, please call (212) 850-2678.

**May I change my vote after I submit my Proxy Card?**

If you cast a vote by proxy, you may revoke it at any time before it is voted by:

filing a written notice revoking the proxy with our Corporate Secretary at our address;

properly executing and forwarding to us a proxy with a later date; or

appearing in person and voting by ballot at the Annual Stockholders Meeting.

If you attend the Annual Stockholders Meeting, you may vote in person whether or not you have previously given a proxy, but your presence (without further action) at the Annual Stockholders Meeting will not constitute revocation of a previously given proxy.

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**How does the Board recommend that I vote on each of the proposals?**

Our Board of Directors recommends that you vote:

**Proposal 1:** the election of the seven director nominees named in the enclosed Proxy Statement to serve on our Board of Directors until the next annual stockholders meeting or until their successors are elected and qualified; **FOR** each director nominee

**Proposal 2:** the approval, on a non-binding, advisory basis, of the compensation of our named executive officers; and **FOR**

**Proposal 3:** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. **FOR**

**How is my vote counted, and are there any specific voting arrangements in place?**

If you properly execute a proxy, and if we receive it prior to voting at the meeting, or authorize your proxy to vote your shares in person, electronically through the Internet or by telephone, the shares of common stock that the proxy represents will be voted in the manner specified on the proxy. If no specification is made therein, the shares of common stock will be voted (i) FOR election of each of the director nominees named in this Proxy Statement; (ii) FOR approval, on a non-binding, advisory basis, of the compensation of our named executive officers; (iii) FOR ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and (iv) as recommended by our Board of Directors in its discretion with regard to all other matters.

On August 23, 2016, we issued and sold 29,610,854 shares of our Class A common stock at a purchase price of \$21.00 per share to Q REIT Holding LLC, a wholly owned subsidiary of the Qatar Investment Authority, a governmental authority of the State of Qatar ( Q REIT and, together with any wholly-owned eligible assignee, QIA ). As of the record date, the shares purchased by QIA represented a 9.9% fully diluted economic interest in our company (inclusive of all outstanding operating partnership units, including any long term incentive plan units). Pursuant to the terms of a Stockholders Agreement that we entered into with QIA on August 23, 2016, QIA has agreed to limit its voting power on all matters coming before our stockholders (whether at a meeting, or by written consent) to no more than 9.9% of the total number of votes entitled to be cast on such matter. Accordingly, 8,090,901 shares of the Class A common stock held by QIA on the record date (representing the number of shares held by QIA that are in excess of such 9.9% threshold, or the Excess Shares ) will be voted at the Annual Stockholders Meeting in the same manner and proportion as the votes cast by all other stockholders on such matters. QIA has granted our Board of Directors an irrevocable proxy to vote the Excess Shares in such manner and proportion. In addition, QIA has agreed under the Stockholders Agreement to vote all of its shares that are not the Excess Shares in favor of the election of each of the director nominees named and recommended by our Board of Directors in this Proxy Statement.

It is not anticipated that any matter other than those set forth in the Proxy Statement will be presented at the meeting. No stockholder proposals or nominations were received on a timely basis, so no such matters may be brought to a vote at the Annual Stockholders Meeting. In any case, if other matters are presented, proxies will be voted at the discretion of the proxy holders.

**What other information should I review before voting?**

For your review, we make available free of charge through our website at *www.empirestaterealtytrust.com*, under the section Investors/SEC Filings, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Further, we will provide, without charge to each stockholder upon written request, a copy of our and our operating partnership's Annual Reports on Form 10-K

*Empire State Realty Trust* 5

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(including our consolidated financial statements, schedules and list of exhibits), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Requests for copies should be addressed to Corporate Secretary, Empire State Realty Trust, Inc., 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120. Copies may also be accessed electronically by means of the SEC's home page on the Internet at [www.sec.gov](http://www.sec.gov). Neither our Annual Report on Form 10-K for the year ended December 31, 2017 nor the 2017 Annual Report to Stockholders shall constitute a part of the proxy solicitation materials.

## **What should I do if I received more than one Notice of Availability?**

There are circumstances under which you may receive more than one Notice of Availability. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each such brokerage account. In addition, if you are a stockholder of record and your shares are registered in more than one name, you will receive more than one Notice of Availability. Please authorize your proxy in accordance with the instructions of each Notice of Availability separately, since each one represents different shares that you own.

## **Cautionary Note Regarding Forward-Looking Statements**

This Proxy Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. You can identify forward-looking statements by the use of terminology such as believes, expects, may, will, should, seeks, approximately, intends, contemplates, aims, continues, would or anticipates, or the negative of these words and phrases, or similar words or phrases. In particular, statements pertaining to our capital resources, portfolio performance, acquisitions, dividend policy, results of operations and anticipated market conditions and demographics contain forward-looking statements.

Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. They depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

*changes in our industry or real estate markets, either nationally or in Manhattan or the greater New York metropolitan area;*

*resolution of legal proceedings involving the company;*

*reduced demand for office or retail space;*

*fluctuations in attendance at the observatory;*

*new office or observatory development in our market;*

*general volatility of the capital and credit markets and the market price of our Class A common stock and our publicly-traded operating partnership units;*

*changes in our business strategy;*

*changes in technology and market competition, which affect utilization of our broadcast or other facilities;*

*changes in domestic or international tourism, including geopolitical events and currency exchange rates;*

*defaults on, early terminations of, or non-renewal of leases by, tenants;*

*bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;*

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*fluctuations in interest rates;*

*increased operating costs;*

*declining real estate valuations and impairment charges;*

*termination or expiration of our ground leases;*

*availability, terms and deployment of capital;*

*our failure to obtain necessary outside financing, including our unsecured revolving credit and term loan facility;*

*our leverage;*

*decreased rental rates or increased vacancy rates;*

*our failure to generate sufficient cash flows to service our outstanding indebtedness;*

*our failure to redevelop and reposition properties, or to execute any newly planned capital project, successfully or on the anticipated timeline or at the anticipated costs;*

*difficulties in identifying properties or portfolios to acquire and completing acquisitions;*

*risks of real estate development (including our Metro Tower development site), including the cost of construction delays and cost overruns;*

*inability to manage our properties and our growth effectively;*

*inability to make distributions to our securityholders in the future;*

*impact of changes in governmental regulations, tax laws and rates and similar matters;*

*failure to continue to qualify as a real estate investment trust ( REIT );*

*a future terrorist event in the U.S.;*

*environmental uncertainties and risks related to adverse weather conditions and natural disasters;*

*lack or insufficient amounts of insurance;*

*misunderstanding of our competition;*

*changes in real estate and zoning laws and increases in real property tax rates;*

*inability to comply with the laws, rules and regulations applicable to our company; and*

*risks associated with security breaches through cyberattacks, cyber intrusions or otherwise, as well as other significant disruptions of our technology (IT) networks related systems, which support our operations and our buildings.*

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. You should not rely on them as predictions of future events. We disclaim any obligation to update or revise publicly any forward-looking statement to reflect changes in underlying assumptions, new information, data or methods, future events or other changes after the date of this Proxy Statement, except as required by applicable law.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

Our Board of Directors currently consists of seven members, each serving for a term of one year or until his/her successor is duly elected and qualified. Peter L. Malkin, our Chairman Emeritus, may attend meetings of our Board of Directors, but does not have board member voting status.

At the Annual Stockholders Meeting, stockholders will be asked to elect each of the director nominees to serve until the 2019 annual stockholders meeting or until their successors are duly elected and qualified. Our Board of Directors, upon recommendation of the Nominating and Corporate Governance Committee, has nominated Anthony E. Malkin, William H. Berkman, Leslie D. Biddle, Thomas J. DeRosa, Steven J. Gilbert, S. Michael Giliberto and James D. Robinson IV to serve as directors. Each of the nominated persons currently serves as a member of the Board and has consented to being named in this Proxy Statement and to serve as a director, if elected. If any nominee is unable to accept election, proxies voted in favor of such nominee will be voted for the election of such other person or persons as our Board of Directors may select.

The election of each nominee requires the affirmative vote of a plurality of all the votes cast at the Annual Stockholders Meeting at which a quorum is present in person or by proxy. However, our Policy on Majority Voting requires that any nominee who receives a greater number of votes against than votes for in an uncontested election will, within two weeks following certification of the stockholder vote, submit a written resignation offer to our Board of Directors for consideration by our Nominating and Corporate Governance Committee. See Corporate Governance Matters Policy on Majority Voting.

We believe that each of our director nominees has the specific experience, qualifications, attributes, and skills necessary to serve as an effective director on our Board of Directors. A description of our process for identifying and evaluating director nominees, as well as our criteria for membership on our Board of Directors, is set forth under the heading Corporate Governance Matters Consideration of Director Candidates.

**Our Board of Directors unanimously recommends a vote FOR each director nominee.**

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**Table of Contents****Information Regarding the Nominees**

The following table and biographical descriptions set forth certain information with respect to each nominee for election as a director at the Annual Stockholders Meeting. The biographical information includes the specific experience, qualifications, attributes and skills that led to the conclusion by our Board of Directors that such person should serve as a director.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Committee</b>
Anthony E. Malkin	55	Chairman of our Board of Directors	
William H. Berkman	53	and Chief Executive Officer Independent Director	Finance Committee (Chair)  Nominating and Corporate Governance Committee
Leslie D. Biddle	51	Independent Director	Audit Committee  Nominating and Corporate Governance Committee
Thomas J. DeRosa	60	Independent Director	Audit Committee
Steven J. Gilbert	71	Lead Independent Director	Compensation Committee  Finance Committee  Nominating and Corporate Governance Committee
S. Michael Giliberto	67	Independent Director	Audit Committee (Chair)



			Finance Committee
			Nominating and Corporate Governance Committee

James D. Robinson IV	55	Independent Director	Compensation Committee (Chair)
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Nominating and Corporate Governance Committee (Chair)

**Anthony E. Malkin**

**Chairman and Chief Executive Officer**

Anthony E. Malkin, a director since November 2011, is our Chairman and Chief Executive Officer. He joined our predecessor entities in 1989. Mr. Malkin has been a leader in existing building energy efficiency retrofits through coordinating the team of Clinton Climate Initiative, Johnson Controls, JLL, and Rocky Mountain Institute in a groundbreaking project at the Empire State Building ([www.esbnyc.com](http://www.esbnyc.com)). Mr. Malkin led the development of standards for energy efficient office tenant installations which is now known as the Tenant Energy Optimization Program at the Urban Land Institute. Mr. Malkin is a board member of the Real Estate Roundtable and Chair of its Sustainability Policy Advisory Committee, a member of the Urban Land Institute, member of the Board of Governors of the Real Estate Board of New York, member of the Partnership for New York City’s Innovation Council, member of the Building Committee of the Metropolitan Museum of Art, and a member of the Committee Encouraging Corporate Philanthropy. Mr. Malkin received a bachelor’s degree cum laude from Harvard College.

Mr. Malkin was selected to serve as a member of our Board of Directors based on his history with and knowledge of the company and his performance and achievements in his capacity as Chairman of the Board and Chief Executive Officer of the company.

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**William H. Berkman**

**Independent Director**

William H. Berkman, a director since October 2013, is an entrepreneur and investor in the communications, media, technology and energy industries. Since January 2000, he has been the Co-Managing Partner at Associated Partners, LP and its predecessor partnership, Liberty Associated Partners, LP, both investment partnerships with Liberty Media Corporation that own controlling interests in wireless communications infrastructure companies AP Wireless Infrastructure Services, LLC and AP Towers, LLC. Mr. Berkman has co-founded multiple other telecommunications companies, such as Current Group, Teligent, Inc. and Nextel Mexico. Mr. Berkman previously served as a member of the board of directors for public companies IAC/InterActiveCorp, Liberty Satellite & Technology, Inc. and Teligent, Inc. He serves as a member of the board of directors for The Partnership for New York City and the Partnership's Fund for New York City. Mr. Berkman holds multiple patents for smart electric grid and communications systems. He has an A.B. from Harvard University, and in 1997, his family established the Berkman Center for Internet & Society at Harvard Law School. Mr. Berkman is a member of the 2009 class of Henry Crown Fellows and the Aspen Global Leadership Network at the Aspen Institute.

Mr. Berkman was selected to serve as a member of our Board of Directors because of his experience as an investor and as a director of publicly traded companies.

**Leslie D. Biddle**

**Independent Director**

Leslie D. Biddle, a director since March 2017, is currently a Partner and President at Serengeti Asset Management. Prior to joining Serengeti in 2013, Ms. Biddle spent nearly 10 years at Goldman Sachs, where she was most recently Global Head of Commodity Sales and the Chief Financial Officer of the firm's investments in the metals and mining sector. She held positions as head of Power, Metals/Industrial, Latin American and Environmental Commodities. Ms. Biddle was responsible for many of the structured transactions in the private equity and power spaces including the monetization of the Allegheny DWR Contract, the structuring of Calpine Construction Finance Company hedge, the Texas Genco acquisition, the Northern Tier Energy financing and the TXU leveraged buyout. Ms. Biddle was also a member of the firm's Finance Committee, Business Practices Committee, Firmwide New Activity Committee, Structured Investment Products Committee, and European Audit and Compliance Committee. She was named Managing Director in 2004 and Partner in 2006. Prior to joining Goldman Sachs, Ms. Biddle was a Vice President at the AES Corporation focusing on project finance and power plant development. She also served as a Vice President at the Overseas Investment Corporation, providing political risk insurance and financing to U.S. companies expanding overseas. She holds an A.B. from Colby College, where she is Vice Chair of the Board of Trustees.

Ms. Biddle was selected to serve as a member of our Board of Directors based on her extensive experience in global investment and finance.

**Table of Contents****Thomas J. DeRosa****Independent Director**

Thomas J. DeRosa, a director since October 2013, is currently Chief Executive Officer and a member of the board of directors of Welltower, Inc. (formerly, Health Care REIT, Inc.) (NYSE: WELL), a real estate investment trust that invests in senior living and health care real estate. Previously, he served as the Vice Chairman and Chief Financial Officer of the Rouse Company, a leading owner, operator and developer of commercial real estate and master planned residential communities, from September 2002 until November 2004 when it was merged with General Growth Properties, Inc. (NYSE: GGP). Prior to joining the Rouse Company, Mr. DeRosa spent over 20 years in investment banking. From 1992 to September 2002, Mr. DeRosa held various positions at Deutsche Bank AG (NYSE: DB), including Global Co-Head of the Health Care Investment Banking Group, and at Alex Brown & Sons, including Managing Director of the Real Estate Investment Banking Group. Mr. DeRosa also served as a member of the board of directors of Dover Corporation (NYSE: DOV), a manufacturer and service provider for a broad range of specialized products and components, from 2007 to 2010, and as a member of the board of directors of CBL & Associates Properties, Inc. (NYSE: CBL), a real estate investment trust that invests in mall properties, from 2010 to 2015. Mr. DeRosa is a member of the board of directors of Value Retail PLC, a U.K.-based owner, operator and developer of luxury outlet shopping villages in Europe. Mr. DeRosa served on the board of directors of Georgetown University from 2007 to 2013. Mr. DeRosa currently is Governor of the World Economic Forum, a member of the Advisory Board of the Health Care and Pharmaceutical Management Program at Columbia Business School, a member of the Business Advisory Council of Lincoln Center for the Performing Arts and a Director of CECP, The CEO Force for Good which was founded by our Chairman Emeritus and actor and philanthropist, Paul Newman. He is a frequent speaker on the growth of aging populations and the devastating impact of dementia on people, their families and health care delivery systems. Mr. DeRosa was the 2016 National Honoree of The Alzheimers Association. Mr. DeRosa received a bachelor's degree from Georgetown University and an M.B.A. from Columbia University.

Mr. DeRosa was selected to serve as a member of our Board of Directors because of his extensive experience as a senior executive and director of public NYSE listed companies, including real estate investment trusts.

**Steven J. Gilbert****Lead Independent Director**

Steven J. Gilbert, a director since October 2013, has over 45 years of experience in private equity investing, investment banking and law, and he has invested in and managed numerous companies during his career. Mr. Gilbert has served as Chairman of the board of directors of Gilbert Global Equity Partners, L.P., a private equity fund since 1998, as Vice Chairman of the Executive Board of MidOcean Capital Partners, L.P., a private equity firm since 2005, and as Co-Chairman of Birch Grove Capital, a credit hedge fund since 2013. Mr. Gilbert also serves as a director of MBIA, Inc. (NYSE: MBI), a provider of financial guarantee insurance, fixed-income asset management and other specialized financial services, since 2011, as Chairman of the Board of TRI Pointe Homes, Inc. (NYSE: TPH), a single family home builder, since 2013, as a director of Oaktree Capital Group LLC (NYSE: OAK), a global alternative investment manager, and a director of The Fairholme Funds (NASDAQ: FAIRX). He was previously Director of Waterpik, Inc., a manufacturer of personal and oral healthcare products, from 2013 to 2017, Vice Chairman of Stone Tower Capital, a leading independent investment manager, from 2010 to 2012, and Chairman and Senior Managing Director of SUN Group (USA), an investment firm, from 2007 to 2009. Within the past five years, Mr. Gilbert has served as Chairman of the board of directors of DURA Automotive Systems, Inc., an independent designer and manufacturer of driver control systems, CPM Holdings, Inc. (HKG: 0906), a manufacturer of process equipment used for oilseed and animal feed production, Co-Chairman of True Temper Sports, Inc., a manufacturer of golf shafts and precision sports equipment, and director of Olympus Re, a reinsurance company, as well as director of several privately held companies. Mr. Gilbert is a member of the Writer's Guild of America (East) and the Council on

Foreign Relations and a director of the Lauder Institute at the University of Pennsylvania. He was previously a Trustee of the New York University Langone Medical Center. Mr. Gilbert received a bachelor's degree in economics from the Wharton School at the University of Pennsylvania, a law degree from the Harvard Law School, and an M.B.A. from Harvard Business School.

Mr. Gilbert was selected to serve as a member of our Board of Directors based on his extensive experience leading companies in the financial services industry and serving as a director of public NYSE listed companies.

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**Table of Contents****S. Michael Giliberto****Independent Director**

S. Michael Giliberto, a director since October 2013, currently consults with investment management firms and has produced the Giliberto-Levy Commercial Mortgage Performance Index, an index that measures the investment performance of institutional-grade commercial mortgage whole loans, since 1993. He has consulted for several major real estate investment management firms and serves on the Advisory Committee on Real Estate at the University of Washington and on the Real Estate Advisory Committee for the New York State Common Retirement Fund. He previously served as Director of Portfolio Strategy and Senior Portfolio Manager at J.P. Morgan Asset Management from 2002 to 2010, and before that, he served as the head of Real Estate Research at J.P. Morgan Investment Management from 1996 to 2002. Prior to joining J.P. Morgan, Mr. Giliberto worked at Lehman Brothers, Inc. in the Fixed-Income Research department from 1993 to 1996 and at Salomon Brothers Inc. in the Real Estate Research department from 1989 to 1992. Before his career in the financial services industry, Mr. Giliberto was a professor in the Real Estate and Urban Land Economics Department at Southern Methodist University in Dallas, Texas. Mr. Giliberto has authored multiple publications about real estate investment, performance, asset allocation and capital markets, and he has been an Adjunct Professor at Columbia University's Graduate School of Business since 2007. In the past, he has served on the Real Estate Information Standards Board, and he was a director of the Pension Real Estate Association, where he served as Treasurer and Chairman and was awarded the 1996 Graaskamp Award for research excellence. Mr. Giliberto received a bachelor's degree from Harvard College, a master's degree in business economics from the University of Hartford, and a Ph.D. in finance from the University of Washington, and is a Fellow of the Royal Institution of Chartered Surveyors.

Mr. Giliberto was selected to serve as a member of our Board of Directors based on his extensive experience in real estate investment and finance.

**James D. Robinson IV****Independent Director**

James D. Robinson IV, a director since January 2015, is currently a Founder and Managing Partner at RRE Ventures. He has been active within the technology community for over 30 years, and has led investments in and served on the boards of more than 40 technology companies. Mr. Robinson's core focus is on businesses that are transforming industries by leveraging network effects, intelligence and decentralization. He is a Co-Founder and Director of Abra, and a Director of HYPR, Netsertive, NihaoPay, Noom, OLO, Pebblepost and TheSkimm. Mr. Robinson is a Board Observer at Digital Currency Group (DCG), Earn.com (21), Bitpay, and 8i. In addition, he led early investments in Chain, Culinary Agents, Gem, Paxos, Ripple and Token. Previous investments include Wisdomtree (WETF), Vocera (VCRA), Broadsoft (BSFT), iCrossing (Hearst), RevolutionMoney (American Express), SmartPay (Ping An), Enpirion (Altera), GoldPocket/Wireless (Tandberg/Motricity), Metapath (Marconi), Mixed Signals (Tektronix), Rubric (Broadbase), Telocity (Hughes), Vastera (VAST/JP Morgan) and Red Brick Systems (REDB). Mr. Robinson has been recognized on the Forbes Midas List of Top 100 VC's, as well as Institutional Investors' Top Fintech Investors. Before founding RRE, Mr. Robinson was co-founder of Intervideo Response, an in-stadium touchscreen ordering startup. Previously, he worked at H&Q Venture Capital and J.P. Morgan & Co. Earlier, he founded IV Systems (Unix applications). Mr. Robinson holds an MBA from Harvard and a joint degree in Computer Science & Business Administration from Antioch College. He is a director of the New York City Partnership Investment Fund and the HBS Alumni Angels.

Mr. Robinson was selected to serve as a member of our Board of Directors based on his more than 30 years of management and board experience in his industry, which drives the bulk of the business and job growth in our market.

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**Table of Contents****Our Chairman Emeritus and Our Executive Officers**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Anthony E. Malkin	55	Chairman and Chief Executive Officer
Peter L. Malkin	84	Chairman Emeritus
John B. Kessler	53	President and Chief Operating Officer
David A. Karp	58	Executive Vice President and Chief Financial Officer
Thomas P. Durels	56	Executive Vice President, Real Estate
Thomas N. Keltner, Jr.	71	Executive Vice President, General Counsel and Secretary

**Peter L. Malkin****Chairman Emeritus**

Peter L. Malkin is our Chairman Emeritus. Peter L. Malkin joined his father-in-law and Malkin Holdings LLC's co-founder, Lawrence A. Wien, as a principal of Malkin Holdings LLC in 1958, and was responsible for the syndication and supervision of property acquisitions and operations of Malkin Holdings LLC. Peter L. Malkin is the founding chairman and a director of the Grand Central Partnership, The 34th Street Partnership and The Fashion Center Business Improvement District, each of which is a not-for-profit organization that provides supplemental public safety, sanitation and capital improvement services to a designated area in midtown Manhattan. Peter L. Malkin is also Co-Chairman of the Emeritus Council of Directors of Lincoln Center for the Performing Arts, Inc. (having been the longest serving board member of that institution), Founding Chairman and currently Co-Chairman of the Dean's Council of the Harvard Kennedy School, Co-Chair Emeritus of The Real Estate Council of the Metropolitan Museum of New York, founding Co-Chair with Paul Newman and Co-Chair Emeritus of the Committee Encouraging Corporate Philanthropy, a member of the Global Wealth Management Advisory Committee of Bank of America, a member of the Advisory Committee of the Greenwich Japanese School, a partner in the New York City Partnership and Chamber of Commerce and a director of the Realty Foundation of New York. Peter L. Malkin received a bachelor's degree summa cum laude, Phi Beta Kappa, from Harvard College and a law degree magna cum laude from Harvard Law School.

**John B. Kessler****President and Chief Operating Officer**

John B. Kessler serves as our President and Chief Operating Officer. From 2010 to 2013, Mr. Kessler was a Managing Director in the credit business for Fortress Investment Group LLC (NYSE: FIG), where he focused on real estate. From 1993 to 2010, Mr. Kessler held various positions in real estate at Morgan Stanley (NYSE: MS), including Global Chief Financial Officer for the Morgan Stanley Real Estate (MSRE) investing business and Managing Director. He also managed MSRE's core equity funds and separate accounts business. Mr. Kessler is a member of the Urban Land Institute and the Real Estate Board of New York. Mr. Kessler received a bachelor's degree cum laude from Harvard College where he studied Engineering Sciences and an M.B.A. from the University of Chicago Booth School of Business.

**David A. Karp****Executive Vice President and Chief Financial Officer**

David A. Karp is our Executive Vice President and Chief Financial Officer. Mr. Karp joined our predecessor in November 2011 and is responsible for our activities relating to finance, capital markets and investor relations. Prior to joining our predecessor, from February 2006 to February 2011, Mr. Karp served as Managing Director and Chief Financial Officer, and from February 2009 to February 2011, he served as Chief Operating Officer of Forum Partners Investment Management, a global real estate private equity firm, where he was responsible for both firm-level and fund-level financial management and strategy, including risk management, treasury, foreign exchange and interest rate hedging, budgeting and debt financing. From January 1996 to August 2005, Mr. Karp served as President, Chief Operating Officer and Chief Financial Officer of Falcon Financial Investment Trust (NASDAQ: FLCN), a publicly-traded real estate investment trust, and its predecessor. Mr. Karp received a bachelor's degree summa cum laude in Economics, Phi Beta Kappa, from the University of California, Berkeley, and an M.B.A. in Finance and Real Estate from the Wharton School at the University of Pennsylvania.



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**Thomas P. Durels**

**Executive Vice President, Real Estate**

Thomas P. Durels is our Executive Vice President, Real Estate. Mr. Durels is responsible for all of our real estate activities, including leasing, property redevelopment, management and construction. Mr. Durels joined our predecessor in 1990 where he served in similar capacities, and also supervised property acquisitions. Prior to joining our predecessor, from February 1984 to April 1990, he served as Assistant Vice President at Helmsley Spear, Inc., where Mr. Durels was responsible for construction and engineering for its portfolio of office, hotel, residential and retail properties. Mr. Durels is a member of the Real Estate Board of New York, the Urban Land Institute and the Young Men's and Women's Real Estate Association, for which he served as Treasurer in 2003, and is a licensed real estate broker in New York and Connecticut. Mr. Durels received a bachelor's degree in Mechanical Engineering from Lehigh University.

**Thomas N. Keltner, Jr.**

**Executive Vice President, General Counsel and Secretary**

Thomas N. Keltner, Jr. is our Executive Vice President, General Counsel and Secretary. Mr. Keltner joined our predecessor in 1978, became its first general counsel in 1997, and is responsible for leading a legal staff that provides and coordinates legal services in our transaction, compliance, and litigation matters. Mr. Keltner has served on the New York Advisory Board of the Stewart Title Insurance Company and as chairman and member of bar association committees on both real estate and business entities. He is a member of the Real Estate Board of New York. From 1974 to 1975, he served as law clerk to Judge Alfred P. Murrah, U.S. Court of Appeals (10th Circuit), and then spent three years as an attorney in the real estate finance group at Shearman & Sterling before joining our predecessor. Mr. Keltner received a bachelor's degree cum laude from Harvard College and a law degree as a Stone Scholar from Columbia Law School.

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### **INFORMATION ABOUT OUR BOARD OF DIRECTORS AND ITS COMMITTEES**

Our Board of Directors has affirmatively determined that each of our directors, other than Mr. Malkin, is independent under the NYSE listing standards and the company's director independence standards. For a discussion of our Board of Directors leadership structure and role in risk oversight, see "Corporate Governance Matters" in this Proxy Statement.

Our Board has four standing committees: an Audit Committee, a Compensation Committee, a Finance Committee and a Nominating and Corporate Governance Committee. The current charter for each of these committees is available on our corporate website at [www.empirestaterealtytrust.com](http://www.empirestaterealtytrust.com) under the "Investors/Governance Documents" section. Further, we will provide a copy of these charters without charge to any stockholder upon written request. Requests for copies should be addressed to: Corporate Secretary, Empire State Realty Trust, Inc., 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120. From time to time, our Board also may create additional committees for such purposes as our Board may determine.

#### **Audit Committee**

We have a standing Audit Committee, consisting of S. Michael Giliberto (Chair), Leslie D. Biddle and Thomas J. DeRosa. Each of the current members of the Audit Committee is independent and financially literate as such terms are defined by the applicable rules of the SEC and/or NYSE. Our Board of Directors has also determined that each of them is an audit committee financial expert as defined in the rules promulgated by the SEC under the Sarbanes-Oxley Act of 2002, as amended.

We have adopted an Audit Committee Charter, which outlines the principal functions of the Audit Committee, including assisting our Board of Directors in overseeing:

our financial reporting, auditing and internal control activities, including the integrity of our financial statements;

our compliance with legal and regulatory requirements and ethical behavior;

the independent auditor's qualifications and independence;

the performance of our internal audit function and independent auditor; and

the preparation of Audit Committee reports for inclusion in this Proxy Statement.

The Audit Committee is also responsible for engaging our independent registered public accounting firm, reviewing with our independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by our independent registered public accounting firm, reviewing the independence of our independent registered public accounting firm, considering the range of audit and non-audit fees, and reviewing the adequacy of our internal accounting controls.

Additional information regarding the functions performed by our Audit Committee is set forth in the Audit Committee Report included in this Proxy Statement.

### **Compensation Committee**

We have a standing Compensation Committee, consisting of James D. Robinson IV (Chair) and Steven J. Gilbert, each of whom is independent as defined by the applicable rules of the NYSE and is a non-employee director as defined by the applicable rules and regulations of the SEC.

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We have adopted a Compensation Committee Charter, which outlines the principal functions of the Compensation Committee, including:

reviewing and approving on an annual basis the corporate goals and objectives relevant to the compensation paid by us to our chief executive officer and the other members of our senior management team, evaluating the performance of our chief executive officer and the other members of our senior management team in light of such goals and objectives, and determining and approving the remuneration of our chief executive officer and the other members of our senior management team based on such evaluation;

reviewing and making recommendations to the Board of Directors with respect to non-executive director compensation;

overseeing any equity-based remuneration plans and programs;

assisting our Board of Directors and its Chairman in overseeing the development of executive succession plans;

preparing and recommending to the Board of Directors for inclusion in the annual proxy statement the Compensation Committee report;

retaining and approving the compensation of any compensation advisors; and

evaluating the independence of any such compensation advisors.

**Finance Committee**

We have a standing Finance Committee, consisting of William H. Berkman (Chair), Steven J. Gilbert, and S. Michael Giliberto. We have adopted a Finance Committee Charter, which outlines the principal functions of the Finance Committee, including:

assisting the Board of Directors in its oversight of our capital structure, financial policies and strategies; and

at the request of the Board of Directors, providing advice to management, and a vote on management's recommendations to the Board of Directors, regarding the debt and equity structure of the company, which may include: (i) the company's path to a credit rating and credit rating strategies, (ii) the company's hedging program, if any, and the policies and procedures governing the use of financial instruments, and (iii) material terms of the company's issuance of debt and equity securities and authorization for stock repurchases and stock splits.

## **Nominating and Corporate Governance Committee**

We have a standing Nominating and Corporate Governance Committee, consisting of James D. Robinson IV (Chair), William H. Berkman, Leslie D. Biddle, Steven J. Gilbert and S. Michael Giliberto, each of whom is independent as such term is defined by the applicable rules of the NYSE.

We have adopted a Nominating and Corporate Governance Committee Charter, which outlines the principal functions of the Nominating and Corporate Governance Committee, including:

providing counsel to our Board of Directors with respect to the organization, function and composition of our Board of Directors and its committees;

developing and implementing procedures and exercising oversight of the Board's annual self-evaluation and the Board's evaluation of management and reporting thereon to our Board of Directors;

periodically reviewing, and if appropriate recommending to our Board of Directors changes to, our corporate governance policies and procedures, including our Code of Business Conduct and Ethics;

identifying and recommending to our Board of Directors potential director candidates for nomination; and

recommending to our Board of Directors the appointment of each of our executive officers.

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### **Meetings of the Board and its Committees**

During 2017, our Board of Directors held four meetings, and its committees held the following number of meetings: Audit Committee nine meetings; Compensation Committee five meetings; Finance Committee four meetings; Nominating and Corporate Governance Committee four meetings. In 2017, except for one absence by one director from one off-cycle committee meeting, each director attended 100% of the meetings of our Board of Directors and of each committee of our Board of Directors on which such director served. The non-executive directors also regularly hold executive sessions in which our management does not participate. For a discussion of the leadership structure of our Board of Directors and its role in risk oversight, see Corporate Governance Matters in this Proxy Statement.

### **Board of Directors and Committee Self-Evaluations**

Throughout the year, our Board of Directors discusses corporate governance practices with management and third party advisers to ensure that the Board and its committees follow practices that are optimal for the company and its stockholders. As part of this process, the Board conducts an annual self-evaluation in order to determine whether it and its committees are functioning effectively. With concurrence from the Board, the Nominating and Corporate Governance Committee develops and implements procedures for the design and implementation of the Board self-evaluation process. In 2017, our Board again engaged a third party service provider to assist with developing and administering a director self-assessment questionnaire, with topics that included Board and committee composition and culture, Board and committee meetings and administration, the company's strategy and performance, succession planning and risk management. Our Chairman and Chief Executive Officer and Lead Independent Director conferred with various Board members and each committee Chair to summarize the questionnaire responses and recommendations for discussion with the Board. At its next in-person meeting, each committee and the Board held a discussion of these topics.

### **Compensation of Directors**

Members of our Board of Directors who are not independent receive no additional compensation for their services as directors. Effective from re-election on May 11, 2017, each independent director receives an annual base retainer for his or her services of \$200,000. The annual base retainer is paid, at such director's election, either: (i) 40% in cash and 60% in long term incentive units of partnership interest in our operating partnership ( LTIP units ) issued pursuant to the First Amended and Restated Empire State Realty Trust, Inc. and Empire State Realty OP, L.P. 2013 Equity Incentive Plan (as amended, our Equity Incentive Plan ) and/or restricted shares of our Class A common stock under our Equity Incentive Plan, or (ii) 100% in the form of such LTIP units and/or restricted shares of our Class A common stock, in each case with such equity awards to vest *pro rata* on an annual basis over a period of three years. The independent director who is appointed as the lead independent director (currently Steven J. Gilbert) receives an additional annual cash retainer of \$75,000. The chair of each of the Audit Committee, Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee of our Board of Directors receives an additional annual cash retainer of \$15,000, \$12,500, \$12,500 and \$10,000, respectively. In addition, each independent director who serves on the Audit, Compensation, Finance, and Nominating and Corporate Governance Committees of our Board of Directors, other than in the capacity of chair, receives an additional annual cash retainer of \$5,000 per committee. Independent directors and committee members are generally not eligible to receive fees for attending

meetings of our Board of Directors or meetings of committees of our Board of Directors. However, to the extent that our Board of Directors or a particular committee meets in excess of eight times per annum, the independent director or committee members, as applicable, will receive a fee of \$1,500 for attending each such meeting of the Board of Directors or meeting of the committee in excess of such threshold. We also reimburse each of our independent directors for his or her travel expenses incurred in connection with attendance at Board of Directors and committee meetings. In 2017, the Compensation Committee and Board of Directors consulted an independent compensation consultant regarding current levels and trends in director compensation at peer and other public companies, including a benchmarking analysis by the consultant, to assess the alignment of the company's compensation policies with peers and market practice.

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The following table sets forth the compensation earned by each of our independent directors for the year ended December 31, 2017:

Name <sup>(1)</sup>	2017 Director Compensation Fees Earned or		
	Paid in Cash <sup>(2)</sup>	Stock Awards <sup>(2)(3)</sup>	Total
	(\$)	(\$)	(\$)
William H. Berkman	11,832	190,002	201,834
Leslie D. Biddle <sup>(4)</sup>	35,809	190,002	225,811
Alice M. Connell <sup>(5)</sup>	10,426		10,426
Thomas J. DeRosa	6,502	190,002	196,504
Steven J. Gilbert	99,434	190,002	289,436
S. Michael Giliberto	97,547	113,994	211,541
James D. Robinson IV	73,469	113,994	187,463

(1) The Stock Awards were made in the form of LTIP units that vest *pro rata* on an annual basis over a period of three years after the date of grant, subject to their continued service as director and acceleration in the event an independent director has a termination of service on account of death or disability (as defined in our Equity Incentive Plan). Amounts shown do not reflect compensation actually received by the named director. Instead, the amount shown is the aggregate grant date fair value of LTIP units issued to the director as determined pursuant to Financial Accounting Standards Board's Accounting Standards Codification Topic 718 Compensation Stock Compensation, or FASB ASC Topic 718, which is equal to \$19.60 per unit. The assumptions used to calculate the grant date fair value of such awards are set forth under Note 9 of the Notes to the 2017 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(2) For the annual period beginning May 11, 2017, Ms. Biddle and Messrs. Berkman, DeRosa and Gilbert each elected to receive 100% of their annual base retainer in LTIP units, while Messrs. Giliberto and Robinson each elected to receive their annual base retainer 60% in LTIP units and 40% in cash.

(3) As of December 31, 2017, Messrs. Berkman and DeRosa each held 17,651 unvested LTIP units, Ms. Biddle held 9,694 unvested LTIP units, Mr. Gilbert held 15,248 unvested LTIP units, Mr. Giliberto held 11,370 unvested LTIP units, and Mr. Robinson held 13,773 unvested LTIP units.

(4) Ms. Biddle was appointed to the Board of Directors effective March 6, 2017.

(5) Ms. Connell served as a director until her untimely death on February 24, 2017. Amounts reported in the table above are amounts paid to her for her service to us in 2017 prior to such date.



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**CORPORATE GOVERNANCE MATTERS**

This section of our Proxy Statement contains information about a variety of our corporate governance policies and practices. We have structured our corporate governance in a manner which we believe closely aligns our interests with those of our stockholders. You are encouraged to visit our website at [www.empirestaterealtytrust.com](http://www.empirestaterealtytrust.com) to view or obtain copies of our Corporate Governance Guidelines, committee charters, and Code of Business Conduct and Ethics. The information found on, or accessible through, our website is not incorporated into, and does not (including, with respect to sustainability, as noted below) form a part of, this Proxy Statement or any other report or document we file with or furnish to the SEC. You may also obtain, free of charge, a copy of our Corporate Governance Guidelines, committee charters, and Code of Business Conduct and Ethics by directing your request in writing to Corporate Secretary, Empire State Realty Trust, Inc., 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120. Additional information relating to the corporate governance of our company is also set forth below and included in other sections of this Proxy Statement.

We are committed to good corporate governance, which strengthens the accountability of our Board of Directors and promotes the long-term interests of our stockholders. The lists below highlight our independent Board and leadership practices and notable stockholder rights, as further discussed in this Proxy Statement.

Independent Board and Leadership Practices	Stockholder Rights
Majority of directors are independent (6 out of 7 current directors)	Frequent stockholder engagement efforts
Lead Independent Director has well-defined responsibilities	Mandatory director resignation policy for directors receiving less than a majority of votes cast in uncontested elections
All Board committees are composed of independent directors	Stockholder proxy access, recently adopted in part in response to investor feedback
Board is committed to refreshment and diversity	All directors elected annually (declassified Board)
Company has broad risk oversight practices, including cybersecurity and other critical evolving areas	Annual, advisory say-on-pay voting
Independent directors conduct regular executive sessions	No stockholder rights plan (i.e., no poison pill)

Directors maintain open communication and strong working relationships among themselves and regular access to management

Directors conduct annual Board and committee self-assessment process with third party support

Directors adhere to Minimum Share Ownership Guidelines

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### **Corporate Governance Guidelines**

Our Board of Directors has adopted Corporate Governance Guidelines which address significant issues of corporate governance, including among others director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, director self-evaluation, management responsibilities, management succession, annual performance evaluation of management by our Board of Directors, and meeting procedures. These guidelines meet or exceed the listing standards adopted by the NYSE, on which our Class A common stock is listed. Our Nominating and Corporate Governance Committee is responsible for assessing and periodically reviewing the adequacy of the Corporate Governance Guidelines and will recommend, as appropriate, proposed changes to our Board of Directors.

### **Code of Business Conduct and Ethics**

Our Board of Directors has adopted a Code of Business Conduct and Ethics which applies to our directors, officers and employees and is reviewed and overseen by our Nominating and Corporate Governance Committee. Among other matters, our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;

compliance with applicable governmental laws, rules and regulations;

prompt internal reporting of violations of the Code to appropriate persons identified in the Code; and

accountability for adherence to the Code of Business Conduct and Ethics.

Any waiver of the Code of Business Conduct and Ethics for our directors or executive officers may be made only by our Board of Directors or one of our Board committees. We intend to disclose on our website any amendment to, or waiver of, any provision of the Code of Business Conduct and Ethics that would be required to be disclosed under the rules of the SEC or the NYSE.

### **Director Independence**

**Background.** Our Corporate Governance Guidelines provide that a majority of our directors serving on our Board of Directors must be independent as required by the listing standards of the NYSE. In addition, our Board of Directors

has adopted director independence standards that assist our Board of Directors in making determinations with respect to the independence of directors.

***Independence determinations made by our Board of Directors.*** Our Board of Directors has determined, based upon its review of all relevant facts and circumstances and after considering all applicable relationships of which our Board of Directors has knowledge between or among the directors and the company or our management, that each of our directors, other than Anthony E. Malkin, has no material relationship with us (either directly or as a partner, stockholder, director or officer of an organization that has a relationship with us) and is independent as defined in the NYSE listing standards and our director independence standards. No director participated in the final determination of his own independence.

### **Consideration of Director Candidates**

The Nominating and Corporate Governance Committee considers candidates it identifies and properly submitted stockholder recommendations for candidates for membership on our Board of Directors, as described below under Identifying and evaluating candidates for director and Board diversity. In evaluating such candidates, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience,

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diversity and capability on our Board of Directors and to address the membership criteria set forth below under Director qualifications. Any stockholder recommendation for consideration by the Nominating and Corporate Governance Committee should include the nominee's name and qualifications for Board of Directors membership. The recommending stockholder should also submit evidence of the stockholder's ownership of our shares, including the number of shares owned and the length of time of ownership. The recommendation should be addressed to the Corporate Secretary, Empire State Realty Trust, Inc., 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120.

***Director qualifications.*** Our Corporate Governance Guidelines contain the membership criteria for our Board of Directors. Directors should (a) possess the highest personal and professional ethics and integrity, exercise good business judgment, and be committed to representing the long-term interests of the company and our stockholders, (b) have an inquisitive and objective perspective, practical wisdom and mature judgment, and (c) serve our goal of diversity in professional experience and expertise to provide a range of viewpoints relevant to our business.

Directors must be willing to devote sufficient time and effort to carrying out their duties and responsibilities effectively and should be committed to serve on our Board of Directors for an extended period of time. A director who also serves as chief executive officer or holds an equivalent position at another company should not serve on more than two other boards of public companies in addition to our Board of Directors, and other directors should not serve on more than four other boards of public companies in addition to our Board of Directors. Pre-existing positions in excess of these limits may be maintained, unless our Board of Directors determines that doing so would impair the quality of the director's service to our Board of Directors.

The Nominating and Corporate Governance Committee (a) ensures that any potential nominee is not an employee or agent of, and does not serve on the board of directors or similar managing body of, any of our competitors and (b) determines whether the potential nominee has a material interest in any transaction to which we are a party.

***Identifying and evaluating candidates for director.*** The Nominating and Corporate Governance Committee regularly identifies, reviews and discusses potential new candidates for director who could be valuable assets to our Board and to the company. The Nominating and Corporate Governance Committee considers whether, among other things, such candidates' backgrounds and experiences would align with the company's long-term strategy, enhance the Board's diversity and preserve the dynamic and effective culture that it believes exists in the Board's current composition. The Nominating and Corporate Governance Committee also takes the results of the Board's annual self-evaluation into account when considering Board candidates and composition.

The Nominating and Corporate Governance Committee may identify or solicit recommendations for director nominees from any or all of the following sources: non-management directors, the Chairman and Chief Executive Officer, other executive officers, third-party search firms or any other source it deems appropriate. As described above, the Nominating and Corporate Governance Committee will also consider candidates recommended by stockholders. At the majority of its in-person meetings, the Nominating and Corporate Governance Committee reviews the Board's current composition and its on-going list of potential new candidates for director.

The Nominating and Corporate Governance Committee routinely reviews and evaluates the qualifications and background of any director candidate whom it selects or who is proposed in accordance with its charter. In identifying and evaluating director candidates, the Nominating and Corporate Governance Committee may consider, in addition to the minimum qualifications for its recommended director nominees, all facts and circumstances that it deems appropriate or advisable, including the skills of the proposed director candidate, his or her depth and breadth of business experience, his or her independence and the needs of the Board. Once the Nominating and Corporate Governance Committee has identified candidates, the Board selects nominees to be voted upon by the stockholders.



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Prior to a vote as to whether a potential nominee is recommended to our Board of Directors, each member of the Nominating and Corporate Governance Committee is provided reasonable access to such potential nominee. Such access includes a reasonable opportunity to interview such potential nominee in person or by telephone and to submit questions to such potential candidate. In addition, each potential nominee provides the Nominating and Corporate Governance Committee with a written detailed biography and identifies the committees of our Board of Directors on which the potential nominee would be willing to serve.

**Board diversity.** Diversity is an important objective at our company and for our Board. We look at diversity in all of its manifestations, including current and past business activities, and our Board represents diversity in age, perspectives and experience, and we value each component as a link to new ideas and constituents.

We are committed to maintain and improve diversity within the limitations of our Board size, as we believe our stockholders benefit from the deep engagement and responsiveness of our seven member Board. We had 100% attendance at each of our Board and committee meetings in 2017 (except one absence by one director from one off-cycle committee meeting). In addition, each director individually conducts a separate conference with our Chairman and Chief Executive Officer and President during each period between quarterly Board meetings.

Our last Board vacancy (upon the death of Alice M. Connell in 2017) was filled by a woman, Leslie D. Biddle. We will continue to look for opportunities to enhance diversity on our Board. Our Board of Directors does not discriminate on the basis of race, color, national origin, gender, religion, disability, or sexual preference in selecting director candidates. The Nominating and Corporate Governance Committee will evaluate all proposed director candidates whom it considers or who have been properly recommended to it by stockholders based on the same criteria and in substantially the same manner, without regard to the source of the initial recommendation of the proposed director candidate.

## **Policy on Majority Voting**

Our Board of Directors has adopted a policy regarding the election of directors in uncontested elections. Pursuant to such policy, in an uncontested election of directors, any nominee who receives a greater number of votes affirmatively against his or her election than votes for his or her election will, within two weeks following certification of the stockholder vote with respect to such election, submit a written resignation offer to our Board of Directors for consideration by our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee will consider the resignation offer and, within 60 days following such certification, make a recommendation to our Board of Directors concerning the acceptance or rejection of the resignation offer. Our Board of Directors will take formal action on the recommendation no later than 90 days following such certification. We will publicly disclose, in a Current Report on Form 8-K or periodic report filed with the SEC, the decision of our Board of Directors, including an explanation of the process by which the decision was made and, if applicable, its reason or reasons for rejecting the tendered resignation.

## **Leadership Structure of Our Board of Directors**

Our Board of Directors understands there is no single, generally accepted approach to providing board leadership and does not have a fixed policy regarding the separation of the roles of Chief Executive Officer and Chairman of our Board of Directors. Given the dynamic and competitive environment in which we operate, the Board believes that the



appropriate leadership may vary as circumstances warrant and that currently it is in our company's best interests to have Anthony E. Malkin serve as Chairman of our Board of Directors and Chief Executive Officer, because combining these roles in him promotes effective leadership, taps his depth of knowledge about our company and assets, and provides the clear focus needed to execute our business strategies and objectives.

Except for our Chairman, our Board of Directors consists entirely of independent directors. Further, our Board has appointed Steven J. Gilbert as Lead Independent Director, to assume duties which include chairing executive sessions of the independent directors, reviewing and commenting on Board agendas prior to meetings, facilitating communications, resolving any conflict among directors or between directors and senior management, and consulting with and providing counsel to our Chief Executive Officer as needed or requested.

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### **Stockholder Outreach**

Our Board of Directors and senior management believe that engaging in stockholder outreach is an essential element of strong corporate governance. We strive for a collaborative approach on issues of importance to investors and continually seek to understand better the views of our investors on such issues. Our senior management team engages with our stockholders throughout the year in a variety of forums and discusses, among other things, our business strategy and overall performance, executive compensation program and corporate governance.

Leading up to our 2017 annual stockholders meeting, our Lead Independent Director, the Chairman of the Compensation Committee and/or members of senior management, contacted more than 46 stockholders representing more than 89% of our outstanding Class A common stock regarding matters to be voted on at the meeting, including executive compensation, corporate governance, and related matters of interest to the stockholders. We shared the feedback received during this outreach process with all members of the Board, who discussed it and considered it a point of reference in all actions which followed. For information on some of our subsequent actions, see [Adoption of Proxy Access](#), and [Compensation Discussion and Analysis](#) Executive Summary [Stockholder Engagement on Executive Compensation](#).

### **Adoption of Proxy Access**

As a result of our stockholder engagement efforts described above and our commitment to good corporate governance, in March 2018 we adopted a proxy access bylaw, enabling our eligible stockholders to include their own director nominees in our proxy materials along with candidates nominated by the Board, so long as such stockholder-nominees meet certain requirements, as set forth in our amended bylaws and summarized below.

An eligible stockholder, or eligible group of no more than 20 stockholders, may include director nominees in the company's proxy materials for our annual meetings of stockholders for a maximum number of director nominees not to exceed 20% of the number of directors then in office. To be eligible, such stockholder, or group of stockholders, must, among other requirements:

have owned shares of common stock equal to at least 3% of the aggregate issued and outstanding shares of common stock of the company continuously for at least the prior three (3) years;

represent that such shares were acquired in the ordinary course of business and not with the intent to change or influence control at the company and that such stockholder or group does not presently have such intent; and

provide a notice requesting the inclusion of director nominees in the company's proxy materials and provide other required information to the company not earlier than 150 days nor later than 120 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting of stockholders (with adjustments if the date for the upcoming annual meeting of stockholders is advanced or delayed by more than 30 days from the anniversary date of the prior year's annual meeting).

Additionally, all director nominees submitted through these provisions must be independent (pursuant to the requirements under the rules of the primary stock exchange on which the common stock of the company is listed, the SEC and any publicly disclosed standards used by the Board of Directors, as well as the audit committee and compensation committee independence requirements under the rules of the primary stock exchange on which the common stock of the company is listed) and meet specified additional criteria. Stockholders will not be entitled to utilize this proxy access right at an annual meeting if the company receives notice through its traditional, advanced-notice bylaw provisions that a stockholder intends to nominate a director at such meeting. The foregoing proxy access right is subject to additional eligibility, procedural and disclosure requirements set forth in our bylaws. See also Other Matters Director Nominees (Proxy Access).

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### **Our Board of Directors Role in Risk Oversight**

While risk management is primarily the responsibility of our senior management team, our Board of Directors plays an active role in overseeing management's processes and controls to address our company's risks. The committees of our Board of Directors assist the full Board in such risk oversight on the specific matters within the purview of each committee: the Audit Committee on financial risks; the Compensation Committee on risks relating to executive compensation arrangements; the Finance Committee on risks relating to our capital structure and strategies; and the Nominating and Corporate Governance Committee on reputational and corporate governance risks, including potential conflicts of interest and director independence. While each committee assumes certain responsibilities for evaluating certain risks and overseeing management's plan regarding such risks, the full Board of Directors keeps itself regularly informed regarding such risks through committee reports and otherwise.

Our company's senior management team reports to our Board of Directors on the company's tenant base, leverage policies, any material litigation, compliance with applicable REIT rules, cybersecurity, and other risk-related matters. Our Chief Information Officer presents a cybersecurity update at each quarterly Audit Committee meeting and cybersecurity is an area reviewed by internal audit testing. In addition, members of our Board of Directors routinely meet with members of senior management in connection with our business generally, matters submitted for review or approval by our Board, and related risks.

In addition to our Board of Directors' review of risks applicable to our company generally, the Board conducts an annual self-assessment in order to evaluate performance for the purpose of improving Board and committee processes and effectiveness. See [Information About Our Board of Directors and its Committees](#) Board of Directors and Committee Self-Evaluations.

We maintain a Disclosure Committee consisting of certain executives and senior employees. Our Disclosure Committee meets at least quarterly and additionally as often as circumstances dictate to ensure the accuracy, completeness and timeliness of our disclosure statements, and to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. The purpose of our Disclosure Committee brings employees from our core business lines together with employees involved in the preparation of our financial statements to consider the information required to be disclosed to the company's stockholders, the SEC and the investment community. Our Disclosure Committee reports to our Chief Executive Officer and Chief Financial Officer and its findings are shared with the Audit Committee.

### **Executive Sessions of Independent Directors**

The independent members of our Board of Directors meet in executive session after each regularly scheduled meeting of our Board of Directors without the presence of any persons who are part of our management. The executive sessions are chaired by our Lead Independent Director.

### **Director Attendance at Annual Stockholders Meetings**

We encourage each member of our Board of Directors to attend each annual stockholders meeting in person, and all such members did so in 2017, as in prior years.

### **Audit Committee Financial Experts**

Our Board of Directors has determined that each of the members of our Audit Committee, S. Michael Giliberto, Leslie D. Biddle and Thomas J. DeRosa, is an audit committee financial expert as defined in Item 407(d)(5) of SEC Regulation S-K, and that each of them is independent as such term is defined by the applicable rules of the SEC and NYSE.

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### **Communications with Our Board of Directors**

We have a process by which stockholders and/or other parties may communicate with our Board of Directors, our independent directors as a group, or our individual directors by e-mail or regular mail. Any such communication may be made anonymously. All communications by e-mail should be sent to Investor Relations at [ir@empirestaterealtytrust.com](mailto:ir@empirestaterealtytrust.com). Communications sent by regular mail should be sent to the attention of the Board of Directors, the Independent Directors, the Lead Independent Director, any of the Chairs of the Audit Committee, Compensation Committee, Finance Committee, or Nominating and Corporate Governance Committee, in each instance in care of the company's Chief Financial Officer at the company's office at 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120.

The company's Chief Financial Officer will review each communication received in accordance with this process to determine whether the communication requires immediate action. All appropriate communications received, or a summary of such communications, will then be forwarded to the appropriate member(s) of our Board of Directors. However, we reserve the right to disregard any communication that the company's Chief Financial Officer determines is unduly hostile, threatening, illegal, unrelated to the company, or otherwise inappropriate.

### **Whistleblower Policy**

Our Audit Committee has adopted procedures for (i) the anonymous and confidential submission by employees or other interested parties of complaints or concerns regarding violations of securities laws or questionable accounting, internal accounting controls or auditing matters, and (ii) the receipt, retention and treatment of employee complaints or concerns regarding such matters. If you wish to contact our Audit Committee to report complaints or concerns relating to the financial reporting of our company, you may do so via our hotline at (855) 326-9626, via email at <https://reportlineweb.com/empirestaterealtytrust>, or in writing to our General Counsel or the Chairman of our Audit Committee, Empire State Realty Trust, Inc., 111 West 33<sup>rd</sup> Street, 12<sup>th</sup> Floor, New York, New York 10120. Any such communication may be made anonymously.

### **Sustainability**

Our Board of Directors encourages and supports our company's strong focus on social, environmental and governance issues which materially impact our business and are most critical to our stakeholders. Sustainability is a key item of such focus.

The company is committed to integrate portfolio-wide strategies for energy-efficiency. We also have requirements in our buildings for practices to enhance overall building health during construction and to maintain sustainable operations. Our program is structured around quantifiable improvement in these key areas: energy efficiency, water efficiency, healthy work environments for our tenants and employees, recycling, and waste diversion.

Our industry-leading energy efficiency and sustainability work, which we first undertook at the Empire State Building, continues to be implemented throughout our entire portfolio. Because our tenants' energy usage impacts our overall building performance, we partner with our tenants to drive return-on-investment-based energy efficiency by

monitoring our reduction in energy consumption for our buildings and tenants. Our energy efficiency practices not only help save tenants money through reduced direct utility costs, they also create healthy workplace environments. To the extent the energy sources we use produce carbon, there are lower carbon emissions from our comprehensive work.

We completed a groundbreaking deep energy retrofit project at the Empire State Building, which serves as the leading global model demonstrating the business case for deep energy retrofits. All project information is publicly available and open source at [www.esbsustainability.com](http://www.esbsustainability.com). We developed practices for high performing tenant installations and our Chairman and Chief Executive Officer led the program which made that information available as the Tenant Energy Optimization Program at the Urban Land Institute for which project information is publicly available and open source at <https://tenantenergy.uli.org>.

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84% of our portfolio measured by square feet is Energy Star Certified. Energy Star-certified buildings meet strict energy performance standards set by the Environmental Protection Agency. They use less energy and are less expensive to operate.

We recycle tenant waste and construction debris throughout our entire portfolio. We utilize a suite of water consumption and waste mitigation practices and devices. We do not participate in The Global ESG Benchmark for Real Assets (GRESB), and we no longer pursue Leadership in Energy and Environmental Design (LEED) certification. We have a fundamental belief that these programs do not promote the core values of our sustainability programs which are built around investment and return-oriented measures of success and measurable benefits to our employees and our tenants. We believe that paying fees to not-for-profits for certifications we believe are of questionable value does not advance sustainability, and in fact in many instances distracts from it.

Our focus is on facts reported clearly, and our innovation in sustainability gives us a competitive edge as we attract and compete to lease space to quality tenants, and thus improve stockholder value.

Our Chairman and Chief Executive Officer speaks nationally and internationally on the subject of energy efficiency in the existing built environment. He is also the Chair of the Real Estate Roundtable's Sustainability Policy Advisory.

We are also industry leaders and have achieved recognition for our leadership in energy performance, green leasing, purchasing of renewable energy, the Urban Land Institute's Tenant Energy Optimization Program, and Energy Star for Tenant Spaces. We received the Environmental Protection Agency's Energy Star Green Power and a Green Lease Leaders Awards.

Our sustainability matrix is included below and other data, information and achievements regarding our sustainability program are available on our website at [www.empirestaterealtytrust.com/about-us/sustainability](http://www.empirestaterealtytrust.com/about-us/sustainability).

Our sustainability priorities, shaped by our Sustainability Committee that includes our Chairman and Chief Executive Officer, other named executive officers, a number of our senior executives, property construction and operations executives, and an outside consultant, have been customized over time and reflect the company's proactive leadership and commitment to results. We continue to grow our sustainability initiatives based upon innovation and continuous feedback from our tenants and other constituencies.



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**SUSTAINABILITY MATRIX**

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### **COMPENSATION DISCUSSION AND ANALYSIS**

This section of our Proxy Statement discusses the principles underlying our executive compensation policies and decisions. It also provides quantitative and qualitative information about the manner and context in which compensation is awarded to, and earned by, our named executive officers. Finally, it seeks to place such information in perspective by reference to certain market data.

Throughout this Proxy Statement, our Chairman and Chief Executive Officer, Anthony E. Malkin, our President and Chief Operating Officer, John B. Kessler, our Executive Vice President and Chief Financial Officer, David A. Karp, our Executive Vice President, Real Estate, Thomas P. Durels, and our Executive Vice President, General Counsel and Secretary, Thomas N. Keltner, Jr., are referred to as our named executive officers or executives.

## **Executive Summary**

### ***Executive Compensation Philosophy***

Our executive compensation program is intended to align incentives for executives with achievement of our business strategies, to encourage our management to focus on creating growth in value for our stockholders, and to retain our executives. In order to meet these objectives, our executive compensation program is designed to provide:

an appropriate link between compensation and the creation of stockholder value by granting compensation through equity awards, including awards tied to absolute and relative total stockholder return;

a significant portion of compensation in the form of multi-year performance-based and time-based equity awards designed to attract and retain highly talented executives in a highly competitive market;

incentive compensation that places a strong emphasis on financial results, with the flexibility to adjust for operational and individual performance; and

balanced incentives that do not promote excessive risk-taking.

### ***Financial, Operational and Stock Performance Highlights***

A long-standing principle of our executive compensation program is to link pay to performance. Accordingly, when making compensation decisions, we analyze and assess our financial and stock performance and execution on our strategic and operational initiatives, the success of which may or may not be obvious based upon only a review of financial and stock performance. As set forth below, during 2017, and since our initial public offering ( IPO ) in October 2013, the company has delivered strong financial and stock performance and made significant progress on its long-term strategic goals.

We are a self-administered and self-managed REIT that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area, including the Empire State Building, the

world's most famous building. Detail regarding our financial results is presented in our Annual Report on Form 10-K for the period ending December 31, 2017, filed by us with the SEC on February 28, 2018 and provided to you concurrently with this Proxy Statement. We provide the summary financial information in this Proxy Statement solely to assist your review of this Compensation Discussion and Analysis and your evaluation of the compensation of our named executive officers. This summary should not be used as a substitute for the detailed financial information in our 2017 Annual Report on Form 10-K.

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*Highlights Since Our IPO*

The charts below show our growth during 2014 through 2017 (in thousands of dollars) in core funds from operations ( Core FFO ), net income, cash net operating income ( NOI ), Manhattan re-leasing spreads, and dividends per share:

<sup>(1)</sup> See page 68 of the company's Annual Report on Form 10-K for the period ending December 31, 2014 and page 64 of the company's Annual Report on Form 10-K for the period ending December 31, 2017 for a reconciliation of Core FFO to GAAP measures.

<sup>(1)</sup> See Appendix A for a reconciliation of Cash NOI to GAAP measures.

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(1) Previous escalated rent per square foot ( PSF ) is adjusted for space re-measurement.

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*Performance Relative to Peers*

Our company maintains differentiated positioning relative to its peers, in particular the several public REITs primarily focused in the office REIT sector that have their principal offices and much of their portfolio located in New York or similar high barrier markets. The charts below show our performance relative to these select peers in same store cash NOI growth, increases in mark-to-market rents in Manhattan and our net debt to EBITA ratio.

<sup>(1)</sup> Peer group includes SL Green Realty Corp., Boston Properties, Inc., Paramount Group, Inc. and Vornado Realty Trust.

<sup>(1)</sup> Reflects new and renewal leases. Peer group includes SL Green Realty Corp., Paramount Group, Inc. and Vornado Realty Trust.

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(1) 2013 based on fourth quarter EBITDA annualized. 2014, 2015, 2016 and 2017 EBITDA are calculated based on trailing twelve months EBITDA. Net debt is as of December 31, 2013, 2014, 2015, 2016 and 2017.

(2) Peer group includes Boston Properties, Inc., Paramount Group, Inc. and SL Green Realty Corp. as of December 31, 2017 for net debt/EBITDA and Boston Properties, Inc., Paramount Group, Inc., SL Green Realty Corp. and Vornado Realty Trust as of December 31, 2017 for net debt/enterprise value.

In addition, the chart below shows cumulative capital expenditures since our IPO, a critical planned aspect of our redevelopment and repositioning strategy, as we near completion of the improvements we planned as part of that strategy from the time of our IPO.

(1) Includes all cumulative capital expenditures since our IPO, excluding tenant improvements and leasing commission costs, which are primarily attributable to the redevelopment and repositioning program conducted at our Manhattan office properties and the Empire State Building Observatory capital project announced in 2017.

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*2017 Highlights*

In addition to the results shown above, we achieved the following during 2017:

Signed 167 leases, representing 1,293,700 rentable square feet across the total portfolio, achieving a 30.8% increase in mark-to-market rent over previously fully escalated rents on new, renewal, and expansion leases; 128 of these leases, representing 865,251 rentable square feet, were within the Manhattan office portfolio (excluding the retail component of these properties) achieving a 35.6% increase in mark-to-market rent on new, renewal and expansion leases over previously fully escalated rents.

Signed 12 leases, representing 95,360 rentable square feet within the Manhattan retail portfolio, achieving an 82.7% increase in mark-to-market rent on new, renewal, and expansion leases over previously fully escalated rents.

Signed 78 new leases representing 724,390 rentable square feet in 2017 for the Manhattan office portfolio (excluding the retail component of these properties), achieving an increase of 41.4% in mark-to-market rent over expired previously fully escalated rents.

Occupancy and leased percentages at December 31, 2017:

Total portfolio was 89.6% occupied; including signed leases not commenced ( SLNC ), the total portfolio was 92.2% leased.

Manhattan office portfolio (excluding the retail component of these properties) was 89.0% occupied; including SLNC, the Manhattan office portfolio was 92.1% leased.

Retail portfolio was 92.0% occupied; including SLNC, the retail portfolio was 93.9% leased.

Empire State Building was 93.6% occupied; including SLNC, the Empire State Building was 94.2% leased.

Achieved Empire State Building Observatory revenue growth of 1.8% to \$127.1 million from \$124.8 million in 2016.

Amended and restated the company's \$1.1 billion undrawn, unsecured revolving credit facility and \$265 million term loan, which extended the revolving credit facility maturity, lowered the borrowing costs and added flexibility to the financial covenants.



In the second and third quarters of 2017, refinanced all \$336 million of 2017 mortgage maturities with \$315 million in new longterm fixed rate mortgages with a lower weighted average interest rate.

In December 2017, entered into an agreement to issue and sell an aggregate principal amount of \$450 million of senior unsecured notes in a private placement, of which \$115 million was sold and purchased in December 2017 and \$335 million was sold and purchased in March 2018, the net proceeds of which were used for repayment of 2018 mortgage indebtedness and to maintain cash balances.

Recognized lease termination fee income, included in other revenues and fees, of \$13.6 million.

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*Stock Performance*

Our Compensation Committee places considerable emphasis on our total shareholder return ( TSR ) and financial and operational performance in determining our named executive officers' cash bonuses and equity awards. The graph set forth below is a comparison of the cumulative total stockholder return on our Class A common stock, the Standard & Poor's 500 Index, the FTSE NAREIT All Equity Index and the FTSE NAREIT Equity REIT Office Index. The graph assumes that \$100.00 was invested on October 7, 2013, the date of our IPO, and that dividends were reinvested without the payment of any commissions.

The graph set forth below shows our annual TSR performance since the IPO relative to the indicated indices.

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***Chairman and Chief Executive Officer Compensation and Program Highlights***

We tie a significant portion of our Chairman and Chief Executive Officer and executive officers' variable incentive pay to stock price or operational performance metrics that are directly aligned with the company's short- and long-term business plans, the success of which may or may not be obvious based upon only a review of financial and stock performance. A few noteworthy items relating to our compensation program and our Chairman and Chief Executive Officer's pay are as follows:

Chairman and Chief Executive Officer's base salary remains unchanged for the third consecutive year (since early 2016)

Chairman and Chief Executive Officer's target cash bonus opportunity remains unchanged for the third consecutive year (since early 2016)

Chairman and Chief Executive Officer's target annual long-term equity incentive compensation opportunity remains unchanged for the third consecutive year (since early 2016)

For 2017, 11% of our Chairman and Chief Executive Officer's pay was delivered in cash and the remaining 89% was delivered in equity

Our Compensation Committee has, and continues, to use rigorous performance goals over three-year performance periods. In order for our executives to receive target pay under our long-term equity incentive compensation program, our total shareholder return must outperform our direct peers (i.e., office REITs), outperform the broader REIT industry, and deliver an 8% compounded, annual total shareholder return to our investors.

We have enhanced vesting to encourage executive retention, so that any award which is earned based on the foregoing rigorous total shareholder return goals will vest only 50% upon the conclusion of the three-year performance period and the remaining 50% will vest one year later conditioned upon continuous employment during that time.

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***Alignment of Pay with Performance***

As shown in the charts below, the total compensation package for our Chairman and Chief Executive Officer and four other named executive officers is based largely on quantifiable performance criteria, centered on the creation of stockholder value. Our Compensation Committee establishes rigorous performance metrics, based on key strategic financial and operational objectives. Further, a significant portion of our named executive officers' total compensation is in the form of multi-year, performance-based equity awards tied to absolute and relative total stockholder return.

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***Stockholder Engagement on Executive Compensation***

On-going discussions with stockholders provide an opportunity for us to explain the philosophy and structure of our executive compensation program, clarify aspects that stockholders may not fully understand, and receive feedback from stockholders regarding program design and details, all of which help to guide us in our preparation of this Compensation Discussion and Analysis section of our annual Proxy Statement.

Leading up to our 2017 annual stockholders meeting, we contacted more than 46 stockholders representing more than 89% of our outstanding common stock. Discussions with a number of these stockholders were generally led by the Chairman of our Compensation Committee or Lead Independent Director and, in limited instances, members of senior management. For us, these discussions and the results we received in our 2017 Say-on-Pay advisory vote (see Say-On-Pay Results below) were an indication of our stockholders' support of our executive compensation program. Our Compensation Committee has maintained the same principal elements of such program for setting 2018 compensation.

Several stockholders we contacted expressed a desire for enhanced disclosure in this Compensation Discussion and Analysis section regarding the progression of our executive compensation program since our IPO and the rationale for adjustments. Below are the main topics on our executive compensation program that we reviewed with stockholders in these discussions, as well as our perspective:

Topic	Our Perspective
Companies that comprise our peer group	Our peer group is focused on public REITs in the office sector that have a similar asset focus and principal offices and much of their portfolio located in the highly competitive New York marketplace in which we operate and other similar high barrier markets. For example, our Compensation Committee includes companies like Boston Properties, Inc., SL Green Realty Corp. and Vornado Realty Trust in our peer group, notwithstanding their larger relative size. We are cognizant that, when comparing us to other companies, certain firms make size and market capitalization their primary criteria, which results in the inclusion of companies such as net lease operators, finance companies and suburban market businesses that in our opinion diverge substantially from our true competitive set. More information on how we develop our peer group and use peer data is included below under Peer Data.
Pay level versus peers	To consider appropriate pay levels, our Compensation Committee places strong emphasis on high barrier, high cost urban areas like New York City. Compensation packages in areas like New York City relative to many other markets must take into account higher costs of living, higher tax structures and higher overall market compensation for executives in public and private real estate businesses. In addition to peer REITs, the highly competitive conditions for talent in our New York City marketplace include competition from private real estate enterprises as well as investment banks, hedge funds, private equity firms and law firms. The real estate private equity and investment banking background of our most recent executive officer hire, our President and Chief Operating Officer John B. Kessler, is an example. Our Compensation Committee deems it a competitive

	risk to our company not to adjust compensation in light of these factors and ensure that we retain our key executives.
Quantitative versus qualitative criteria to assess management performance and compensation	Our Compensation Committee believes that having a balanced approach in assessing performance is optimal, one that relies on specific objective quantifiable achievements, tempered by an element of subjective judgment to account for non-measurable outcomes and changing macro market dynamics beyond the control of the company and its officers. Thus for annual bonus awards, our Compensation Committee does not believe that it would be appropriate to be bound inflexibly to a strict formula. However, for our long-term equity incentive compensation, we do utilize an exclusively objective, formulaic system to determine the amount of performance-based equity earned at the end of a forward-looking three-year period.

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### **Say-on-Pay Results**

Our Compensation Committee regularly considers the voting results of the advisory, non-binding say-on-pay vote at our annual stockholders meetings in connection with the discharge of its responsibilities. The structure of our executive compensation program is also a frequent topic of discussion in our on-going stockholder engagement meetings. For the compensation programs for years 2014 through 2015, say-on-pay received approval each year from over 96% of the votes cast by our Class A and Class B common stockholders.

Based upon input from our outside compensation consultant, the 2016 compensation program was adjusted substantially upward, as then required to be more in line with our updated peer group and the competitive landscape for talent within our New York City marketplace. The Compensation Committee believed the adjustment was particularly appropriate for our Chairman and Chief Executive Officer, who had from our inception as a public company in 2013 proposed that his compensation be set and largely maintained well below median until company performance demonstrated success in building shareholder value. Although the upward adjustment in 2016 elicited a proxy advisory firm negative recommendation, our subsequent engagement with our stockholders led to approval from more than 78% of the votes cast by stockholders of our Class A and Class B common stock. Since that 2016 adjustment, there has been no substantial change in base compensation, annual bonus targets or long-term incentive compensation targets for our Chairman and Chief Executive Officer or the other named executive officers i.e., the 2017 and 2018 compensation programs are materially unchanged from 2016, so the executive compensation program will have run essentially flat for the three years 2016, 2017 and 2018. The Compensation Committee intends to continue to take into account the results of our say-on-pay advisory votes and feedback from stockholders on our executive compensation programs when making future executive compensation decisions.

### **Say-on-Frequency Results**

At our 2014 annual stockholders meeting, a substantial majority of our stockholders (96% of the votes cast by our Class A and Class B common stockholders) voted in favor of our company's say-on-frequency proposal to hold the say-on-pay advisory vote every year. In light of this vote, and consistent with our recommendation, our Board of Directors intends to include an advisory vote every year, until say-on-frequency is next subject to a required vote, which is now expected at our 2020 annual stockholders meeting.

### **Roles of Our Compensation Committee, Compensation Consultant and Management**

#### ***Compensation Committee***

Our Compensation Committee is comprised entirely of independent directors. It has overall responsibility for monitoring the performance of the company's executives and evaluating and approving our executive compensation policies and programs. In addition, our Compensation Committee oversees the development, implementation, and administration of our Equity Incentive Plan.

Our Compensation Committee determines all components of our Chief Executive Officer's compensation. With respect to the other named executive officers, our Compensation Committee seeks input from our Chief Executive

Officer and reviews and approves all components of our other named executive officers' compensation.

***Compensation Consultant***

Our Compensation Committee has engaged FPL Associates LP ( FPL ), an outside compensation consultant, to provide guidance with respect to the development and implementation of our compensation programs. FPL provides our Compensation Committee with advice concerning the types and levels of compensation to be paid to our named executive officers. In this connection, FPL provides market data on base pay, bonus, and long-term incentive compensation at other REITs.



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Our Compensation Committee requires that its consultant be independent of company management and performs an annual assessment of such independence. It most recently assessed FPL's independence in February 2018 and confirmed that FPL remains independent and free of any conflict of interest which might affect its work.

### ***Management***

Our Chief Executive Officer attends Compensation Committee meetings, provides information as to the individual performance of the other named executive officers, and makes annual recommendations to our Compensation Committee regarding appropriate compensation levels for all named executive officers other than himself. All elements of our named executive officers' compensation must be approved by our Compensation Committee, and our Chief Executive Officer is not present during portions of our Compensation Committee's discussions with respect to his compensation.

### **Goal Setting and Performance Evaluation Process**

The Compensation Committee's oversight of compensation for our named executive officers, including the Chairman and Chief Executive Officer, uses a three-step process: (i) establishment of corporate goals and individual objectives, (ii) evaluation and review process and (iii) determination of compensation.

#### ***Establishment of Corporate Goals and Individual Objectives***

At the beginning of each year, our Chairman and Chief Executive Officer provides recommendations to the Compensation Committee regarding the company's target corporate goals and individual objectives for himself and the other named executive officers. The target corporate goals are reviewed with the Compensation Committee through a multi-month process that begins in the Fall with management's preparation of a zero-based bottoms-up budget for the following year. The budget is prepared with input from each of our property managers and undergoes numerous reviews by management and our named executive officers, including our Chairman and Chief Executive Officer. The result of the budget process is the formation of a corporate model by which we measure our performance during the year.

With input from our Chairman and Chief Executive Officer, the Compensation Committee reviews the financial and operational assumptions that underlie the corporate model to test its rigor and alignment with our strategies and market conditions. The target corporate goals used in our named executive officers' annual incentive cash bonus targets are identical to the corresponding targets in our corporate model.

The Chairman and Chief Executive Officer works with each other named executive officer to establish annual individual objectives which align with the overall goals of the company. The individual goals relate to specific strategic, organizational, portfolio and/or operational objectives. The Compensation Committee believes that individual accountability and strong individual performance should lead to overall strong company performance, for which the Committee wants to hold the senior leadership team accountable.

#### ***Evaluation and Review Process***

Our executive compensation determinations include an evaluation and performance review process that measures each named executive officer's performance against his objectives for that year. The process includes both a mid-year and a full-year evaluation. These evaluations and performance reviews are an essential part of the process by which the

Compensation Committee determines overall executive compensation.

In the case of our Chairman and Chief Executive Officer, he first provides the Lead Independent Director and Chairman of the Compensation Committee with a report on his own performance as compared to the objectives established for him. The Chairman of the Compensation Committee then prepares a written evaluation that includes input from individuals familiar with the Chairman and Chief Executive Officer's performance and achievements, including interviews with the Lead Independent Director and the other members of the Board. The Compensation Committee reviews this written evaluation in executive session, while also considering additional factors, including prior years' compensation trends, prior years' company performance and the relative level of rigor and complexity of the Chairman and Chief Executive Officer's tasks resulting from the competitive marketplace in which we operate.

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As part of the year-end evaluation process, our Chairman and Chief Executive Officer prepares evaluations of all the other named executive officers, which are then presented to the Compensation Committee for discussion. Based on the evaluations, the Chairman and Chief Executive Officer, after the end of the calendar year, recommends compensation packages for each other named executive officer.

### ***Determination of Compensation***

After reviewing the named executive officers' performance against goals and objectives for the year and considering the other factors discussed above, and after consultation with the full Board, the Compensation Committee makes its final determinations with respect to compensation over the course of several meetings in the first quarter of the following year. The Compensation Committee's objective is to ensure that the level of compensation is consistent with the level of corporate and individual performance delivered while also attracting and retaining highly talented executives in our competitive industry and metropolitan area, motivating our named executive officers to achieve exceptional corporate results and aligning their interests with those of our stockholders.

### **Benchmarking Process**

In developing our executive compensation programs, our Compensation Committee commissions an annual compensation benchmarking analysis to ensure that our programs are competitive with those of other similar publicly traded REITs, including consideration of the cost of attracting and retaining talented executives in the New York City marketplace.

### **Peer Data**

Our company has few public REIT direct business competitors, particularly when factoring our geographic focus in the metropolitan New York City marketplace. In order to allow for a robust examination of market practices, the Compensation Committee, in consultation with FPL, strives to develop a peer group that best reflects the characteristics noted in the table below.

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**Guiding Principles for Empire State Realty Trust's Peer Selection**

**Consider Industry** to identify companies with similar business model or philosophy

Start with New York City office-focused REITs with substantial portfolios in New York City

Expand to other high barrier to entry market office-focused REITs

**Consider Size** to ensure companies are similar in scope

**Consider other Business Characteristics** that distinguish the complexity of the particular business (e.g., operating the Empire State Building Observatory)

**Questions Addressed in Developing an Effective Peer Group**

**Who are key performance comparators?**

Against whom is Empire State Realty Trust competing for tenants?

Against whom is Empire State Realty Trust competing for investors?

Which companies have similar market demands and influences?

**Who are closest competitors for talent?**

Which companies might logically try to recruit our executives?

If our company had to replace externally a member of its executive team, from which companies might it recruit to attract executives with similar capabilities?

**Who are the peers from an external perspective?**

Whom do key analysts name as peers?

Who cites Empire State Realty Trust as a peer?

Who are other REITs classified within the FTSE NAREIT Equity REIT Office Index that best fit the characteristics noted above?

The peer group developed initially in 2016 included the following 12 public REITs primarily focused in the office REIT sector, with several having their principal offices and much of their portfolio located in New York or similar high-barrier, high-cost cities. The Compensation Committee evaluates the members of our peer group each year to ensure that they continue to be appropriate and to determine whether other companies should be added, with the goal of maintaining as much consistency as possible for purposes of analyzing pay between years. With the exception of one public REIT that was acquired, following such evaluation each year, the peer group did not change in 2017 or 2018.

Boston Properties, Inc.  
Columbia Property Trust, Inc.  
Corporate Office Properties Trust  
Cousins Properties Incorporated  
Douglas Emmett, Inc.  
Highwoods Properties, Inc.

Hudson Pacific Properties, Inc.  
Kilroy Realty Corporation  
Paramount Group, Inc.  
Piedmont Office Realty Trust, Inc.  
SL Green Realty Corp.  
Vornado Realty Trust

At the time FPL conducted its analysis of executive compensation during the third quarter of 2017, our company size ranked among this peer group at approximately the following relative percentiles across the categories below:

UPREIT (Equity) Market Capitalization: 58<sup>th</sup> percentile

Total Capitalization: 42<sup>nd</sup> percentile

Number of Employees: 83<sup>rd</sup> percentile

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After our peer group has been confirmed, FPL provides market data and practices of the peer group for our Compensation Committee to consider, as well as information on executive compensation trends and developments generally. Specifically, FPL provides information regarding the design and levels of compensation paid by our peers and overall counsel to determine the appropriate incentive design for our company. Such compensation data for peers is analyzed by our Compensation Committee with the assistance of FPL to set a suitable and competitive compensation package in the context of the New York City marketplace in which we operate and the competitive conditions for the talent pool in that market. The resulting compensation is intended to serve the company's requirements in both recruitment and retention of key qualified executives and to motivate our executive officers to achieve our corporate goals and increase value for our stockholders.

Further, an executive's target compensation is not mechanically set at a particular percentage of the peer group. Rather, our Compensation Committee also takes into account the executive's role and experience, and the competitive factors needed to retain and incentivize such executive.

Overall, FPL determined that our executive compensation programs, as structured, are appropriate to retain valued executives and remain competitive amongst our peers. Based upon its entire review with advice and data from FPL, our Compensation Committee believes the value and design of our executive compensation program is appropriate for a company of our size, structure, business, and market.

**Compensation Practices**

We have adopted many leading market best practices with respect to our compensation practices. A number of those practices are set forth below.

What we do....	What we don't do....
<p>We pay for performance, and our compensation programs are designed to have direct alignment with total stockholder return; salaries comprise a relatively modest portion of each named executive's overall compensation opportunity</p>	<ul style="list-style-type: none"> <li>û We do not provide tax gross-ups</li> <li>û We do not have single-trigger change of control benefits</li> </ul>
<p>We use multiple performance metrics and various performance periods in granting equity awards, which mitigates compensation-related risk</p>	<ul style="list-style-type: none"> <li>û We do not allow hedging; our Compensation Committee must approve any pledge of company stock by executives and other key employees</li> </ul>
<p>We have implemented a clawback policy that allows for the recovery of previously paid executive compensation</p>	<ul style="list-style-type: none"> <li>û We do not encourage unnecessary or excessive risk taking; incentive awards are not based on a single</li> </ul>

performance metric and do not have guaranteed minimum or uncapped payouts

We have double-trigger change of control benefits

û We would not allow repricing of stock options unless with stockholder consent (at this time, we have not granted stock options at all)

We have robust stock ownership guidelines for our named executive officers and directors

We have a conservative compensation risk profile, as our compensation structure does not encourage excessive or inappropriate risk taking

û We do not allow perquisites for our named executive officers, with the exception of very limited perquisites for our Chairman and Chief Executive Officer structured with specific business purposes

We align the interests of our stockholders and executive officers by granting long-term equity awards that vest based on both achievement of TSR targets and continued services over time

We engage an independent compensation consultant to advise the Compensation Committee, which is comprised solely of independent directors

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**Table of Contents****Compensation Program**

The compensation provided to our named executive officers typically consists of base salary, annual incentive bonus, long-term equity incentive compensation, and other benefits, if applicable, each of which is described in more detail below. In formulating base salary, annual bonus and long-term equity incentive compensation, we start by looking at our peer group as a reference, then focus more specifically on those peer companies which operate in our highly competitive marketplace of New York City. We also consider each individual's sustained performance, contribution, experience, expertise, and specific role within our company.

***Base Salaries for 2016 - 2018***

The base salary payable to each named executive officer provides a fixed component of compensation that reflects the executive's position and responsibilities. Base salaries are reviewed annually by our Compensation Committee and may be adjusted to match more closely competitive market levels or to recognize an executive's professional growth, development, and increased responsibility.

After input from our independent compensation consultant, FPL, in early 2016 the Compensation Committee adjusted base salaries for our named executive officers to be more in line with our updated peer group and the competitive landscape for talent within our New York City marketplace. Consistent with the link between compensation and the creation of stockholder value, the 2016 compensation increases were determined by our Compensation Committee at a time when our company had achieved among the strongest 3-year performance records of all office REITs. In addition, the Compensation Committee believed the adjustment was particularly appropriate for our Chairman and Chief Executive Officer, who had from our inception as a public company in 2013 proposed that his compensation be set and largely maintained well below median until company performance demonstrated success in building shareholder value. As reflected in the chart below, our Compensation Committee determined after an annual review of competitive market data in early 2017, and again in early 2018, not to further modify annual base salaries for our named executive officers from the levels set in early 2016.

Named Executive Officer	Base Salary			% Change
	2016	( \$) 2017	2018	
Anthony E. Malkin	810,000	810,000	810,000	0.0%
John B. Kessler	700,000	700,000	700,000	0.0%
David A. Karp	650,000	650,000	650,000	0.0%
Thomas P. Durels	650,000	650,000	650,000	0.0%
Thomas N. Keltner, Jr.	625,000	625,000	625,000	0.0%

***Annual Incentive Bonus Payments for 2017***

We provide annual bonuses to incentivize our named executive officers to achieve key short-term corporate strategic milestones, to motivate certain desired individual behaviors, and to reward substantial achievement of these corporate objectives and individual goals. Target annual bonuses are set at a percentage of the named executive officer's annual base salary.

Upon the recommendation of FPL, our Compensation Committee set 2017 annual bonus opportunities that contained a threshold, target, and maximum level as set forth below:

Named Executive Officer	Threshold	Target	Maximum
Anthony E. Malkin	75%	150%	225%
John B. Kessler	50%	100%	150%
David A. Karp	37.5%	75%	112.5%
Thomas P. Durels	37.5%	75%	112.5%
Thomas N. Keltner, Jr.	25%	50%	75%

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The Compensation Committee determined that actual 2017 annual bonus amounts would be paid based upon achievement of corporate, individual and, with respect to Mr. Durels in view of his role in managing a critical business unit, certain portfolio and operational objectives. As discussed above in Goal Setting and Performance Evaluation Process, our Compensation Committee established rigorous quantifiable corporate and operational objectives in setting the aggressive goals in the tables below, and it reserved the ability to include a subjective element of judgment to adjust the formula result if appropriate based on identified non-quantitative factors. The mix of goals with respect to each named executive officer was as follows:

Named Executive Officer	Cash Bonus Performance Dimension		
	Corporate	Portfolio and Operational	Individual
Anthony E. Malkin	75%		25%
John B. Kessler	75%		25%
David A. Karp	60%		40%
Thomas P. Durels	40%	40%	20%
Thomas N. Keltner, Jr.	50%		50%

The equally weighted target corporate goals for 2017 related to: (a) Core FFO per share, (b) same-store NOI growth, (c) property operating margin, and (d) general and administrative ( G&A ) expenses as a percentage of revenue. The target portfolio and operational objectives with respect to Mr. Durels related to: (i) tenant quality; (ii) occupancy at year end; (iii) leasing; (iv) weighted average starting rents; (v) tenant improvements; and (vi) actual capital expenditure compared to budget amounts.

The tables below summarize 2017 performance against each of the target corporate goals and the significance of each performance metric for purposes of determining executive compensation:

Corporate Goal #1: Core FFO per Share		
Target	2017 Result	% of Target Achieved
\$0.93	\$0.96	103%

**Target:** The 2017 target for Corporate Goal #1 was for the company to achieve Core FFO per fully diluted share of \$0.93.

**Performance:** Actual Core FFO per fully diluted share in 2017 was \$0.96, which was above the established target level. Contributing to our exceeding target performance was higher other income, lower general and administrative expenses, and lower interest expense.

**Why is this metric important?** FFO is widely acknowledged by the REIT industry as being a helpful measure of the operating performance of a real estate company, because it excludes depreciation and gains or losses relating to sales of depreciated real estate. The company uses Core FFO, which further excludes other items that by their nature are not

comparable from period to period and tend to obscure actual operating results, as a method to compare the operating performance of the company over a given time period to that of other companies and other time periods in a consistent manner. Excluded items include deferred tax asset write-off associated with a change in tax rates and loss on early extinguishment of debt. The company believes that Core FFO is helpful to investors as a supplemental measure of its operating performance because it is a direct measure of company performance and may significantly impact the trading price of our common stock and, therefore, may significantly impact total stockholder return.

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	2017	
Target	Result	% of Target Achieved
5.6%	8.9%	159%

**Target:** The 2017 target for Corporate Goal #2 was for the company to achieve year-over-year same store Cash NOI growth, excluding the Observatory at the Empire State Building, of 5.6%.

**Performance:** Actual year-over-year same store Cash NOI growth, excluding the Observatory, was 8.9%, which was above the established target level and higher than prior year growth of 7.5%. Contributing to our exceeding target performance was higher other income.

**Why is this metric important?** Same store Cash NOI growth, excluding the Observatory, is a key internal performance metric that measures growth in our existing real estate portfolio and compares year-over-year improvements in our property operations as a result of increases in cash rental income and our ability to manage property operating expenses.

**Corporate Goal #3: Property Operating Margin**

	2017	
Target	Result	% of Target Achieved
52.5%	52.9%	101%

**Target:** The 2017 target for Corporate Goal #3 was for the company to achieve a property operating margin of 52.5%.

**Performance:** Actual property operating margin was 52.9%, which was above the established target level. Contributing to our exceeding target performance was higher other income and lower property operating expenses.

**Why is this metric important?** Property operating margin is a key internal performance metric that measures the percentage of our property operating expenses to our property revenues. Property operating margin measures our ability to manage property operating expenses or increase revenues at a greater rate than changes in our property operating expenses.

**Corporate Goal #4: G&A Expenses as a Percentage of Revenues**

	2017	
Target	Result	% of Target Achieved
7.5%	7.1%	106%

**Target:** The 2017 target for Corporate Goal #4 was for the company to achieve general and administrative expenses as a percentage of revenues of 7.5%.

**Performance:** Our actual performance achieved a lower level of general and administrative expenses as a percentage of revenues. Actual general and administrative expenses as a percentage of revenues were 7.1%, less than the established target level of 7.5% (stated differently, at 106% achievement of target). This result was also lower than the prior year result of 7.2%. Contributing to our exceeding target performance were higher revenues, deferred incentive compensation expense, and lower information technology costs. Without the 2017 compensation expense deferral, we would have achieved 103% of the established target level.

**Why is this metric important?** General and administrative expenses as a percent of revenue is a key internal performance metric that measures our general and administrative expenses as a percentage of total revenues. It measures our ability to manage our general and administrative expenses.

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In its series of early 2018 discussions to determine 2017 cash bonus awards, our Compensation Committee noted the company’s performance in the following areas during 2017:

outperformance in the above quantitative criteria, especially same-store NOI growth that far exceeded a challenging hurdle,

record-setting leasing volume in 2017, with strong execution and leasing results, consistent with the company’s strategy to lease to new, better credit quality tenants at higher rents,

further progress on the company’s four long-term growth drivers: upside from signed lease not commenced; lease-ups of developed vacant office space; mark-to-market and lease-up of available office space; and mark-to-market and lease-up of available retail space,

active revenue management through ticket price increases, dynamic pricing, mix improvement and new visitor offerings, along with expense management, in the operation of the Observatory at the Empire State Building; and

refinancing activities that: (i) extended weighted average maturities and created well laddered debt maturities, with only one \$250 million maturity remaining before 2022, (ii) expanded lender relationships and (iii) enhanced cash balances, leaving the company well positioned with liquidity and capacity for redevelopment and external growth opportunities.

Our Compensation Committee also reviewed the primary personal objectives for each named executive officer in 2017 and achievement against those objectives, as set forth in the chart below:

Named Executive Officer	Objectives/Accomplishments
Anthony E. Malkin	<p>Mr. Malkin continued to guide the company’s ongoing execution of our multi-year business plan, which has yielded strong cumulative financial and operating results, and positioned our company for long term growth. In real estate operations during 2017, the company achieved record leasing volumes and peer leading leasing spreads. In addition, Empire State Building Observatory revenues increased by 1.8% to a record level in spite of reduced visitors, and the announced project to upgrade the Observatory visitor experience made significant progress. Under Mr. Malkin’s guidance, our balance sheet was strengthened with the completion of a series of financings. Throughout the year, Mr. Malkin was actively engaged with major stockholders and other market participants to communicate our differentiated strategy focused on internal growth, redevelopment of our infill portfolio and low leverage. Mr. Malkin continues to lead the effort on external growth which has involved ongoing discussions and sourcing efforts. Finally, Mr. Malkin continued to lead strong sustainability initiatives across our portfolio and in our industry at large. The Compensation Committee determined that his performance exceeded his objectives.</p>

John B. Kessler

Mr. Kessler executed the company's operational strategy during the year. He is the senior company representative in our investor coverage efforts throughout the year; enhanced our relationships with investors, analysts and other market participants; and participated in a variety of industry investor conferences and analyst events. He also coordinated our efforts to underwrite potential growth opportunities. He provided oversight to all of our capital markets transactions during the year. He successfully managed and enhanced performance of various operational areas including human resources and information technology and led improvements in cross-departmental communication and engagement. In all of his activities, he provides significant operating leverage to Mr. Malkin in the day to day operation of the company. The Compensation Committee determined that his performance exceeded his objectives.



**Table of Contents****Named Executive Officer Objectives/Accomplishments**

David A. Karp Mr. Karp serves as Chief Financial Officer and is responsible for the company's timely and accurate financial reporting, balance sheet management, capital markets activities and investor relations. During 2017, Mr. Karp led our efforts to refinance a series of mortgage maturities totaling \$336 million. He also modified and extended our revolving credit facility and achieved significant improvements to our operational flexibility and also was in charge of our successful direct placement of \$450 million of unsecured notes in a private placement with four insurance company lenders. In addition, he expanded the research coverage of our company in 2017. He successfully increased quantity of quality interaction with existing investors, potential investors and research analysts. Mr. Karp is responsible for our non-deal related investor roadshows throughout the year and participated in a variety of industry investor conferences and analyst events. The Compensation Committee determined that his performance exceeded his objectives.

Thomas P. Durels Mr. Durels is responsible for all of our real estate operating activities, including leasing, property operations and capital improvements. For 2017, the leasing team exceeded its aggressive leasing goals, as it completed nearly 1.3 million square feet in transactions, an annual record for the company since our IPO, and achieved very attractive leasing spreads. He drove property operations which delivered strong service to tenants and remained within budget. With respect to capital projects, he presided over the completion of over 100 tenant space projects and made significant progress on the announced Observatory upgrade and project work to support Broadcast operations. Total capital projects completed exceeded \$100 million during the year. He also supervised the expansion of the capital projects team over the course of the year. The Compensation Committee determined that his performance exceeded objectives.

Thomas N. Keltner, Jr. Mr. Keltner serves as General Counsel and provided guidance and legal expertise with respect to all of our activities. He oversees all of our internal legal and risk management processes. He managed our ongoing litigation and arbitration matters and successfully defended our treatment of transfer taxes payable at the time of our IPO in an audit which commenced in 2015 and was favorably resolved in 2017. He has effectively managed the onboarding and ongoing development of our Deputy General Counsel and build-out of our in-house legal team to support our activities with more internal expertise to enable us to reduce our reliance on external legal resources and save costs. He provided strong support for all Board related activities, which included proxy-related shareholder outreach and governance matters. The Compensation Committee determined that his performance exceeded his objectives.

The Compensation Committee also considered a number of related factors, including: (i) the scope of the officer's responsibilities within our company and in relation to comparable officers at various companies within our peer group; (ii) the experience of the officer within our industry and at our company; (iii) a review of historical compensation information for the individual officer; (iv) a determination of the compensation needed to motivate and retain that individual; (v) the recommendations of the Chief Executive Officer with respect to the executive officers other than himself; and (vi) data regarding compensation paid to officers with comparable titles, positions or responsibilities at our peer companies (see Benchmarking Process above).



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Based upon the company's substantial outperformance of the 2017 corporate criteria (and, for Mr. Durels, performance against the portfolio and operational objectives), a detailed review of each executive's individual performance for the year as referenced in the chart above, as well as the related factors noted above, our Compensation Committee approved payment of the following 2017 cash bonus awards for Messrs. Malkin, Kessler, Karp, Durels, and Keltner: \$1,822,500, \$1,050,000, \$731,250, \$731,250 and \$468,750, respectively.

**Bonus Election Program**

In early 2017, our Compensation Committee determined to reinforce the alignment of our executive officers' interests with that of stockholders by designing a new bonus election program, under which named executive officers could elect to receive their annual incentive bonus in any combination of (i) cash or vested LTIPs at the face amount of such bonus or (ii) time-vesting LTIPs which would vest over three years, subject to continued employment, at 125% of such face amount. The chart below shows the face amount of the annual incentive bonus awarded to each named executive officer for 2017 as well as the cash and equity components elected by each:

Named Executive Officer	Face Amount of Bonus Award (\$)	Amount of Award Received in Cash at Face Amount (\$)	Portion of Award Elected to be Received in Vested LTIPs at Face Amount (\$)	Portion of Award Elected to be Received in Unvested
				3-Year Time-Based LTIPs at 125% of Face Amount (\$)
Anthony E. Malkin	1,822,500			2,278,125
John B. Kessler	1,050,000	787,500	262,500	
David A. Karp	731,250	548,438	182,812	
Thomas P. Durels	731,250			914,062
Thomas N. Keltner, Jr.	468,750			585,937

**Long-Term Equity Incentive Compensation****General**

Our Compensation Committee believes that a substantial portion of each named executive officer's compensation should be in the form of long-term equity incentive compensation. Equity incentive awards align management's interests more closely with those of our stockholders and encourage management to create stockholder value over the long term, because the value of the equity awards is directly attributable to changes in the price of our common stock over time. In addition, equity awards are an effective tool for management retention because full vesting of the awards generally requires continued employment for multiple years.

Long-term equity incentive compensation is granted in the form of LTIP units, representing a class of partnership interests in our operating partnership, or shares of restricted Class A common stock. Each grant is formulated as a dollar amount when approved, based on peer benchmarks, competitive conditions, and the criteria and goals discussed herein. In accordance with the applicable approval, such dollar amount is converted into units or shares, which for 2017 was based on the grant date fair value calculated under ASC Topic 718 in accord with accepted accounting

practices. For a description of such fair value calculation, see Note 9 to our 2017 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. For a description of LTIP units, see LTIP Units below. In connection with these awards, our executives elect whether to receive LTIP units or shares of restricted Class A common stock. To date, all of our executives have chosen LTIP units.

In order to maximize retention and enhance the achievement of goals for our company, our Compensation Committee has determined to structure our long-term incentive awards with both (a) awards subject to multiple components of performance-based vesting and (b) awards subject to time-based vesting. For our company, the long-term equity incentive award has consistently each year been allocated 50% (based on target amounts) in the

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form of time-based vesting awards and the balance in the form of performance-based vesting awards, in order to provide (i) an appropriate alignment of interests with stockholders, (ii) motivation to focus on multi-year stockholder value creation, and (iii) retention of our highly talented executives.

The time-based awards vest 25% per year over four years on each anniversary of a specified date proximate to the grant date, subject to continued employment by the executive officer. Distributions with respect to these time-based LTIP units, both vested and unvested, will be paid as and when distributions are paid with respect to our partnership units.

The performance-based awards vest based on the company's absolute and relative annualized TSR over a three-year performance period. Such awards, to the extent earned at the end of such three-year performance period, will vest 50% at the end of such period and 50% on the first anniversary of the end of such period, subject to continued employment by the executive officer.

The annualized TSR is calculated based on the annualized appreciation in the company's Class A common stock price from the beginning of the performance period to the 20-trading-day trailing average closing Class A common stock price at the end of the performance period, plus the amount of dividends per share paid over the performance period.

Distributions with respect to the performance-based LTIP units granted in 2016 and thereafter are paid to the extent of 10% of the distributions paid with respect to our operating partnership units, and the 90% balance will be accrued and paid in full if and when such LTIP units are earned at the end of the performance period. Distributions with respect to the performance-based LTIP units granted before 2016 are paid to the extent of all distributions paid with respect to our operating partnership units.

***2017 Long Term Equity Incentive Compensation Awards and Criteria***

Based on the recommendation of FPL, our Compensation Committee set 2017 target long-term equity incentive compensation amounts for our named executive officers as shown below. These targets were chosen in relation to FPL's benchmarking study of the company's peer group, particularly the subset of our peers operating in the New York City market, based on (i) achieving an appropriate balance between cash and equity as it relates to total remuneration and (ii) arriving at a level of total remuneration which, when combined with the level of base salary and annual incentive bonus, remains at a market competitive level to attract and retain our key executives.

Such long-term equity incentive awards were allocated 50% (based on target amounts) in the form of time-based vesting awards to vest 25% on each anniversary of the first day of 2017 and the balance in the form of performance-based vesting awards for the performance period January 1, 2017 to December 31, 2019.

*Allocation of 2017 Long Term Equity Incentive Compensation subject to Time-Based Vesting:*

Executive	Dollar Value of LTIP Award Opportunities Granted in 2017 Time Based Target (\$)
Anthony E. Malkin	2,733,750
John B. Kessler	1,262,500
David A. Karp	796,250

Thomas P. Durels	1,181,250
Thomas N. Keltner, Jr.	448,438

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**Table of Contents***Allocation of 2017 Long Term Equity Incentive Compensation subject to Performance-Based Vesting:*

Executive	Dollar Value of LTIP Award Opportunities Granted in 2017 Performance Based		
	Threshold (\$)	Target (\$)	Maximum (\$)
Anthony E. Malkin	1,311,188	2,733,750	3,948,750
John B. Kessler	631,056	1,262,500	1,893,750
David A. Karp	402,188	796,250	1,277,656
Thomas P. Durels	596,652	1,181,250	1,895,425
Thomas N. Keltner, Jr.	241,805	448,438	615,503

The metrics for performance-based awards granted in 2017 are: (a) 25% based on the absolute annualized TSR performance of the shares of Class A common stock, (b) 50% based on relative annualized TSR compared to the FTSE NAREIT Equity REIT Office Index, and (c) 25% based on relative annualized TSR compared to the MSCI US REIT Index, all as described below. The long-term incentive awards were granted to our named executive officers in February 2017, at the dollar amounts shown in the two charts above, covering the three-year performance period from January 1, 2017 through December 31, 2019, with the following pre-established quantitative performance metrics and potential payout levels:

% of Award	Metric	Performance Level <sup>(1)(3)</sup>		
		Threshold	Target	Maximum
50%	Relative TSR to the FTSE NAREIT Equity REIT Office Index	-250 bps	+50 bps	+450 bps
25%	Relative TSR to the MSCI US REIT Index	-300 bps	+100 bps	+600 bps
25%	Absolute Company TSR <sup>(2)</sup>	4%	8%	12%

(1) Results between Threshold and Target or between Target and Maximum are based on linear interpolation. Performance below Threshold earns 0% and above Maximum is capped at the maximum level.

(2) Absolute Company TSR represents the compounded annual return of an investment in common shares of the company over the performance period, with the ending share prices being the average of the last 20 trading days of the performance period.

(3) Relative performance is stated as basis points above or below index performance. A basis point (bp) equals one-one hundredth of a percent. 100 bps equals 1.0%.

**2018 Compensation Decisions**

Based on the recommendation of FPL, our Compensation Committee has determined to maintain the same structure and goals for our 2018 compensation program. In addition to retaining the same base salaries, the Compensation

Committee determined to set target annual incentive bonus amounts at the same level as 2017, and the amount of long-term incentive compensation awards at the same level as 2017. These pay levels and targets were chosen in relation to FPL's benchmarking study of the company's peer group, including based on (i) achieving an appropriate balance between cash and equity as it relates to total remuneration and (ii) arriving at a level of total remuneration which, when combined with the level of base salary and cash bonus, remains at a market competitive level to attract and retain our key executives.

## **Other Compensation Policies and Practices**

### ***LTIP Units***

Pursuant to our Equity Incentive Plan, we have issued LTIP units, as a form of equity-based award for long-term incentive equity compensation. LTIP units are designed to qualify as profits interests in our operating partnership for federal income tax purposes, meaning that initially they would not be entitled to any distributions upon the liquidation of our operating partnership. However, over time the LTIP units can become entitled to a



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share of liquidating distributions from our operating partnership until the LTIP units are on a one-for-one parity with operating partnership units. LTIP units are designed to offer key employees a long-term incentive that in the long-term will become comparable to restricted stock, while allowing them to enjoy a more favorable income tax treatment. Each LTIP unit awarded is deemed equivalent to an award of one share of Class A common stock reserved under our Equity Incentive Plan, reducing availability for other equity awards on a one-for-one basis.

With the exception of performance-based LTIP units granted in 2016 and thereafter, all LTIP units issued in connection with annual equity awards, whether vested or not, receive the same per unit distributions as operating partnership units, which equal per share dividends (both regular and special) on our common stock. Performance based LTIP units granted in 2016 and thereafter receive 10% of such distributions currently, unless and until such LTIP units are earned based on performance, at which time they will receive the accrued and unpaid 90% and will commence receiving 100% of such distributions. No dividend is paid initially with respect to performance-based restricted stock. Instead, the dividend amount is accrued and paid in full if and when such shares are earned at the end of the performance period.

The key difference between LTIP units and restricted stock is that at the time of award, LTIP units do not have full economic parity with operating partnership units, but can achieve such parity over time upon the occurrence of specified events. The capital account associated with an LTIP unit when it is initially issued is zero. Under the terms of the LTIP units, our operating partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the holders of LTIP units to equalize the capital accounts of such holders with the capital accounts of holders of operating partnership units. Upon equalization of the capital accounts of the holders of LTIP units with other holders of operating partnership units, the LTIP units will achieve full parity with operating partnership units for all purposes, including with respect to liquidating distributions.

Following a two year holding period, holders of vested LTIP units that have achieved such parity will have the right to convert their vested LTIP units into an equal number of operating partnership units or to require our operating partnership to redeem their vested LTIP units for an equal number of shares of Class A common stock of the company or, at the company's option, an amount of cash equal to the value of such shares. Unless and until such parity is reached, the value that an executive will realize in a liquidation for a given number of vested LTIP units is less than the value of an equal number of operating partnership units. Events that allow such revaluation of our operating partnership's assets under the partnership agreement and applicable federal tax regulations generally include: (1) the issuance by the company of our Class A common stock, (2) the issuance by our operating partnership of common or other operating partnership units, (3) significant repurchases of common stock for cash, and (4) the redemption by the company of common operating partnership units for cash or other property.

Our Compensation Committee believes that allowing executives to choose to receive equity-based awards in the form of LTIP units (1) serves our objectives by increasing the after-tax value of a given equity grant and, therefore, enhances our equity-based compensation package for executives as a whole, (2) advances the separate goal of promoting long-term equity ownership by executives (see Minimum Share Ownership Guidelines for Executive Officers and Directors below), (3) has no adverse impact in the form of dilution as compared to using restricted stock, (4) does not increase our recorded expense on account of equity-based compensation awards, (5) further aligns the interests of executives with the interests of stockholders and (6) because LTIP units are offered by many of our peers, enables the company to remain competitive with our peers in recruiting and retaining talented executives. Based on these considerations, we offer certain eligible officers and employees a choice between restricted stock and LTIP units on a one-for-one basis for their performance-based and time-based long-term equity compensation awards.

## ***Employment Agreement and Change in Control Severance Agreements***

We entered into an employment agreement with Anthony E. Malkin effective October 7, 2013. His employment agreement provides for salary, target bonus, equity awards, and other benefits, including severance benefits upon qualifying terminations of employment. For more information, see Compensation of Our Executive Officers Employment Agreement.

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In addition, we entered into change in control severance agreements with Messrs. Kessler, Karp, Durels and Keltner. These agreements provide for severance and other benefits, including acceleration of vesting of outstanding equity awards, upon qualifying terminations of employment following a change in control. For more information, see Compensation of Our Executive Officers Change in Control Severance Agreements.

### ***Employee Benefits***

We have a 401(k) Retirement Plan (our 401(k) Plan ) to cover eligible employees of the company and any designated affiliate. Our 401(k) Plan permits an eligible employee to defer a percentage of eligible annual compensation, subject to certain limitations imposed by the Internal Revenue Code of 1986, as amended (the Code ). The employee's elective deferrals are immediately vested and nonforfeitable upon contribution to the 401(k) Plan. We match up to \$1,250 of employee contributions in cash in order to encourage employee participation. We do not provide our named executive officers with a supplemental pension or any other retirement or nonqualified deferred compensation benefits, other than the 401(k) Plan benefits provided generally to our employees.

### ***Perquisites and Other Personal Benefits***

We provide Mr. Malkin a car and a full-time driver, with a value up to \$156,800 per year, as adjusted for consumer price index ( CPI ). This allows him to use his time efficiently during his travel. The cost to the company in 2017 was \$98,870 for the driver's salary and bonus and \$20,443 for car-related expenses.

### ***Clawback Policy***

We have adopted a formal clawback policy, which allows us to recoup compensation paid to an officer covered by the policy if the related financial results are subsequently restated as described below. The policy covers all of our current and former executive officers as well as certain other specified officers. Pursuant to this policy, if we are required to prepare an accounting restatement due to material non-compliance with any financial reporting requirement, then our Compensation Committee may require an employee covered by the policy who was engaged in fraud, willful misconduct, or intentional illegal conduct which materially contributed to the need for such restatement to repay or forfeit to the company excess compensation. Excess compensation includes annual cash bonus and long term incentive compensation in any form (including restricted stock and LTIP units, whether time-based or performance-based) received by that employee during the three-year period preceding the publication of the restated financial statements that our Compensation Committee determines was in excess of the amount that such employee would have received if such compensation had been determined based on the financial results reported in the restated financial statements.

Our Compensation Committee intends to periodically review this clawback policy and, as appropriate, conform it to any applicable final rules adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### ***Hedging and Pledging our Securities***

Our employees are prohibited from engaging in a transaction meant to hedge or minimize losses in our securities, including engaging in transactions in puts, calls or other derivatives on our securities, or short-selling our securities.

Executive officers and certain employees owning more than \$1,000,000 of our securities are prohibited from pledging our securities as collateral for a loan unless such pledging is approved by our Compensation Committee.

### ***Minimum Share Ownership Guidelines for Executive Officers and Directors***

We have adopted minimum stock ownership guidelines that require each executive officer to maintain ownership of a minimum number of shares of our common stock (including awarded operating partnership units and LTIP units) having a market value equal to or greater than a multiple (ten times, in the case of our Chief Executive

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Officer, and five times, in the case of all other executive officers) of such executive officer's base salary. Each executive officer must achieve the minimum equity investment within five years from the later of the date of the completion of our IPO (for executive officers in place at that time) and the date of such officer's appointment (for subsequently appointed executive officers).

We have adopted minimum stock ownership guidelines that require our independent directors to hold a number of shares of our common stock (including awarded operating partnership units and LTIP units) having a market value equal to or greater than five times the portion of the annual base retainer which is eligible to be paid in cash. Each independent director must achieve the minimum equity investment within five years from the later of the date of the completion of our IPO (for directors in place at that time) and the date of such director's election to our Board of Directors (for subsequently appointed directors) to attain compliance with the stock ownership requirements.

### ***Tax Gross Up Payments***

We do not provide any golden parachute tax gross-up payments to our named executive officers. According to their employment agreements, if any payments or benefits to be paid or provided to any of our named executive officers would be subject to golden parachute excise taxes under Section 4999 of the Code, the executive's payments and benefits will be reduced to the extent necessary to avoid such excise taxes, but only if such a reduction of pay or benefits would result in a greater net after-tax receipt for the executive.

### ***Tax Implications Deductibility of Executive Compensation***

The Compensation Committee's policy is to consider the tax treatment of compensation paid to our executive officers while simultaneously seeking to provide our executives with appropriate rewards for their performance. The SEC requires that we comment upon our policy with respect to Section 162(m) of the Code, which limits the deductibility compensation of more than \$1.0 million paid to any covered employee unless certain exceptions are met, primarily relating to performance-based compensation. Although certain qualifying performance-based compensation was previously exempt from this deduction limit, the recently-enacted Tax Cuts and Jobs Act made certain changes to Section 162(m) of the Code. Pursuant to such changes, performance-based compensation is no longer exempt under Section 162(m) of the Code effective for tax years beginning after January 1, 2017, subject to a transition rule for written binding contracts which were in effect on November 2, 2017 and which were not modified in any material respect on or after such date.

We are continuing to assess the impact of Section 162(m) of the Code on our compensation arrangements; however, we believe that, because we intend to maintain our qualification as a REIT under the Code and pay distributions sufficient to minimize federal income taxes, the payment of compensation that does not satisfy the requirements of Section 162(m) will generally not affect our net income. In addition, substantially all of the services rendered by our executive officers are performed on behalf of the operating partnership, of which we are the sole general partner (or its subsidiaries, including one or more of our taxable REIT subsidiaries). The Internal Revenue Service has issued a series of private letter rulings that indicate that compensation paid by an operating partnership to executive officers of a REIT that serves as its general partner is not subject to the limitation under Section 162(m) to the extent such compensation is attributable to services rendered to the REIT's operating partnership. We have not obtained a ruling on this issue, but have no reason to believe that the same conclusion would not apply to us. To the extent, however, that compensation paid to our executive officers becomes subject to and does not qualify for deduction under Section 162(m), a larger portion of stockholder distributions may be subject to federal income taxation as dividend income rather than return of capital. We do not believe that Section 162(m) will materially affect the taxability of stockholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each stockholder. For these reasons, the Compensation Committee's compensation policy and practices

are not directly guided by considerations relating to Section 162(m) of the Code.

***Risk Considerations in our Compensation Programs***

Our Compensation Committee has discussed the concept of risk as it relates to our compensation programs with management and FPL, and our Compensation Committee does not believe the goals, or the underlying philosophy of our compensation programs encourage excessive or inappropriate risk taking.

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**Compensation Committee Report**

*The following Compensation Committee report to stockholders shall not, in accordance with the rules of the SEC, be incorporated by reference into any of our future filings made under the Exchange Act or under the Securities Act, and shall not be deemed to be soliciting material or to be filed under the Exchange Act or the Securities Act.*

Our Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and, based on such review and discussions, our Compensation Committee recommended to our Board of Directors that our Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by our Compensation Committee

James D. Robinson IV (Chair)

Steven J. Gilbert

**Compensation Committee Interlocks and Insider Participation**

During the year ended December 31, 2017, Mr. Robinson and Mr. Gilbert served as members of our Compensation Committee. No member of our Compensation Committee is a current or former officer or employee of the company or any of its subsidiaries. None of our named executive officers serves as a member of the board of directors or compensation committee of any company that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee.

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**Table of Contents****COMPENSATION OF OUR EXECUTIVE OFFICERS****2017 Summary Compensation Table**

The following summary compensation table sets forth information concerning the total compensation paid, earned or awarded regarding our named executive officers for the company's fiscal years ended December 31, 2017, 2016 and 2015.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Anthony E. Malkin	2017	810,000	1,822,500 <sup>(1)</sup>	6,549,981 <sup>(2)</sup>	120,563 <sup>(3)(4)</sup>	9,303,044
	2016	810,000	1,822,500	6,545,109	118,016	9,295,625
<i>Chairman of the Board and</i>						
<i>Chief Executive Officer</i>	2015	550,000	1,237,500	1,621,644	99,553	3,508,697
John B. Kessler	2017	700,000	1,050,000 <sup>(1)</sup>	3,096,826 <sup>(2)</sup>	1,250 <sup>(4)</sup>	4,848,076
	2016	700,000	1,050,000	2,786,583	1,250	4,537,833
<i>President and</i>						
<i>Chief Operating Officer</i>	2015	474,520	787,500	1,174,866	1,250	2,438,136
David A. Karp	2017	650,000	731,250 <sup>(1)</sup>	2,037,781 <sup>(2)</sup>	1,250 <sup>(4)</sup>	3,420,281
	2016	650,000	731,250	2,033,881	1,250	3,416,381
<i>Executive Vice President and</i>						
<i>Chief Financial Officer</i>	2015	489,250	587,100	653,023	1,250	1,730,623
Thomas P. Durels	2017	650,000	731,250 <sup>(1)</sup>	3,023,075 <sup>(2)</sup>	1,250 <sup>(4)</sup>	4,405,575
	2016	650,000	731,250	3,033,881	8,225	4,423,356
<i>Executive Vice President,</i>						
<i>Real Estate</i>	2015	489,250	587,100	653,023	8,166	1,737,539
Thomas N. Keltner, Jr.	2017	625,000	468,750 <sup>(1)</sup>	1,041,080 <sup>(2)</sup>	1,250 <sup>(4)</sup>	2,136,080
	2016	625,000	468,750	925,276	1,250	2,020,276
<i>Executive Vice President,</i>						
<i>General Counsel and Secretary</i>	2015	463,500	312,863	451,043	1,250	1,228,656

(1) Named executive officers were given the option to receive all or a portion of their 2017 annual incentive bonus (paid in 2018) either in cash or all or part of such cash for an equivalent number of LTIP units (or at 125% of the



cash amount received, if the recipient agreed to defer vesting of such LTIP units over a three-year period). The amounts indicated represent the face amount of such grants. For more detail on these elections, see Compensation Discussion and Analysis Compensation Program Annual Incentive Bonus Payments for 2017 Bonus Election Program.

- (2) These amounts reflect the aggregate grant date fair value of LTIP unit awards granted on March 17, 2017 to each of the named executive officers in accordance with ASC Topic 718 disregarding estimated forfeitures and assuming the probable outcome of the performance metrics for performance-based LTIP units. The probable outcome of the performance metrics is maximum achievement of such metrics. A discussion of the assumptions used in calculating these fair values can be found in Note 9 to our 2017 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. Also, see the 2017 Grants of Plan-Based Awards Table contained in this Proxy Statement for more information regarding the assigned values and grant date fair values of the time-based and performance-based LTIP units granted to each named executive officer in 2017. For more information about the performance goals, see Compensation Discussion and Analysis Compensation Program Annual Incentive Bonus Payments for 2017.
- (3) We provide Mr. Malkin a car and a full-time driver. The amount reported includes the cost to the company for the car and driver for 2017, which was \$98,870 for the driver's salary and bonus and \$20,443 for car-related expenses.
- (4) Includes a matching contribution in our 401(k) Plan of \$1,250 in 2017.

**Table of Contents****2017 Grants of Plan-Based Awards**

The following table discloses the number of plan-based awards granted in 2017 to our named executive officers and the grant date fair value of these awards.

Name	Grant Date	Estimated Future Payouts under Equity Incentive Plan: Number of Performance-Based			All Other Stock Awards: Number of Time-Based Shares of Stock or Units <sup>(2)</sup>	Grant Date Fair Value of Stock or Units <sup>(3)</sup>
		Shares of Stock or Units <sup>(1)</sup> Threshold (#)	Target (#)	Maximum (#)		
Anthony E. Malkin	3/17/17				133,353	2,597,716
	3/17/17	116,654	243,216	351,625		3,952,265
John B. Kessler	3/17/17				61,585	1,199,676
	3/17/17	56,597	113,228	170,148		1,897,150
David A. Karp	3/17/17				38,841	756,623
	3/17/17	36,696	72,650	116,894		