

Sustainability Report



**NEPI
ROCKCASTLE**

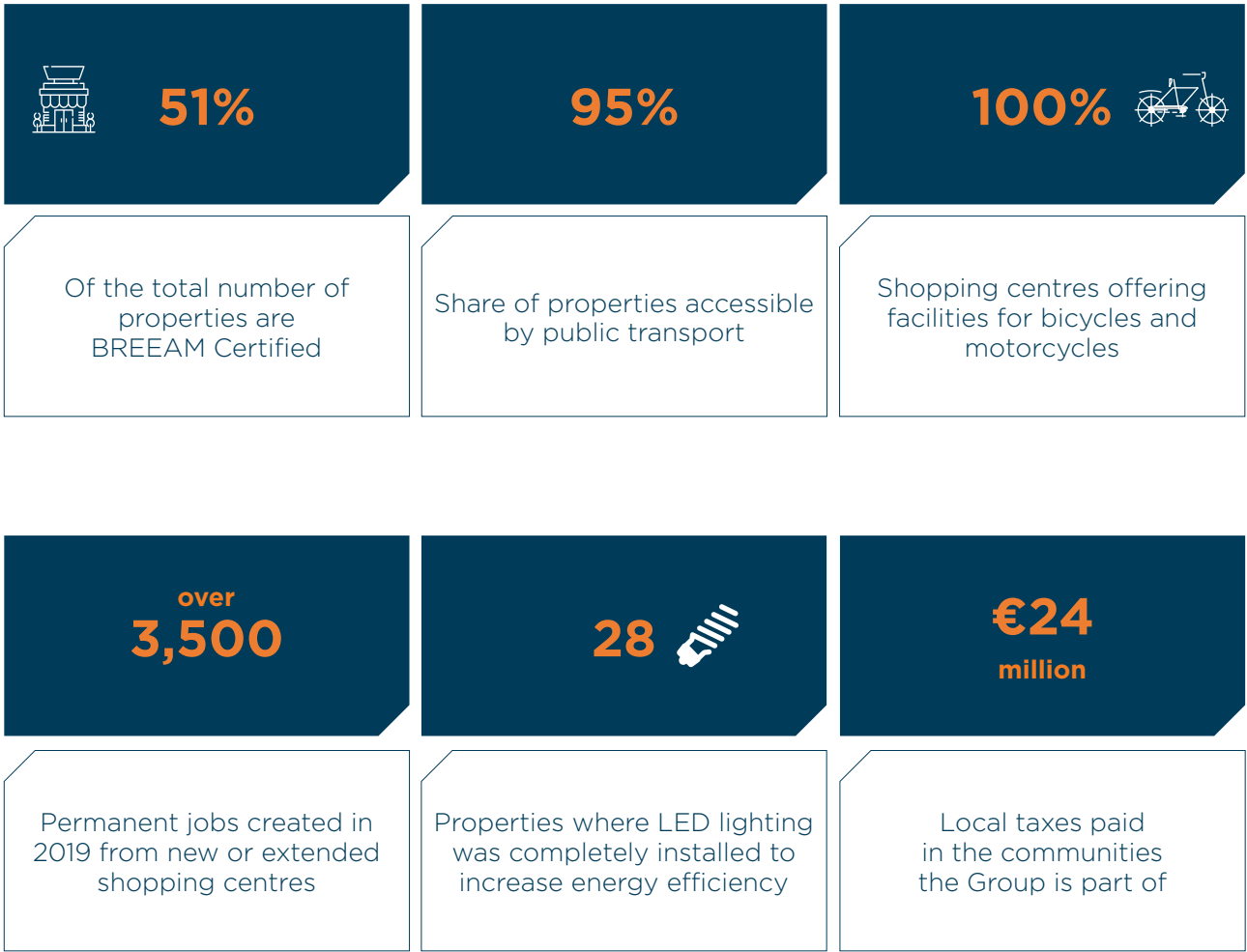
Extract from 2019 Annual Report



SUSTAINABILITY REPORT

Key sustainability metrics in 2019	2
Sustainability strategy	3
Approach to sustainability	5
Update on the strategic initiatives during 2019	
Pillar 1: Sustainable resource management	12
Pillar 2: Green buildings	22
Pillar 3: Community engagement	24
Pillar 4: People and business integrity	32

Key sustainability metrics in 2019



*For the properties where such surveys have been implemented.

Sustainability report

NEPI Rockcastle strongly believes in its duty to be a responsible corporate citizen and achieve the highest standards of sustainability. Under the guidance of the Board of Directors and the permanent coordination from the Social and Ethics Committee, the Group embraces this approach as a driving force of its strategic objectives, influencing significantly its stakeholders relationship management and allowing one unified approach towards customers, local communities, staff, suppliers, investors, analysts, local and central government, peers and non-governmental organizations.

“The definition of NEPI Rockcastle sustainability strategy in 2018 was an important milestone for the Group. During 2019, the Group’s efforts focused on implementing the strategy, namely on applying measures and technologies to achieve efficient utilities consumption, responsible waste management, decrease emissions and integrating the assets in the communities through specific activities aimed to make the assets part of the communities’ day-to-day life. The implementation of the first STEP-HEAR system, meant to help visually impaired customers to navigate our shopping centres, more mobility to our visitors through electric charging stations, better and more diversified services, are only a few of the measures taken in our portfolio. Sustainability will remain one of the Group’s priorities in 2020 and in the years to come, as it is a long-term journey that demands a continuing commitment.” - Alex Morar (NEPI Rockcastle’s CEO).

SUSTAINABILITY STRATEGY

NEPI Rockcastle continued during 2019 to pursue its focus on sustainability, as outlined in the 2018 Annual Report. With the clear vision of improving the long-term sustainability of its operations, the Group continued to invest in clean and sustainable technologies, adopt policies that address environmental and social risks and engage in more proactive stakeholder discussions,

The Environmental, Social and Governance (‘ESG’) engagement has naturally been growing in the last years, as the Group expanded and became the strongest retail real estate presence in Central and Eastern Europe (‘CEE’). This resulted in analyzing the impact of the ESG factors on its day-to-day activities for all functioning assets, as well as for the pipeline and financing purposes.

The Company went through a comprehensive analysis to identify all its stakeholders and their needs, with the purpose to engage in a sustainability-focused strategy, addressing its environmental impact as well as the stakeholders’ needs and priorities. NEPI Rockcastle considers the following areas for defining its sustainability framework and the measures to be prioritised during 2020:

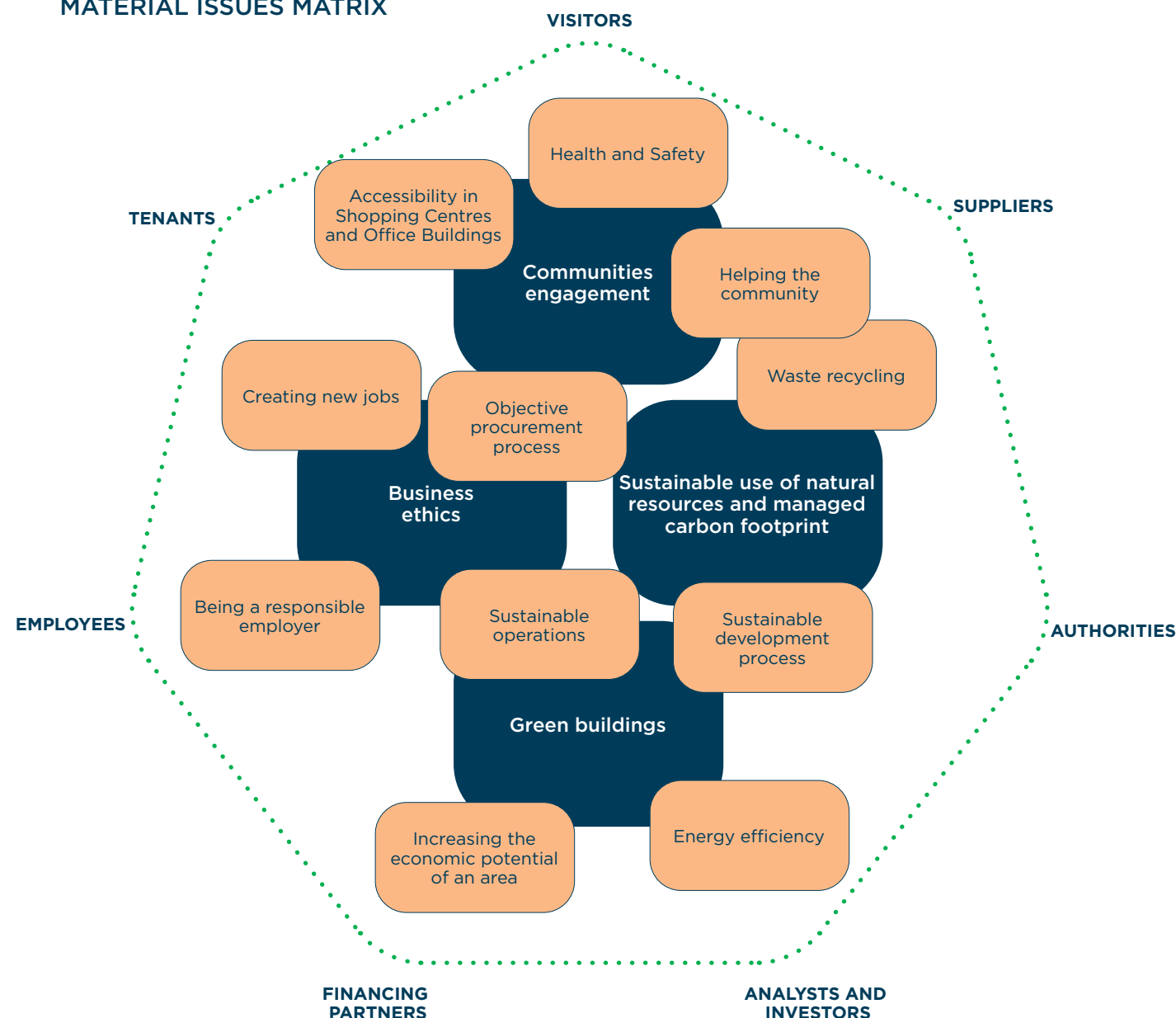
- Key areas identified based on various interactions with stakeholders;
- Risk management policy and key risk areas identified at Group level;
- Changes in its ecosystem and macroeconomic environment;
- Best practice frameworks for sustainable development.



PHOTO: PROMENADA MALL, ROMANIA

Sustainability report » continued

MATERIAL ISSUES MATRIX



As defined in previous years and revised during 2019, 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, reducing water, energy, gas consumption and emissions, better and sustainable waste management, in the attempt to improve both impact of consumption, as well as efficiency.

2. Sustainability through green buildings - NEPI Rockcastle is applying a continuous improvement process for its buildings and as a result, these are being certified at the highest sustainability standards in the real estate industry. This acknowledges the Group's commitment in having sustainable buildings, both during construction and in the operational stages.

3. Community Engagement - with a view of giving back to the communities and contribute to the sustainable social development, NEPI Rockcastle strongly believes that the cornerstone of its sustainable strategy are the communities: partners, clients, visitors and all catchment areas inhabitants.

4. People and business integrity - As it is an integral part of the Group's culture, integrity is embedded in all its processes, ensuring compliance with laws and regulations and that all operations are being conducted according to the highest standards of business ethics. During 2019, the Group updated its sustainability strategy, in order to reflect also the focus on its employees. NEPI Rockcastle's view is that the major component of running a business with integrity is represented by its people, with an upstanding business having a sustainable and fair approach to its human resources management processes.



APPROACH TO SUSTAINABILITY

NEPI Rockcastle is highly committed to drive a sustainable business and be a responsible citizen, and this commitment is endorsed by its Board of Directors. 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:

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

The organization's purpose is to lead the environmental and social performance of companies specialised in the real estate sector. The Group participated every year in the benchmark and improved its results year on year.

INTERNATIONAL FINANCE CORPORATION (IFC)

IFC supports investments in the retail sector due to its economic importance in terms of employment, consumer spending and tax revenues.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The EBRD invests in private sector projects related to property and adjacent markets. Through its involvement in property and related markets, the EBRD aims to redress the fundamental undersupply of modern,

high-quality, energy efficient commercial, logistics and residential real estate. One of the main criteria for investing in such projects is for the project to be consistent with the EBRD's overall investment policy. Moreover, as an issuer of financial instruments where EBRD is investing, NEPI Rockcastle undertakes to comply with ESG criteria as imposed by the EBRD standards.

SUSTAINALITYCS

In 2019, based on the publicly available information relating to the Group and its operations, Sustainabilitycs, a leading independent ESG and corporate governance research provider, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies, gave a positive assessment of NEPI Rockcastle's ESG Risk, rating it as LOW, with a score of 16.4. Sustainabilitycs considers NEPI Rockcastle to have a LOW risk of experiencing material and financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. Following the methodology amendments implemented by Sustainabilitycs in November 2019, the rating of the Company reached 15.1, remaining in the LOW risk category.



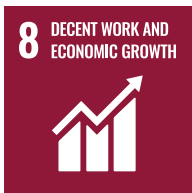

FTSE4GOOD





Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. NEPI Rockcastle was included in the index at the beginning of 2019.

Sustainability report» continued

UNITED NATION SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

As part of its continuous improvement process and contribution to a better environment, the Group focuses in 2020 on aligning its strategy with UN SDG's. With an aim to contribute in respect with all applicable UN SDGs, the Group has a focused approach on the following goals:

Goal	Description (as per UN public information ¹⁾	Implementation
	More efficient use and management of water are critical to addressing the growing demand for water, threats to water security and the increasing frequency and severity of droughts and floods resulting from climate change.	Reduce the water consumption through technology; Monitor discharged water quality; Encourage use of treated/ recycled water and harvest rainwater; Promote efficiency among stakeholders.
	As per the UN public information, public and private investments in energy also need to be increased and there needs to be more focus on regulatory frameworks and innovative business models to transform the world's energy systems.	Reduce the energy consumption in the Group's operations; Increase the percentage of renewable energy sources for the utilities used in the Group's activity; Implement technologies aimed to improve the efficiency and sustainability of assets construction and operation (involving third parties – tenants and suppliers).
	Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs and stimulates the economy, while not harming the environment. Job opportunities and decent working conditions are also required for the whole working age population.	Create new opportunities in cities where the Group develops and operates properties; Deliver predictable distributions to shareholders; Expand countries and locations of operation.
	Technological progress is the foundation of efforts to achieve environmental objectives, such as increased resource and energy-efficiency. Without technology and innovation, industrialization will not happen, and without industrialization, development will not exist.	NEPI Rockcastle promotes and follows responsible construction practices throughout all its developments. The Group's development process gives special attention to: <ul style="list-style-type: none"> - Structural elements that can impact energy consumption and carbon footprint; - Maximizing daytime light use while minimizing solar heat gains through shading, glass specifications, thus minimizing the use of air conditioning and energy consumption; - Implementing proficient building management systems, which monitor and optimize technical equipment operation.

Goal	Description (as per UN public information ¹⁾	Implementation
	Rapid urbanization's challenges, such as the safe removal and management of solid waste within cities, can be overcome in ways that allow them to continue to thrive and grow, while improving resource use and reducing pollution and poverty.	The Group designed an integrated waste management system to be applied across its core portfolio, leading to increased selective waste collection rate and minimizing landfill.
	Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. Substantially reduce waste generation through prevention, reduction, recycling and reuse.	The Group continued to implement the waste reduction strategy across all its properties. The Group also aims to increase applicable sorting solutions, in order to increase the proportion of waste sorted on-site and thereby reduce overall waste management processing costs. All NEPI Rockcastle's properties are equipped with multi-compartment bins in the common areas, also raising awareness about selective sorting among the visitors.
	Climate change is a global challenge that does not respect national borders. It is an issue that requires solutions that need to be coordinated at the international level to help developing countries move towards a low-carbon economy.	Tenants awareness of recycling benefits is also raised through notifications and by detailed tenant manuals which include Waste Management provisions, personalised for each asset.
	Deforestation and desertification – caused by human activities and climate change – pose major challenges to sustainable development and have affected the lives and livelihoods of millions of people in the fight against poverty.	The Group plans to contribute to a greener environment by reducing the carbon footprint of its buildings both during construction and operation. The Group started to build a network of charging stations as a destination for all ECO travelers across NEPI connected countries. The Group also aims to improve its own processes and operations, in order to minimize the impact of its activity on the environment.
		Contribute through developing and acquiring greener buildings. Integrating green areas within its buildings. Assessing sustainability and climate change risks of planned land acquisitions, during the due diligence process.

1. <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Sustainable financing

In December 2019, NEPI Rockcastle signed an ESG linked unsecured revolving credit facility. The credit facility includes an ESG pricing mechanism linking the margin to NEPI Rockcastle's ESG risk rating score. Should the ESG risk rating score increase, the margin of the RCF will increase, and vice versa. ESG Risk Rating data licensed by Sustainalytics may be used as part of the process of setting an interest rate by a lender.

Sustainability report» continued

GLOBAL REPORTING INITIATIVE IMPLEMENTATION

Compliance with and reporting on the GRI Standards (the organization which has pioneered sustainability since 1997 across the globe, covering a comprehensive range of sustainability disclosures) is one of the ways in which the Group ensures that its sustainability efforts are correctly measured and communicated. In defining the Sustainability strategy the Group ensured the alignment of its approach to GRI guidelines. The Group aims to fully comply with the relevant GRI standards in its ESG reporting and in following up the progress on the strategic pillars, starting 2020.

This 2019 report is prepared *in accordance* with the GRI Standards: Core option and the index with references as to where information is disclosed is set out below:

Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
GRI 102: General disclosures			
1. Organizational profile			
102-1	Name of the organization	Front cover	
102-2	Activities, brands, products, and services	4	
102-3	Location of headquarters	Back cover	
102-4	Location of operations	5	
102-5	Ownership and legal form	176, 192	
102-6	Markets served	32-81	
102-7	Scale of the organization	30-31, 181	
102-8	Information on employees and other workers	172	
102-9	Supply chain	32-81, 161	Supply chain organisation and related changes are partially covered, further detail is currently not available for public disclosure
102-10	Significant changes to the organization and its supply chain	32-81	
102-11	Precautionary Principle or approach	GRI Content Index	Precautionary Principle or Approach is not applied
102-12	External initiatives	143	
102-13	Membership of associations	4, 143	
2. Strategy			
102-14	Statement from senior decision-maker	6-10	
102-15	Key impacts, risks, and opportunities	114-122	
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	131, 170	
102-17	Mechanisms for advice and concerns about ethics	100, 103, 171	
4. Governance			
102-18	Governance structure	84, 93	
102-19	Delegating authority	87, 88, 90, 98	
102-20	Executive-level responsibility for economic, environmental, and social topics	90, 98-104	
102-21	Consulting stakeholders on economic, environmental, and social topics	106-107	
102-23	Chair of the highest governance body	90	
102-24	Nominating and selecting the highest governance body	93	
102-25	Conflicts of interest	105-106	
102-26	Role of highest governance body in setting purpose, values, and strategy	88	
102-27	Collective knowledge of highest governance body	96, 101-105	
102-29	Identifying and managing economic, environmental, and social impacts	101-105, 140-175	
102-30	Effectiveness of risk management processes	118-122	
102-35	Remuneration policies	124-139	
102-36	Process for determining remuneration	124-139	
102-37	Stakeholders' involvement in remuneration	124-139	

Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
GRI 102: General disclosures			
5. Stakeholder engagement			
102-40	List of stakeholder groups	107	
102-41	Collective bargaining agreements	GRI Content Index	No employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	107	
102-43	Approach to stakeholder engagement	86, 92, 100, 106-107	
102-44	Key topics and concerns raised	86, 92, 100, 106-107	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	194-197	
102-46	Defining report content and topic Boundaries	141	
102-47	List of material topics	142	
102-48	Restatements of information	GRI Content Index	There have been no restatements of information
102-49	Changes in reporting	GRI Content Index	There have been no significant changes
102-50	Reporting period	Front cover	
102-51	Date of most recent report	Front cover	
102-52	Reporting cycle	Front cover	
102-53	Contact point for questions regarding the report	240	
102-54	Claims of reporting in accordance with the GRI Standards	146	
102-55	GRI content index	146-149	
102-56	External assurance	25, 182-187	
GRI 201: Economic performance			
103-1 103-2 103-3	Management approach	84-97	
201-1	Direct economic value generated and distributed	10, 189	
GRI 302: Energy			
103-1 103-2 103-3	Management approach	154-159	
302-1	Energy consumption within the organization	154-159	
302-4	Reduction of energy consumption	154-159	
302-5	Reduction in energy requirements of products and services	154-159	
GRI 303: Water and Effluents			
103-1 103-2 103-3	Management approach	153	
303-5	Water consumption	153	

Sustainability report» continued

Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
GRI 305: Emissions			
103-1 103-2 103-3	Management approach	159	
305-2	Energy indirect (Scope 2) GHG emissions	159	No disclosure on Scope 1, 2 or 3 emissions
305-5	Reduction of GHG emissions	159	No disclosure on Scope 1, 2 or 3 emissions
GRI 306: Effluents and waste			
103-1 103-2 103-3	Management approach	152	
306-2	Waste by type and disposal method	152	
306-4	Transport of hazardous waste	GRI Content Index	There is no transport of hazardous waste
GRI 308: Supplier environmental assessment			
103-1 103-2 103-3	Management approach	161	
308-1	New suppliers that were screened using environmental criteria	161	
GRI 401: Employment			
103-1 103-2 103-3	Management approach	170-175	
401-1	New employee hires and employee turnover	174	
GRI 403: Occupational health and safety			
103-1 103-2 103-3	Management approach	100, 142, 151, 162-164	
403-1	Occupational health and safety management system	100, 142, 151, 162-164	
403-6	Promotion of worker health	100, 142, 151, 162-164	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	100, 142, 151, 162-164	
GRI 405: Diversity and equal opportunity			
103-1 103-2 103-3	Management approach	171-172	
405-1	Diversity of governance bodies and employees	171-172	
405-2	Ratio of basic salary and remuneration of women to men	171-172	
GRI 406: Non-discrimination			
103-1 103-2 103-3	Management approach	127, 170-171	
406-1	Incidents of discrimination and corrective actions taken	171	
GRI 413: Local communities			
103-1 103-2 103-3	Management approach	141, 142, 150-159, 162-168	
413-2	Operations with significant actual and potential negative impacts on local communities	141, 142, 150-159, 162-168	



PHOTO: MEGA MALL, ROMANIA

Sustainability report

» continued

UPDATE ON THE STRATEGIC INITIATIVES DURING 2019

PILLAR 1. SUSTAINABLE RESOURCE MANAGEMENT

NEPI Rockcastle continues to focus on the resource management, as a main pillar of its sustainability strategy. In 2018 the Group set medium and long-term targets for its sustainability strategy in each of its strategic pillars, and continued to follow and measure progress of these KPIs during 2019.

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
Sustainable resource management	Increase energy efficiency for Office portfolio by 5%	energy consumption in MWh/ visitor energy consumption in MWh/ m² GLA	2022	-
	Increase energy efficiency for Retail portfolio by 10%	energy consumption in MWh/ visitor energy consumption in MWh/ m² GLA	2022	-
	Invest 5% of the annual budget in renewable sources of energy	% CAPEX invested in renewable energy sources % renewable energy in electricity contracts	2022	-
	Reduce by 20% the carbon footprint associated with all operations	carbon footprint	-	2030
	Purchase 50% of electricity from renewable sources for all areas managed by the Group	% of electricity from renewable sources % LED deployment level (common areas)	-	2030
	Reach a waste recycling rate of at least 50%	% waste recycled in Kg/visitor % waste recycled in Kg/m² GLA		2030
	Decrease water consumption for Office portfolio by 5%	water consumption in m³/visitor water consumption in m³/m² GLA	2022	-
	Decrease water consumption for Retail Portfolio by 10%	water consumption in m³/visitor water consumption in m³/m² GLA	2022	-

NEPI Rockcastle’s Pillar 1 is aligned with the United Nations SUSTAINABLE DEVELOPMENT GOALS

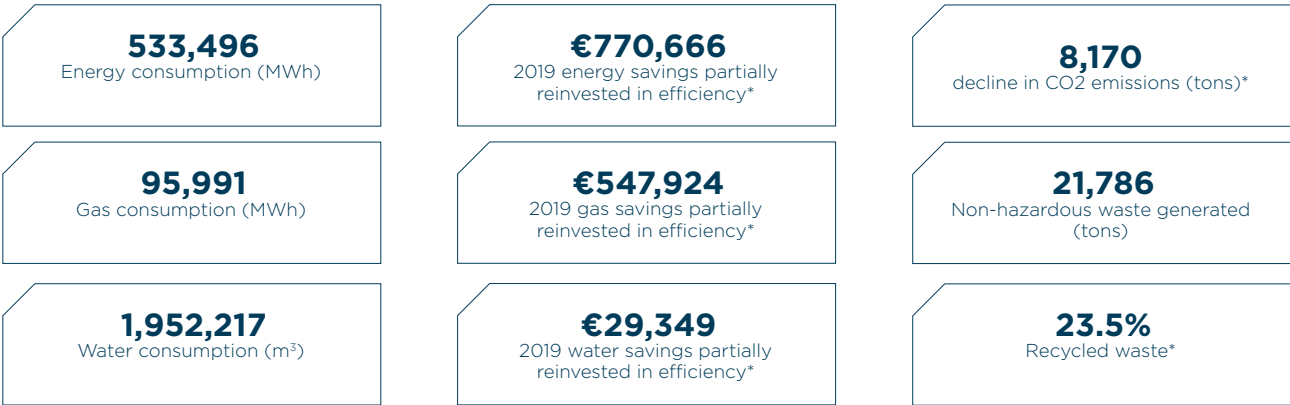
SUSTAINABLE RESOURCES MANAGEMENT				
BIODIVERSITY	WASTE MANAGEMENT	GAS EMISSIONS	ENERGY AND GAS EFFICIENCY	WATER EFFICIENCY
Protecting the ecosystems in which the Group operates	Implement construction efficiency measures and encourage recycling	Identify and respond to climate change risks, by reducing greenhouse gas emissions	Reduce consumption, purchase green energy and invest in renewable energy sources	Reduce water consumption, encourage use of treated/ recycled water and harvest rainwater



To achieve the targets set in Pillar 1, the Group is continuing the same approach outlined in 2018, translated in the following initiatives:

- Implementation of the Environmental Policy**
During 2019, the Group gathered best practices from the market and initiated coordination meetings with the most relevant stakeholders on this process: authorities, tenants and suppliers, with a target to roll out its Environmental Policy during 2020.
- Lighting energy efficiency will be achieved by:**
 - Replacing the traditional lighting sources with LED luminaires;
 - Occupational lighting management, adapted to the areas and use;
 - Instant presence lighting management
- Optimised HVAC consumption will be achieved by:**
 - Setting back the temperatures during closed hours;
 - Free cooling management;
 - Equipment frequency management.
- Water consumption management will be achieved by:**
 - Daily consumption monitoring, as a basis for the water conservation practices;
 - Rainwater recovery and reuse;
 - Sensors for all water consumption sources;
 - Industrial equipment for water treatment and recirculation.
- Pest control**
 - Integrated methods based on monitoring and non-toxic preventive measures are used to proactively manage and minimize pest issues.
- Non-invasive cleaning products**
 - Cleaning products and materials, including hard-floor and carpet-care products, are meeting the requirements of Green Seal, Environmental Choice Programs, or European Eco-Label Programs.
- “Less paper, more air”, “less plastic, more life” principles:**
 - No paper towels in the toilets, only high efficiency dryers;
 - Less printed contracts for Group’s operations, electronic signature implemented;
 - Selective waste management, from source to the final disposal stage;
 - Recycled materials replacing plastic accessories;
 - Ceramics, metal, or recycled paperboard accessories in the food courts.
- Efficient waste reduction (non – recyclable waste)**
achieved through an integrated waste management system applied across the core portfolio. The success of this initiative is highly dependent on the public waste management awareness programs implemented in the communities where the Group’s shopping centres are located.
- Centralised building operating system.** During 2019, the Group started the implementation of a centralised building operating system. The system integrates individual building management systems, life and safety systems and security systems from all buildings, into a single Building Operating Center. The future Building Operating Center will allow consumption optimization, extended equipment lifespan, faster response to weather changes, predictive maintenance, costs predictability and traceability, across all properties in the portfolio. The Group targets an energy consumption reduction, after full implementation and integration, by an average of 14%. The Group aims to implement the system across at least 33% of its portfolio by the end of 2020 and plans to cover 100% of the assets by the end of 2021. As of February 2020, the implementation was progressing as scheduled, with 10 properties fully connected.
- Responsible operations practices**
NEPI Rockcastle is committed to ensuring a safe and healthy environment for everyone, therefore it has implemented detailed health and safety procedures and measures:
 - Safety audits are performed regularly and supervised by specialised independent companies, ensuring that NEPI Rockcastle’s properties are safe destinations;
 - Emergency procedures are tested by real life simulations (evacuation drills);
 - Suppliers are encouraged to use certified non-harming products and the Group monitors the compliance of these products. Products used are aimed at meeting the requirements of Green Seal, Environmental Choice programs or European Eco-Label programs;
 - Good-quality materials with low emissions of volatile organic compounds and with low content of harmful substances are used. Technical specifications are considered for a large range of products: finishing materials, paints, adhesives, floor coverings, carpets and other largely utilised products;
 - The technical teams ensure that enough fresh air is constantly available in the Group’s buildings, through the Building Management Systems. Ventilation ducts are checked regularly, and filter replacement is carried out at least twice a year, while the risk of legionella disease is controlled by undertaking regular tests;
 - Integrated methods based on monitoring and non-toxic preventive measures (site inspection, pest inspection and population monitoring) are used to proactively manage and minimize pest issues.

Facts and figures for sustainable resources management during 2019:



*Figures refer to the like-for-like portfolio.

**Trees saved following recycling of paper: <https://www.usi.edu/recycle/paper-recycling-facts/>

Sustainability report

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A. BIODIVERSITY

Prior to starting new developments, external experts engaged by the Group always perform the environmental impact assessments on biodiversity, in accordance with applicable local laws. Where protected areas or species are identified, the Group closely monitors the ecosystem and its impact with the help of specialised partners. For new developments, the environmental impact report recommendations are closely followed. Endangered species in the vicinity of the development site are monitored and, if necessary, actions are proactively taken.

The direct or indirect impact on the environment, observed and/or anticipated, is described and analysed in the environmental impact assessment, made by independent external experts. In case of a significant, observed and/ or anticipated impact, the Group focuses with priority on avoiding and minimizing it, instead of remediating and compensating for it.

B. WASTE MANAGEMENT

The fast consumer society leads to increased waste generated by people. The Group has a proactive approach to such an issue applying a waste management system across the core portfolio, leading to increased selective waste collection rate and minimizing landfill. As the main stakeholders of the shopping centres are visitors and tenants, an efficient reduction of non-recyclable waste can be achieved through increasing awareness, continuous communication, advice and enforcement. The Group's management teams are closely following the waste cycle, from the place the waste is generated, up to the final disposal stage. Relevant reports are obtained from the waste disposal companies and reports are regularly provided to the environmental authorities according to applicable laws.

All waste categories are collected separately and delivered to the authorised companies, through the system of collection and waste disposal made available by the Group. At each waste disposal, the confirmation of the loading/ unloading is requested and kept for the elaboration of the waste management program and the records are filled in on a monthly basis. No property within the Group disposes hazardous waste, main waste categories being household, paper and plastic.

The Company has a rigorous approach towards waste management by setting the following priorities: diminish waste to the extent possible, reuse, recycle, strictly following the applicable legal provisions. Through specific internal rules, all building users are instructed and monitored with regards to the waste disposal process and all waste ramps are properly equipped so that the recycling process is conducted in the most efficient manner.

NEPI Rockcastle understands the importance of recycling and reusing and thus the plan is to reach a 50% recycling rate across the portfolio by 2030. Hence, the Group's commitment is to minimize the volume of household waste and to increase the selective waste collection rate, by:

- redesigning the waste disposal/ sorting area in order to fit recycling specific measures;
- accommodating only recycling bins in the property, including food court area and making sure that efficient visual info campaigns are in place;
- replacing food court accessories (cutlery, plates,

- glasses) with ceramics, metal, glass, or certified recycled/recyclable materials;
- promoting information campaigns dedicated to the customers by radio and visuals;
- disseminating information campaigns dedicated to the tenants;
- constantly updating Group's House Rules regarding the waste management policy.

The table below shows the split of waste in the Group's portfolio, measured in tons. The increase in total waste relates to the overall increase in footfall and operations, mainly in the retail segment of the Group's portfolio. On a like-for-like basis, the percentage of recycled waste grew by 23.5% in 2019, as the Group focused its efforts to better manage the entire waste disposal cycle. The results are in line with the targets set by the Group starting 2018.

Generated Waste (tons)

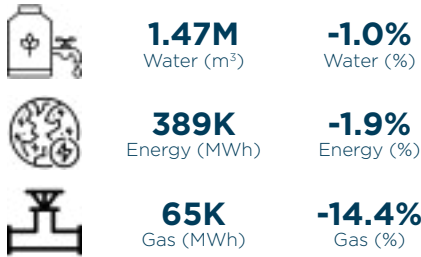
Type of waste	total		like-for-like		%
	2019	2018*	2019	2018	
Unrecycled waste	21,786	18,841	17,175	17,099	0.4%
Household waste	21,786	18,841	17,175	17,099	0.4%
Recycled waste	6,880	5,010	4,648	3,765	23.5%
Paper waste	6,310	4,680	4,355	3,487	24.9%
Plastic waste	438	262	245	222	10.4%
Other recyclable waste	132	69	48	56	-14.3%
Total	28,666	23,851	21,823	20,864	4.6%

* figures revised further to the implementation of standardised measurement systems across the portfolio.

C. UTILITIES CONSUMPTION.

The Group's commitment is to operate its businesses more efficiently, using energy, gas and water more wisely, and make the most of technology and new design techniques to minimize its properties impact on the environment. As part of the efforts to increase the control and monitoring over the utilities consumption, the Group reassessed its utilities consumption measurement system across all portfolio for consistency and alignment across all geographies and technical systems. The utilities consumption is decreasing, as a result of the efforts conducted by the Group, in line or even ahead of the medium and long-term objectives.

Utilities consumption highlights (LFL)



a. WATER EFFICIENCY

Located mainly in urban areas, most of the Group's properties are connected to the city public water/ sewage networks. The food processing tenants and visitors are the main drivers of water consumption. The water consumption is frequently monitored to identify any system leaks and/or excess consumption, as a water conservation best practice. By applying the measures set out in the strategy, the Group achieved a 1% decrease in water consumption

(LFL). The differences on a country basis are mainly generated by refurbishment and fit-out works in the Group's properties (Croatia – Arena Centar and Slovakia – Galeria Mlyny and Aupark Kosice Tower).

The overall increase in the water consumption is due to the extension of the portfolio, or of the food courts in some properties, as well as a higher need to water the green areas within the properties, during the summer season.

Water Consumption (m³)

Country	number of properties 2019	total		number of properties	like-for-like		VAR %
		2019	2018*		2019	2018	
Retail	53	1,830,432	1,795,370	30	1,347,935	1,366,568	-1.4%
Romania	25	826,090	782,317	14	716,827	700,590	2.3%
Poland	12	325,931	373,453	7	239,145	257,690	-7.2%
Slovakia	5	130,464	96,300	4	90,677	81,654	11.1%
Bulgaria	2	150,222	153,006	2	150,222	153,006	-1.8%
Hungary	2	161,175	173,362	1	96,676	109,603	-11.8%
Serbia	3	76,799	25,262	1	23,787	25,262	-5.8%
Lithuania	1	56,691	52,607	-	-	-	-
Croatia	1	45,356	42,184	-	-	-	-
Czech Republic	2	57,704	96,880	1	30,601	38,763	-21.1%
Office	6	121,165	117,826	6	121,165	117,826	2.8%
Romania	4	97,519	95,544	4	97,519	95,544	2.1%
Slovakia	1	4,157	3,347	1	4,157	3,347	24.2%
Bulgaria	1	19,489	18,935	1	19,489	18,935	2.9%
Industrial	2	620	-	2	620	-	-
Romania	2	620	-	2	620	-	-
Total	61	1,952,217	1,913,196	38	1,469,720	1,484,394	-1.0%

* figures revised further to the implementation of standardised measurement systems across the portfolio.

- NEPI Rockcastle will continue implementing measures for water consumption reduction. Aiming a 10% consumption decrease by 2022, the Group will focus on implementing the following measures across its entire portfolio:
- studies to use underground water instead of the conventional system, for specific operations (e.g. water wells for cooling towers and reverse osmosis system pumps);
 - collect rainwater for irrigation and other applicable household activities such as cleaning, landscaping;
 - economical water diffusers on water taps;
 - water shutoff systems - fit toilets areas with controls that isolate water supply when toilets are unoccupied;
 - eliminate any losses from the fire system (water reserve, sprinkler/ hydrants system, etc.) and reduce the impact of water leaks that may otherwise go undetected;
 - eliminate any losses from the HVAC system;
 - follow a preventive revision program for all pieces of equipment;
 - identify and manage any water source that it is not carefully monitored (exterior and common area water sources, tenants for which separate meters have not been installed, etc.).

As the Group is closely following its activity footprint, consistent care is given also to the wastewater. Through regular maintenance programs, high performing equipment and strict internal procedures, the Group manages to be permanently in compliance with the water discharge quality regulations:

- hydrocarbons separators in parking areas;
- grease separators for all properties and individual grease separator for all food processing tenants;
- specific maintenance program for the entire sewage system;
- individual sewage system for both waste- and rainwater;
- water treatment plants for all properties where the used water is discharged into a natural stream of water, river or lake.

- For all NEPI Rockcastle properties, the general wastewater sources are:
- domestic wastewater from sanitary groups, offices and showers;
 - tenants' technological wastewater from the food processing areas, discharged through grease separators and sedimentary basins;
 - rainwater collected from the roofs, conventionally clean;
 - rainwater collected from the vehicles parking/ roads platforms and discharged through hydrocarbons separators.

Having implemented a very strict wastewater monitoring procedure, the Group's local management teams are closely testing and monitoring the water quality, ensuring a safe water discharge management across the entire portfolio. The Group's water discharge process is not considered a pollution factor, all properties being in compliance with the respective laws.

Due to technical restrictions on the public networks takeover capacity, there are properties which could not be connected to the city's public network, but to natural water collectors, based on authorities instructions. Strictly on and around these sites, biogenesis does not include any plant or animal species protected by the regulations in force. Even though the respective natural habitats are not nationally or internationally protected areas, as the laws are highly protective against pollution of any kind, the wastewaters discharge is performed after treatment in wastewater plants, under the supervision of the national environmental authorities. In such locations, the Group constantly measures and monitors the discharged water quality, invested and will continue to invest the necessary resources, with an aim to ensure compliance with environmental laws and reduce the risk of accidental pollution.

Sustainability

report» continued

b. ENERGY AND GAS EFFICIENCY

The efficient and appropriate use of energy and gas has a substantial positive impact on the environment in terms of conserving fossil fuels, reducing pollutant air emissions and minimising consumption and waste. Based on the monthly internal energy audit implemented at Group level, the consumption proportion is generally 20%:80% for common areas:tenants occupied area. The Group is setting and implementing direct efficiency measures for the consumption in the common areas. Moreover, NEPI Rockcastle is consistently working on improving tenants' consumption through specific and more restrictive obligations, to be implemented starting 2020, related to leased area fittings, LED lights and

sensors. Tenants are requested to submit proofs of the maintenance masterplan implementation in order to ensure that all pieces of equipment are functioning properly, keeping the whole building in a material and safe balance. As a result of the investments done in upgrading lights and equipment (as stated in the strategy) and further to the application of the measures as per best practice manual, during 2019 all properties showed savings in utilities consumption: 1.9% on a LFL basis.

The increase in energy consumption is due to expansion of the portfolio between 2018 and 2019.

Energy Consumption (Mwh)

Country	total			like-for-like			
	number of properties 2019	2019	2018*	number of properties	2019	2018	VAR %
Retail	53	495,435	471,752	30	350,860	358,722	-2.2%
Romania	25	178,807	170,384	14	155,141	157,757	-1.7%
Poland	12	118,488	122,111	7	77,105	82,091	-6.1%
Slovakia	5	29,404	29,767	4	25,137	25,412	-1.1%
Bulgaria	2	51,964	53,446	2	51,964	53,446	-2.8%
Hungary	2	41,646	42,748	1	24,014	24,548	-2.2%
Serbia	3	25,017	6,932	1	7,027	6,932	1.4%
Lithuania	1	6,186	6,786	-	-	-	-
Croatia	1	23,606	20,778	-	-	-	-
Czech Republic	2	20,317	18,799	1	10,472	8,535	22.7%
Office	6	32,966	32,674	6	32,966	32,674	-0.9%
Romania	4	28,611	28,256	4	28,611	28,256	1.3%
Slovakia	1	1,248	1,239	2	1,248	1,239	0.7%
Bulgaria	1	3,107	3,179	2	3,107	3,179	-2.3%
Industrial	2	5,095	5,233	2	5,095	5,233	-2.6%
Romania	2	5,095	5,233	2	5,095	5,233	-2.6%
Total	61	533,496	509,658	38	388,921	396,628	-1.9%

* figures revised further to the implementation of standardised measurement systems across the portfolio.

Gas Consumption (Mwh)

Country	total			like-for-like			
	number of properties 2019	2019	2018*	number of properties	2019	2018	VAR %
Retail	53	81,565	81,224	30	50,918	63,365	-19.6%
Romania	25	42,436	49,682	14	36,755	46,855	-21.6%
Poland	12	1,835	1,854	7	1,436	1,328	8.1%
Slovakia	5	5,444	5,626	4	1,860	2,183	-14.8%
Bulgaria	2	5,398	6,240	2	5,398	6,240	-13.5%
Hungary	2	11,723	12,343	1	4,264	5,266	-19.0%
Serbia	3	1,205	1,494	1	1,205	1,494	-19.3%
Lithuania	1	928	898	-	-	-	-
Croatia	1	3,017	3,087	-	-	-	-
Czech Republic	2	9,578	-	1	-	-	-
Office	6	14,177	12,938	6	14,177	12,938	9.6%
Romania	4	5,301	6,479	4	5,301	6,479	-18.2%
Slovakia	1	8,876	6,459	2	8,876	6,459	37.4%
Bulgaria	1	-	-	2	-	-	-
Industrial	2	250	-	2	250	-	-
Romania	2	250	-	2	250	-	-
Total	61	95,991	94,162	38	65,345	76,303	-14.4%

* figures revised further to the implementation of standardised measurement systems across the portfolio.

** includes only properties where gas consumption was applicable.



PHOTO: BRAILA MALL, ROMANIA

Constant monitoring leads to identification of poor performance and changes in consumption patterns. This allows taking prompt measures for the minimisation of the performance gap between forecast and actual consumption, efficient cost management, identification of areas of inefficient operations, system deficiencies and building management issues. NEPI Rockcastle strongly believes that operating cost, consumptions and carbon emissions can be optimised through actions implemented such as changing practices/ procedures, reducing waste and managing energy use.

The design of all new developments includes natural lighting, while low-energy bulbs, combined with light sensors, are used if practical. The buildings' skylights are protected with sun reflective film, to reduce solar heat gain during the summer, thus decreasing the use of air conditioning. Escalators are fitted with motion sensors, stopping automatically when not in use. Properties with multiple elevators are using computerised systems to monitor commands and optimise movement.

Sustainability

report» continued

One of the most significant energy optimization initiatives across all Group’s assets is the replacement of traditional lighting sources with LED technology in the common areas and outdoors. The status of this initiative is further depicted below:

Property	Country	Property type	LED implementation status in 2019	LED implementation status in 2018
Paradise Center	Bulgaria	Retail	Implemented	Implemented
Serdika Center	Bulgaria	Retail	Implemented	Implemented
Arena Centar	Croatia	Retail	Implemented	Implemented
Arena Retail Park	Croatia	Retail	Implemented	Development stage
Forum Liberec Shopping Centre	Czech Republic	Retail	20%	feasibility study and technical solution under review
Forum Ústí nad Labem	Czech Republic	Retail	Implemented	Implemented
Bonarka City Center	Poland	Retail	10%	feasibility study and technical solution under review
Galeria Warminska	Poland	Retail	Implemented	partially implemented in common areas
Karolinka Shopping Centre	Poland	Retail	Implemented	partially implemented in common areas
Aura Centrum	Poland	Retail	10%	partially implemented in common areas
Pogoria Shopping Centre	Poland	Retail	Implemented	Implemented
Focus Mall Piotrkow Trybunalski	Poland	Retail	10%	partially implemented in common areas
Platan Shopping Centre	Poland	Retail	Implemented	partially implemented in common areas
Galeria Wolomin	Poland	Retail	Implemented	partially implemented in common areas
Solaris Shopping Centre	Poland	Retail	Implemented	partially implemented in common areas
Galeria Tomaszow	Poland	Retail	Implemented	partially implemented in common areas
Focus Mall Zielona Góra	Poland	Retail	10%	partially implemented in common areas
Ozas Shopping and Entertainment Centre	Lithuania	Retail	5%	partially implemented in common areas
Mammut Shopping Centre	Hungary	Retail	10%	partially implemented in common areas

Property	Country	Property type	LED implementation status in 2019	LED implementation status in 2018
Arena Mall	Hungary	Retail	10% (total refurbishment in progress)	partially implemented in common areas
City Park	Romania	Retail	Implemented	39%
Promenada Mall	Romania	Retail	35%	13%
Iris Titan Shopping Center	Romania	Retail	95%	90%
Shopping City Galati	Romania	Retail	Implemented	94%
Shopping City Deva	Romania	Retail	Implemented	partially implemented in common areas
Braila Mall	Romania	Retail	45%	partially implemented in common areas
Vulcan Value Centre	Romania	Retail	45%	partially implemented in common areas
Shopping City Piatra Neamt	Romania	Retail	Implemented	99%
Shopping City Targu Jiu	Romania	Retail	Implemented	80%
Severin Shopping Center	Romania	Retail	60%	43%
Shopping City Sibiu	Romania	Retail	Implemented	partially implemented in common areas
Promenada Sibiu	Romania	Retail	Implemented	Development stage
Kragujevac Plaza	Serbia	Retail	Implemented	Implemented
Promenada Novi Sad	Serbia	Retail	Implemented	Development stage
Krusevac Shopping Park	Serbia	Retail	Implemented	Development stage
Aupark Kosice Mall	Slovakia	Retail	60%	50%
Aupark Zilina	Slovakia	Retail	60%	50%
Aupark Shopping Center Piestany	Slovakia	Retail	65%	50%
Serdika Office	Bulgaria	Office	Implemented	Implemented
City Business Centre	Romania	Office	Implemented	50%
Floreasca Business Park	Romania	Office	Implemented	50%
The Lakeview	Romania	Office	Implemented	50%
Victoriei Office	Romania	Office	Implemented	Implemented
Aupark Kosice Tower	Slovakia	Office	Implemented	50%

Sustainability report» continued

C. ENERGY INTENSITY

NEPI Rockcastle strongly believes that improving the energy efficiency plays an essential role in reducing its impact on the climate. Therefore, it is of great importance to measure energy efficiency effectively, which may facilitate future policymaking in this direction. The Company’s studies, reports and year-on-year

improved standards play an important role in facilitating its internal policymaking and efforts to upgrade its buildings performance, which directly affect the progress of energy conservation and environmental protection. The increases in 2019 in Serbia, Czech Republic and Slovakia are due to new projects developed or to refurbishments during the year.

Energy intensity MWh/m² and Energy intensity MWh/1,000 visitors

Country	2019 Energy Intensity MWh/m²	2018 Energy Intensity MWh/m²	(%)	2019 Energy Intensity MWh/1,000 visitors	2018 Energy Intensity MWh/1,000 visitors	(%)
Retail	0.30	0.30	0.01%	1.77	1.70	-1.26%
Hungary	0.44	0.45	-3.13%	2.00	2.04	-1.53%
Bulgaria	0.43	0.45	-3.89%	3.14	3.41	-7.82%
Czech Republic	0.40	0.25	59.88%	1.36	0.86	57.81%
Croatia	0.35	0.36	-2.53%	2.73	2.74	-0.34%
Serbia	0.33	0.12	177.79%	2.23	1.61	38.34%
Slovakia	0.30	0.30	-1.54%	0.90	0.91	-1.79%
Romania	0.28	0.30	-6.07%	1.82	1.92	-5.23%
Poland	0.26	0.27	-5.19%	1.70	1.80	-5.22%
Lithuania	0.12	0.12	-6.51%	1.19	1.46	-18.51%
Office	0.30	0.29	3.36%	-	-	-
Slovakia	0.79	0.60	31.51%	-	-	-
Romania	0.29	0.30	-2.37%	-	-	-
Bulgaria	0.11	0.11	-2.28%	-	-	-
Industrial	0.19	0.19	1.79%	-	-	-
Romania	0.19	0.19	1.79%	-	-	-
Total	0.30	0.30	0.30%	1.77	1.70	-1.26%

Reported data contains 97% of the total energy consumption, as the Group is the energy procurer for all tenants and common areas, except some hypermarkets

d. CARBON FOOTPRINT AND CLIMATE CHANGE

Global warming and climate change are amongst the most important focus topics around the globe. NEPI Rockcastle recognizes the challenges raised, therefore it plans to contribute to a greener environment by reducing the carbon footprint of its buildings during both construction and operation. In 2019, the Group decreased its CO2 footprint with 8,170 metric tons compared to 2018, on a like-for-like basis.

In the scale of global emissions by economic sector, the Group’s activity is generating direct emissions mainly through energy consumption (electricity, gas & thermal) for heating and cooling, waste disposal and indirectly by the transportation used by its visitors.

The Group made a long-term commitment to reduce its carbon footprint by 20% until 2030, based on continuous efforts laid down in 2018 and pursued during 2019:

- Measure carbon footprint for all development projects;
- Plan for “eco-friendly” buildings early in the design phase;

- Use alternative low carbon-emission materials;
- Continue efforts to reduce energy consumption through an energy management strategy that promotes better understanding of energy use;
- Replace old equipment with new more energy efficient equipment;
- Invest in green energy sources such as solar panels and electrical chargers for green cars;
- Implement LED lighting and sensors solutions;
- Foster innovation in technology, as incurring a certain cost in the short term, which will contribute substantially to emissions reductions and cost efficiency in the long run;
- Incorporate sustainable drainage systems into new developments;
- Ensure that buildings can cope with rising temperatures, using construction materials and ventilation systems that do not increase carbon emissions;
- Reduce use of paper and ink;
- Encourage electric ride sharing concepts.

CO2 emissions

					like-for-like		
Country	CO2 emissions intensity Country level (kg/MWh)	2019 (metric tons of CO2)	2018 (metric tons of CO2)	(%)	2019 (metric tons of CO2)	2018 (metric tons of CO2)	(%)
Retail		227,201	225,007	0.97%	162,680	170,919	-4.82%
Romania	306.00	67,700	67,340	0.5%	58,720	62,611	-6.2%
Poland	773.00	93,010	95,825	-2.9%	60,712	64,483	-5.8%
Slovakia	132.00	4,600	4,672	-1.5%	3,564	3,642	-2.2%
Bulgaria	470.00	26,960	28,052	-3.9%	26,960	28,052	-3.9%
Hungary	260.00	13,876	14,324	-3.1%	7,352	7,752	-5.2%
Serbia*	-	-	-	0.0%	-	-	0.0%
Lithuania	18.00	128	138	-7.4%	-	-	0.0%
Croatia	210.00	5,591	5,012	11.6%	-	-	0.0%
Czech Republic	513.00	15,336	9,644	59.0%	5,372	4,379	22.7%
Office		13,174	13,139	0.26%	13,174	13,139	0.26%
Romania	306.00	10,377	10,629	-2.37%	10,377	10,629	-2.37%
Slovakia	132.00	1,336	1,016	31.51%	1,336	1,016	31.51%
Bulgaria	470.00	1,460	1,494	-2.28%	1,460	1,494	-2.28%
Industrial		1,636	1,601	2.15%	1,636	1,601	2.15%
Romania	306.00	1,636	1,601	2.15%	1,636	1,601	2.15%
Total		242,010	239,748	0.9%	177,490	185,660	-4.4%

Calculations based on energy savings 2019 vs 2018, using https://ghgprotocol.org/sites/default/files/standards/Scope%202%20Guidance_Final_Sept26.pdf
* data not available as Serbia is not part of EU.

The connection to public transportation is a relevant topic in the Group’s strategy concerning carbon footprint, thus most of its properties are accessible by public transportation.

In 2019, the Group started the process of extending its electric car charging stations network and, besides the Tesla charging stations installed in properties accross Poland, Slovakia, Hungary and Czech Republic, the Group aims to have electric car charging stations in all relevant assets by the end of 2020.

Sustainability

report » continued

PILLAR 2. GREEN BUILDINGS

NEPI Rockcastle’s properties are built and operated with a focus on optimizing the use of resources throughout the end-to-end lifecycle, from design, to construction, operation, maintenance and redevelopment/ extension.

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
Sustainability through green buildings	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	-

The Group continued to invest in BREEAM certification for its buildings as a measure of its commitment to long-term sustainability. As of December 2019, 51% of its properties are certified BREEAM “Very Good” or “Excellent” and 43% are currently under certification. The difference of 6% were less than a year within the Group, therefore the certification or recertification process has not been started yet. The Group’s target is by mid-year 2020 to have more than 60% BREEAM certified assets and at year end to have more than 75% BREEAM certified assets, at least “Very Good”.

Property	Country	Property type	Status	Scoring obtained/targeted
Iris Titan Shopping Center	Romania	Retail	Certified	excellent
Shopping City Galati	Romania	Retail	Certified	excellent
Braila Mall	Romania	Retail	Certified	very good
Mega Mall	Romania	Retail	Certified	excellent
Promenada Mall Bucharest	Romania	Retail	Certified	excellent
City Park Mall Constanta	Romania	Retail	Certified	very good
Shopping City Deva	Romania	Retail	Certified	very good
Severin Shopping Center	Romania	Retail	Certified	very good
Shopping City Buzau	Romania	Retail	Certified	very good
Shopping City Sibiu	Romania	Retail	Certified	very good
Promenada Sibiu	Romania	Retail	March 2021	excellent
Pitesti Retail Park	Romania	Retail	Certified	very good
Vulcan Value Centre	Romania	Retail	Certified	excellent
Shopping City Timisoara	Romania	Retail	Certified	excellent
Shopping City Targu Jiu	Romania	Retail	Certified	excellent
Shopping City Piatra Neamt	Romania	Retail	Certified	excellent
Ploiesti Shopping City*	Romania	Retail	Certified	excellent
Shopping City Ramnicu Valcea	Romania	Retail	June 2020	excellent
Satu Mare Shopping City	Romania	Retail	July 2020	excellent
Victoriei Office	Romania	Office	Certified	excellent
The Lakeview	Romania	Office	Certified	excellent
Floreasca Business Park	Romania	Office	Certified	excellent
City Business Centre	Romania	Office	Certified	very good
Aupark Zilina	Slovakia	Retail	Certified	very good
Aupark Kosice Mall	Slovakia	Retail	Certified	very good
Aupark Kosice Tower	Slovakia	Office	Certified	very good
Aupark Piestany	Slovakia	Retail	Certified	very good
Korzo Shopping Centrum	Slovakia	Retail	Certified	very good

* joint venture

Property	Country	Property type	Status	Scoring obtained/targeted
Galeria Mlyny	Slovakia	Retail	July 2020	excellent
Kragujevac Plaza	Serbia	Retail	July 2020	very good
Promenada Novi Sad	Serbia	Retail	July 2020	excellent
Arena Centar	Croatia	Retail	Certified	very good
Serdika Center	Bulgaria	Retail	May 2020	excellent
Paradise Center	Bulgaria	Retail	May 2020	excellent
Serdika Office	Bulgaria	Office	May 2020	excellent
Galeria Tomaszow	Poland	Retail	March 2020	excellent
Karolinka Shopping Centre	Poland	Retail	May 2020	excellent
Platan Shopping Centre	Poland	Retail	May 2020	excellent
Pogoria Shopping Centre	Poland	Retail	May 2020	excellent
Bonarka City Center	Poland	Retail	May 2020	excellent
Galeria Warminska	Poland	Retail	March 2020	excellent
Focus Mall Zielona Gora	Poland	Retail	March 2021	excellent
Alfa Centrum Bialystok	Poland	Retail	May 2020	excellent
Solaris Shopping Centre	Poland	Retail	July 2020	excellent
Focus Mall Piotrkow Trybunalski	Poland	Retail	March 2020	excellent
Galeria Wolomin	Poland	Retail	March 2020	excellent
Arena Mall	Hungary	Retail	June 2020	very good
Mammut Shopping Centre	Hungary	Retail	June 2020	very good
Ozas Shopping and Entertainment Centre	Lithuania	Retail	March 2020	excellent
Forum Liberec Shopping Centre	Czech Republic	Retail	May 2020	excellent
Forum Usti nad Labem	Czech Republic	Retail	May 2020	very good

In 2020, NEPI Rockcastle will start implementing its Sustainable Procurement Policy and its Environmental Policy in relevant significant contractual relationships, aiming to increase social responsibility among all business Partners.

The Group strongly believes that a sustainable procurement process will reduce the adverse environmental, social and economic impacts of purchased products and services throughout their life, like:

- the inputs of natural resources, energy and water in the manufacture, use and disposal of goods;
- the pollution produced from the manufacture, use and disposal of goods;
- all costs of operation and maintenance over the life of the goods;
- labour conditions in the manufacture, use and disposal of goods or delivery of services;
- any loss of flora and fauna resulting from the removal or alteration of natural resources.

The Group is to consider the ESG impact for its major procurement processes as of 2020. The goal is to become a sector leader on sustainable procurement, through:

- having an effective sustainable procurement practice embedded within its processes, ensuring that procurement is recognised as being vital to the delivery of the Group’s corporate objectives;
- ensuring that its procurement activity is outcome-focused with well-defined deliverables that cover environmental, social and economic issues, such as reducing CO2 emissions, promoting equal pay and providing opportunities for diverse suppliers;
- complying with targets to reduce the negative impact of materials on environment with special care to the hazardous materials, which should be excluded, or at least reduced;

- special targeting set will be highlighted to reduce the CO2 emissions from materials transport and other sources;
- engaging with its suppliers to ensure they recognize and understand their role in supporting these objectives;
- a track record of sustainability benefits delivered will be in place and publicised to recognize progress and success;
- ensuring sustainable procurement is linked to the responsible individuals key work objectives, through their KPIs and performance assessments;
- procurement of all timber or timber-based products should be based on ‘Legally harvested and Legally traded timber’;
- prioritization is the essence. Sustainability impacts and risks will be mapped against categories of supply and high priority impacts/categories will be addressed first. This should be done with a wide range of internal stakeholders, also taking into consideration corporate policy and external stakeholder requirements;
- to help drive markets for more innovative and sustainable solutions, the Group aims to set an example to the rest of the sector, industry and consumers, through:
 - adopting (whenever possible) a forward-looking commitment approach to give warning to the market of future requirements. This would enable the market to respond with innovative solutions;
 - working within the Group’s business to identify and set future minimum requirements;
 - continuing to work with externally accredited organizations and others on attributing value to sustainable procurement as well as stimulating debate around social issues.

Sustainability report» continued

PILLAR 3. COMMUNITY ENGAGEMENT

As a premier and top developer, owner and operator of commercial real estate in the Central and Eastern Europe, the Group makes every effort for a sustainable growth, maturing together with the local community and its people.

Communities are a key stakeholder for the Group and the Community Engagement approach for 2019 represented a significant step forward, both in terms of investment value, and number of causes supported. The plan surpassed the assumed targets (as laid down in 2018, published in the 2018 Annual Report and displayed below), while continuing previous years' work, with a clear vision to empower people and enrich communities for the world of the future.

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
Community engagement	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	

The Group's strategy is strongly anchored in the public agenda of both policy makers and communities, taking into consideration the most pressing topics that are influencing the world today. NEPI Rockcastle strongly believes in balancing the needs of all the key stakeholders, starting with partners and investors, to tenants, customers and communities. Making the Group's employees advocates of the causes, while being a strong example of responsibility, inspiring and engaging in an authentic way the people from communities, the Group preaches a philosophy where the shopping centres create a halo effect of progress and positive change.

The Community engagement strategy is derived from the Group's core values, and it endeavours to transform the shopping malls network into unique and attractive community centres, boasting an attractive mix of entertainment and leisure. The Group positions its properties as not only the best retail destinations, but also as centres of social interactions.

Priorities of the Community Engagement strategy:

The Group focused on three main pillars that are contributing altogether to more healthy and responsible ecosystems, thus improving people's lives and lifestyles:

A. Social and Health – NEPI Rockcastle increased the impact of its social and health education programs by developing a series of scalable projects across its network. It focused on rigorously selected community needs that tackled education and health support, from prevention to intervention. NEPI Rockcastle believes a

community should be well informed, well connected with its relevant bodies, with strong networks within the respective community, becoming an engaged, responsible and active part of the society. The Group believes it is its role to support the community growth and development, and it chooses to do that in ways that are collaborative, encourage engagement amongst community players, authorities and people. The Group brings all parties together and acts as a facilitator of sustainable engagement.

B. Environment – Climate change and environment protection are not just global priorities and top policy concerns in Europe, but also local and community issues. Tackling environmental matters starts at the level of each person and the community as a whole. The Group believes that it should also be a practice in everyday life of companies and people to bring their contribution. In this respect, environment responsible actions have been implemented across all countries. Moreover, the Group continuously engages with the tenants and business partners to encourage them to join in this initiative, build awareness and boost support.

C. Educating communities – NEPI Rockcastle invested in educational programs for children and parents, as it is the belief of the Group that education is the most powerful tool that one can use to truly create positive impact and change the world to a better place in the long run. The Group aligned educational topics with the local communities, bringing them relevant information from various fields of interest: science, parenting, technology, road safety, safeguarding and keeping traditions.

The Group initiatives are selected taking into account the real needs of the communities, identified in collaboration with key social and institutional partners, that joined the Group in its citizenship efforts. The Group involved in its actions non-governmental organizations partners, such as Save the Children, UNICEF, United Way, the Red Cross, to identify and address relevant local issues. The Group takes great care in the selection of the NGOs that can become partners in various projects, as to have aligned visions and values In this respect, the less fortunate areas /communities and the stakeholders in need, have been a priority when selecting the priorities.

Moreover, the Group welcomed partnerships with other private companies that share similar values and priorities, such as Unilever for the **Empty Shop initiative**, to create a bigger impact of its projects.

In addition to its own developed projects, NEPI Rockcastle consciously provides donations for the causes it supports. In 2019 only, the Group donated 1.5 million EUR to more than 80 NGOs across the group, from healthcare, education, environment and social support, which demonstrated transparency and great commitment, as well as a proven capability of addressing social primary issues in the communities where the Group activates.

Looking forward, NEPI Rockcastle plans to continue this approach and to renew with every project its commitment to enrich people and communities.

A. SOCIAL AND HEALTH ACTIONS

HEALTH

During 2019, the Group has stepped up its efforts to contribute to reducing the occurrence of health issues, thus it continued to support health organizations, medical clinics, while developing new partnerships. For this purpose, the Group developed prevention and screening campaigns to cover issues related to blood demand, cancer, heart diseases, smoking, infertility, dental hygiene, while promoting a healthy and active lifestyle.

Blood donation campaigns: One of the major health concerns, as revealed by the World Health Organization, is that 90% of the people who are eligible, do not donate. In an effort to stimulate the habit of blood donation and as part of the intervention action plan, the Group hosted over 30 blood-donation campaigns within its properties across CEE countries.

- 30 blood donation campaigns across the region
- More than 150 liters of blood collected
- 300 lives saved (0.5l saves one life, according to React blood donation association)

Arena Mall from Hungary alone hosted 8 blood donation campaigns, while Pogoria Shopping Centre from Poland collected a record quantity of 42 liters of blood, during the XI-th edition of the National Blood Donation Action Motorserce, organised in partnership with the motorcyclists from the VC 19-78 MC Poland club. Mega Mall Bucharest sided with HBO and the local NGO React and it hosted two donation campaigns within the international campaign Bleed for the Throne.

Other health-oriented initiatives

Within the overall CSR framework, the Group offered also financial support for various health causes, donating over €60,000 in 2019. For instance, Promenada Novi Sad donated €50,000 to the Children Hospital, while Aupark Zilina donated €6,000 to “Usmevy pre deti” foundation, helping children diagnosed with cancer. Moreover, the centres became a social catalyst, providing the place, the reason and relevant causes, motivating the communities to side up and help the people in need. In this context, Shopping City Piatra-Neamt organised a 7-hour charitable marathon concert aiming at gathering funds for the treatment of a 12-years old girl, suffering from leukaemia.

The Group also invested in raising awareness of health preventive actions, with a clear impact among its visitors. Having this in mind, the centres developed awareness campaigns, while providing medical check-ups. For instance, Serdika Center partnered with the Olympic legend Yordan Yorkov and organised a Street Workout Competition, which encouraged young people to take



PHOTO: "IMPREUNA PT SIGURANTA" EVENT, SHOPPING CITY SATU MARE, ROMANIA

Sustainability report» continued

up sports and to adopt a healthy lifestyle. Bonarka City Center Krakow organised an educational campaign, aiming at encouraging women to do the regular health exams in the Go Healthy Girl program dedicated to preventing STDs. City Park Constanta hosted an information campaign, SOS Infertility, focusing on preventing infertility as well as treatment options, and a program for raising awareness about the importance of breast-testing in order to prevent cancer.

In order to prevent dental issues, Galeria Mlyny Nitra offered free dental check-ups within the gallery, while Karolinka Shopping Centre implemented a campaign aimed at informing people about the harmful effects of sugar, correlated with diabetes and cardiological check-ups.

The Group also partnered with key local authorities to enhance its preventive educational campaigns. Promenada Novi Sad, Shopping City Piatra-Neamt, Shopping City Deva sided with various Health or Emergency Situations authorities, in campaigns targeting non-smoking and first aid in case of emergencies.

Social campaign and initiatives

During 2019, the Group consolidated its partnership with global social institutions such as Save the Children, UNICEF, United Way and the Red Cross, with whom the Group's shopping centres organised or supported more than 30 campaigns.

In this respect, it came in as natural for Promenada Mall Bucharest to develop the second consecutive edition of **The Empty Shop** campaign, in partnership with the Romanian Red Cross and Unilever Group. The global donation campaign introduced by the Group in Romania in 2018 proved to be a success in terms of determining the community to side up and help those in need. Maintaining the goal of providing clothing to families in need, the charity pop-up store was again set up in Promenada Mall and was open to receive donations for an entire month. The store with empty shelves was visited by over 300 people every day, each of them donating at least one piece of clothing. During the 2019 edition, Promenada Mall Bucharest collected 60.7 tons of clothing, out of which 322 kg consisted of brand-new pieces, donated by a total of over 8,600 visitors. The campaign partner, Unilever, provided the cleaning supplies for washing all the pieces of clothing. Red Cross Romania volunteers sorted and then delivered the clothes to people at risk of social exclusion. Encouraged by the success of the Romanian edition, Promenada Novi Sad from Serbia also organised this year the first edition of Empty Shop with a great local impact, where the Serbians donated over 1 tone of clothing items.

- 70 tons of clothes collected in Romania and Serbia
- 6,000 beneficiaries
- 10,000 donors

Another step forward for promoting social inclusion was made by City Park Mall that developed the second edition of the campaign **Building Destinies**, launched first time in 2018. The Group partnered with the Romanian NGO Social Incubator, with the aim to provide better socio-professional inclusion for young institutionalised adults, that reach the legal age and must start providing for themselves. They are offered therapy and career counselling sessions, as well as practical work visits within NEPI Rockcastle's shopping centres. This year there were attendees from 4 counties which have shown in the latest research a very high risk of social and economic vulnerability. 45 young adults have been included in the program and mentored towards gaining professional and psychological perks that will offer them a better chance of obtaining jobs and a decent life.

As part of the Group's goal of promoting equal rights and inclusion, the Serbian centres Kragujevac Plaza and Promenada Novi Sad hosted two family inclusive festivals "Čep za Hendikep", aimed at raising awareness to the challenges faced by disabled people, as well as advocating for social inclusion. Paradise Center partnered up with Cedar foundation and developed the fundraising campaign Together, gathering funds for disadvantaged children and young people.

Another initiative which proves the key role of the community gathered around the centres is the annual **Great Orchestra of Christmas Charity** event. Each NEPI Rockcastle shopping centre in Poland is part of the largest and most famous fundraising event in the country, which reunites together thousands of volunteer and art lovers for various concerts, auctions and shows. The funds raised during the events are used for acquiring medical equipment, which is donated to hospitals and clinics.

- €100,000 collected
- 20,000 donors

Partnering with NGOs has also been a main pillar for the Group's Slovak centres in 2019. By identifying the main social needs in the communities, the malls provided and supported campaigns and fundraisers for the fight against cancer, the blind and partially sighted people and for supporting young artists. Aupark Shopping Center in Piešťany has also been a supporting ground for talented photographers. The "365 faces of Piešťany" exhibition included one photo each day with the face of a community member involved in cultural or urban development.



PHOTO: THE EMPTY SHOP, PROMENADA MALL, ROMANIA

In Poland, a partnership was established with Auchan in Krakow, to develop a unique project aimed at dealing with autism. For people with an autistic spectrum disease sharp sounds and bright light are stress factors. Bonarka City Center Krakow and Auchan implemented a solution through the **Hours of Silence** project. Every Tuesday, for 2 hours, all the lights are dimmed, no messages are broadcasted, while all the TV sets and music are turned off. During the same interval, Auchan opens a special cashier adapted for autistic people. The campaign had a nationwide reach and helped increase awareness on the issue.

Another initiative developed in Poland in partnership with Auchan and DKMS Foundation by the Platan Zabrze aims at increasing the number of potential donors of hematopoietic stem cells. For two days, the commercial centre hosted a 2-days registration and information office and over 1.4M potential donors registered.

- 1.4 million potential donors of hematopoietic stem cells

B. ENVIRONMENT

A greener community is part of the commitment that the NEPI Rockcastle Group has made for its long-term strategy. Focusing on reducing the negative effects of deforestation and urbanization, NEPI Rockcastle has partnered with World Wildlife Fund, specialised in environmental protection and green initiatives. The Fund was offered free online & offline advertising in some of the Group's centres, while the month of March has been dedicated to the **Earth Hour**, a World Wild Fund for Nature (WWF) initiative, meant to raise awareness all around the world regarding eco-friendly lifestyles.

- Earth Hour – façade lights turned off, awareness leaflets

Moreover, the Group considers the power of example to be the correct way of reaching out to the communities. That is why in many of the Group's properties, the regular lighting in the centres has been replaced with LED technology (as detailed above in this report), while in Poland, visitors were offered free reusable cups, for buying "take-away" drinks with a discount.

As climate changes are more visible worldwide, the Group is committed to developing solutions which can have a real impact over reducing its carbon footprint. Having this in mind, the Group partnered with WWF and launched its largest eco initiative **Don't Be Plastic**. Acknowledging the insight that the use of plastic recipients is mostly defined by habit and not real need, each of the 12 NEPI Rockcastle

commercial centres in Poland have implemented the first phase of the project, consisting of an awareness campaign, carried out on all available communication channels. The purpose of the first phase is to increase awareness about the serious threats posed by plastic to humans and wildlife. As the first phase was implemented in Poland during the previous year, the goal for 2020 is to implement the project in other centres and other countries as well.

During the second phase of the project, the Group is committed to attract its tenants to the initiative and to develop solutions which will contribute to enhancing the overall recycling initiative, as well as to taking the best course of action which would lead to diminishing the carbon footprint within the Center's ecosystems. To start with, Arena Zagreb is transforming its food court through equipping its tenants with ceramic plates, glass cups and metal forks, knives and spoons, replacing the plastic ones. This helps both in terms of reducing use of plastic, and in educating and building awareness among its visitors, clients and tenants.

Recycling and upcycling are also initiatives of high importance for the Group but also for the communities in reducing their footprint. The Group's centres have hosted in 2019 events and workshops aimed at teaching children and their parents that valuable materials can also be found in secondary raw materials, such as palletised furniture. Complementary, various trade-ins initiatives have offered visitors the chance to be rewarded eco products in exchange for their old/unused electronic products. A non-stop available electronic waste collection point has been inaugurated in selected centres in Poland, and more than 1 tone of electronic waste has been collected throughout these. In Serbia, more than 500 kg of plastic bottle caps were collected.

- 1 tone of electronic waste
- 500kg of plastic waste collected

Giving back to the community is carved into the Group's philosophy. That is why, in Bulgaria, more than 1.000 tenants and visitors of the Paradise Center volunteered for the largest clean up initiative in the country: **"Let's clean up Bulgaria"**.

The partnership with the most important environmental organization in Constanta, Romania - Trees Need People - Constanta Restart has been extended in 2019, with a tree planting initiative, in the park of Ovidius University. Moreover, cleaner air for the next generations is the focus of the Group's centre in Constanta, therefore over 100 trees have also been planted in several kindergartens and schools around the city, as part of the **"Together we go green"** project.

Sustainability report» continued



PHOTO: "WE GO GREEN" CITY PARK, ROMANIA

- 200 trees planted
- 100 children involved

The Group's centre in Croatia applied a different approach in order to support afforestation. With the help of the Scout Alliance of Croatia, visitors of Arena Centar were offered pencils made from burnt trees in the Dalmatia, a region extremely exposed to wildfires caused by human negligence. For every tree the visitors drew, the volunteers of the Scout Alliance, supported by the commercial centre, planted a real one.

Bees play an important, but little recognised role in the world ecosystems, as they are the main insects responsible for the pollination process. The pollination is of economic importance, as the bees contribute approximately 153 billion euros to the global economy, which is 9% of the agricultural production. 70% of the

most cultivated plant species are largely based on insect pollination. **"Save the Bees"** is the Group's initiative to raise awareness regarding the need to save bees and the role they play in the ecosystems. Several centres in Poland have, therefore, built bee apiaries that will host over 500.000 bees. The insects are expected to provide around 100 liters of honey in 2020.

- 10 bee apiaries
- 500,000 bees
- 100 liters of honey

C. EDUCATION

The Group places education at the heart of a healthy, developed and modern society, therefore it invests in educational programs for children and parents, because knowledge is a powerful tool in sustainability. The topics are aligned with the local communities, instilling

or enhancing relevant information from present fields of interest: science, medical care, road safety, bullying or parenting. This approach supports young generations grow into ethic, responsible professionals, who will later become part of the business environment in which the company itself operates.

Mega Mall Bucharest hosted the third consecutive edition of the **Science Festival SciKids**, an event aimed at making science accessible and appealing to children of all ages. The festival gathered more than 10,000 visitors during the two days, and it consisted of a wide array of interactive activities, such as workshops, experiments, exhibitions and science shows.

Contacting and working close to community stakeholders provided the Group with knowledge regarding the difficulties that some schools and children face when poverty is a reality. Partnering with key NGOs, provided the Group's centres the opportunities to organize fundraisers or directly donate funds for school materials. The **"Donate your Christmas"** campaign set up by Shopping City Timisoara in partnership with United Way Romania managed to obtain, in just 2 weeks, donations for 100 pupils that received clothing and one warm meal every day of school in 2020. Overall, in 2019, the Group's centres raised and donated over €30,000 for educational purposes.

The Group also sustained its efforts in creating a proper environment for children growth, helping them develop their soft skills and strengthen their interpersonal relationships along with the technical knowledge and abilities. To fulfill this objective, Serdika Center developed the concept Kingdom of Kids: a social awareness campaign with the purpose of reminding children and grown-ups, based on the principles that knights and princesses lived their lives on. The campaign had both online and offline components pushing the message **Be the good you wish to see**.

The Group's commitment to supporting young families and cultivating a healthy, balanced parent-child

relationship led to increased efforts, with the goal of providing specialised information to community members. In 2019, 35 parenting seminars were hosted in Serbia and Bulgaria, with an attendance of hundreds of young and future parents. The attendees had access to free lectures on raising and caring for a child and were able to get reliable advice on topics such as pregnancy, childbirth, breastfeeding and new-born care.

- 35 parenting seminars
- 1,700 parents participants

Serdika Center Sofia has increased its family-oriented programs in 2019, becoming a community hub for people with children, providing them with access to educational activities along with shopping and spending quality time together. For the 7th consecutive year, the shopping centre organised the **Sunday Family** program, which consists of a series of educational workshops and fun activities, with over 60.000 participants.

At the same time, as part of a road safety campaign, the entire atrium of Serdika Center was transformed into a city with streets, traffic lights and road signs. The campaign aimed to educate over 150 children in respecting traffic laws and keeping themselves safe when walking to and from school.

- 7th edition
- 60,000 participants

Due to its international presence in the Eastern European business market, The Group understands the value of cultural diversity. This drives its efforts to initiatives that encourage preserving and nurturing local ethics and traditions into young generations. Starting from this belief, the Group supported a broad variety of cultural actions within its shopping centres, all of them centered around the idea of promoting the local cultural heritage. For instance, Serdika Center hosted **Traditions come alive**, an initiative developed in partnership with Sofia Craft Chamber, aiming at educating people about the typical Bulgarian arts and crafts.



PHOTO: GREAT ORCHESTRA OF CHRISTMAS CHARITY 2020, GALERIA WARMINSKA, POLAND

Sustainability report» continued



The Group stays committed to raising awareness among the members of the communities it serves, covering a diverse spectrum of topics. These range from domestic violence and the consequences of drug and alcohol use, to the benefits of an active lifestyle and a balanced diet, the importance of road safety education or the impact of theatre in children education.

The initiative **My name is Miliard** is a gesture of solidarity towards victims of violence and a way of supporting both the victims and the witnesses of violent acts. The event took place in the Pogoria Shopping Centre and the attendees made a symbolic dance with the purpose of drawing attention to the cause.



PHOTO: STREET FITNESS SERDIKA CENTER, BULGARIA

Sustainability report

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PILLAR 4. PEOPLE AND BUSINESS INTEGRITY

The Group maintains the highest ethical standards and complies with applicable legislation, rules, and regulations in all jurisdictions. The Group’s continued success depends on employing the most qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability.

In terms of commitments to measure the progress on its sustainability pillars, the Group continues its approach from 2018, and recognizes good progress.

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	

NEPI Rockcastle is committed to ensuring ethical behaviour throughout its business practices, in relation to all internal and external stakeholders. The Group’s ethical standards are based on trust, sound morality, confidentiality, reliability, sustainability. The Group reinforces and reminds its employees at least on an annual basis the core values which are embedded in all its internal and external processes, **Integrity, Excellence, Teamwork and Communication, Innovation and Learning.** As the Group places paramount importance on ethical behaviour, a specific feedback component is embedded in the performance evaluation process. Going forward, it is continued to be used in the formal annual evaluation process of all employees. Moreover, the core values are constantly reminded in communications from senior executives, proven in practice based on ‘tone from the top’ principle and embedded in various training and group gathering concepts.

The Code of Ethical Conduct, approved by the Board and made available to all employees, demonstrates the Company’s commitment to strong values and human rights. The Code is applicable to all the Group people: Directors, officers and employees, permanent or temporary, consultants and contractors in every country,

workforce and entity that is consolidated in the Group’s financial statements or otherwise controlled by the Group. The Company does not tolerate any form of unlawful or unethical behaviour by any person or entity associated with it. Awareness campaigns have been organised throughout 2019, with the collaboration of various functions within the Group, in order to train employees and build or enhance the ethical culture.

- The Code defines expected principles and behaviour related to the following:
- Equal employment and non-discrimination
 - Environmental compliance
 - Health, safety and labour conditions
 - Narcotics and alcohol
 - Conflicts of interest
 - Gifts, entertainment and corruption practices
 - Lobbying and political involvement
 - Fraud
 - Antitrust & competition policy
 - Communications and Records, Claims, Statements and Certifications
 - Confidentiality principles
 - Preserving privacy.

The Code addresses in detail the conflict of interest topic and management conducted annually campaigns in order to raise employees’ awareness of risks deriving from conflict of interest and reporting requirements. In 2019, a Group-wide campaign for collecting and advising how to mitigate potential conflict of interest was rolled to cover all employees. According to the Code, a conflict of interest arises whenever an employee’s position or responsibilities present an opportunity for personal benefit, inconsistent with the Group’s best interests. Individuals are responsible for their own ethical behaviour and are expected to act in the best interest of the Company. When they consider that a conflict of interest may exists, the Compliance Officer is to be notified immediately. The Compliance Officer provides advice on how the conflict of interest can be avoided. Undisclosed, materialised conflict of interest may trigger employee consequence management process and disciplinary measures are considered by the Ethics / Disciplinary Committee constituted at Group level.

- Besides conflict of interest, the Code of Ethical Conduct has strong provisions for the following:
- bribery and corruption: such behaviour is illegal in all jurisdictions and rejected by the Group, whether performed in the name of the business or in personal name of an employee;
 - gifts and events: it sets the value of gifts that may be offered or received as well as conditions for participation to various events organised by tenants or suppliers;
 - acceptable behaviour towards public officials, i.e. under no circumstance any gifts, facilitation payments or amounts of money will be offered;
 - acceptable behaviour in terms of other ethics and compliance requirements, i.e. health & safety, use of drugs and alcohol, antitrust policy, creating a non-discrimination and inclusion environment for all employees;
 - the Group’s approach towards lobbying and political involvement.

No incidents on non-discrimination or any other breach of Code of Ethical Conduct provisions were registered during 2019.

While the Group recognizes its role in the society which may include sponsorships and donations as part of its responsible corporate citizenship approach, it will never support any political parties (no payments, donations, sponsorships or any other in-kind benefits may be offered in such context) and does not get involved in political issues of the countries where it is present. The Group does not engage in lobbying for political purposes. The Group considers that all employees and representatives are entitled to their own personal political opinions, however they should be cautious when expressing such opinions, so that these are not viewed as the opinions of the Group.

The Company has an open-door policy and supports the “speak-up” culture, thus employees are encouraged to share their concerns, suggestions or complaints with their line manager. In order to promote full transparency as well as to provide a mechanism to report concerns, the Company has implemented the Whistleblowing Policy, which also provides reporting channels, while guaranteeing non-retaliation against the whistle-blower and confidentiality.

- The reporting channels available to both employees and any external party are the following:
- on-line portal available in the Group’s website;
 - 24/7 hotline reachable from all countries relevant to the Group, operated independently by a service provider.

The Company encourages the potential whistle-blowers to disclose their identity through enforcing its non-retaliation policy and guaranteeing confidentiality to the end reasonably possible. Even though disclosing the whistle-blower identity supports the efficiency and effectiveness of the investigation process, complaints made anonymously are treated and analysed with the

same diligence. The Whistleblowing policy and reporting channels are communicated proactively to all employees by management on an annual basis and are available also on the Group’s website.

The report with all tip offs received, including types of misconduct, procedures performed and conclusions, is traced and reported periodically to the Audit Committee. Tip offs are investigated following a plausibility check by Internal Audit, while the reports together with conclusions and recommendations are presented and discussed in the Audit Committee.

Employees may consult on any ethical issues, report potential conflict of interest and request advice from the Compliance Officer and a general e-mail address is available for use by all employees.

All Group guidelines, policies and procedures are available to its employees in a shared location, therefore making sure expectations are known and properly communicated, regardless of borders and geographical spread. When repeated or gross incomppliance is detected, a consequence mechanism is in place in order to deter employees’ unethical behaviour.

In relation to its external stakeholders, NEPI Rockcastle strongly believes in collaborating with partners sharing the same values, hence, compliance clauses covering anti-money laundering and anti-corruption, were included in the standard contract templates to be signed with any supplier. Part of the Group’s commitment to strong ethics was to emulate its consequence management approach in relation to all third parties the Group is doing business with, in the context of non-ethical practices. As a result, based on a transparent and objective process where several functions from the Company may provide input, any supplier or customer with proven unethical behaviour or with significant adverse media reports, may be excluded from the list of partners that the Group is engaging with.

DIVERSITY POLICY

The Group supports the principles of gender diversity at both Board level and on Group-wide basis. No voluntary target has been set, however the approach to gender diversity adopted by the Group is that as long as a vacancy on the Board arises, consideration will be given to the appointment on the Board of female Director(s). Consideration criteria such as expertise, knowledge and competence should be fully met and the candidate should be appropriately qualified for the role.

During 2019 the Nomination Committee initiated two processes of selection of independent non-Executive Directors. In both processes, the shortlist of candidates interviewed by the Chairman of the Nomination Committee included diverse population, in terms of gender, nationality, age and background. This is a result of a strong commitment of the Board to contribute to shaping a Board team that adds value through its complementary skills, backgrounds, cultural insights and perspectives.

Across the Group, an open and engaging culture is maintained which ensures the Group is able to attract and retain a skilled and dedicated team of employees. The Group recognises that a balanced gender workforce enhances its ability to meet its targets.

At 2019 year-end, a total of 441 employees were active:

Gender	Definite contract	Indefinite contract	Full time	Part time
F	7	283	288	0
M	4	147	152	1
441			441	

At 2019 year-end, of 441 total employees, 62% were women, 38% men. All Management layers (top and middle management), 50% women and 50% men.

Sustainability report» continued

Details of distribution is presented below:

Level	Gender	% distribution
Senior Management Team (Functions Leads)	F	45%
	M	55%
Middle Management and Subject Matter Expert	F	49%
	M	51%
Non-managerial	F	68%
	M	32%

Another key measure of diversity and equity is the pay ratio by gender and location.

The Group monitors salary ratio of women and men for each category of management and location.

However, due to the limited number of employees in some locations and positions, the disclosure of results by each category might lead to compromising confidentiality.

In aggregate, the ratio of women's salaries to men across all categories and geographies varies between 1:1.11 and 1:1.29.

Collective bargaining

Considering the relatively small number of employees spread across nine different geographies in the region in which the Group operates, together with the HR policies around remuneration, retention, development, selection and all provisions of the Code of Ethical Conduct that governs the business, the Group did not consider organising a collective bargaining agreement at staff level.

Age diversity

The Group encourages diversity across age ranges, considering the experience, maturity, needs and skillset required to deliver the strategy. Therefore, distribution of age is well balanced - more than 60% of Group's staff are experienced professionals, with up to 20 years or more of career. Also, a younger generation of Millenials of up to 30% is growing and developing their careers, allowing the Group to maintain a strong succession pipeline.

Generation	Age range	Headcount at 31 Dec 2019	Average Age	% of Total Headcount at 31 Dec 2019
Generation Z	up to 24 Y	11	22.4	2%
Millennials	25-34 Y	136	30.8	31%
Generation X	35-49 Y	269	40.0	61%
Baby Boomers	50-65 Y	28	55.7	6%
TOTAL		444	37.9	100%

PEOPLE ENGAGEMENT, RETENTION AND DEVELOPMENT

Engagement and Retention fundamentals

Engagement and retention of key staff are two interlinked essential elements for the efficiency and continuity of the business. Retention of staff is a challenging mandate of Group's leadership in the context of a difficult and competitive labour market in CEE, and even more in the southern part of CEE which is faced with big migration of labour force towards western Europe.

The Group's range of initiatives for managing retention has developed during 2019, from reinforcing the need to source appropriate candidates (focusing on internal and external references, professional channels and agencies), to testing them both for competence as well as for personality and commitment and further ensuring their on-boarding is directly coordinated by the managers of the respective joiners. Moreover, during 2019 the Group reinforced, as part of the recruitment process, an efficiency approach which requires management to support decision to hire on business case. This enhanced the Group to reorganise activities, leverage more and better on internal available resources and support career growth of its existing people.

In terms of keeping existing staff engaged, NEPI Rockcastle considers that being transparent, creating opportunities for people to understand the company purpose, strategy, performance, is essential in people's pride to work for the Group. The Group is continuously reinforcing management communication to its teams, in both regular meetings as well as through top management communication, team planning events, strategy discussions, team buildings organised across the business or at particular team levels.

The Group also continued to engage its staff in shopping mall campaigns of charity, sports competitions, celebrating important business milestones or traditional holidays through team social gatherings for staff or staff children's celebrations.

In the past year, NEPI Rockcastle managed to attain a rate of more than 90% retention for joiners in the first 12 months, which in the current market conditions, is a promising rate that the Group will continue to focus on and find ways to improve.

To further support the integration agenda, during 2019 NEPI Rockcastle organised Business Discussions and Team Building events for each function, gathering all people to transparently share key fundamentals of the business, to engage them in discussions about 2020 plans and tactics, but also to celebrate, strenghten collaboration and sharing. More than 350 of the staff were present for 3 days in Poiana Brasov, Romania.

Moreover, strategy discussion events were organised and hosted by the CEO in 2019 – with the aim to connect the key people to the purpose, vision and strategy of the Group, while allowing for cross-sharing and learning between the core business function managers. More than 60 people of top management were attending these events in Sibiu and Snagov, Romania.

Development of staff - key priority now and in the future

In 2019 NEPI Rockcastle continued to promote and implement a consistent development program applied for all lines of staff and management. The HR strategy was to put in place a targeted trainings programs linked with the company's short, medium and long-term objectives, empower people to add value in their current roles and help the organisation adapt more quickly to business environment.

Before designing the approach in learning and development programs, the HR and management team assessed most critical and frequently raised development needs in terms of appropriate competencies, leadership capabilities and skillset.

A key source of information on staff development needs is the performance review process, which provides a good picture of where people are delivering at their best and where there is improvement needed.

Performance review process is an opportunity for the manager and employee to asses achievement of business, commercial and strategic objectives in the previous year

and discuss areas for development in the future. For middle management positions and specific key roles - subject matter experts the Group run 360 feedback evaluation structured along its values: Teamwork & Communication, Innovation & Learning, Excellence and Integrity – and leadership skills.

The needs assessment were translated into in several trainings and development programmes being agreed with management team, designed and planned for implementation – both in 2019 and going forward in 2020.

Staff development fundamentals

- NEPI Rockcastle's approach to staff development is structured along some fundamentals:
1. Is tailored to teams, to ensure we reflect properly their needs and priorities;
 2. Is delivered in blended learning format, ranging from individual and team coaching, to strategy events, classroom trainings, leadership assessments, technical trainings, conferences, market trends updates, structured/facilitated discussions;
 3. Is prioritised to needs and teams with most significant impact on business;
 4. Is approached top-down – as the Group considers the leadership team, the middle management are critical in deploying the proper competence and behaviour across all organisation;
 5. Is an important element in supporting integration of the business.

At a glance, the Group's development and training matrix:

	Leadership development	Talent and Performance Improvement	Coaching	Technical competence	Market trends	Conferences and Events	Strategy and Business events	Social team buildings events
BOARD								
TOP MANAGEMENT								
SENIOR MANAGEMENT								
MIDDLE MANAGEMENT								
PROFFESIONAL QUALIFICATIONS AND CERTIFICATIONS QUALIFIED								

Staff development facts and figures

In facts and figures, the Group's investment in staff development during 2019 was:

Total number of hours of training attended (cumulative for all hours attended by all staff)	10,950
Total number of training participations (cumulative for all participations)	1,180
Average number of training hours per trained employee	9.25
Total training days/employee	1.2
Overall attendance rate	95%
Overall feedback score	4.5 out of 5

2019 development programs at a glance

Key topics covered by the Group's development programmes topics during 2019:

Public Speaking	Communication and Impact	Team Cohesion and Engagement
Feedback and Coaching	Team coaching	Relationship building
Team dynamics	Effective work routines meetings	Microsoft Teams
Excel, Power BI	IFRS, Reporting and Accounting	Digital Marketing
Foresight	Market and consumer trends	Managing stress
Chance Management	Leadership Assessments and Leadership Team Profiles	Business Integrity and Ethics
	Internal systems and procedures – Acquisitions, GDPR, Code of Ethics	

Sustainability report» continued

Business and teams integration

A component of the development program strategy during 2019 was to support integration of business and teams across the Group. During 2019, the Group organised a series of events aimed to provide employees with clarity over the Group's progress, results, future strategy while allowing for fruitful strategic discussions on the 2020 priorities and way forward.

Business Integration programme structure:

- Top Management Strategy Event;
- Middle Management Strategy, Planning and Sharing event;
- All staff Integration and Team events.

During these events NEPI Rockcastle managed to achieve productive consultation on strategic and operational priorities, as well as to create a space for cross-sharing, learning and productive debates across different jurisdictions – through focusing on 3 directions:

- Business - Strategic/Operational/Tactical discussions, sharing and buy-in into vision and strategy;
- Development – learning bites were integrated as relevant for the particular groups;
- Social and team engagement – all events had a planned social agenda, aimed at helping teams engage more and better.

Way forward in Staff Development

The programmes the Group started in 2019 will continue being deployed, with focus on identifying further competencies and skills that need to be developed or acquired.

All efforts to build and promote a sustainable development culture, aim to create an environment where talent is well identified and potential is supported. NEPI Rockcastle believes that development and career growth are important aspects in motivating employees, in giving back to its professionals, and in increasing loyalty and commitment.

Retention

In managing retention, the Group continued to support employees in finding the appropriate work-life balance and integrating their professional and personal responsibilities. Such efforts lead to more engaged, motivated and committed employees. Initiatives that continued in this direction include:

- Flexible return-to-work schedule for employees returning from maternity and parental leave;
- One off allowance for parents when a child is born;
- Employee well-being initiatives such as: participation in sport events, subsidising gym subscription, employee health insurance and medical services private subscriptions programme;
- Social gatherings and parties for both employees and their children on Christmas;
- Paid days off on top of annual leave and statutory holidays, to allow people to bridge through longer weekends around Easter, Christmas or New Years' Eve.

Employee turnover

As a measure of people management impact and sustainability from a human resources point of view, monitoring staff turnover is very important.

For 2019, the blended voluntary turnover rate across all jurisdictions was 10.9% voluntary leave, while the non-voluntary was 3.9%. The Group had also a 3.7% of leavers as a result of areas of business being outsourced or discontinued, on selling of specific office building and outsourcing of specific services in property management structure.

The non-voluntary turnover is strongly related to the Group's performance focused approach and, as strong performance and delivery against the role is essential for building a long-term career within the company. NEPI Rockcastle encourages management to empower strong performance and not tolerate lack of commitment, excellence in delivery or compromising on values and business integrity.

Management Level	Number of leavers	Average headcount	% of total
Top Management Business Function Leaders	1	11*	0.2%
Middle Management and Subject Matter Experts	8	161	1.7%
	9		2.0%
	41		9.0%
Non-managerial	9	286	2.0%
	17		3.7%
Total	85	458**	18.6%

* including 3 Executive Directors: CEO, CFO, Executive Director

** Average headcount 31 December 2018 - 31 December 2019

Voluntary | Non Voluntary | Business discontinued/Outsourcing

Recruitment and selection

Having the right number of people and the appropriate skillset in the Group is a business imperative for leadership as well as a core HR responsibility. Moreover, considering the CEE market is very competitive in terms of workforce, recruitment and selection remain a strategic area of focus for the business.

Besides retention and development programs depicted above, one other measure the Group undertook to reduce employee turnover was to increase the screening procedures within the recruiting process.

During 2019, a total number of 47 professionals joined the Group on either new positions or replacements.

During 2019, the Group continued implementation of selection tools and introduced for all managerial positions within the Group cognitive abilities tests, along with personality inventories and competency based interviews. NEPI Rockcastle is engaging with independent international professional firms specialised in assessment for both leadership skills and cognitive abilities.

To ensure best professionals are sourced and selected, the Group is using both internal resources to source, screen and select candidates, as well as external consultants for top management positions and strategic roles.



PHOTO: PROMENADA MALL, ROMANIA



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