

## NEPI Rockcastle Green Finance Framework

June 2020

### Content

1. Introduction.....	2
2. Use of Proceeds.....	5
3. Process for Project Evaluation and Selection.....	7
4. Management of Proceeds.....	7
5. Reporting.....	8
6. External Review.....	9
Disclaimer.....	10

## 1. Introduction

### 1.1 Strategy and rationale

NEPI Rockcastle is the premier owner and operator of shopping centres in Central and Eastern Europe (CEE). The Group benefits from a highly-skilled internal management team which combines asset management, development, investment, leasing and financial expertise. Geographically diverse management skills allow NEPI Rockcastle to pursue CEE property opportunities efficiently, benefiting from a strategic advantage in the acquisition, development and management of properties. With group-level management of tenant relationships and a focus on cross-country collaboration, the Group is the leading strategic partner for major retailers targeting CEE countries

NEPI Rockcastle is highly committed to advancing a sustainable business and acting as responsible corporate citizen, and this commitment is endorsed by its Board of Directors. The entire ESG strategy is being reviewed and closely monitored by the Social and Ethics committee, which, in its turn, will report to the Board of Directors in terms of deployed resources, targets and objectives, achievements.

The Company proactively engages with a range of international organizations in the ESG sector, in order to continuously adapt its sustainability approach and implement best practices in this area. Seeking to be in line with international standards, the Group has permanently enhanced its ESG approach and disclosure policy, adhering to top ESG standards and practices with regards to reporting or operational guidelines. The Group's sustainability strategy is based on four major pillars:

1. Sustainable resource management - an initiative that focuses on lowering the negative impact on natural resources and biodiversity, and reducing water, energy, gas consumption and emissions as well as sustainable waste management. In doing so, NEPI-R aims to improve the impact from its consumption while also enhancing efficiency.
2. Sustainability through green buildings – NEPI-R is applying a continuous improvement process for its buildings and, as a result, the majority of its portfolio is certified to the highest sustainability standards for the real estate industry. This emphasizes the Group's commitment to having sustainable buildings, both during construction and in the operational stages.
3. Community Engagement – with a view of giving back to communities and contributing to sustainable social development, NEPI-R strongly believes that the cornerstone of its sustainable strategy is communities: partners, clients, visitors and all inhabitants of catchment area.
4. People and business integrity – integrity is embedded in all its processes, as it is an integral part of the Group's culture. As a result, compliance with laws and regulations is ensured, while all operations are conducted according to the highest standards of business ethics. NEPI-R's view is that the major component of running a business with integrity is represented by its approach to people, with any responsible business having a sustainable and fair approach to managing human resources.

NEPI-R contributes to the achievement of the UN Sustainable Development Goals, with a specific focus on:



The Company is proactively engaging with various international organizations in the ESG sector, in order to continuously adapt its approach and implement best practices in this area. Seeking to be in line with international standards, the Group has permanently enhanced its ESG approach and disclosure policy, as part of the Annual Report. NEPI Rockcastle adhered to top ESG standards and practices, providing reporting or operational guidelines.

In order to pursue these standards, NEPI Rockcastle establishes strategic partnerships with relevant stakeholders in the matter, such as GRESB, IFC, EBRD, Sustainalytics, FTSE4GOOD etc. Moreover, adhering to the high standard embedded in the GRI reporting criteria added to NEPI Rockcastle's commitment towards enhancing its ESG disclosures.

As part of its overall commitments, NEPI Rockcastle has set specific targets to be reached within each pillar supporting its policies, such as<sup>1</sup>:

- Sustainable resource management enhancement process, as detailed below.

Strategic initiatives	Objective /Commitment	KPIs
<b>1. Sustainable resource management</b>	Increase energy efficiency for Office portfolio by 5%	energy consumption in MWh/ visitor energy consumption in MWh/ m <sup>2</sup> GLA
	Increase energy efficiency for Retail portfolio by 10%	energy consumption in MWh/ visitor energy consumption in MWh/ m <sup>2</sup> GLA
	Invest 5% of the annual budget in renewable sources of energy	% CAPEX invested in renewable energy sources % renewable energy in electricity contracts
	Reduce by 20% the carbon footprint associated with all operations	carbon footprint
	Purchase 50% of electricity from renewable sources for all areas managed by the Group	% of electricity from renewable sources % LED deployment level (common areas)
	Reach a waste recycling rate of at least 50%	% waste recycled in Kg/visitor % waste recycled in Kg/m <sup>2</sup> GLA
	Decrease water consumption for Office portfolio by 5%	water consumption in m <sup>3</sup> /visitor water consumption in m <sup>3</sup> /m <sup>2</sup> GLA
	Decrease water consumption for Retail Portfolio by 10%	water consumption in m <sup>3</sup> /visitor water consumption in m <sup>3</sup> /m <sup>2</sup> GLA

- replacement of traditional lighting sources with LED technology in the common areas and outdoors:

<sup>1</sup> Details regarding timeline and other objectives are available at [https://nepirockcastle.com/wp-content/uploads/2020/03/NEPI\\_Rockcastle\\_Annual\\_Report\\_2019.pdf](https://nepirockcastle.com/wp-content/uploads/2020/03/NEPI_Rockcastle_Annual_Report_2019.pdf).

Property	Country	Property type	LED Implementation status in 2019
Paradise Center	Bulgaria	Retail	Implemented
Serdika Center	Bulgaria	Retail	Implemented
Arena Centar	Croatia	Retail	Implemented
Arena Retail Park	Croatia	Retail	Implemented
Forum Liberec Shopping Centre	Czech Republic	Retail	20%
Forum Ústí nad Labem	Czech Republic	Retail	Implemented
Bonarka City Center	Poland	Retail	10%
Galeria Warminska	Poland	Retail	Implemented
Karolinka Shopping Centre	Poland	Retail	Implemented
Aura Centrum	Poland	Retail	10%
Pogoria Shopping Centre	Poland	Retail	Implemented
Focus Mall Piotrkow Trybunalski	Poland	Retail	10%
Platan Shopping Centre	Poland	Retail	Implemented
Galeria Wolomin	Poland	Retail	Implemented
Solaris Shopping Centre	Poland	Retail	Implemented
Galeria Tomaszow	Poland	Retail	Implemented
Focus Mall Zielona Góra	Poland	Retail	10%
Ozas Shopping and Entertainment Centre	Lithuania	Retail	5%
Mammut Shopping Centre	Hungary	Retail	10%

Property	Country	Property type	LED Implementation status in 2019
Arena Mall	Hungary	Retail	10% (total refurbishment in progress)
City Park	Romania	Retail	Implemented
Promenada Mall	Romania	Retail	35%
Iris Titan Shopping Center	Romania	Retail	95%
Shopping City Galati	Romania	Retail	Implemented
Shopping City Deva	Romania	Retail	Implemented
Braila Mall	Romania	Retail	45%
Vulcan Value Centre	Romania	Retail	45%
Shopping City Piatra Neamt	Romania	Retail	Implemented
Shopping City Targu Jiu	Romania	Retail	Implemented
Severin Shopping Center	Romania	Retail	60%
Shopping City Sibiu	Romania	Retail	Implemented
Promenada Sibiu	Romania	Retail	Implemented
Kragujevac Plaza	Serbia	Retail	Implemented
Promenada Novi Sad	Serbia	Retail	Implemented
Krusevac Shopping Park	Serbia	Retail	Implemented
Aupark Kosice Mall	Slovakia	Retail	60%
Aupark Zilina	Slovakia	Retail	60%
Aupark Shopping Center Piestany	Slovakia	Retail	65%
Serdika Office	Bulgaria	Office	Implemented
City Business Centre	Romania	Office	Implemented
Floreasca Business Park	Romania	Office	Implemented
The Lakeview	Romania	Office	Implemented
Victoriei Office	Romania	Office	Implemented
Aupark Kosice Tower	Slovakia	Office	Implemented

- green building certification process:

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
<b>Sustainability through green buildings</b>	Obtain "BREEAM In - Use" certification for 100% of the Retail portfolio that will be going through recertification, at least "Very Good"	- % assets certified BREEAM In Use - % of assets recertified at least "Very Good"	2022	-
	Obtain "BREEAM In - Use" certification for 100% of the Office portfolio that will be going through recertification, at least "Very Good"	- % assets certified BREEAM In Use - % of assets recertified at least "Very Good"	2022	-
	Obtain EDGE certifications	- % assets certified EDGE	2022	-

- community engagement

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
<b>Community engagement</b>	Deploy a re-charging infrastructure for electric vehicles in 100% of the parking lots managed by the Group	% parking lots with infrastructure for electric recharge	2022	-
	Develop smart partnerships with the Group's stakeholders	community relevant partnerships	permanent	
	Create relevant community events and CSR campaigns	- centres which have organised at least one annual CSR-relevant event - time, budget and area in the Group's properties dedicated to CSR campaigns	permanent	

- people and business integrity

Strategic Initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
People and business integrity	Ensure compliance with regulations, policies and procedures	- timely monitoring, reporting and remediation - consequence management	permanent	
	Collaborate with responsible and sustainable partners (clients and suppliers)	- supplier risk assessment performed for any new supplier and revised periodically - "know your customer" due diligence performed for new customers and revised periodically	permanent	
	Ethical relationship with authorities and government representatives	- reports through whistleblowing channel, if any, timely addressed - no financial support to any political party / political exposed person - no gifts / benefits / other form of payment to public officials / political exposed persons	permanent	

### 1.2 NEPI Rockcastle Green Finance Framework

NEPI Rockcastle (“NEPI-R”) has elected to create a Green Finance Framework which is in accordance with the ICMA Green Bond Principles 2018<sup>2</sup> and LMA Green Loan Principles 2020<sup>3</sup>. Under the present Framework NEPI-R can issue a variety of Green Finance instruments to finance or refinance green projects (Eligible Green Projects), as set out in Section 2 of this Framework. Green finance instruments may include, inter alia, green bonds, green loans, and other green debt or hybrid financing instruments.

For each issuance NEPI-R will adopt the (1) Use of Proceeds (2) Process for Project Evaluation and Selections (3) Management of Proceeds (4) Reporting in accordance with the Green Financing Framework.

Future changes to the framework may be implemented to align with new market developments and standards. Any updated version of this framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

This Framework is applicable for relevant issues by NEPI Rockcastle’s or by any of its selected wholly owned subsidiary. The Framework together with the second opinion by Sustainalytics is available on Nepi Rockcastle’s website.

## 2. Use of Proceeds

Proceeds of NEPI-R Green Bonds will be allocated to finance or refinance in whole or in part projects that meet the following Eligibility Criteria:

Eligible Category	Eligibility Criteria <sup>4</sup>	Environmental benefits
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<sup>2</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup>NEPI-R will not finance/ refinance any project concerning buildings for the purpose of extraction, storage, transportation or manufacture of fossil fuels.

Green buildings	<p>Acquisition, construction or refurbishment of buildings which meet recognised standards<sup>5</sup> for best practices in energy and resource efficiency and low-GHG emissions.</p> <p>Such as:</p> <ul style="list-style-type: none"> <li>• BREEAM (Very Good and above)</li> <li>• LEED (Gold and above)</li> <li>• EDGE</li> </ul>	<p>Energy Savings</p> <p>GHG emission reduction</p> <p>Water savings</p>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Renovations or refurbishment of existing buildings not contemplated under the “green building” category, delivering a (1) minimum 30% reduction in carbon emissions intensity or (2) two letter grade improvements according to local Energy Performance Certificate, against to the baseline performance of the building before the renovation.</li> <li>• Individual measures on buildings reducing energy use and/or carbon emissions: <ul style="list-style-type: none"> <li>- Installation of solar photovoltaic systems</li> </ul> </li> </ul>	

All of NEPI-R’s Eligible Green Projects contribute to the environmental objective of climate change mitigation, low carbon society, and the achievement of UN Sustainable Development Goals, specifically:

Project Category	UN Sustainable Development Target Contributed to by the Framework	
Green Buildings	  	<p>7.3. By 2030, double the global rate of improvement in energy efficiency</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
Energy Efficiency		<p>7.3. By 2030, double the global rate of improvement in energy efficiency</p> <p>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix</p>

<sup>5</sup> NEPI-R may (re)finance projects with recognized certifications no older than 5 years.

		<p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
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NEPI-R will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Projects. Eligible Green Projects can be owned by any of NEPI Rockcastle's subsidiaries or by joint venture companies. For joint ventures, NEPI-R will only include assets equal to, or less, than the total funding provided by NEPI-R.

### 3. Process for Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of NEPI-R Green Finance Instruments are allocated to finance or refinance projects that meet the criteria and objectives set out in this Framework.

#### 3.1 General Sustainability Assessment Process

NEPI-R is committed to high standards in environmental, social and ethical matters. As such, all of NEPI-R's development and construction projects are subject to environmental assessment procedures during the due diligence process. Before each potential asset investment, the Group examines the environmental risks. Factors taken into account include compliance with all applicable local regulations, the use of energy-efficient solutions and green BREEAM, LEED (and EDGE) certifications. Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring advisors. Health, safety and environmental risks are monitored before and during construction.

#### 3.2 Project Selection Process

Projects financed and/or refinanced through the Green Finance Instruments issued under the Framework are evaluated and selected based on compliance with the Eligibility Criteria by the Green Finance Committee composed from members of Treasury and Finance departments, senior members of the Investments and Acquisitions department, together with members of the Property Management team (Environmental) across the Group. The process will be chaired by NEPI-R's CF (who is also a member of NEPI-R's Social and Ethics Committee). The committee will meet at least annually.

NEPI-R takes care that all selected Eligible Projects comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. The Group applies core minimum environmental and social (ESG) requirements for many of its activities, including those financed with the proceeds of the Green Finance Instruments.

NEPI-R also applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting and controlling system. Disclosure regarding NEPI-R risk, environmental, social and sustainability policies can be found in the Company's annual report<sup>6</sup>.

### 4. Management of Proceeds

<sup>6</sup> The Company's Annual Reports are available at <https://nepirockcastle.com/investors/financial-information/> (Annual and Half-Year report section).

NEPI-R intends to allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

NEPI Rockcastle will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments. Additional Eligible Green Projects will be added to the Issuer’s Eligible Green Project Portfolio to the extent required to ensure that the net proceeds from outstanding Green Finance Instruments will be allocated to Eligible Green Projects.

Whilst any Green Finance Instrument net proceeds remain unallocated, NEPI Rockcastle will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments or to pay back a portion of its outstanding indebtedness, the balance of net proceeds not yet allocated to the Eligible Green Project Portfolio.

## 5. Reporting

NEPI-R will provide a Green Finance Instruments update consisting of an Allocation Report and an Impact Report, which will be available on the Groups’ website<sup>7</sup> within 12 months of issuance and then annually until full allocation. Additional information on specific performance of certain assets may be available in NEPI-R’s annual report in the Sustainability Report section.

### 5.1 Green Bond allocation report:

NEPI-R will create a report detailing the allocation of the net proceeds of its Green Finance Instruments and give additional details such as examples of eligible projects financed, the remaining balance of unallocated proceeds, the geographical distribution of Green Projects, the share of financing/refinancing. External verification for the allocation report will be provided for each annual allocation report.

### 5.2 Impact report:

Where feasible, and on a best efforts basis, NEPI-R will provide an impact report in accordance with approach outlined under the Harmonized Framework for Impact Reporting<sup>8</sup>, which may include the following metrics:

Project Category	Impact Reporting Metrics
Green Buildings	<ul style="list-style-type: none"> <li>• Level of certification by property</li> <li>• Annual GHG emissions reduced/avoided (t CO<sub>2</sub> eq pa)</li> <li>• Annual energy savings (MWh pa)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided (t CO<sub>2</sub> eq pa)</li> <li>• Annual energy savings (MWh pa)</li> <li>• % annual energy efficiency gain relative to an established baseline</li> </ul>

<sup>7</sup> [www.nepirockcastle.com](http://www.nepirockcastle.com)

<sup>8</sup> Harmonized Framework for Impact Reporting, June 2019, ICMA

## 6. External Review

NEPI-R has engaged Sustainalytics to provide an External Review in the form of a Second Party Review on the NEPI-R Green Finance Framework and confirm alignment with GBP 2018<sup>9</sup> and GLP 2020<sup>10</sup>.

The External Review has been made public on NEPI-R's website.

NEPI-Rs annual Green Finance reporting will also be subject to External Review which will be accessible on the group website.

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<sup>9</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>10</sup> <https://www.lsta.org/content/green-loan-principles/>

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