



ANNUAL REPORT

2022

Integrated report and financial statements



EXCELLENCE. INNOVATION. EXPERIENCE.

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AND OPERATIONS*

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This document is the PDF/printed version of the 2022 Annual Report of NEPI Rockcastle N.V. and has been prepared for ease of use. The 2022 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), and was filed with Netherlands Authority for the Financial Markets in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website and includes a human readable XHTML version of the 2022 Annual Report. In case of any discrepancies between this PDF version and the ESEF package, the latter prevails.

Visit our website
www.nepirockcastle.com

for more information about us and our business

The terms 'NEPI Rockcastle', the 'Group', the 'Company', 'we', 'our' and 'us' refer to NEPI Rockcastle N.V. and, as applicable, its subsidiaries and/or interests in joint ventures and associates.

**The chapters marked with * are part of the report of the management report within the meaning of article 2:391 of the Dutch Civil Code.*



PERFORMANCE AND OPERATIONS

Company profile

NEPI Rockcastle is the premier owner and operator of shopping centres in Central and Eastern Europe ('CEE'), with presence in nine countries and an investment portfolio of €6.6 billion.

The Group benefits from a highly-skilled internal management team which combines asset management, development, investment, leasing and financial expertise. Geographically diverse management skills allow NEPI Rockcastle to pursue CEE property opportunities efficiently, benefiting from a strategic advantage in the acquisition, development and management of properties.

NEPI Rockcastle owns and operates 55 retail properties which attracted more than 295 million visits in 2022. With Group level management of tenant relationships and a focus on cross-country collaboration, the Group is the leading strategic partner for major retailers in the CEE countries.

The Group's financial strategy includes maintaining a profile of adequate liquidity, conservative gearing, and a diverse debt structure, which combines secured and unsecured bank debt with unsecured bonds listed on the Irish Stock Exchange. The Group is currently assigned a long-term corporate credit rating of BBB (stable outlook) from Standard & Poor's Rating Services and BBB+ (stable outlook) from Fitch Ratings.

NEPI Rockcastle's shares are listed on the Johannesburg Stock Exchange ('JSE'), Euronext Amsterdam ('Euronext') and A2X. NEPI Rockcastle uses distribution per share as its key performance measure for trading statement purposes, in accordance with the JSE Listings Requirements.



BBB (Standard & Poor's)/ **BBB+** (Fitch)
investment grade credit rating
Stable outlook



Gold Award for compliance with its Best Practices Recommendations (BPR) for financial reporting



Silver Award for compliance with its Best Practices Recommendations for sustainability reporting (sBPR)



Top 15 Sustainalytics rated Real Estate Management companies (**low risk - 10.5/100**)



AAA ESG rating "leader" among 82 companies in the real estate management and services industry

PHOTO: PROMENADA NOVI SAD

PROPERTY PORTFOLIO BY COUNTRY
(by market value)

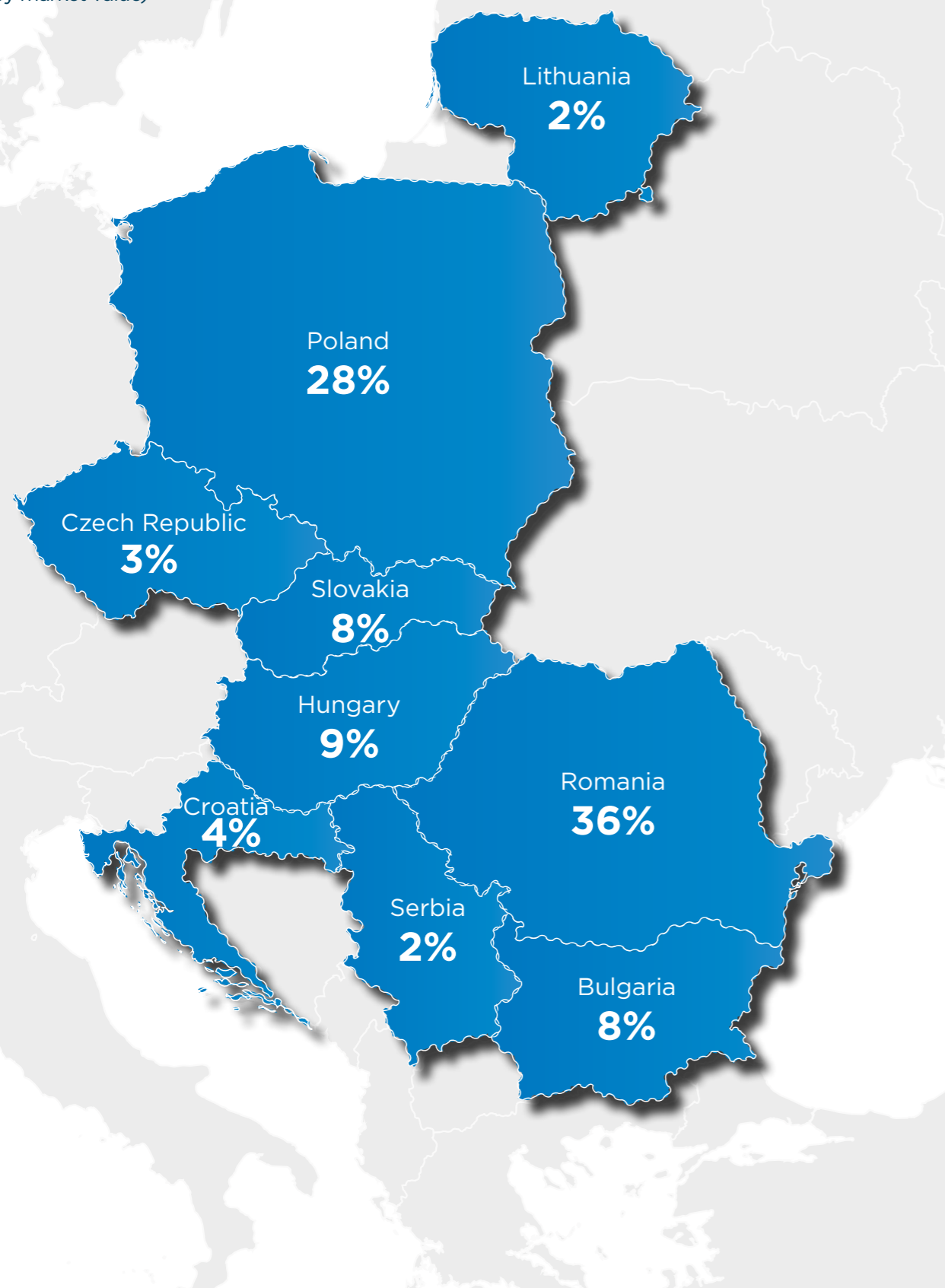


PHOTO: CITY PARK

2.2 million
m² GLA of
income-producing properties

€6.6 billion
investment property portfolio*

295 million
visits in 2022

238,900
m² GLA of
ongoing developments, extensions
and refurbishments

99%
collection rate**

97.3%
EPRA occupancy rate

475
employees

* Including investment property held for sale and excluding immaterial impact of right-of-use assets
** Collection rate as at end of January 2023



PHOTO: CITY PARK

CEO's statement

NEPI Rockcastle's net operating income surged to a record level last year, driven by strong tenant turnover and base rental growth. This was underpinned by the resilience of CEE consumers and their willingness to spend, on average, greater amounts per visit, coming out of the pandemic. The performance was even more remarkable as it was achieved against a challenging economic background, marked by high inflation, rising interest rates and the energy crisis triggered by the war in Ukraine.

Despite the opaque economic outlook, we do not anticipate the momentum of NEPI Rockcastle's growth slowing this year. The major investments we made in 2022, particularly the acquisition of the high-performing, dominant, Forum Gdansk and Copernicus shopping centres in the Polish market, will significantly contribute to operating income in the months ahead. The completion of our development projects scheduled for this year will also generate additional income.

Consumers have a strong preference for visiting shopping centres in CEE, which generally play a much more important role in local economies and communities than in Western Europe, where high street retail is more present. This also tends to mean inflation has less of an impact on spending in our CEE shopping centres than in malls in other European regions. Tenant demand for the Group's retail space is very strong. Many international retailers entered new markets or expanded their presence in CEE countries by opening new stores in NEPI Rockcastle's shopping centres.

Our lease agreements have built-in inflation protection through indexation and property operating expenses are tightly under control, particularly for energy, where our renewable solar power output is ramping up.

We also have a solid liquidity position, with a safe level of debt. NEPI Rockcastle's loan-to-value (LTV) ratio stands at 35.7%, after the significant investments made in 2022. We will continue to maintain a robust and efficient capital structure, designed to ensure that the Company has enough liquidity to support growth and can meet its obligations at all times.

Excellent operating performance translated into a valuation uplift of the Group's property portfolio, which outweighed the rise in yields.

We continued to make our business more sustainable this year. We adopted a revised and more comprehensive ESG strategy and have a dedicated team to deliver it, together with all our employees and in cooperation with tenants and other partners. We have already met some of our objectives, such as the installation of photovoltaic panels in 10 locations (20 more to be completed in 2023) and BREEAM certification (Excellent or Very Good) for all eligible assets. We positively affect the socio-economic development of the community, by creating workplaces, convenience, engagement and social wellbeing. We invest not only in but also around our properties, contribute to local budgets, support social and humanitarian causes and a better society overall.

The business recovered completely after the two years of the Covid-19 pandemic, which shows the resilience of physical retail in CEE, the quality of the Group's properties and the great work of our team. We remain positive about the prospects for the business in 2023.

21 March 2023

RÜDIGER DANY
Chief Executive Officer



Chairman's statement

NEPI Rockcastle's operating results in 2022 exceeded both the previous record, set in 2019, and our own initial expectations. The background for this performance was the removal of all Covid-19 restrictions in CEE. Free from the constraints imposed during the two pandemic years, consumers in our region have shown a strong appetite for resuming their normal lifestyles. Traditional retail, as well as leisure and entertainment, were among the great beneficiaries of the reopening. But the recovery would not have been so swift and strong without the proactive management of our properties, which positioned NEPI Rockcastle to take advantage of value-add opportunities for the post-Covid-19 world. Our team has done an excellent job in making the Company's assets some of the most attractive shopping and entertainment destinations in CEE for consumers and actively sought-after by retailers.

Even with Covid-19 fading from public attention, there was no shortage of new challenges in 2022. The terrible conflict that started in Ukraine is causing much human suffering and economic damage next to some of our markets. High inflation has returned, after several decades of relatively subdued price increases. In response, central banks have sharply raised interest rates, risking an economic slowdown and possibly even recession. Fueled in part by the effects of the war in Ukraine, energy prices in Europe spiked to unprecedented levels for much of 2022, before retreating as the year ended.

NEPI Rockcastle was well prepared to meet these challenges. The Company had no market exposure to either Ukraine or Russia, while its international and diversified tenant base was also largely unaffected. Our business has some protection against the negative effects of inflation, from the automatic indexing mechanisms in lease agreements to the specific behaviour of CEE consumers (whose inclination to spend as prices are rising does not decrease as much as in Western Europe). Prudent financial management has ensured the Company has sufficient liquidity. Long-term, low-cost funding, locked-in early last year, has so far insulated NEPI Rockcastle from the effects of higher interest rates. The Group's active renewable energy programme to generate solar power from photovoltaic panels installed on its properties will reduce costs and provide an alternative source of income over the longer term, as well as boosting our sustainability credentials.

Our goal, however, is not merely to mitigate the risks of adverse market periods, but to actively embrace the challenges and opportunities coming our way, to create value and generate sustainable growth for our shareholders. In 2022, the Company completed two major acquisitions in Poland, among the largest investment deals in the European retail real estate sector last year. The shopping centres acquired are high-performing, dominant assets, and will add significantly to the Company's income starting 2023. Our €677 million development pipeline is on track, with Promenada Craiova, Vulcan Residence and the green power project all expected to be completed in 2023. The management team is alert to other growth and investment opportunities that may arise. The decision to encourage shareholders to take scrip dividend for H2 2022 distributable earnings (while still allowing for the cash distribution option) is aimed at retaining enough resources to take advantage of such opportunities.

In 2022, the Company appointed a new executive management team: Rüdiger Dany (CEO) and Eliza Predoiu (CFO) in February and Marek Noetzel (COO) in June. In just the first year in their new roles, they managed to grow the business significantly and steer NEPI Rockcastle through a turbulent and uncertain period. The migration of the Company's corporate seat from the Isle of Man to the Netherlands was another major milestone last year, successfully executed and completed with very broad support from shareholders.

The Board congratulates Rüdiger, Eliza and Marek for their excellent first year as stewards of the Company and expresses its appreciation for the hard work and commitment shown by the entire NEPI Rockcastle team in 2022. The Board expresses its confidence in the prospects of the business going forward.

21 March 2023

GEORGE AASE
Chairman

George Aase



PHOTO: PARADISE CENTER

Directors' report

**All information in the Directors' report excludes joint ventures, unless otherwise stated.*

HIGHLIGHTS

Annual increase of 51.5% in earnings per share and declared dividend

- Distributable earnings per share (DEPS) for the second half (H2) of 2022 were 29.32 euro cents, which, combined with the interim DEPS of 22.83 euro cents, produces an annual DEPS of 52.15 euro cents, 51.5% higher than in 2021 (34.42 euro cents).
- DEPS for H2 2022 include a non-recurring positive impact of 3.51 euro cents from the reversal of a provision with litigation related to the discontinued acquisition of Serenada and Krokus shopping centres in Poland, recognised in 2021. On a recurring basis, i.e. excluding the impact of accounting for these litigation claims, DEPS for 2022 were 48.68 euro cents, 20% higher than for 2021 (40.55 euro cents).

The Board has declared a dividend of 27.85 euro cents per share for H2 2022, corresponding to a 95% dividend pay-out ratio, to be settled as capital repayment (default option). Shareholders can also elect for the settlement of the same dividend amount as ordinary cash distribution out of distributable profits.

As an alternative, the shareholders may elect to receive a dividend of 29.32 euro cents, corresponding to a 100% pay-out ratio, as a return of capital by way of an issue of new shares.

Strong rebound in performance

- Net rental and related income (referred to as 'Net Operating Income' or 'NOI') was up 17% from 2021 at approximately €405 million (excluding the share from joint venture shown separately in the financial statements for the first eight months).
- Gross rental income increased by 14.3%, from €369 million in 2021 to €422 million in 2022 driven by rental uplifts, higher occupancy and significantly higher tenant sales.
- Temporary rent concessions granted to tenants decreased from €40.8 million in 2021 to an insignificant level of discounts in 2022.
- A net gain of €2.1 million was recognised due to the reversal of Covid-19 related discounts accrued in 2021 but not subsequently granted.
- Unrecovered operational expenses increased from €4.7 million in 2021 to €19.5 million in 2022, in the context of increasing utility expenses.

Tenant sales, footfall and spend per basket all rose on the back of consumer confidence

- Tenant turnover increased by 31.4% (excluding hypermarkets) compared to 2021 and was 11.7% higher than in the benchmark year of 2019, on a like-for-like (LFL) basis.



PHOTO: MAMMUT SHOPPING CENTRE

- There were more than 295 million visits in 2022, a 20.8% increase compared to 2021. On a LFL basis, footfall increased by 19.5% vs 2021 and was lower by 11.8% vs 2019.
- The superior dynamic of turnovers compared to footfall reflects an increase in the average basket size by 27% compared to 2019.

Strong post-Covid-19 recovery

- Occupancy cost ratio (OCR) continued to decrease, from 13% in 2021 to 12.1% in 2022 (excluding hypermarkets), almost the same as the benchmark of 2019 (11.9%).
- The collection rate also recovered to pre-pandemic levels: 98% of 2022 reported revenues were collected as of 31 December 2022, increasing to over 99% by the end of January 2023.
- Covid-19 trading restrictions in Central and Eastern Europe (CEE) were lifted during the first quarter of 2022, and the Company's gross lettable area (GLA) was fully operational since the end of March.

Market beating uplift on property values

- Investment property as of 31 December 2022 was valued at €6.6 billion, compared to €5.8 billion at the end of 2021. The increase is due to the acquisitions made during the year, the investments in developments and capital expenditures ('capex'), as well as to the uplift in the value of properties of €142 million for 2022. The revaluation reflects the significant improvement in trading conditions compared to previous year and the quality and resilience of the Group's property portfolio.
- European Public Real Estate Association (EPRA) occupancy increased to 97.3%, compared to 96.0% in 2021.
- EPRA Net Reinstatement Value (NRV) per share was €6.84 as of 31 December 2022, a 5% increase compared to €6.51 as of 31 December 2021, mostly due to the revaluation of the property portfolio.

Growth strategy continues

- NEPI Rockcastle invested €154 million in developments and capex expenditures.
- The Group's ongoing development projects are on schedule.
- Promenada Craiova (including the adjacent retail park) and Vulcan Residence will be completed in 2023.

Directors' report

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- The Company acquired two retail properties in Poland, Forum Gdansk Shopping Center (GLA 63,500m²) and Copernicus Shopping Centre (GLA 48,000m²), for a total transaction value of €377 million in December 2022. The two assets will consolidate NEPI Rockcastle's leading position on the Polish retail property market and significantly contribute to the Group's NOI growth starting 2023.
- It also acquired its joint venture partner's 50% stake in Ploiesti Shopping City, for a consideration of €55.5 million (net cash outflow, adjusted for working capital items, less cash and cash equivalents acquired amounted to €37 million, as explained in the notes to the financial statements) in September 2022.

Enhanced balance sheet with solid liquidity

- Liquidity position as of 31 December 2022 was €671 million, including €251 million in cash and €420 million in undrawn committed credit facilities. The decrease of cash balance during 2022 was mainly the result of investments made in quarter four (Q4).
- Loan-to-value (LTV) was 35.7% as of 31 December 2022, a safe level and comfortably within debt covenants. The Company intends to reduce the LTV below 35%, its strategic threshold, within the upcoming 12-18 months.
- The average debt maturity increased from 3.7 years as of 31 December 2021 to 4.6 years as of 31 December 2022 (excluding the effect of the disbursed revolving credit facilities). During the year the Group completed a €500 million eight-year unsecured green bond issue and used the proceeds to redeem bond notes maturing in May 2023.
- The average interest rate, including hedging, was 2.3% for 2022 (2.4% for 2021).
- In November 2022, Fitch Ratings upgraded NEPI Rockcastle's credit rating from BBB to BBB+, reflecting the agency's view of the Group's recent years' improvements in operational metrics, with increasing occupancy, footfall and tenants' sales exceeding pre-pandemic levels. S&P Global Ratings reaffirmed the Company's BBB investment grade credit rating in July 2022.

Pushing forward with sustainability

- At the end of the year, 100% of the Company's eligible properties (by GLA) were Building Research Establishment Environmental Assessment Method (BREEAM) certified Very Good and Excellent (excluding strip centres and industrial properties, for which the Group does not currently pursue such certification).
- The first stage of the Group's green energy program was completed with the installation of photovoltaic panels in 10 locations in Romania. The installation of panels in 20 more locations will be completed in 2023.

Successful corporate relocation and settlement of legal dispute

- In 2022, NEPI Rockcastle completed the relocation of its holding company from the Isle of Man to the Netherlands, a process supported by an absolute majority of shareholders.
- In November 2022, NEPI Rockcastle concluded a settlement of its dispute relating to the discontinued acquisition of Serenada and Krokus Shopping Centres. Pursuant to the settlement, the Company paid €16 million in exchange for the waiver of any and all other claims. As a provision of €37.3 million had previously been recorded in connection to this dispute and deducted from financial year (FY) 2021 distributable earnings, the settlement had a positive impact on FY 2022 distributable earnings of €21.3 million, representing the difference between the provision and the settlement amount.

OPERATING PERFORMANCE

Trading summary

Some Covid-19 restrictions were still in place in CEE at the start of 2022. All NEPI Rockcastle's GLA was operational (except for Slovakian leisure and entertainment, which opened in January 2022) but requirements such as vaccination certificates, or mandatory mask wearing, were only lifted in February. From the end of March, trading restrictions were removed in all the countries where NEPI Rockcastle operates and all tenants reverted to regular terms in their lease agreements. There is no reason to believe that any restrictions connected to Covid-19 will be reintroduced in CEE.

The recovery in 2022 was impressive and exceeded expectations at the beginning of the year. Customers returned to the Group's shopping centres, despite the challenging macroeconomic environment (inflation, higher interest rates, slower economic growth), and spent considerably more than in the benchmark pre-pandemic year of 2019, even though footfall was 11.8% (on a LFL basis) lower than in 2019. There was a strong +19.5% (on a LFL basis) increase in footfall last year over 2021. The limited restrictions still in place in first quarter (Q1) 2022, however, negatively impacted the variance over the whole year. Since April 2022, month-on-month shortfalls compared with 2019 were generally less than 10%.

Tenant sales increased both on 2021 (+31.4% on a LFL basis) and on 2019 (+11.7% on a LFL basis). This comparison was again affected by a weaker Q1, when some restrictions were still in place. The better relative performance compared to footfall is explained by customers buying more per visit, a trend that started in 2020 at the peak of the Covid-19 pandemic and has continued, or even accelerated, since. The average basket size in 2022 was 27% higher than in 2019. Even after accounting for inflation during this interval, the increase in spend is significant and indicates a persistent change in customers' shopping behaviour.



PHOTO: PLATAN SHOPPING CENTRE

The robust increase in tenant sales helped to reduce occupancy cost ratios, even as rent concessions had been withdrawn. In 2022 the OCR was 12.1% (excluding hypermarkets), down from 13% in 2021 and about the same level as in 2019 (11.9%).

The retail categories with the highest increase in tenant sales compared to the 2019 benchmark were Health and Beauty (+33%) and Fashion Complements (+24%). The only category that still lags 2019 is Entertainment (-4%), despite having the best relative performance compared to 2021 (+103%). Tenant sales in Fashion, the largest segment, were 25% higher than 2021 and 4% higher than 2019.

The military conflict that started in Ukraine in February 2022 has not had a direct impact on NEPI Rockcastle's operations. It has however contributed to a significant rise in the price of energy and other operating costs throughout most of the year, which led to an increase in property operating expenses of 28% compared to 2021 (the property operating expenses basis for comparison in 2021 was lower, as trading restrictions or lockdowns affected the shopping centres' activity).

During 2022, NEPI Rockcastle implemented an internal process aimed at better integrating and streamlining roles, functions, and procedures across the nine countries where the Group operates. As part of this process, the Group commenced the internalisation of the property management for those assets where property management was outsourced to different external companies.

Leasing

Tenant demand continued to be very strong in 2022, after the significant rebound in 2021. Numerous international and regional brands have either entered CEE or expanded their presence in the region during the year. NEPI Rockcastle concluded 506 new leases (for 117,000m², 5.4% of total GLA) in 2022, 13% more than in 2021. International tenants accounted for 51% of new leases signed. Another 541 leases (113,000m² of GLA) were renewed during the year. More GLA was leased in 2022 than covered by lease agreements expiring in the year, which led to a decrease in vacancy by 1.3%.

The average rental uplift in 2022 was 8.7%, supported by asset management initiatives (e.g. re-sizing, merging of units etc.). The base rental uplift on renewals and reletting on a LFL basis was 5.7%.

Some of the major new leases signed in 2022 are set out below (some stores will open after 31 December 2022):

- **Arena Mall, Budapest, Hungary:** Primark (first store in Hungary, 4,300m²).
- **Paradise Center, Sofia, Bulgaria:** Zara (flagship store, 3,500m²).
- **Ploiesti Shopping City, Ploiesti, Romania:** Reserved (2,300m²).
- **Serdika Center, Sofia, Bulgaria:** Reserved (2,000m²).
- **Karolinka Shopping Centre, Opole, Poland:** Half Price (2,000m²), Xtreme Fitness (1,800m²), Reserved (1,650m²), dm (800m²).
- **Mega Mall, Bucharest, Romania:** epantofi.ro and Modivo (first stores in Romania, 1,900m²).
- **Focus Mall Piotrkow Trybunalski, Piotrkow Trybunalski, Poland:** Half Price (1,600m²).
- **Ozas Shopping and Entertainment Centre, Vilnius, Lithuania:** Sinsay (1,400m²).
- **Mammut Shopping Centre, Budapest, Hungary:** Half Price (1,350m²).

Directors' report

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DEVELOPMENT UPDATE

During 2022, the Group invested approximately €154 million in developments and capex. All ongoing development projects are on track for completion within the envisaged schedule.

A status summary for the main ongoing development projects is presented below:

- **Extension of Promenada Mall (Bucharest, Romania):** The Group is adding 58,400m² of GLA of retail and office space to the existing 39,300m² of retail GLA. Construction started in March 2022 and is planned to be completed in Q4 2025. Leasing terms have already been agreed for 46% of the additional GLA.
- **Development of Promenada Craiova (Craiova, Romania):** The initial plan was to build a shopping centre with 52,300m² of GLA. The project attracted very high demand from retailers, so the Company decided to increase its size by adding a retail park next to the mall. The retail scheme will have more than 63,700m² of GLA in total. Construction started in February 2022 and should be completed in Q3 2023. Lease agreements have already been signed for 78% of the mall's GLA with terms agreed on an additional 16% of the mall's GLA and 75% of the retail park GLA.

- **Development of Vulcan Residence (Bucharest, Romania):** The construction of the Group's first residential project is planned to complete in the second quarter of 2023. The project will deliver 254 apartments (18,300m² of residential space).
- **Installation of photovoltaic panels (30 locations):** In 2022 the Group decided to start producing green energy by installing photovoltaic panels on some of its properties. The first phase of this project includes 30 locations in Romania and requires an investment of approximately €37 million to build a total installed power capacity of 40 MW. Installation started in October 2022 across multiple locations and 10 of the 30 units have already been completed until the end of 2022. The remaining 20 units of the first phase of the project are expected to be completed by Q4 2023. NEPI Rockcastle will continue to invest in developments contributing to growth and improving long-term portfolio prospects, proactively monitoring and revising the development pipeline in line with its evolving objectives and constraints.

The total investment value of projects under construction, or permitting, is approximately €677 million of which €253 million was spent by 31 December 2022. During 2023, the Group estimates to invest €223 million in development and capital expenditure related to its ongoing projects and will consider new development opportunities depending on how market circumstances evolve.



ACQUISITIONS

The Group acquired two shopping centres in Poland, Forum Gdansk Shopping Center and Copernicus Shopping Centre, in line with its strategy to increase the concentration of its portfolio in countries with investment grade credit rating and focus on core dominant properties.

The acquisition of Forum Gdansk Shopping Center completed in December 2022 was one of the biggest single retail asset transactions by value in Europe in 2022. Forum Shopping Center is a 63,500m² GLA shopping centre in Gdansk, the sixth largest city in Poland by population (470,000 inhabitants). The transaction value is €250 million, of which €50 million comprises vendor

financing payable by NEPI Rockcastle within a maximum of three years, at a fixed interest rate of 6.5%.

Copernicus Shopping Centre (48,000m² GLA) is the dominant retail asset in Torun, a prosperous city in Poland of 200,000 inhabitants. The acquisition was signed in November 2022 and completed in December 2022. The transaction value was €127 million (including €2 million for the adjacent development plot).

The Company completed the acquisition of its joint venture partner's 50% stake in Ploiesti Shopping City for a consideration of €55.5 million in September 2022, becoming the sole asset owner.

Directors' report

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ESG FOCUS

Environmental and social initiatives

In 2022, the Company established a new environmental, social and corporate governance ('ESG') department that reviewed its environmental, social and governance goals and supported the Company in refining its sustainability strategy. The ESG team will assist the rest of the business to execute the strategy and enable goals achievement, monitoring and reporting.

NEPI Rockcastle continued to roll-out its sustainability strategy in 2022:

- 100% of the Group's eligible properties (excluding strip centres and industrial properties) now have Very Good or Excellent BREEAM certifications (up from 71% at the end of 2021).
- The transition to on-site produced green energy progressed well, with the installation of photovoltaic panels in 10 locations across Romanian properties (and other 20 to be installed by the end of 2023).
- An energy co-generation unit was built in Platan Shopping Centre (Zabrze, Poland), following a €0.8 million investment.
- LED lights have been implemented in 69% of the Group's properties (by GLA). At the time of the publication of this report, the percentage has subsequently increased to 73%.
- The green financing framework published in 2020 has further supported the issue of a €500 million green bond in January 2022.
- The Group extended its electric cars charging network, based on partnerships with Tesla (in Romania, Poland, Bulgaria) and with Enel (in Romania).

Corporate governance

On 27 May 2022, the Company announced that Rüdiger Dany ('CEO') and Eliza Predoiu ('CFO') were permanently confirmed in their respective roles, with effect from 1 June 2022. The Board also appointed Executive Director Marek Noetzel as Chief Operating Officer ('COO') with effect from 1 June 2022.

On 10 May 2022, NEPI Rockcastle's shareholders voted in favour of migrating from the Isle of Man to the Netherlands, via Luxembourg. Both moves received over 99% approval from voting shareholders. On 6 September 2022, the Company successfully completed its migration to the Netherlands, under the name NEPI Rockcastle N.V.. This marks the completion of a significant corporate milestone for the Group and its shareholders. Under the Board's oversight, the Company fully aligned its corporate governance framework to the Dutch Corporate Governance Code.

On 6 September 2022, Mr Alex Florescu was appointed as Company Secretary, replacing Mr Philippe Vanderhoven, who served as NEPI Rockcastle's Company Secretary whilst incorporated in Luxembourg.



PHOTO: SHOPPING CITY TARGU MURES

Directors' report

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INDEPENDENT AUDITORS' REPORTS

The review report on the Group's preliminary condensed consolidated financial statements dated 22 February 2023 has been issued by Ernst & Young Inc. (EY South Africa) a JSE accredited auditor, who expressed an unmodified review report thereon.

The auditors' reports on the consolidated and separate financial statements for the year ended 31 December 2022, published with the integrated annual report, have been issued by Ernst & Young Accountants LLP (EY Netherlands) as statutory auditor, and Ernst & Young Inc. as JSE auditor. They expressed unmodified auditors' reports thereon.

ACCOUNTING AND VALUATION MATTERS

NEPI Rockcastle fair values its portfolio biannually. Fair value is determined by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being assessed.

Appraiser	Locations	Percentage of portfolio
Colliers International	Romania	36%
Cushman & Wakefield	Hungary, Lithuania, Poland	34%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	30%

For the year ended 31 December 2022, the Group recognised a fair value gain in relation to investment property portfolio of €142 million.



EPRA INDICATORS

EPRA indicators	31 December 2022	31 December 2021
EPRA Earnings (€ thousand)	317,870	210,159
EPRA Earnings per share (€ cents per share)	52.29	34.51
EPRA Net Initial Yield ('NIY')	6.80%	6.75%
EPRA topped-up NIY	6.86%	6.79%
EPRA vacancy rate	2.7%	4%
EPRA Net Reinstatement Value ('NRV') (€ per share)	6.84	6.51
EPRA Net Tangible Assets ('NTA') (€ per share)	6.81	6.48
EPRA Net Disposal Value ('NDV') (€ per share)	6.58	5.82
EPRA Cost ratio (including direct vacancy cost)^	11.7%	8.3%
EPRA Cost ratio (excluding direct vacancy cost)^	11.6%	8.2%

^ The increase in the EPRA cost ratio is due to the higher level of administrative expenses in the period and higher net service charges, as a result of net utility costs rising.

Directors' report

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CASH MANAGEMENT AND DEBT

The Group had strong liquidity as of 31 December 2022, with €251 million in cash and €420 million in undrawn committed credit facilities.

NEPI Rockcastle's gearing ratio* (interest bearing debt less cash, divided by investment property) was 35.7% as of 31 December 2022, a safe level and comfortably within debt covenants.

As of 31 December 2022, ratios for unsecured loans and bonds showed ample headroom compared to covenant thresholds:

- Solvency Ratio: 0.4 actual, compared to maximum 0.6 requirement.
- Consolidated Coverage Ratio: 6.20 actual, compared to minimum 2 requirement.
- Unencumbered consolidated total assets/unsecured consolidated total debt: 251% actual compared to a minimum 150% requirement.

The Consolidated Coverage Ratio adjusted for the effect of the reversal of litigation provision for 2022 would have been 5.88.

**The reported gearing ratio (LTV) excludes the €37.2 million right-of-use assets and associated lease liabilities as of 31 December 2022.*

Funding and liability management

In January 2022, the Group issued its second green €500 million unsecured eight-year Eurobond, carrying a 2% fixed coupon, with an issue price of 98.713%. The bond's interest rate was partially pre-hedged via a swap instrument. When the bond was issued, the interest rate swap position was closed for a profit of €4.1 million, recognised in the Statement of comprehensive income.

The proceeds from the eight-year Eurobond were used for liability management, to repay a €500 million bond maturing in 2023. The repurchase of this 2023 bond was made at market price during January and February 2022, with the premium on the bond's carrying value (amounting to €22 million) recognised in the Statement of comprehensive income.

In 2022, NEPI Rockcastle extended the contractual maturities related to unsecured committed revolving credit facilities as follows:

- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank with a maximum limit of €170 million was extended for one year, until July 2025;
- the revolving credit facility from ING Bank with a maximum limit of €100 million was extended for one year, until July 2025;
- the revolving credit facility from Raiffeisen Bank International with a maximum limit of €150 million was extended for one year, until January 2025, and

- the revolving credit facility from a four-bank syndicate with a maximum limit of €200 million was maintained, with a maturity in December 2024.

In Q4 2022, the Group partially funded its acquisitions by using €200 million from its revolving credit facilities. The remaining undrawn revolving facility stands at €420 million as at year-end 2022. The committed revolving credit facilities are a strategic source of liquidity for the Group, which can support in bridging growth driving projects, such as developments or acquisitions.

In addition, a new secured green loan of €60 million was concluded in December 2022 for a 7-year term. The financed property holds a BREEAM In-Use Excellent sustainable certification rating, and a Class A energy performance certificate. This loan further supports the Group's liquidity position and strengthens the relationship with the Group's funding partners, both traditional and newly added ones.

The Group extended a €62 million secured loan maturing in 2023 for a 7-year term, at good commercial terms, within the ranges of its average cost of debt.

Cost of debt

The average interest rate of the Group's debt, including hedging, was approximately 2.3% during 2022, similar to 2021.

As of 31 December 2022, fixed-coupon bonds represented 78% of NEPI Rockcastle's outstanding debt. Out of the remaining long-term debt exposed to Euribor, 59% was hedged with interest rate caps and 21% with interest rate swaps. The unhedged portion represents less than 5% of the total outstanding debt and relates to a part of the revolving credit facilities disbursed as of year-end.



EARNINGS DISTRIBUTION 2022

The Board has declared a dividend of 27.85 euro cents per share for H2 2022, corresponding to a 95% dividend pay-out ratio, to be settled as capital repayment (default option). The shareholders can also elect for the settlement of the same dividend amount as ordinary cash distribution out of distributable profits.

As an alternative, shareholders may elect to receive a dividend of 29.32 euro cents per share, corresponding to a 100% pay-out ratio, as a return of capital by way of an issue of new shares, each credited as fully paid up ('scrip dividend'), based on the ratio that 29.32 euro cents per share bears to the scrip reference price. The scrip reference price is calculated based on a 3% discount to the five-day volume-weighted average traded price of NEPI Rockcastle share price on JSE, less dividend declared of 27.85 euro cents per share.

In line with the Dutch legislation, the capital repayment will be paid to shareholders unless they elect to receive either the scrip dividend or the ordinary cash distribution options described above.

A circular containing full details of the election being offered to shareholders, accompanied by announcements on the Stock Exchange News Service (SENS) of the JSE, A2X and Euronext Amsterdam has been issued on 28 February, with the dividend settlement scheduled for 6 April 2023.

PROSPECTS AND EARNINGS GUIDANCE






Distributable earnings per share for 2023 are expected to be approximately 11% higher than the recurring 2022 distributable earnings per share of 48.68 euro cents (i.e. excluding the effect of litigation settlement), which corresponds to a 4% growth in DEPS relative to the 2022 nominal distributable earnings per share of 52.15 euro cents. This guidance does not consider the impact of potential further political instability in the region, or systemic macroeconomic disruptions, and assumes a continuation of the trading trends observed to date. This guidance can be modified or withdrawn in the future if material changes unfold.

The Board anticipates that the Company will have an increasing number of value-adding investment opportunities going forward. To achieve its plans for sustainable growth, it will seek to diversify and expand its sources of funding to include internally generated resources. In this context, the Board of Directors will consider applying flexibility in determining the dividend by applying a pay-out ratio of at least 90% of the distributable earnings.

This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

21 March 2023

Strong strategic positioning

Pillar 1 – Growth		Pillar 2 – Sustainability	
	Preserve a high-quality portfolio of dominant assets		Foster a strong financial discipline, including adequate liquidity, conservative gearing, and a diverse debt structure, to support growth directions
	Delivering on development pipeline, positively contributing to the property portfolio and income generation		Focus on ESG, to deliver on sustainable and responsible growth
	Expanding and strengthening the portfolio Net Operating Income		

PRESERVE A HIGH-QUALITY PORTFOLIO OF DOMINANT ASSETS

Active property management of the Group assets creates significant growth opportunities. Capitalising on its comprehensive in-house expertise in the CEE retail markets, the Group delivers year on year best-in-class results, such as high collection and occupancy rates, reasonable tenant occupancy cost, growing tenant sales and footfall. Preventive maintenance decreases long-term

capital expenditure, service charge levels, non-recoverable expenses and maintains the portfolio in good shape. With a broad platform across nine CEE countries, the Group manages to adapt its business to the changing consumer preferences and to build strong, trust-based relationships with leading retailers.

DELIVERING ON THE DEVELOPMENT PIPELINE

NEPI Rockcastle pursues low-risk development, redevelopment and extension opportunities, in a non-speculative, phased manner. Construction costs are committed to on a gradual basis, in line with leasing milestones, but at the same time secured to mitigate

the inflationary trends and the supply chains recent challenges. Delivering on its strategy, the Group has close to 240,000m² GLA under construction or permitting, translating to a €677 million pipeline to be delivered during 2023-2025.

EXPANDING AND STRENGTHENING THE PORTFOLIO NET OPERATING INCOME

The Group is committed to invest selectively in assets that meet its rigorous investment criteria. Pursued retail assets must already be or have the potential to become dominant. Size is critical to achieve a comprehensive offering and an optimum tenant mix, including a large proportion of food and fashion anchors and substantial leisure and entertainment area. Good location, access,

visibility, design and technical specifications, as well as a potential for extension, reduce the threat of significant competition and enable the asset's dominance in its catchment area. Based on consistently delivering against its strategic focus, the Group added €35 million Net Operating Income to the property portfolio, from its acquisitions completed in 2022 in Poland and Romania.



PHOTO: FORUM GDANSK SHOPPING CENTER

FINANCIAL STABILITY

The Group financing strategy relies on maintaining a strong financial discipline, revolving around an adequate liquidity, conservative gearing, and a diverse debt structure, to support business growth.

Growth is funded through a combination of secured and unsecured bank debt with unsecured bonds. The Group

prioritises its investment grade credit rating and its green portfolio profile, to maintain diversity and optionality in its financing sources, and optimise the cost of debt. Delivering on its financing strategy during 2022, the Group kept a safe LTV level of 35.7%, comfortably within debt covenants, while ensuring an adequate maturity profile, with no significant debt maturities in 2023.

ESG FOCUS

NEPI Rockcastle makes a commitment of investing into initiatives that will not only enable it to meet ESG goals, but will also generate a positive bottom-line impact, recognising the synergies between responsible citizenship and profitability. The Group formulated a dedicated sustainability strategy, focused on three main directions: investing in healthy and sustainable buildings, creating

partnerships with key stakeholders and creating an attractive and professional work environment. In line with its strategic directions, the Group BREEAM-certified all buildings in its retail and office portfolio and planned significant investment in on-site renewable energy production that started in 2022 and will continue in 2023 and beyond.

Value creation through the six capitals

CAPITAL INPUTS

Financial capital

- €2.6 billion debt
- €3.2 billion equity (share capital and share premium)

Human capital

- Dedicated team of professionals across:
 - » asset and property management
 - » finance and treasury
 - » investment
 - » development
- Strong leadership team
- On the ground management teams

Intellectual capital

- Strong brand name and reputation
- Operating systems and processes
- Robust Corporate Governance
- Access to capital (debt and equity)

Social and Relationship capital

- Engaged stakeholder relationships
- Investor roadshows
- Active monitoring of legislative and regulatory changes
- Community support projects

Manufactured capital

- Local property portfolio
- Local investments

Natural capital

- Energy
- Water
- Land
- Raw materials



OUTCOMES

- Loan-to-value ratio of 35.7%, a safe level and comfortably within debt covenants
- Average cost of funding of 2.3% (2021: 2.4%)
- €500 million 8-year green bond strategically issued in January 2022
- €60 million 7-year secured green loan concluded in December 2022
- €62 million 7-year term extension of secured loan maturing in 2023, within the Group's average cost of debt
- Investment grade credit rating upgraded to BBB+ from BBB by Fitch (stable outlook) and reaffirmed BBB by S&P (stable outlook) in the year

- 475 employees, highly engaged in developing and implementing organisation's strategy
- Sector specific specialists across asset management, finance and deal making
- Professional development and training, through 24,587 hours of trainings attended in 2022 by 410 employees
- Best in class operational and financial performance

- Access to CEE acquisition pipeline
- Successful corporate relocation of the parent Company to the Netherlands
- Strong partnership with CEE retailers
- 99% collection rate also recovered to pre-pandemic levels
- Excellent operating performance translated into a valuation uplift of the property portfolio

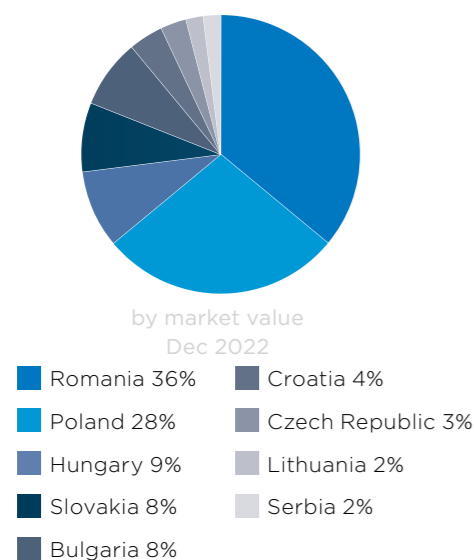
- Resources dedicated to manage stakeholder relations
- EPRA Gold Award and EPRA Bronze Award for compliance with Best Practices Recommendations for financial reporting and for sustainability reporting, respectively
- Part of Top 15 Sustainalytics rated companies in Real Estate Management (low risk - 10.5/100)
- Health-focused campaigns hosted in 47 shopping centres across all 9 countries, allowing over 20 million people to access key health information
- MSCI AAA ESG rating leader among 82 companies in the real estate management and services industry

- €6.6 billion investment property portfolio
- Acquisition of two high performing shopping centres in Poland and the joint venture partner's 50% remaining stake in a shopping centre located in Romania
- €677 million pipeline to be delivered during 2023-2025
- Over 295 million visitors across 55 communities
- Modern, high-quality assets (over 93% of the properties are less than 15 years old)
- Dominant regional malls with city centre location
- Flagship destinations, located in densely populated areas with strong economics

- Green Finance Framework implemented since 2020
- 100% of eligible portfolio (excluding strip centres and industrial) is BREEAM certified with a minimum of "Very Good"
- 74% of the Group's energy consumption comes from renewable energy sources
- Photovoltaic pannels installed accross ten assets in 2022
- Renewable energy production planned to be introduced in 20 additional assets during 2023
- LED lighting implemented in 69% of the portfolio by GLA (subsequently increased to 73% at the time of the publication of this report)

Portfolio at a glance

GEOGRAPHICAL PROPERTY PORTFOLIO PROFILE



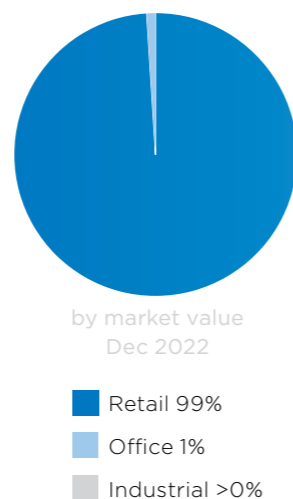
Geographical property portfolio profile by passing rent:

Romania - 38%, Poland - 26%, Bulgaria - 9%, Slovakia - 8%, Hungary - 8%, Croatia - 4%, Lithuania 3%, Czech Republic - 2% and Serbia - 2%.

Geographical property portfolio profile by rentable area:

Romania - 41%, Poland - 27%, Bulgaria - 8%, Slovakia - 6%, Hungary - 6%, Croatia - 4%, Czech Republic - 3%, Lithuania 3% and Serbia - 2%.

SECTORAL PROPERTY PORTFOLIO PROFILE



Sectoral property portfolio profile by passing rent:

Retail - 98%, Office - 1% and Industrial - <1%.

Sectoral property portfolio profile by rentable area:

Retail - 97%, Office - 2% and Industrial - 1%.

KEY PROPERTY INFORMATION*

	Group 31 Dec 2022	Group 31 Dec 2021
Total number of properties	62	58
Income-producing properties	59	56
Greenfield developments	3	2
Extensions to existing properties	3	2
Property portfolio value (€ million)	6 596	5 842
Annualised property yield (by passing rent)	7.2%	6.9%
Lettable area (thousand m²)	2 408	2 187
Income-producing properties	2 169	2 014
Greenfield developments and extensions (estimated)	239	173
Weighted average unexpired lease term (years)	3.1	3.6
Weighted average rent (€/m²/month)	18.0	16.8

*Excludes non-core properties held for sale and joint ventures, includes right-of-use assets of €37.2 million for 2022 (2021: €33.6 million) representing long-term land concessions associated to part of the Group's properties located in Poland. Detailed property schedule is included in this report at pages 320 to 321.

OVERVIEW OF VALUATION YIELDS

Appraiser	Country	Segment	Number of properties	Prime Yield 31 Dec 2022*	Capitalisation rate 31 Dec 2022**
Colliers International	Romania	Retail	27	6.75%	7.50%
Colliers International	Romania	Industrial	2	7.50%	9.50%
Cushman & Wakefield	Poland	Retail	14	5.50%	6.50%
Jones Lang LaSalle	Slovakia	Retail	5	6.50%	6.75%
Jones Lang LaSalle	Slovakia	Office	1	5.50%	7.75%
Jones Lang LaSalle	Czech Republic	Retail	2	5.25%	6.75%
Jones Lang LaSalle	Bulgaria	Retail	2	7.50%	7.75%
Jones Lang LaSalle	Bulgaria	Office	1	8.00%	8.00%
Jones Lang LaSalle	Serbia	Retail	1	8.00%	8.50%
Cushman & Wakefield/ Jones Lang LaSalle	Hungary	Retail	2	6.25%	6.50%
Jones Lang LaSalle	Croatia	Retail	1	7.25%	8.00%
Cushman & Wakefield	Lithuania	Retail	1	7.10%	7.50%

* Source: Colliers International, Cushman & Wakefield, Jones Lang LaSalle, Q4 2022

** Percentages represent averages weighted by Market Values and rounded to the closest 25 bps

RENTAL ESCALATIONS

Out of the total operational GLA as at the year end, the weighted average rental escalation (related to indexation) by rentable area is presented below:

TOTAL	7.3%
Retail	7.2%
Office	9.4%
Industrial	7.1%

The majority of the leases are subject to indexation based on 12-month average rate of change of the European Consumer Price Index ('EU CPI').

VACANCY PROFILE

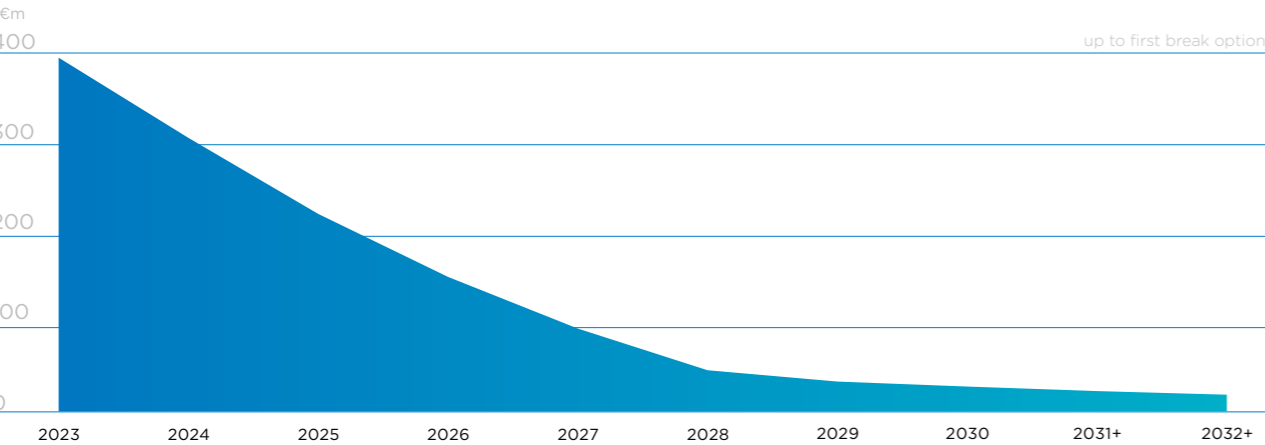
EPRA vacancy rate is calculated by dividing the estimated rental value of vacant space (€/annum) by estimated rental value of the property (€/annum).

The EPRA vacancy rate for income-producing properties at the end of 2022 was 2.7% (excluding non-core properties), split as follows: retail 2.5%, office 17.2% and industrial 2%.

Portfolio at a glance

» continued

CONTRACTUAL GROSS RENTALS



EXPIRY PROFILE

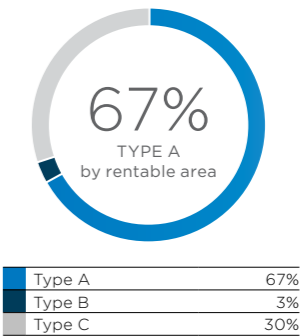
Year	% of expiry by gross rentals	% of expiry by rentable area
2023	9.1%	9.4%
2024	20.6%	17.4%
2025	19.5%	18.1%
2026	16.2%	15.7%
2027	13.2%	13.3%
2028	10.8%	10.7%
2029	2.8%	4.2%
2030	1.4%	2.1%
2031	1.2%	1.7%
>=2032	5.2%	7.4%
Total	100%	100%

TENANT PROFILE

Type A: Large international and national tenants, large listed tenants, government and major franchises (companies with assets and/or turnovers in excess of €200 million).

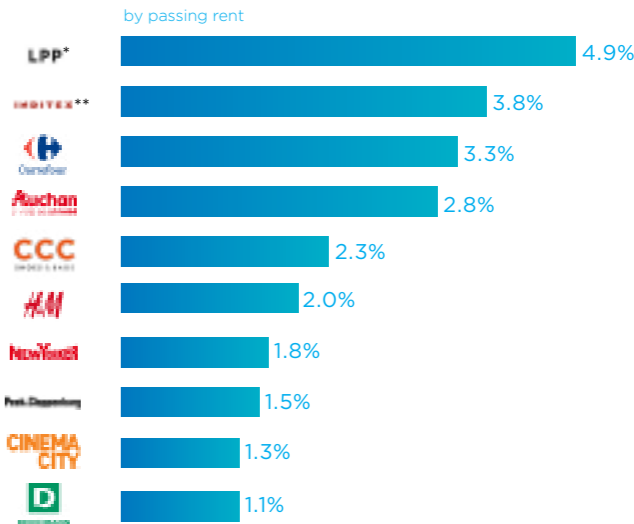
Type B: Smaller international and national tenants, smaller listed tenants and medium to large professional firms (companies with assets and/or turnovers ranging from €100 to €200 million).

Type C: Other tenants (5,036 total number)



TOP 10 RETAIL TENANTS

The top 10 retail tenants accounted for 24.8% of the annualised passing rent of the Group as at 31 December 2022. Tenant concentration risk is very low, as shown by the graph below:



* Cropp Town, House, Mohito, Reserved, Sinsay
** Bershka, Massimo Dutti, Oysho, Pull and Bear, Stradivarius and Zara
^ For turnover only tenants, the percentage above includes the fixed rent advance payments only.



PHOTO: FORUM LIBEREC SHOPPING CENTRE

Romania

Retail

With a total of 27 regional malls and community centres, the Group is the largest owner of retail space in the country. In 2022, the Group started the construction works for Promenada Craiova, the most modern and complete retail and entertainment scheme in the region, planned on 63,700m² GLA, with opening in the third quarter of 2023. The initial plan was to build a shopping centre with 52,300m² of GLA. The project attracted very high demand from retailers, so the Company decided to increase its size by adding a retail park next to the mall. Works for the extension of Promenada Mall started in the beginning of 2022 as well and additionally the Group initiated construction to its first residential development, Vulcan Residence, to be completed in the second quarter of 2023. In September 2022 the Group completed the acquisition of its joint venture partner's 50% stake in Ploiesti Shopping City becoming the sole asset owner.

869,600

m² GLA of retail
income-producing
properties

€2,210m

property value

98.9%

EPRA occupancy rate

€169.1m

passing rent



27
retail
income-producing
properties



Mega Mall

Bucharest

Ownership	100%
GLA	75,900m ²
Valuation	€301.6 million
Passing rent	€20.1 million
EPRA Occupancy	98.2%



City Park

Constanta

Ownership	100%
GLA	51,900m ²
Valuation	€207.0 million
Passing rent	€14.9 million
EPRA Occupancy	99.6%



Promenada Mall

Bucharest

Ownership	100%
GLA	39,300m ²
Valuation	€189.7 million
Passing rent	€13.8 million
EPRA Occupancy	98.6%



Shopping City Sibiu

Sibiu

Ownership	100%
GLA	83,700m ²
Valuation	€147.5 million
Passing rent	€12.2 million
EPRA Occupancy	97.5%



Shopping City Timisoara

Timisoara

Ownership	100%
GLA	57,000m ²
Valuation	€135.9 million
Passing rent	€10.7 million
EPRA Occupancy	98.3%



Shopping City Galati

Galati

Ownership	100%
GLA	49,200m ²
Valuation	€130.4 million
Passing rent	€10.1 million
EPRA Occupancy	99.3%



Ploiesti Shopping City

Ploiesti

Ownership	100%
GLA	46,800m ²
Valuation	€120.6 million
Passing rent	€9.0 million
EPRA Occupancy	100%



Promenada Sibiu

Sibiu

Ownership	100%
GLA	42,500m ²
Valuation	€106.6 million
Passing rent	€8.6 million
EPRA Occupancy	97.5%



Iris Titan Shopping Center

Bucharest

Ownership	100%
GLA	43,100m ²
Valuation	€105.4 million
Passing rent	€8.9 million
EPRA Occupancy	100%



Vulcan Value Centre

Bucharest

Ownership	100%
GLA	25,000m ²
Valuation	€72.4 million
Passing rent	€5.3 million
EPRA Occupancy	100%



Shopping City Targu Mures

Targu Mures

Ownership	100%
GLA	40,200m ²
Valuation	€96.8 million
Passing rent	€7.5 million
EPRA Occupancy	98.7%



Shopping City Buzau

Buzau

Ownership	100%
GLA	23,700m ²
Valuation	€62.6 million
Passing rent	€4.8 million
EPRA Occupancy	99.0%



Shopping City Deva

Deva

Ownership	100%
GLA	50,700m ²
Valuation	€92.9 million
Passing rent	€7.6 million
EPRA Occupancy	100%



Shopping City Satu Mare

Satu Mare

Ownership	100%
GLA	29,400m ²
Valuation	€62.5 million
Passing rent	€4.9 million
EPRA Occupancy	100%



Braila Mall

Braila

Ownership	100%
GLA	52,900m ²
Valuation	€90.6 million
Passing rent	€7.5 million
EPRA Occupancy	99.3%



Shopping City Piatra Neamt

Piatra Neamt

Ownership	100%
GLA	28,000m ²
Valuation	€59.0 million
Passing rent	€4.6 million
EPRA Occupancy	100%



Shopping City Targu Jiu

Targu Jiu

Ownership	100%
GLA	27,200m ²
Valuation	€58.5 million
Passing rent	€4.5 million
EPRA Occupancy	100%



Shopping City Ramnicu Valcea

Ramnicu Valcea

Ownership	100%
GLA	28,200m ²
Valuation	€56.8 million
Passing rent	€4.5 million
EPRA Occupancy	99.2%



Severin Shopping Center

Drobeta Turnu Severin

Ownership	100%
GLA	23,200m ²
Valuation	€41.0 million
Passing rent	3.3 million
EPRA Occupancy	99.5%



Pitesti Retail Park

Pitesti

Ownership	100%
GLA	21,500m ²
Valuation	€26.0 million
Passing rent	€2.5 million
EPRA Occupancy	94.8%



Regional strip centres

Alba-Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Sighisoara, Vaslui

Ownership	100%
GLA	30,200m ²
Valuation	€46.5 million
Passing rent	€3.8 million
EPRA Occupancy	99.5%



PHOTO: SHOPPING CITY TARGU MURES

Poland

Retail

The Group has built a dominant portfolio in Poland, the largest real estate market in the CEE region, currently including 14 regional malls. In 2022, the Group acquired two shopping centres in Poland - Forum Gdansk Shopping Center (63,500m²) and Copernicus Shopping Centre (48,000m²).

In 2021, NEPI Rockcastle completed major construction of the 15,000m² GLA extension of Focus Mall Zielona Gora, hosting local and international retailers. In 2022, a number of 31 new stores were opened there including Intersport, New Yorker, RTV EURO AGD, Snipes, JD Sport and Stradivarius.

The redevelopment of Bonarka City Center continued with the opening of several stores, including Half Price (nearly 3,000sqm) and first Primark in NEPI Rockcastle portfolio (nearly 5,800m²).

591,300

m² GLA of retail
income-producing
properties

€1,764m

property value*

96.6%

EPRA occupancy rate

€118.9m

passing rent

* Excludes impact of €37.2 million related to right-of-use assets, representing long-term land concessions for the Group Polish properties contracted from local government.



PHOTO: BONARKA CITY CENTER

14
retail
income-producing
properties



Bonarka City Center

Krakow

Ownership	100%
GLA	74,700m ²
Valuation	€399.5 million
Passing rent	€22.3 million
EPRA Occupancy	96.9%



Forum Gdansk Shopping Center

Gdansk

Ownership	100%
GLA	63,500m ²
Valuation	€268.0 million
Passing rent	€17.2 million
EPRA Occupancy	96.4%



Focus Mall Zielona Gora

Zielona Gora

Ownership	100%
GLA	44,100m ²
Valuation	€168.0 million
Passing rent	€9.7 million
EPRA Occupancy	91.8%



Galeria Warminska

Olsztyn

Ownership	100%
GLA	42,900m ²
Valuation	€162.5 million
Passing rent	€10.0 million
EPRA Occupancy	98.8%



Karolinka Shopping Centre

Opole

Ownership	100%
GLA	67,500m ²
Valuation	€156.3 million
Passing rent	€10.2 million
EPRA Occupancy	99.6%



Copernicus Shopping Centre

Torun

Ownership	100%
GLA	48,000m ²
Valuation	€125.4 million
Passing rent	€9.1 million
EPRA Occupancy	98.4%



Alfa Centrum Bialystok

Bialystok

Ownership	100%
GLA	37,200m ²
Valuation	€88.3 million
Passing rent	€7.0 million
EPRA Occupancy	94.8%



Solaris Shopping Centre

Opole

Ownership	100%
GLA	26,400m ²
Valuation	€77.5 million
Passing rent	€6.2 million
EPRA Occupancy	97.0%



Pogoria Shopping Centre

Dabrowa Gornicza

Ownership	100%
GLA	37,700m ²
Valuation	€68.3 million
Passing rent	€5.3 million
EPRA Occupancy	99.5%



Platan Shopping Centre

Zabrze

Ownership	100%
GLA	39,900m ²
Valuation	€65.5 million
Passing rent	€4.9 million
EPRA Occupancy	91.8%



Aura Centrum

Olsztyn

Ownership	100%
GLA	25,400m ²
Valuation	€63.0 million
Passing rent	€5.3 million
EPRA Occupancy	94.3%



Galeria Wolomin

Wolomin

Ownership	100%
GLA	30,700m ²
Valuation	€52.4 million
Passing rent	€4.2 million
EPRA Occupancy	96.8%



Focus Mall Piotrkow Trybunalski

Piotrkow Trybunalski

Ownership	100%
GLA	35,100m ²
Valuation	€42.2 million
Passing rent	€4.7 million
EPRA Occupancy	97.8%



Galeria Tomaszow

Tomaszow Mazowiecki

Ownership	100%
GLA	18,200m ²
Valuation	€26.8 million
Passing rent	€2.8 million
EPRA Occupancy	99.2%



PHOTO: FORUM GDANSK SHOPPING CENTER

Hungary

Retail

In September 2017, the Group entered the Hungarian market by acquiring Arena Mall, the second largest shopping centre in Budapest, the capital city. One year later, the Group extended its presence in Hungary through the acquisition of the controlling stake in Mammut Shopping Centre, becoming the largest retail owner in Budapest. During 2022, the Group acquired supplementary units in Mammut Shopping Center, for a consideration paid of €1.3 million (2021: €12.5 million)

New major leases signed in 2022 include Half Price (1,346m²) and Mango (422m²) in Mammut (already opened) and Primark (4,565m²) in Arena that is not opened yet.



123,300
m² GLA of retail
income-producing
properties

€581m
property value

97.2%
EPRA occupancy rate

€34.5m
passing rent

Arena Mall Budapest

Ownership	100%
GLA	65,900m²
Valuation	€304.0 million
Passing rent	€19.2 million
EPRA Occupancy	97.1%

Mammut Shopping Centre Budapest

Ownership	100%
GLA	57,400m²
Valuation	€276.6 million
Passing rent	€15.3 million
EPRA Occupancy	92.5%



PHOTO: ARENA MALL

Slovakia

Retail

NEPI Rockcastle built a strong competitive position in Slovakia, by becoming the largest retail landlord in the country. The Group owns five regional malls/community centres and one office building situated in Slovakia's second largest city, Kosice.

117,300

m² GLA of retail
income-producing
properties

€503m

property value

97.4%

EPRA occupancy rate

€34m

passing rent



PHOTO: AUPARK KOSICE MALL

5
retail
income-producing
properties



Aupark Kosice Mall

Kosice

Ownership	100%
GLA	33,100m ²
Valuation	€168.6 million
Passing rent	€10.6 million
EPRA Occupancy	95.5%



Korzo Shopping Centrum

Prievidza

Ownership	100%
GLA	16,300m ²
Valuation	€39.6 million
Passing rent	€3.3 million
EPRA Occupancy	98.0%



Aupark Zilina

Zilina

Ownership	100%
GLA	25,100m ²
Valuation	€127.1 million
Passing rent	€8.9 million
EPRA Occupancy	98.6%



Galeria Mlyny

Nitra

Ownership	100%
GLA	32,500m ²
Valuation	€125.4 million
Passing rent	€8.6 million
EPRA Occupancy	92.7%



Aupark Shopping Center Piestany

Piestany

Ownership	100%
GLA	10,300m ²
Valuation	€41.9 million
Passing rent	€2.6 million
EPRA Occupancy	95.4%



PHOTO: AUPARK ZILINA

Bulgaria

Retail

The Group owns Serdika Center, a modern shopping centre benefiting from an excellent location in Sofia, Serdika Office, a Class A office situated atop the shopping centre and Paradise Center, the largest retail centre in the capital city. The extension works of Paradise on the underground level, completed in 2021 further strengthened the centre's position as the largest one in Sofia.



132,100
m² GLA of retail
income-producing
properties

€428m
property value

95.8%
EPRA occupancy rate

€35.1m
passing rent

Paradise Center Sofia

Ownership	100%
GLA	80,400m ²
Valuation	€265.8 million
Passing rent	€21.3 million
EPRA Occupancy	96.1%

Serdika Center Sofia

Ownership	100%
GLA	51,700m ²
Valuation	€162.3 million
Passing rent	€13.8 million
EPRA Occupancy	99.6%



Croatia

Retail

The Group owns the largest shopping destination in Zagreb, Arena Centar and Retail Park, comprising of a shopping mall of 67,300m² and an adjacent retail park of 8,000m². An adjacent land of 4.4ha is available for future development opportunities.

75,300

m² GLA of retail
income-producing
properties

€265m

property value

97.8%

EPRA occupancy rate

€19.7m

passing rent



Czech Republic

Retail

The Group owns two dominant malls in the Czech Republic: Forum Ústí nad Labem and Forum Liberec Shopping Centre, both situated in the northern part of the country.

After the complete refurbishment of Forum Liberec Shopping Centre, the tenant mix was significantly improved. The centre further strengthened its offer by signing agreements with three LPP brands (Sinsay, Cropp and Mohito), Gap, the city's first Under Armour, KIK. At the end of 2022 agreement with CCC was signed (nearly 1,100m²) with planned opening in 2023.



74,200
m² GLA of retail
income-producing
properties

€175m
property value

94.9%
EPRA occupancy rate

€11m
passing rent

Forum Ústí nad Labem	
Ústí nad Labem	
Ownership	100%
GLA	27,800m ²
Valuation	€89.0 million
Passing rent	€5.7 million
EPRA Occupancy	97.0%

Forum Liberec Shopping Centre	
Liberec	
Ownership	100%
GLA	46,400m ²
Valuation	€86.2 million
Passing rent	€5.3 million
EPRA Occupancy	91.8%



PHOTO: FORUM ÚSTÍ NAD LABEM

Lithuania

Retail

In 2018 the Group entered the Lithuanian market through the acquisition of Ozas Shopping and Entertainment Centre, a 61,700m² GLA mall with a strong fashion and entertainment-oriented tenant mix, benefiting from an excellent location in Vilnius. After the opening of the largest family entertainment park in the country in 2020, the redevelopment of Ozas Shopping and Entertainment Centre continued with the opening of a swimming pool (1,600m²) in 2021 and ACTION! by Apollo entertainment paradise (3,400m²) in 2022.

67,800

m² GLA of retail
income-producing
properties

€152m

property value

97.9%

EPRA occupancy rate

€12.7m

passing rent



Serbia

Retail

The Group owns Promenada Novi Sad, a shopping centre of 49,200m², in a prime location in the country's second largest city. In July 2021, the Group sold two properties in Serbia, Kragujevac Plaza and Krusevac Shopping Park (including extension plots), in line with its strategy to focus on core dominant properties in countries with investment grade credit rating.

49,200
m² GLA of retail
income-producing
properties

€129m
property value

100%
EPRA occupancy rate

€11.2m
passing rent



1
retail
income-producing
property

Office

Serdika Office and Aupark Kosice are the two office properties owned by the Group, both integrated with the shopping malls creating synergies with retails component.

41,300
m² GLA of office
income-producing
properties

€70m
property value

82.8%
EPRA occupancy rate

€5.4m
passing rent



Serdika Office
Sofia, Bulgaria

Ownership	100%
GLA	28,500m ²
Valuation	€50.1 million
Passing rent	€3.8 million
EPRA Occupancy	81.8%



Aupark Kosice Tower
Kosice, Slovakia

Ownership	100%
GLA	12,800m ²
Valuation	€19.7 million
Passing rent	€1.6 million
EPRA Occupancy	85.2%

Industrial

The Group owns two industrial properties:
Rasnov Industrial Facility (Brasov county) and
Otopeni Warehouse (adjacent to Bucharest's
international airport).

27,300
m² GLA of industrial
income-producing
properties

€19m
property value

98.0%
EPRA occupancy rate

€2.0m
passing rent



Rasnov Industrial Facility
Rasnov, Romania

Ownership	100%
GLA	23,000m ²
Valuation	€13.2 million
Passing rent	€1.4 million
EPRA Occupancy	97.4%



Otopeni Warehouse
Otopeni, Romania

Ownership	100%
GLA	4,300m ²
Valuation	€5.3 million
Passing rent	€0.6 million
EPRA Occupancy	99.6%

Development and extensions pipeline

NEPI Rockcastle will continue to invest in developments contributing to growth and improving long-term portfolio prospects, proactively monitoring and revising the development pipeline in line with its evolving objectives and constraints. The total investment value of projects under construction, or permitting, is approximately

€677 million of which €253 million was spent by 31 December 2022. During 2023, the Group estimates to invest €223 million in development and capital expenditure related to its ongoing projects and will consider new development opportunities depending on how market circumstances evolve.

DEVELOPMENTS AND EXTENSIONS MAP

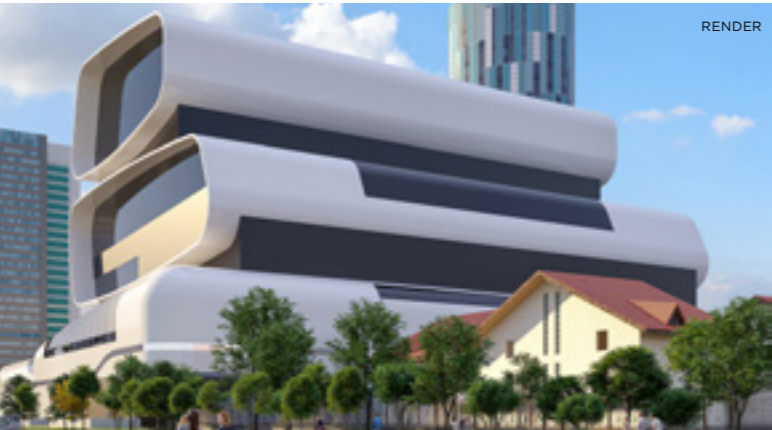


	GLA/GSA* of development m²
Developments under construction	148 000
Promenada Bucharest	58 400
Promenada Craiova	63 700
Bonarka City Center	4 700
Vulcan Residence	18 300*
Galeria Wolomin	2 900
Photovoltaic projects	n/a
Developments under permitting and pre-leasing	90 900
Promenada Plovdiv	57 700
Galati Retail Park	33 200
Total developments under construction, pre-leasing and permitting	238,900

* Gross Sellable Area



UNDER CONSTRUCTION



Promenada Mall - extension
Bucharest, Romania

The Group intends to add 58,400m² of retail and office GLA by the end of 2025. Construction permits have been obtained and the works on the underground parking have started.

Ownership	100%
Lettable area - property in use	39,300m ²
Estimated lettable area - retail	30,900m ²
Estimated lettable area - office	27,500m ²
Target opening	Q4 2025



Vulcan Residence - development
Bucharest, Romania

The construction of the Group's first residential project has started. The project will deliver 18,300m² of residential space (254 apartments) and additional 270 parking bays for sale and is expected to be completed in the second quarter of 2023.

Ownership	100%
Estimated sellable area	18,300m ²
Target opening	Q2 2023



Promenada Craiova - development
Craiova, Romania

A new shopping centre in Craiova, one of Romania's largest cities, will be developed by the third quarter of 2023. The new mall will have 63,700m² of retail GLA. Site preparation works have been completed.

Ownership	100%
Estimated lettable area	63,700m ²
Target opening	Q3 2023



Galeria Wolomin Retail Park - Extension
Wolomin, Poland

The extension of Galerial Wolomin Retail Park with additional around 2,900m² is estimated to be completed in Q1 2024.

Ownership	100%
Lettable area - property in use	30,700m ²
Estimated lettable area	2,900m ²
Target opening	Q1 2024



Bonarka City Center - redevelopment
Krakow, Poland

A redevelopment which includes the extension by 4,700m² of GLA and the accommodation of a Primark unit, is ongoing. The estimated completion date is in the fourth quarter of 2024.

Ownership	100%
Lettable area - property in use	74,700m ²
Estimated lettable area	4,700m ²
Target opening	Q4 2024



Installation of photovoltaic panels
(30 locations)

In 2022 the Group decided to start on-site production of electricity from renewable sources. The first phase of this project includes installation of photovoltaic panels in 30 locations in Romania and requires an investment of approximately €37 million to build a total installed power of 40 MW. Installation started in October 2022 across multiple locations and 10 of the 30 units have already been completed until the end of 2022. The remaining 20 units of the first phase of the project are expected to be completed by Q4 2023.

EPRA Performance measures

amounts in € thousand

European Public Real Estate Association (“EPRA”), the representative organisation of the publicly listed real estate industry in Europe, has established a set of Best Practice Recommendation Guidelines (“EPRA BPR”), which focus on the key measures of the most relevance to investors. These recommendations aim to give financial statements of public real estate companies more clarity, more transparency and comparability across European peers. The Group has been awarded with Gold Award for BPR for financial reporting since 2020, the highest standard for transparency of financial performance measures. EPRA performance measures reported by NEPI Rockcastle are set out below:

EPRA indicators	31 December 2022	31 December 2021
EPRA Earnings (€ thousand)	317,870	210,159
EPRA Earnings per share (€ cents per share)	52.29	34.51
EPRA Net Initial Yield (NIY)	6.80%	6.75%
EPRA topped-up NIY	6.86%	6.79%
EPRA Vacancy Rate	2.7%	4.00%
EPRA Net Reinstatement Value (NRV) (€ per share)	6.84	6.51
EPRA Net Tangible Assets (NTA) (€ per share)	6.81	6.48
EPRA Net Disposal Value (NDV) (€ per share)	6.58	5.82
EPRA Cost ratio (including direct vacancy cost)	11.7%	8.3%
EPRA Cost ratio (excluding direct vacancy cost)	11.6%	8.2%
EPRA loan-to-value (LTV)	36.8%	32.3%



PHOTO: SHOPPING CITY TIMISOARA

EPRA EARNINGS

EPRA Earnings presents the underlying operating performance of a real estate company excluding fair value gains or losses on investment property, profit or loss on disposals, deferred tax and other non-recurring items, that are not considered to be part of the core activity of the Group.

EPRA Earnings	31 Dec 2022	31 Dec 2021
Earnings in IFRS Consolidated Statement of comprehensive income	435,167	235,004
Fair value adjustments of investment property for controlled subsidiaries	(141,701)	(34,650)
Gain on disposal of assets held for sale	(1,121)	(1,995)
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	(16,021)	(5,174)
Deferred tax expense for controlled subsidiaries	43,266	16,643
Adjustments above in respect of joint ventures	(1,727)	502
Non-controlling interest	7	(171)
EPRA Earnings (interim)	139,335	107,187
EPRA Earnings (final)	178,535	102,972
EPRA Earnings (total)	317,870	210,159
Number of shares for interim distribution	608,994,907	608,994,907
Number of shares for final distribution	607,000,000	608,994,907
EPRA Earnings per Share (EPS interim)*	22.88	17.60
EPRA Earnings per Share (EPS final)*	29.41	16.91
EPRA Earnings per Share (EPS)*	52.29	34.51
Company specific adjustments:		
Amortisation of financial assets	(1,940)	(1,189)
Depreciation expense for property, plant and equipment	1,469	643
Antecedent earnings	(344)	-
Distributable Earnings (interim)	139,058	107,409
Distributable Earnings (final)	177,997	102,204
Distributable Earnings (total)	317,055	209,613
Distributable Earnings per Share (interim) (euro cents)	22.83	17.64
Distributable Earnings per Share (final) (euro cents)	29.32	16.78
Distributable Earnings per Share (total) (euro cents)	52.15	34.42

*Adjusted for interim and final number of shares.

EPRA Performance measures

amounts in € thousand

» continued

EPRA Net Asset Value ('NAV') metrics

The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

EPRA Net Reinstatement Value ('NRV')

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

EPRA Net Tangible Assets ('NTA')

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA Net Disposal Value ('NDV')

The EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do not represent liquidation values.

For more detailed explanations of EPRA adjustments and requirements please refer to the [EPRA Best Practices Recommendations \(https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf\)](https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf)

EPRA Net Asset Values as of 31 December 2022	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	3,898,721	3,898,721	3,898,721
Exclude:			
Net deferred tax liabilities	365,986	347,687	-
Derivative financial assets at fair value through profit or loss	(36,064)	(36,064)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	173,939
NAV	4,151,839	4,133,540	3,995,856
Number of shares	607,000,000	607,000,000	607,000,000
NAV per share	6.84	6.81	6.58

EPRA Net Asset Values as of 31 December 2021	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	3,714,922	3,714,922	3,714,922
Exclude:			
Net deferred tax liabilities	328,244	311,832	-
Derivative financial liabilities at fair value through profit or loss	(932)	(932)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	(96,092)
NAV	3,965,430	3,949,018	3,542,026
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	6.51	6.48	5.82

EPRA NET INITIAL YIELD ('NIY') AND EPRA 'TOPPED-UP' NIY

The EPRA NIY ("Net Initial Yield") is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property.

In EPRA "topped-up" NIY, the net rental income is "topped-up" to reflect rent after the expiry of lease incentives such as rent-free periods and rental discounts

EPRA NIY and "topped-up" NIY	31 December 2022	31 December 2021
Investment property as per Consolidated Financial Statements	6,596,137	5,841,676
Investment property under joint ventures (on a pro-rata basis)	-	53,616
Investment property held for sale	18,666	-
Less investment property under development	(264,344)	(170,900)
Total investment property in use, including joint ventures (on a pro-rata basis)	6,350,459	5,724,392
Estimated purchasers' costs	31,752	28,622
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	6,382,211	5,753,014
Annualised cash passing rental income*	453,800	393,390
Non-recoverable property operating expenses	(19,610)	(4,866)
Annualised net rents	434,190	388,524
Notional rent expiration of rent-free periods or other lease incentives**	3,582	2,292
Topped-up net annualised rent	437,770	390,816
EPRA Net Initial Yield (EPRA NIY)	6.80%	6.75%
EPRA "topped-up" NIY	6.86%	6.79%

*Annualised passing rent computed based on the contractual rental amounts effective as at that date.

**Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.

EPRA Performance measures

amounts in € thousand

» continued

EPRA VACANCY RATE

The EPRA Vacancy Rate estimates the percentage of the total potential rental income not received due to vacancy.

The EPRA Vacancy Rate is calculated by dividing the estimated rental value of vacant premises by the estimated rental value of the entire property portfolio if all premises were fully leased. The EPRA vacancy rate is calculated using valuation reports performed by independent experts.

EPRA vacancy rate	31 December 2022	31 December 2021
Estimated rental value of vacant space	13,454,619	17,274,062
Estimated rental value of the whole portfolio	502,583,364	437,113,717
EPRA Vacancy Rate*	2.7%	4.0%

* Excludes non-core properties

The EPRA vacancy rate decreased to 2.7% at 31 December 2022 (from 4.0% as at 31 December 2021) following improved leasing activity targeted on strengthening the shopping centres' offering. As a result of the post-pandemic recovery, a strong appetite for extension has been shown by retailers, reflected in the new brands entering the Group's portfolio in 2022.

Country	EPRA Vacancy Rate December 2022	EPRA Vacancy Rate December 2021
Romania	1.1%	2.1%
Poland	3.4%	5.3%
Hungary	5.1%	8.3%
Slovakia	4.7%	5.5%
Bulgaria	4.3%	4.3%
Croatia	2.8%	1.8%
Czech Republic	5.7%	6.9%
Lithuania	0.0%	0.2%
Serbia	2.1%	2.5%
EPRA Vacancy Rate	2.7%	4.0%

EPRA COST RATIO

EPRA Cost ratios reflect the relevant administrative and operating costs of the business and provide a recognised and understood reference point for analysis of a company's costs.

The EPRA Cost ratio (including direct vacancy costs) includes all administrative and operating expenses in the IFRS statements including the share of joint ventures' administrative and operating expenses (net of any service fees).

The EPRA Cost ratio (excluding direct vacancy costs) is calculated as above, but with an adjustment to exclude vacancy costs.

Both EPRA Cost ratios are calculated as a percentage of Gross rental income including a share of joint venture Gross rental income. The ground rent costs are nil for the Group and for its joint ventures.

EPRA Cost ratios	31 Dec 2022	31 Dec 2021
Administrative expenses (line per IFRS Consolidated Financial Statements)	30,381	24,665
Net service charge costs*	19,696	5,367
Share of joint ventures expenses	-	(340)
EPRA Costs (including direct vacancy costs)	50,077	29,692
Direct vacancy costs	663	423
EPRA Costs (excluding direct vacancy costs)	49,414	29,269
Gross rental income*	424,261	351,630
Add: share of joint ventures (Gross rental income less ground rents)	2,918	4,173
Gross rental income	427,179	355,803
EPRA Cost ratio (including direct vacancy costs)^	11.7%	8.3%
EPRA Cost ratio (excluding direct vacancy costs)^	11.6%	8.2%

*Out of €2.1 million positive effect from reversal of the expected partial forgiveness of receivables (2021: €17.8 million discounts granted as partial forgiveness), approximately €0.1 million negative impact (2021: €0.6 million discounts granted) corresponds to service charge income. The remaining amount of Partial forgiveness of receivables corresponding to Gross rental income has impacted the respective line as at 31 December 2022, respectively as at 31 December 2021.

^ The increase in the EPRA cost ratio is due to the higher level of administrative expenses in the period and higher net service charges, as a result of net utility costs rising.

In 2022, the increase in the EPRA cost ratio is due to the higher level of administrative expenses in the period and higher net service charges, as a result of net utility costs rising.

CORPORATE INSIGHTS

Executive Board of Directors



RÜDIGER DANY (60)
Chief Executive Officer

BSc

Rüdiger Dany has extensive professional experience in international environments across Europe for some of the largest international retail and real estate companies including ECE, Atrium and Multi Corporation. During his tenure with Multi Corporation (affiliated with Blackstone), Mr Dany played an important role in optimising and expanding their property management portfolio for institutional investors. As a Board Member and COO of Multi, his major achievement was the value enhancement of Blackstone's property portfolio and the successful opening of new shopping centres, developments and extensions of existing shopping centres. Mr Dany has also driven the creation of an innovation group within Multi to elaborate business opportunities by using modern PropTech tools, both B2B and B2C. Mr Rüdiger Dany was appointed as an Executive Director and Chief Operating Officer on 18 August 2021, and as Interim Chief Executive Officer on 1 February 2022. He was confirmed as CEO on a permanent basis on 1 June 2022.



ELIZA PREDOIU (38)
Chief Financial Officer

BCom, ACCA

Eliza Predoiu has diverse finance and real estate expertise, including eight years in the Company. She has proven expertise in multi-million funding projects, complex business transactions and integration processes of mergers, systems and controls. Prior to joining NEPI, she was Deputy Manager at PricewaterhouseCoopers, where she spent six years handling local and cross-border audit assignments and advisory projects in the Romanian and Cypriot offices. Mrs Predoiu joined the Company in 2014 and was promoted as Deputy Chief Financial Officer in 2018. She was appointed as Interim Chief Financial Officer on 1 February 2022 and from 1 June 2022 she was confirmed in her role on a permanent basis.



MAREK NOETZEL (44)
Chief Operating Officer

MSc, MRICS

Marek Noetzel has been active on the Polish retail real estate market since 2002, gaining his professional experience at Cushman & Wakefield. As Head of the Retail department, he was responsible for commercialisation, development, asset management, investment and financial consultancy services, working for multiple international and national clients. Mr Noetzel joined Rockcastle in 2016 and played an important role in establishing the office in Poland and expanding operations abroad. He was appointed as an Executive Director of NEPI Rockcastle on 15 May 2017, in this current role he has been responsible for the asset management of Company's properties in Poland, Hungary, Slovakia, Czech Republic and Lithuania. He was appointed as Chief Operating Officer effective from 1 June 2022.



PHOTO: ARENA CENTAR

Corporate governance

The Board governs the Group based on sound principles of ethical leadership, business, social and environmental sustainability and equitable stakeholder engagement. Through its governance process, the Board monitors compliance with the King IV Report on Corporate Governance in South Africa (King IV), Dutch Corporate Governance code, Johannesburg Stock Exchange (JSE) Listings Requirements, Euronext Amsterdam Rule Books, A2X guidelines and the Dutch Civil Code (Burgerlijk Wetboek).

In a search to enhance its governance practices, the Group has, since 2019, voluntarily implemented relevant provisions in the Dutch and UK corporate governance codes, following the proportionality principle and in line with its one tier Board governance structure. Following the successful re-domiciliation to the Netherlands completed during 2022, material alignment to Dutch legislation and the Dutch Corporate Governance Code has been achieved, while maintaining compliance with King IV and JSE Listings Requirements, through the following key steps:

- formalisation of the related party transactions approach, in full compliance with the JSE Listings Requirements and applicable international accounting standards;
- formalisation of the Diversity Policy, as per Dutch legal provisions and in compliance with the JSE Listings Requirements;
- revision of Directors independence criteria, tenure, interests and additional engagements statements based on the more prescriptive and detailed Dutch standards, while maintaining compliance with King IV;
- obtaining shareholders' approval on the Group Remuneration policy.

As a result of the information included herein, the Board is satisfied with the corporate governance arrangements implemented at Group level and compliance with codes of reference and confirms that the company has operated in conformity with the relevant laws and regulations and NEPI Rockcastle's Articles of Association during the year under review.



Corporate governance

» continued

CORPORATE GOVERNANCE FRAMEWORK

Based on King IV and Dutch governance codes, where applicable, the Group governance framework comprehensively covers key governance areas and core principles:

- leadership, ethics, corporate citizenship and sustainability
- strategy, performance and reporting
- governing structure and delegation of authority
- functional areas governance
- stakeholders relationship management including organization of general shareholders meetings
- misconduct and irregularities management
- takeover internal guidelines



PHOTO: FOCUS MALL PIOTRKOW TRYBUNALSKI

Leadership, ethics, corporate citizenship and sustainability

- The Board leads ethically and effectively
- The Board supports an ethical culture throughout the Group
- The Board ensures that the organisation is a responsible corporate citizen and a sustainable business

Strategy, performance and reporting

- The Board ensures that the organisation's purpose, strategy, business model, performance, risk management and sustainable development are all aligned and contribute to the value-creation process
- The Board ensures that communication issued is truthful, enabling stakeholders to assess performance and its short-, medium-, long-term prospects

Governing structure and delegation of authority

- The Board is the custodian of corporate governance
- The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence, necessary to discharge its governance role objectively and effectively
- The Board ensures that its arrangements for delegation promote independent judgement, contribute to a balance of power and to the effective discharge of its duties
- The Board ensures that the evaluation of its own performance and that of its Committees, of its Chair and individual members supports continuous improvement
- The Board ensures that the appointment of, and delegation to management contribute to role clarity and effective exercise of authority and responsibility

Functional areas governance

- The Board governs risk in order to support the organisation in setting and achieving its strategic objectives
- The Board oversees technology and information systems to ensure they enable the achievement of strategic objectives
- The Board supervises compliance with applicable laws, regulations and internal guidelines
- The Board ensures that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of objectives in the short-, medium- and long-term
- The Board ensures that assurance services and functions work in synergy to enable effective control environment, proper risk mitigation, integrity and reliability of information and reports

Stakeholders relationship management including organisation of general shareholders' meetings

- The Board adopts a stakeholder-inclusive approach balancing the needs, interests and expectations of stakeholders, with the best interest of the organisation over time
- Organisational provisions regarding general meetings are included in the Company's Articles of Association and are strictly complied with, under the Board's supervision

Misconduct and irregularities management

- The Board adopts a formal procedure for the management of misconduct and irregularities and oversees compliance

Takeover internal guidelines

- The Board defines internal guidelines to be followed in case of potential takeover attempts

Corporate governance

» continued

CORE LEADERSHIP PRINCIPLES AT BOARD LEVEL

The Board voluntarily adopts best practice governance policies designed to align the interests of the Board and management with those of the stakeholders, and promote the highest standards of ethical behaviour and risk management. The members of the Board individually and collectively cultivate a strong set of values and lead by example.

Integrity

- Directors must act in good faith and in the best interests of the organisation.
- Directors should avoid conflicts of interest. In case a conflict cannot be avoided, it should be disclosed to the Board and proactively managed as determined by the Board, subject to legal provisions.
- Directors should act ethically, beyond mere legal compliance.
- Directors should set the tone for an ethical organisational culture.

Competence

- Directors should ensure they are sufficiently knowledgeable about the organisation, industry and funds it uses and affects, as well as key applicable laws, rules, codes and standards.
- Directors must act with due care, skill and diligence, and take reasonable steps to be informed about matters they are required to make decisions about.
- Directors should continuously develop their ability to lead effectively.

Accountability

- Directors acknowledge their responsibility for decisions, policies and steering mechanisms they employ in the governing of the Group.
- Directors are willing to answer for the execution of their responsibilities towards the Group.

Transparency and confidentiality

- Directors should be transparent in how they exercise their governance role and responsibilities.
- Directors shall keep information confidential and shall not disclose such information to third parties without

proper and specific authority, or unless there is a legal or professional duty to do so.

- Confidential information shall not be used to the personal advantage of Directors or any third parties.

STRATEGIC OVERSIGHT

In carrying out their oversight role, the Board actively engages in setting the long-term strategic goals of the organisation, reviews and approves business strategies, corporate financial objectives, financial and funding plans (ensuring consistency with strategic goals) and monitors the Group's performance in executing such strategies.

The Group has a robust strategic framework for long-term value creation, that has been reviewed and endorsed by the Board. The Board is essential in helping the Company articulate and pursue its purpose, with a focus on addressing issues increasingly important to investors, communities it operates in and consumers. The Board strongly believes that the Company's ability to design a strong long-term strategy and to manage environmental, social and governance matters, demonstrates the good governance ultimately required to achieve sustainable growth and to secure the mere existence of the Company in the long-term.

The Group's strategy is designed and proposed by the management team and adopted by the Board. It is structured around major strategic directions, with each of the directions further drilled down to more granular objectives. The Board takes an active role in monitoring how the Company is achieving its strategic objectives.

ROLE OF THE BOARD

The Board assumes collective responsibility for directing, governing and controlling the Group, while providing effective corporate governance, promoting an ethical corporate culture and overseeing that the organisation is a responsible corporate citizen. Furthermore, the Board acts as a link between the stakeholders and the Group by ensuring transparent and effective communication.

A clear division of responsibilities at Board level is in place to ensure a balance of power and authority, including between the roles of Chairman, Lead Independent Director and Chief Executive Officer, roles which are clearly defined and segregated. This was designed to ensure that, either at Board or management level, no individual can hold single and unlimited control over significant decision making processes. The Board delegates to management the authority and responsibility for day-to-day affairs and operations while reviewing management's performance.

The Board meets regularly, at least four times a year, and is responsible for setting the Group's strategy, approving major matters, governing risk management processes and monitoring the overall Company performance. Moreover, the Board oversees the overall effectiveness of the internal controls framework, which is designed to ensure that assets are appropriately safeguarded, operations are run efficiently, effectively and economically, proper accounting records are maintained, the published financial information is reliable, laws and regulations are complied with.

No external advisers attend Board meetings on a regular basis.

The Board holds two fundamental roles: **decision making** and **oversight**.

The **decision-making role** is exercised through the formulation or approval of fundamental policies and strategic goals and the approval of significant actions in relation to implementing the Group's strategy.

The **oversight role** concerns the review of significant management decisions, monitoring performance, overseeing the adequacy of systems and internal controls, supervising the implementation of aligned policies in key areas across the Group.

More precisely, in line with the Articles of Association and the Corporate Governance Framework, the Board has the following main responsibilities:

- establishes a framework for the delegation of authority to Executive Directors and subsequent lines of management;
- adopts the Group's strategy and budget based on management's proposal;
- steers the Group in achieving its core targets including the execution of the investment and development strategy and monitors performance,
- makes strategic decisions regarding significant financing transactions, following CFO's recommendations;
- oversees equity management;
- monitors the financial performance of the business, including its going concern and viability, reviews the financial and operational results and approves the financial statements and the Group Annual Report;
- facilitates effective communication and engagement with key stakeholders;

- ensures that the Group's IT systems are integrated and support the delivering of the business strategy and internal processes;
- ensures that management fosters a culture of ethical conduct and oversees that management has implemented proper policies and procedures to guide the Group's operations across all significant processes;
- provides oversight of enterprise risk management and approves the Group's Risk Policy and Risk Appetite;
- ensures an effective, risk-based internal audit and monitors the effectiveness of the internal controls;
- oversees that the combined assurance model covers effectively the organisation's significant risks and material matters, through a combination of:
 - » line functions that own and manage risks on a daily basis;
 - » specialist functions that facilitate and oversee risk management and compliance;
 - » internal auditors;
 - » independent external assurance service providers, e.g., external auditors; and
 - » other external assurance providers, such as sustainability and credit rating agencies.

The Chairman of the Board is an Independent non-Executive Director who acts as a link between the Board and the executive management. According to the Group's Corporate Governance Framework, the Chairman:

- cannot be appointed as member or Chair of the Audit Committee or of the Risk and Compliance Committee;
- cannot chair the Remuneration Committee;
- must be a member of the Nomination Committee and can chair it as well; and
- cannot be appointed Chief Executive Officer or as any other Executive Director.

The **Chairman** has the following main responsibilities:

- sets the ethical tone;
- fosters corporate governance;
- oversees the formal succession plan for Board members;

Corporate governance

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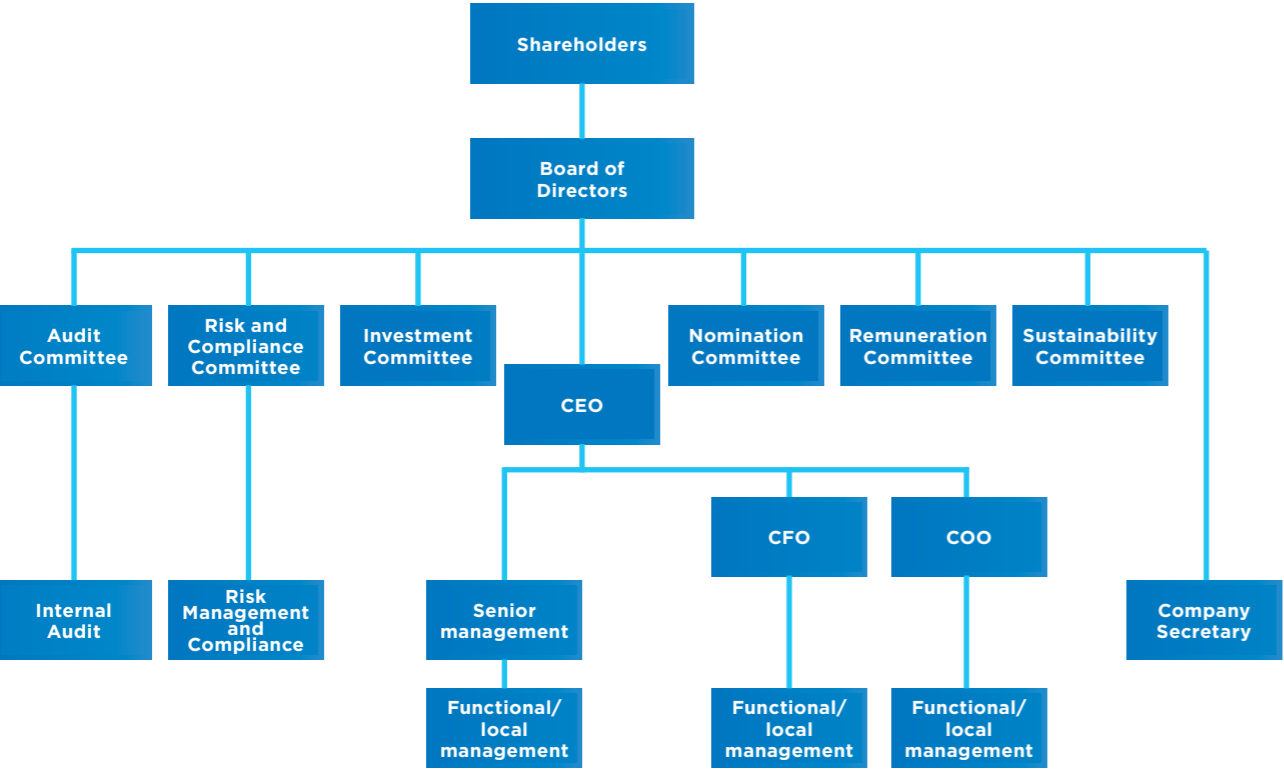
- oversees the performance evaluation process, the onboarding of new Directors and the continuous development of Board members;
- takes a lead role in removing non-performing Directors;
- ensures that any material misconduct amongst the members of the Board is investigated and properly responded to;
- ensures that Directors are mindful of their duties and responsibilities and foster proper functioning of the Board and Committees;
- sees that a Lead Independent Director is nominated in order to ensure that the Chairman has the necessary support; and
- ensures that amicable relationships are maintained with major shareholders and other stakeholders.

Supporting the Chairman, the **Lead Independent Director** has the following responsibilities:

- leads in the absence of the Chairman;
- serves as a trusted adviser of the Chairman;
- acts as a mediator between the Chairman and other members of the Board, if necessary;
- chairs discussions and decision-making by the Board on matters where the Chairman may have a conflict of interest; and
- leads the performance appraisal of the Chairman.

GROUP GOVERNANCE STRUCTURE

The Group's governance structure establishes the fundamental relationships among the Board, Committees and management. The Group has a one tier Board, comprising non-Executive and Executive Directors. In order to discharge its responsibilities in a proper and professional manner, the Board nominates sub-Committees and delegates some of its responsibilities, while retaining final accountability.



Responsibility for the day-to-day operations of the Group is delegated to the Executive Directors and then further on to the following management levels. An Operational Mandate approved by the Board is in place to ensure that delegation to management contributes to role clarity and to the effective exercise of authority and responsibility.

The **Executive Directors** in the Board are the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Operating Officer (COO) and are responsible for:

CEO

- ensures that a long-term strategy, in line with the Group's mission, is developed, advanced to the Board for approval and deployed;
- drives the development of the Group, establishes performance goals and allocates resources to ensure growth, achievement of strategic objectives, compliance with applicable laws and regulations and responsible citizenship;
- ensures that a positive and ethical work environment exists and that the policies approved by the Board are implemented;
- acts as a chief spokesman for the Group;
- fosters communication between the Executive Directors/Management and non-Executive Directors; and
- maintains investor relations.

The CEO is not a member of governing bodies outside the Group, except for private companies managing personal investments.

CFO

- manages the accounting and financial functions of the Group, including the implementation of effective accounting and financial policies;
- takes responsibility for financial and fiscal compliance, as well as general reporting of business performance;
- oversees the compilation of realistic budgets and their execution, including limiting expenses and analysing variations;
- identifies funding requirements and ensures these can be met in a cost-effective manner;
- supervises fiscal research, projections, analysis and optimisation;

- interacts and maintains relationships with external auditors, regulators, analysts, rating agencies; and
- maintains investor relations.

The CFO is not a member of governing bodies outside the Group, except for private companies managing personal investments.

COO

- drives strategy setting for the Group assets portfolio and ensures implementation, monitoring and performance reporting;
- drives opportunity analysis for each asset and proposes potential shifts in an asset's strategy, where required (extend, transform, dispose, restructure);
- contributes to the capital allocation decisions;
- continuously assesses the Group's operations, profitability and sustainability, coordinates improvement proposals and the implementation of core initiatives in the Group's assets;
- coordinates tenants engagement strategy, optimising returns and monitoring tenants performance and occupancy cost;
- ensures swift, efficient and integrated processes and drives necessary performance improvement initiatives across the Group;
- drives the setting of a customer-centric culture.

The COO is not a member of governing bodies outside the Group, except for private companies managing personal investments.

BOARD APPOINTMENTS

In accordance with the Articles of Association, Directors are appointed, suspended or removed by the shareholders. Appointment is made based on the Board's binding nomination, which can be deprived of its binding character by shareholder decision. The Board can suspend Executive Directors, while the suspension can be lifted by the shareholders.

To facilitate the Board's regular refreshing, the Group has a retiring-by-rotation policy, which means that each year, at least one third of Directors retire by rotation and may stand for re-appointment by the shareholders. Therefore within a three-year period, all Directors retire at least once.

Corporate governance

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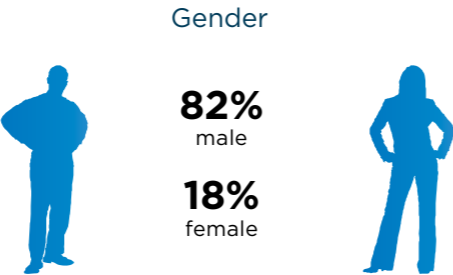
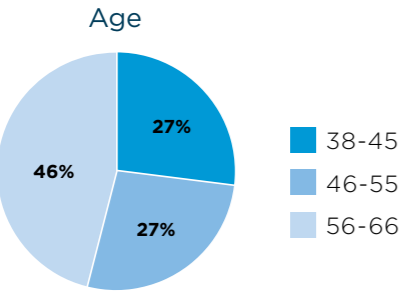
The Board appointments are conducted in a formal and transparent manner following recommendations made by the Nomination Committee to the Board. Candidates' profiles are carefully analysed and the Board considers whether they have the necessary background, experience, competencies, independence and diversity, as set out in the Board Profile Paper and in the Group Diversity Policy. High-profile and experienced recruitment agencies may be used to identify and assess new Director candidates, based on the decision of the Nomination Committee. The candidates' background and references are analysed, and multiple information sources are used for the assessment.

The independence of every newly proposed Director is assessed by the Nomination Committee and presented to the Board, as well as reassessed annually, based on clear criteria defined in the Corporate Governance Framework formalised and approved by the Board.

A formal onboarding programme is in place when new Directors join the Company, under the close coordination of the Chairman of the Board, with support from the CEO and the Company Secretary. The onboarding programme is designed to help the new Director become familiar with the Group's business, strategy, policies and structure, as well as the operational approach of the Board and committees. The programme covers general financial, social and legal affairs and financial reporting, as well as aspects that are specific to the Group and its business.

BOARD PROFILE, DIVERSITY AND INDEPENDENCE ASSESSMENT

The Board comprises a mix of non-Executive and Executive Directors. Non-Executive Directors are key advisors to management, counselling on the strategic direction, while taking into account business opportunities and the Group's risk appetite.

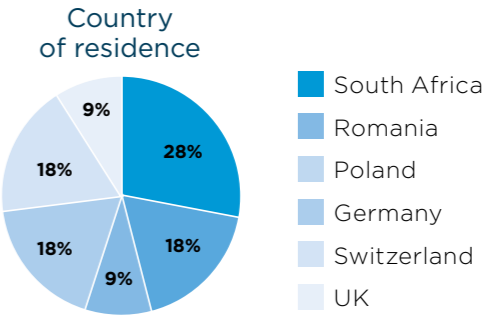
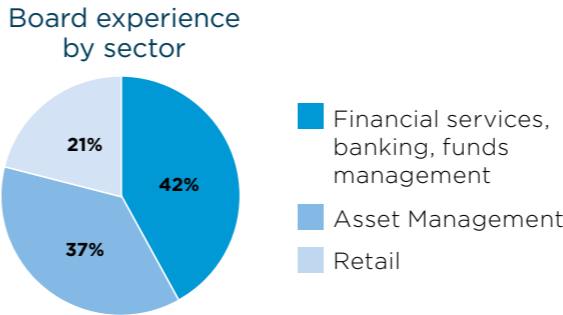
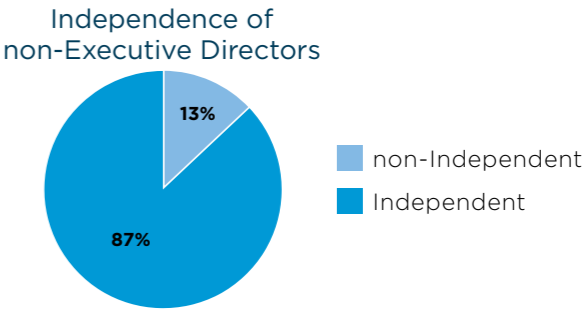
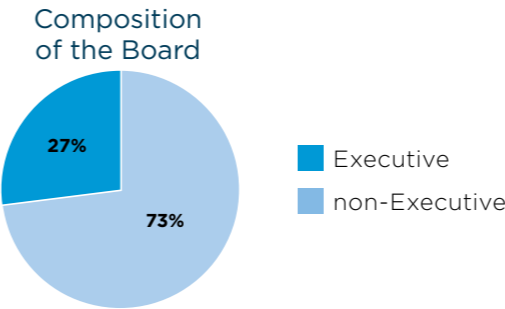


In order to ensure that the Directors' varied backgrounds and experience provide NEPI Rockcastle with an appropriate combination of knowledge and expertise that is necessary to manage the business effectively, the Group developed a Board Profile Paper. The paper describes the competencies, expertise and background expected from the Directors individually, as well as the Committees and the Board, collectively. It also sets out principles of diversity, independence and representation of Executive versus non-Executive Directors. The Group Diversity Policy was formalised in 2022 to align with Dutch legislation. It applies to the Board and management, and strives to ensure that no team, business function or management level comprises more than 70% of the same gender or age group.

During 2022, 33% of the Executive Directors and 12.5% of the non-Executive Directors were female. Management Board composition is in line with the Diversity Policy provisions, therefore no additional short-term measures are envisaged by the Group. Senior management composition, i.e. function leads (as further described in the Sustainability section, page 196) is in line with the Diversity Policy provisions as well, therefore no additional short term measures are planned by the Group. New appointments of non-Executive Directors will be made considering the formulated Diversity Policy with a view to positively contribute to the diversity quota.

When examining Board composition, the Group approaches diversity in a broad sense, covering factors such as nationality, gender, age, education and work background. The Group defined a diversity matrix, which provides a clear overview and monitors diversity in the Board.

On 31 December 2022, the Board, based on an annual self-assessment of the Group's current set-up and needs, was satisfied with the skill set, mix of knowledge and diversity of culture and background of its Directors.



Corporate governance

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- Independent non-Executive Directors play a crucial role in acting as a sounding panel to the Executives and the non-Independent non-Executive Directors, ensuring Board discussions and decisions are conducted in an objective manner and in the best interest of the Group.
- Specific guidance provided by King IV and the Dutch Corporate Governance Code has been followed by the Group in establishing, in its Corporate Governance Framework, the criteria for evaluating the Directors' independence on an annual basis.
- The following criteria have been used by the Nomination Committee to assess the independence of the Board's non-Executive Directors for 2022. The Director or close family members:
1. have not been an employee or Executive Director of NEPI Rockcastle (including associated companies, in the five years prior to the appointment) or have temporarily performed management duties during the previous twelve months in the absence or incapacity of any Executive Director;

2. have not received personal financial compensation from NEPI Rockcastle or a company associated with it (including by participating in the Group's share incentive scheme), contingent on Group performance and in so far as this is not in the normal course of the business, other than the fixed compensation received for the work performed as a board member;

3. have not had an important business relationship with NEPI Rockcastle or a company associated with it in the year prior to the appointment (note: this includes in any event the case where the board member, or the firm of which he/she is a shareholder, partner, associate or adviser, has acted as adviser to NEPI Rockcastle - consultant, civil notary or lawyer - and the case where the board member is a management board member or an employee of a bank with which NEPI Rockcastle has a lasting and significant relationship);

4. are not a member of the management board of a company in which an Executive Director of NEPI Rockcastle is a supervisory board member;

5. do not have a shareholding in NEPI Rockcastle or have not provided financing, material to his/her wealth, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement;

6. are not an employee, member of the management board (or executive director) or Board of Directors (or supervisory board) - or is not a representative in some other way - of a legal entity that is a significant funding provider (equity or debt), unless the entity is a NEPI Rockcastle Group company;

7. have not been an external auditor of the Group or a key member of the external audit engagement team during the preceding 3 financial years.
- | Non-Executive Directors independence assessment for 2022 | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|-------------------------|
| Director | Criteria 1 | Criteria 2 | Criteria 3 | Criteria 4 | Criteria 5 | Criteria 6 | Criteria 7 | Independence assessment |
| George Aase | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Andre van der Veer | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Antoine Dijkstra | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Andreas Klingen | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Ana Maria Marinescu | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Jonathan Lurie | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Andries de Lange | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Independent |
| Steven Brown | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ | non-Independent |
| Sipho Vuso Majija (alternate director to Steven Brown until relocation from Isle of Man*) | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ | non-Independent |
- * the office of the alternate director was specific to Manx law and was not taken over in the current Dutch Articles of Association; an alternate director was a person appointed by an existing director to take their place temporarily at board meetings
- The Board members are independent from one another and are able to operate critically vis-à-vis one another. The independence assessment criteria were applied to all non-Executive Directors and only one in eight Directors did not meet all independence criteria. There is only one Director nominated by shareholders that represent more than 10% in the Company's shares and voting rights, Mr Steven Brown, who is also the CEO of Fortress Real Estate Investments Limited. The Board considers that

the independence provisions required by the Dutch Corporate Governance Code and King IV were complied with during the non-Executive Directors independence assessment. As a result, Mr Steven Brown is considered a non-Independent non-Executive Director. Also Mr Majija, alternate director for Mr Brown until the Company's migration, was considered non-Independent based on his employment in Fortress Real Estate Investments Limited.
-
- PHOTO: MAMMUT SHOPPING CENTRE
- The Directors tenure in NEPI Rockcastle is depicted below. Some of the Directors in the Board were also Directors in NEPI or in Rockcastle, companies that merged in 2017 to form the current NEPI Rockcastle Group. Additional information has been included for those Directors with previous appointments in NEPI and in Rockcastle companies, before the merger of the two.
- | Director | Years of service on NEPI Board | Years of service on Rockcastle Board | Years of service at NEPI Rockcastle after the merger |
|--------------------|--------------------------------|--------------------------------------|--|
| Andre van der Veer | | 3 | 5.6 |
| Marek Noetzel | | 0.8 | 5.6 |
| Antoine Dijkstra | 0.9 | | 5.6 |
| George Aase | | | 4.3 |
| Andreas Klingen | | | 3.7 |
| Steven Brown | | | 2.7 |
| Andries de Lange* | | | 2.6 |
| Ana Maria Mihaescu | | | 1.3 |
| Jonathan Lurie | | | 1.3 |
| Rüdiger Dany | | | 1.3 |
| Eliza Predoiu | | | 0.9 |
- *Mr. de Lange acted as alternate director for Mr de Beer (previous Director on the NEPI Rockcastle Board), during the latter's tenure as Director at NEPI, subsequently continuing to act as such within NEPI Rockcastle, from August 2017 until September 2019. The related length of service is not considered.
- ## BOARD MEMBERSHIP IN 2022
- The Board of Directors had a stable structure in 2022, with no new Directors after the appointment of Rüdiger Dany as the CEO and Eliza Predoiu as the CFO, in an interim role starting February 2022 and thereafter in a permanent role, with effect from June 2022. Marek Noetzel, already an Executive Director, has been appointed COO, with effect from June 2022. Upon Group's migration from Isle of Man, all Directors were reappointed with a term of office until the annual general meeting approving 2025 financial results.
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DETAILS OF THE NON-EXECUTIVE DIRECTORS BACKGROUND AND EXPERTISE AS OF DECEMBER 2022



GEORGE AASE (60)
BSc, CPA

Career
George Aase is an experienced CFO, with expertise gained in publicly traded real estate firms, technology companies and Fortune 100 US multinational industrial firms. He is a highly strategic and business-oriented senior finance executive with extensive experience in leadership roles. His core specialties include corporate finance, capital markets, IPO transactions, debt financing, international financial operations, international finance and controlling and investor relations, with over 12 years’ experience in the real estate sector. He led three major initial public offerings in London, Zurich and Frankfurt. Mr Aase also possesses extensive financing and debt restructuring experience and has managed various portfolios connected with major acquisitions and underwriting. Mr Aase was appointed as Independent non-Executive Director on 28 August 2018 and as Chairman of the Board effective 18 August 2021. Mr Aase was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Chairman of the Board
Chairman of the Nomination Committee
Member of the Investment Committee
Member of the Remuneration Committee

Other listed companies

CFO of SMG European Recovery SPAC



ANDREAS KLINGEN (58)
MBA (RSM)

Career
Mr. Klingen has more than 25 years of experience in the financial services sector, most of which is in Banking in Central Eastern Europe and Commonwealth of Independent States (‘CIS’). He held various senior positions within Investment Banking at Lazard, Frankfurt and JP Morgan, London. Thereafter, he became Head of Group Development of Erste Group, Vienna, and Deputy CEO of Erste Bank, Kiev. He has been working as an independent adviser since 2013. Since 2005, Mr Klingen served as a Supervisory Board member or a non-Executive Director in 14 institutions in 11 different countries in Central Eastern Europe and the CIS. He was appointed as an Independent non-Executive Director of NEPI Rockcastle on 17 April 2019 and as Lead Independent Director effective 28 September 2020. Mr Klingen was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Lead Independent Director of the Board
Chairman of the Audit Committee
Chairman of the Sustainability Committee
Member of the Nomination Committee

Other listed companies

Deputy Chairman of the Supervisory Board of NLB dd
Member of Board of Directors Kyrgyz Investment and Credit Bank



ANTOINE DIJKSTRA (59)
MSc, COL (INSEAD)

Career
Antoine Dijkstra started his career at Credit Agricole in Rotterdam, Paris and Frankfurt. Mr Dijkstra has extensive experience in banking and investment management, with a focus on public sector related entities and financial institutions. He held various board and managing roles within AIG, NIBC (Netherlands), Harcourt Investment Management (Zurich), JP Morgan/Bear Stearns (UK) and Gulf International Bank (Bahrain). Currently he is a senior advisor to several companies, member of the Board of Trustees of SMU University and member of the Executive Committee of Cox School of business in Texas, USA. Mr Dijkstra was appointed as Independent non-Executive Director of NEPI in 2016 and Independent non-Executive Director of NEPI Rockcastle on 15 May 2017. Mr Dijkstra was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Chairman of the Risk and Compliance Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Sustainability Committee

Other listed companies

None



ANDRÉ VAN DER VEER (55)
BPL, MPL

Career
After completing a Masters’ degree in Banking and Economics in 1991, Andre van der Veer joined Rand Merchant Bank (RMB) where he founded the agricultural commodities and derivatives trading group in 1995. He headed the trading, derivatives structuring and proprietary trading teams and in 2003 joined the RMB Equity Global Markets team. He became Head of RMB Equity Proprietary Trading desk in 2009, with a mandate to invest in debt and equity instruments globally. Mr van der Veer founded Foxhole Capital during 2012 as a family office specialising in global real estate securities in listed and private equity markets. He was a non-Executive Director of Rockcastle from 2014 to 2017, and also the Chair of Rockcastle’s Investment Committee. Mr van der Veer was appointed as Independent non-Executive Director of NEPI Rockcastle on 15 May 2017. Mr van der Veer was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Chairman of the Remuneration Committee
Chairman of the Investment Committee
Member of the Audit Committee
Member of the Risk and Compliance Committee

Other listed companies

None

Corporate governance

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ANDRIES DE LANGE (49)
CA (SA), CFA

Career
After qualifying as a chartered accountant, Mr Andries de Lange joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. He joined Resilient REIT Limited, a South African based property focused company which listed on the JSE in 2004, holding several positions including Financial Director between 2006 and 2011, and thereafter Chief Operating Officer from 2011 until 2020. Starting May 2020, Mr De Lange was appointed non-Independent non-Executive Director in NEPI Rockcastle. Mr de Lange was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Member of Remuneration Committee
Member of Nomination Committee

Other listed companies

None



STEVEN BROWN (42)
CA (SA), CFA

Career
Mr. Brown has a strong background in the property industry, commencing as a listed property analyst in 2008 for Corovest. Following this, he joined Standard Bank’s Global Markets division in the equity derivatives finance team and thereafter joined the South African real estate division focusing on structured lending and equity transactions. Since 2013, Mr Brown has been involved with a number of listed real estate companies focusing on deal origination and structuring. Mr Brown is currently the Chief Executive Officer and Managing Director of Fortress REIT Limited, a company that he joined in December 2015, following the acquisition by Fortress REIT Limited of Capital Property Fund. He was appointed as non-Independent non-Executive Director of NEPI Rockcastle on 28 April 2020. Mr Brown was re-appointed by the shareholders as a non-Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Member of the Investment Committee
Member of the Risk and Compliance Committee
Member of the Sustainability Committee

Other listed companies

CEO Fortress Real Estate Investments Limited



ANA MARIA MIHAESCU (67)
BSc, IDP (INSEAD)

Career
Ana Maria Mihaescu has 30 years of banking and finance experience. Ms Mihaescu worked for the International Finance Corporation (IFC) for 20 years, most recently as IFC’s Regional Manager for Central and Eastern Europe. She also represented the IFC on the boards of investee companies, banks, leasing companies and private equity funds. Ms Mihaescu was the first Country Manager for IFC in Romania. She is an alumna of the Bucharest Academy of Economic Studies and received a certificate for the International Directors Program from INSEAD. Ms Mihaescu was appointed as an Independent non-Executive Director effective 18 August 2021. Ms Mihaescu was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Member of the Audit Committee
Member of the Remuneration Committee
Member of the Sustainability Committee

Other listed companies

Non-Executive Director Medlife SA



JONATHAN LURIE (46)
CFA

Career
Jonathan Lurie has 20 years of real estate investment experience at leading firms across all major European geographies and asset classes. Mr Lurie is the Managing Partner of Realty Corporation Ltd, a real estate and PropTech investment and advisory firm, and a senior adviser to McKinsey & Co, where he provides strategic advice on real estate transactions, financing, capital allocation, management, and operations, to leading institutional investors and developers globally. Mr Lurie previously held various senior executive positions at Blackstone and was Executive Director and Head of Real Estate Investment Management – Europe for Goldman Sachs. Mr Lurie held management and supervisory board positions in several large-scale European property companies such as OfficeFirst AG (IVG), Multi Corporation, Anticipa, Logikor, Blackstone Property Management, GSW AG (now Deutsche Wohnen AG), Songbird Estates plc (owner of Canary Wharf Group plc), Corestate Capital, TLG Immobilien and Round Hill Capital. Mr Lurie graduated as an Economics Major with Highest Honors from Princeton University and has an MBA from the Wharton School, University of Pennsylvania. He is a member of the International Council of Shopping Centers (ICSC). Mr Jonathan Lurie was appointed as an Independent non-Executive Director effective 18 August 2021. Mr Lurie was re-appointed by the shareholders as an Independent non-Executive Director upon Company migration to the Netherlands in 2022.

Appointments at 31 December 2022

NEPI Rockcastle

Member of the Investment Committee
Member of the Risk and Compliance Committee

Other listed companies

None

Corporate governance

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THE BOARD AND COMMITTEES 2022 CALENDAR:

In line with King IV, the Group has been disclosing the Board and Committees annual calendar and attendance rate. To provide meaningful and relevant comparison with the previous years, the Company keeps the same

granularity for this information in 2022. Full compliance with Dutch provisions on attendance disclosures (B.P.P 235) will be reached in the 2023 report.

Date	Board	Investment Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
Attendance rate	94%	88%	92%	81%	96%	100%	100%
31 January 2022		83%					
03 February 2022					100%		
11 February 2022	91%			75%			
18 February 2022			100%				
21 February 2022	91%	100%				100%	
04 March 2022	100%						100%
08 March 2022					100%		
09 March 2022						100%	
14 March 2022	91%						
05 April 2022					100%		
27 April 2022	100%				100%		
12 May 2022				75%			
13 May 2022		67%					
17 May 2022	91%		50%		100%		
25 May 2022						100%	
20 June 2022			100%				100%
27 June 2022	91%						
11 July 2022		100%					
11 August 2022				75%			
19 August 2022		83%					
22 August 2022	100%		100%				
06 September 2022					100%		
12 September 2022	82%						
25 October 2022			100%				
01 November 2022		100%					
04 November 2022				100%			
11 November 2022		83%					
15 November 2022			100%				100%
16 November 2022	100%						
24 November 2022						100%	
08 December 2022					75%		

When a Director was deemed to have a potential conflict to the items on the agenda, this was not qualified as an absence (i.e. the presence was considered 100% of the

members that could attend). Absences were announced to the Chairman of the Board or of the respective committee prior to the meeting and the member provided feedback on the relevant agenda items.

DEVELOPMENT, EVALUATION AND SUCCESSION PLANNING

In accordance with the Corporate Governance Framework, the Board ensures that its performance, profile, composition, competences and expertise, and those of its Committees, its Chair and individual members, support continued improvement.

The Board performance evaluation for 2022 was coordinated internally, in the Group-wide engagement platform, enabling confidentiality, anonymity and full traceability. Each Director filled in a pre-set anonymous questionnaire covering the Board and Committees effectiveness and Board Chairman's evaluation.

- The evaluation covered the following considerations:
- structure and composition of the Board and Committees, including diversity, expertise and mix of skills;
 - efficiency and transparency of operations, processes and routines, including the quality of the decision-making process, members' dynamics, teamwork and collaboration, the display of ethical values, independence, autonomy, objectivity;
 - Board contribution to key areas such as strategy, performance monitoring, evaluation, compensation and succession, corporate governance and risk management.

The Board and Committees activity has been evaluated as rigorous, valuable and aligned to their mandate, the Committees Charters and the Corporate Governance Framework, while no significant improvement areas have been pointed out.

The results have improved as compared to the previous evaluation across all categories evaluated, and the overall score was above average across the board. The Chairman's evaluation was also positive, exceeding the average scores across all items.

Keeping up to date with trends, industry-specifics, legal and regulatory developments, economic, social and governance topics, is a constant priority and the Directors' development programme includes dedicated sessions covering such areas.

A formal succession plan is in place to ensure that sufficient knowledge, skills and expertise are available for the Board to effectively govern the Group, to safeguard a smooth transition and to preserve knowledge and experience at Board level. Succession planning includes:

- identifying the knowledge, skills and experience the Board should collectively possess to effectively fulfil its roles and responsibilities;
- ensuring an appropriate balance in terms of diversity, expertise and knowledge among the Directors, in accordance with the Board Profile Paper;
- identifying qualified individuals suitable for nomination and recommending them to the shareholders at the AGM;
- achieving continuity through a smooth succession of Directors (including Board and Committees leadership) that balances perspective and independence with experience and knowledge; and
- satisfying best practice within the legal and regulatory framework applicable to the Group.

In 2022, the Chief Operating Officer and the Deputy Chief Financial Officer were appointed as natural successors of the former CEO and CFO, after a robust process, under the coordination of the Nomination Committee. The former Company Executive Director has also been appointed COO. The process led by the Nomination Committee and endorsed through Board's appointment of the new Executive roles, encompassed extensive market research, assessments and evaluations, supported by top notch external advisers.

DIRECTORS' DEALINGS AND RELATED PARTY TRANSACTIONS

Dealing in Company's securities by Directors, their associates and key Group employees, is regulated and monitored in accordance with the applicable stock exchange listing requirements, guidelines, legislation, regulations and directives.

To prevent the risk of insider trading and to ensure that none of the restricted persons abuse, and do not place themselves under suspicion of abusing inside privileged information, the Group has adopted a formal Dealing Code, available and communicated to all employees and Directors. The Dealing Code sets out obligations for the Group's Directors, managers, staff and persons closely associated with them, under the Market Abuse Regulation and stock exchange listing requirements and guidelines, regarding clearance to deal and notifications of transactions in the Group's securities. The Group prohibits all Directors and employees from using confidential information, not generally known or available to the public, for personal benefit. The Code was revised in 2022, to ensure alignment to Dutch provisions and relevant legislation.

Corporate governance

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NEPI Rockcastle maintains a closed period from the end of a financial period until publication of the financial results for that period and a prohibited period when sensitive information not yet publicly available is known by the Company's employees or Directors. The Group announces closed and other prohibited periods to its employees and the Company's Directors, and, during such periods, all those with insider knowledge are banned from dealing.

In compliance with JSE Listings Requirements, the Company announces publicly all its Directors' dealings in the Company's securities, through SENS (Stock Exchange News Service).

Directors' and Directors' associates interests are disclosed in line with the Declaration of Interests Policy. Directors' direct and indirect holdings as of year-end are disclosed in the Annual Report. Moreover, during 2022, the Group formalized its Related party transactions policy, in line with JSE Listings Requirements and applicable international accounting standards.

According to the Group Code of Ethics, Board members are alert to conflicts of interest and ethical conduct and should generally refrain from the following:

- engaging in personal business that may compete with the Group;
- demanding or accepting substantial gifts from the Group or from any of its employees or partners, for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- providing unjustified advantages to third parties at the Group's expense;
- taking advantage of business opportunities that the Group would be entitled to;
- allowing in any other way the influence of third parties to compromise or override independent judgement;
- using confidential information related to the Group for their own personal benefit;
- making use of inside information to make a profitable investment;
- taking advantage of their position as Directors to earn profit for him/her-self; and
- making personal use or advantage of an opportunity obtained through the Group.

Related party transactions will be entered into, only if beneficial to the Group entities and on the customary market terms that they would have been concluded with an

independent party. The Group ensures that identification, negotiation, conclusion of related party transactions by Group entities are governed by:

- fairness
- objectivity
- arm's length principle
- proper record keeping

The Group Code of Ethics and the Declaration of Interests policy apply at all times to the conduct of Directors, personnel, contractors, freelancers and other collaborators, and each are reminded in the context of related party transactions of their obligations to identify, disclose and avoid situations in which personal interests could conflict or even appear to conflict with the interests of the Group.

Potential conflicts of interest related to topics on the agenda are checked at each Board and Committee meeting. Any potential conflict of interest would be declared and discussed in the Board meeting. The Board needs to decide on the measures to be implemented and the degree of further involvement of the respective Director in the matter at hand. Any actual conflict of interest deemed significant by the Board during the year would be disclosed in the Annual Report. Such information considers, but is not limited to, related party transactions and cross-shareholdings.

No actual conflicts of interest have been identified in 2022 and no related party transactions, as defined in the internal policy, have been carried out by the Group entities, besides those detailed in the Related party transactions note (covered by the Remuneration review section).

COMPANY SECRETARY

The Company Secretary assists the Board in overseeing that the Group complies with statutory and regulatory requirements and ensures that the Board members are informed of their legal responsibilities. More specifically, the Company Secretary is tasked with the following:

- ensures that the procedures for the appointment of Directors are observed and that the process is traceable;
- ensures that Board matters such as onboarding of new members, development programmes, training and evaluation are properly organised and any activity or information related to the Board is properly stored;
- supports the Chairman in making the Board members aware of significant relevant laws, regulations and codes, as well as circulating emerging information to Group entities;

- sees that agenda and materials are distributed in time, that detailed minutes of Board meetings are kept and that Board decisions are distributed, tracked and reported upon in collaboration with the Executive Directors;
- ensures that proper procedures are followed at Board level and that the statutory obligations and obligations under the Articles of Association are complied with;
- ensures that rules regarding conflict of interest management applicable to the Board, as defined in the Declaration of Interests Policy and Code of Ethics, are observed, and keeps evidence thereof;
- provides corporate governance advice to the Board members on governance matters;
- generally supports the Chairman of the Board in the organisation of the affairs of the Board;
- coordinates and guides the activity of other persons appointed as Secretary of Board Committees.

The Board is satisfied with the competence, qualifications, experience and support provided by the Company Secretary in 2022.

DELEGATION TO COMMITTEES

Without abdicating accountability, the Board delegates certain functions to certain committees. The following requirements are considered when appointing committee roles, in line with the governance framework:

- the Chairman of the Audit and the Remuneration Committees must be an Independent Director;
- the Nomination Committee should only consist of non-Executive Directors, and the majority should be independent;
- the Remuneration Committee should consist of non-Executive Directors, in majority independent;
- directors who are not members of a Committee may attend meetings to gain/offer information, but will not vote; and
- the CEO cannot be a member of the Remuneration, Audit or Nomination Committees, but may attend by invitation their meetings.

The Board considers the allocation of roles and responsibilities and the composition of membership across committees holistically, to achieve the following:

- effective collaboration through cross-membership between Committees where required, coordinated timing of meetings and avoidance of duplication or fragmented functioning in so far as possible;
- where more than one committee has jurisdiction to deal with a specific matter, the role and positioning of each committee in relation to such matter are defined, to ensure complementary rather than competing approaches; and
- a balanced distribution of power in respect to membership across committees, so that no individual would dominate the decision-making process and no undue reliance would be placed on a single individual.

The Board nominated the following Committees, necessary to discharge some of its duties:

Audit Committee;
Investment Committee;
Remuneration Committee;
Risk and Compliance Committee;
Nomination Committee; and
Sustainability Committee.

The role of each Committee, together with responsibilities, accountability and operating guidelines, are documented in the Committees Charters. The Committees Charters are approved by the Board and are reviewed periodically, considering regulatory guidance and industry best practices, to ensure the Board and its Committees are adaptive and responsive to new requirements and continue to practice strong oversight.

The Committee members are appointed by the Board, and any of the members may be removed by the Board, except for the Audit Committee. The Committees activity is reviewed by the Board, to ensure effective discharge of their duties and oversight through an appropriate mix of knowledge, background and independence.

Corporate governance

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Overview of the Committees' mandate and activity in 2022

Audit Committee/6 meetings/92% attendance rate
Independent non-Executive Directors
Andreas Klingen (Chairman) Andre van der Veer Antoine Dijkstra Ana Maria Mihaescu
<ul style="list-style-type: none"> oversee the integrated accounting and reporting process, including financial reporting and internal controls; oversee the independence of internal and external auditors; evaluate and coordinate the internal and external audit process in order to ensure an effective combined assurance model; deal appropriately with any concerns or complaints relating to accounting practices, the content or auditing of the Group's financial statements, internal controls or any other relevant matters; assist the Board in carrying out its IT governance role, by obtaining the relevant assurances that IT risks (including IT security) are adequately addressed by the controls in place and by providing oversight over the entire IT management framework.
Risk and Compliance Committee/4 meetings/81% attendance rate
Independent non-Executive Directors
Antoine Dijkstra (Chairman) Andre van der Veer Jonathan Lurie
Non-Independent non-Executive Directors
Steven Brown
<ul style="list-style-type: none"> provide oversight over enterprise risk and compliance management processes; ensure the Group has implemented an effective approach for risk management, embedded in the day-to-day processes, that will enhance its ability to achieve its strategy and business objectives.
Sustainability Committee/3 meetings/100% attendance rate
Independent non-Executive Directors
Andreas Klingen (Chairman) Antoine Dijkstra Ana Maria Mihaescu
Non-Independent non-Executive Directors
Steven Brown
Executive Directors
Eliza Predoiu
<ul style="list-style-type: none"> oversee the Group's activity and its impact on the environment, social and governance areas ensure that the Group is and is seen as a responsible corporate citizen

Remuneration Committee/7 meetings/96% attendance rate
Independent non-Executive Directors
Andre van der Veer (Chairman) George Aase Ana Maria Mihaescu Andries de Lange
<ul style="list-style-type: none"> review, endorse and monitor implementation of the Group's Remuneration Policy; review and recommend to the Board the remuneration to be paid to the non-Executive Directors; review and recommend to the Board the Executive Directors remuneration, in accordance with the Remuneration Policy and targets achievement; and ensure staff and Directors' remuneration is aligned with market trends and Group strategy.
Nomination Committee/4 meetings/100% attendance rate
Independent non-Executive Directors
George Aase (Chairman) Antoine Dijkstra Andreas Klingen Andries de Lange
<ul style="list-style-type: none"> identify suitable Board candidates in order to fill vacancies; ensure there is a succession plan in place for key management and Board members; formally assess the independence of non-Executive Directors; assess the composition of the Board sub-Committees on an annual basis or whenever necessary; arrange the annual performance evaluation for Board and Committees; oversee training and development arrangements for the Board members.
Investment Committee/7 meetings/88% attendance rate
Independent non-Executive Directors
Andre van der Veer (Chairman) George Aase Jonathan Lurie
Non-Independent non-Executive Directors
Steven Brown
Executive Directors
Rüdiger Dany Marek Noetzel
<ul style="list-style-type: none"> consider potential investments (including mergers and acquisitions, listed securities, capital expenditure for developments or extensions and purchases of land) and disposals, in line with the strategic goals of the Group; approve investments if within its mandate or further recommend to the Board for consideration and approval.

Corporate governance

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Audit Committee

According to the corporate governance requirements and in full alignment with best practices, the Audit Committee:

- consists of at least three Independent non-Executive Directors;
- is chaired by an Independent non-Executive Director who is not the Chairman of the Board;
- consists of members fully conversant with finance and accounting principles, and who are knowledgeable about the affairs of the Company; and
- consists of members who must have a fair understanding of International Financial Reporting Standards, internal controls, external and internal audit processes, corporate law, sustainability issues and information technology.

The Chairman of the Board may attend meetings by invitation but cannot be nominated as member or Chair.

According to its charter, the Audit Committee is responsible to:

A. In relation to external audit:

- nominate for appointment the external auditors;
- review the auditors' fees and terms of engagement, and ensure that the appointment complies with relevant legislation;
- assess the external auditors' independence and objectivity;
- review external audit reports to ensure that prompt action is taken by management in all relevant areas;
- review any significant disagreement between management and the external auditors;
- evaluate the performance of the external auditors and the quality and effectiveness of the audit process; and
- develop a process to ensure that the Audit Committee receives notice of any irregularities reported to the Independent Regulatory Board for Auditors.

B. With respect to the financial reporting:

- evaluate the Group Annual Report for reasonability, completeness, consistency and accuracy prior to approval by the Board;
- evaluate significant management decisions affecting the financial statements, including changes in accounting policy, resolutions requiring a major element of judgement and the clarity and completeness of proposed disclosures;
- oversee compliance with tax regulations, ensure that the Company has implemented a transparent taxation policy and that this is appropriately disclosed, as well as advise management on various decisions related to taxation matters;

- in consultation with external and internal auditors, review the integrity of the Group's financial reporting processes;
- consider the quality and appropriateness of the Company's accounting policies;
- determine whether and how the external auditors should be involved in the review of the content of financial reports published, other than the financial statements;
- review complex and/or unusual transactions; and
- recommend to the Board whether it should issue a going concern statement, based on the assessment provided by the CFO.

C. With respect to internal controls:

- gain an understanding of the Group's key risk areas and the internal controls structure;
- evaluate whether management is setting the appropriate control culture;
- review the effectiveness and efficiency of the internal controls system;
- consider how management is held accountable for the security of computer systems, applications and networks, and for setting contingency plans in the event of a disaster, systems breakdown, fraud or misuse;
- gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management; and
- prioritise and direct the audit effort to high-risk areas of the business.

D. In relation to internal audit:

- review and approve the Internal Audit Charter;
- review the effectiveness of the Internal Audit function, its staffing and resources and its capacity to carry out the Annual Audit Plan;
- review the activities and organisational structure of the Internal Audit function and ensure no unjustified restrictions or limitations exist and that the Internal Audit function remains independent;
- ensure that internal audit activities comply with relevant standards and regulations;
- review and approve the risk assessment results and the Annual Audit Plan;
- review internal audit reports, including management's action plans to address risk and control deficiencies noted by the Internal Audit function;
- monitor the implementation of action plans based on reports provided by the Internal Audit function; and
- escalate to the Board, if necessary, significant audit findings and control deficiencies which require Board attention and prioritisation.

E. With respect to ethical and legal compliance:

- oversee controls implemented to address compliance with applicable laws, regulations and policies;
- oversee whistleblowing process and investigation results;
- review internal audit reports concerning compliance reviews and investigations; and
- review management's monitoring of compliance with the Board's guidelines.

F. With respect to information technology management:

- ensure that a technology architecture that enables the achievement of strategic and operational objectives has been defined;
- oversee that information technology management processes are formalised and that an effective control environment for managing key risks and achieving objectives, as well as preserving information privacy and security, has been designed and implemented;
- ensure that proper policies and processes have been implemented to enable ethical and responsible use and disposal of technology and information, both hardware and software;
- oversee information security risk, status of mitigating measures, information on attacks and vulnerabilities, based on reports provided by management periodically, but at least twice a year;
- oversee that effective mechanisms have been implemented to identify and respond to security incidents;
- oversee that monitoring of advancements in technology is in place, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model; and
- ensure that proper value assessments are performed before investing in information and technology.

The Board supports and endorses the Audit Committee, which operates independently of management and is free from any organisational impairment.

The Audit Committee assists the Board in fulfilling its responsibilities and has unrestricted access to information, including records, property and personnel of the Group.

The Audit Committee has considered and found:

- the expertise and experience of the Chief Financial Officer are appropriate for the position, and the arrangements for the Finance function are adequate, for the size and complexity of the Group; and
- the expertise and experience of the Internal Audit Director are appropriate for the position, and the arrangements for the Internal Audit function are adequate given the size and complexity of the Group.



PHOTO: MAMMUT SHOPPING CENTRE

Corporate governance

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The Audit Committee, following the mandate received at the Annual General Meeting, approved the 2022 external auditors' terms of engagement, fees and scope of work at Group level. Based on interactions with the external auditors and the quality of the external auditors' reports, the Audit Committee considered the expertise and independence of the external auditors, including the partner rotation policy, and concluded they are satisfactory.

In order to fulfil its responsibility to monitor the integrity of financial reports issued, the Audit Committee has reviewed the accounting principles, policies and practices adopted during the preparation of financial statements and examined relevant documentation related to the Annual Report. The Committee is comfortable that appropriate financial reporting procedures have been established. The Audit Committee reviewed:

- the clarity of the disclosures included in the financial statements; and
- the basis for significant estimates and judgements.

The Audit Committee monitors the effectiveness of the internal controls system, including controls over financial reporting. The Committee is satisfied with the design and effectiveness of the controls, is comfortable that any weakness may not result in a material financial loss, fraud, corruption or error, and that the Company implemented mechanisms to identify and address such significant weaknesses in due time.

The Audit Committee complied with its Charter, as well as its legal and regulatory responsibilities, and recommended the Annual Report to the Board for approval.

Risk and Compliance Committee

The Risk and Compliance Committee takes a forward-looking view regarding the risks that the Group may face and aims to enable the effective implementation of mitigating measures and overall enterprise risk management.

The Risk and Compliance Committee:

- consists of at least three Directors;
- is chaired by an Independent non-Executive Director, who is not the Chairman of the Board; and
- includes members with sufficient knowledge about the affairs of the Group, qualifications and experience to fulfil their duties effectively.

The Risk and Compliance Committee assumed the following responsibilities during 2022:

With respect to risk management framework:

- oversee the annual review of the risk management policies, and recommend them for Board's approval;
- monitor application of the risk management policy, processes and organisation;
- make recommendations to the Board concerning the Group risk appetite and risk profile and monitor that risks are managed within those levels, as approved by the Board;
- oversee that the risk management plan is widely disseminated throughout the Group and integrated into day-to-day activities;
- acknowledge risk response and implementation status for major risks at Group level;
- review the risk section included in the Annual Report; and
- assess compliance with relevant legislation and regulations, including regulations concerning risk reporting.

With respect to the compliance management system:

- oversee the compliance management framework, the review of the compliance policies, and recommend updates for Board's approval;
- supervise implementation of the compliance policy, processes and organisation, including rules and mechanisms to ensure compliance with laws, prevention of fraud and corruption and avoidance of conflict of interest.

Sustainability Committee

The Sustainability Committee oversees and reports on the Group's organisational ethics, responsible corporate citizenship (including the environment, health and safety, the impact of the Group's activities and of its products and services), sustainable development and stakeholder relationship management. The members of the Committee are knowledgeable and mindful of economic, social and governance matters and the Group's material issues in this regard.

The Committee oversees how the consequences of the Group's activities and outputs affect its status as a responsible corporate citizen. The oversight is performed against targets included in the sustainability strategy, covering the following areas:

- environment, i.e., minimise the effects of the Group through responsible use of resources, controlled pollution and waste disposal, controlled carbon footprint, green buildings, protection of biodiversity;
- economy, including the communities support and contribution to creating new jobs;
- workplace, including employment equity, diversity and inclusion, fair remuneration, health and safety;

- society, including public health and safety, consumer protection, community development and protection of human rights;
- governance, including how the Board is steering the Company based on an ethical foundation.

The Sustainability Committee approves the ESG strategy, verifies progress towards the implementation

of such strategy and reviews the Group's Sustainability Report. The CFO, as the Executive Director part of the Sustainability Committee, is the executive manager overseeing the overall ESG agenda in the Group, while the CEO is ultimately responsible at Group level to deliver the ESG strategy.



PHOTO: PROMENADA SIBIU

Corporate governance

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Remuneration Committee

The Remuneration Committee:

- consists of at least three Directors, the majority of whom must be Independent non-Executive Directors; and
- is chaired by an Independent non-Executive Director, who is not the Chairman of the Board.

The Remuneration Committee assumed the following responsibilities during 2022:

- oversee the annual review of the Remuneration Policy and principles;
- monitor implementation and administration of the Remuneration Policy;
- determine remuneration for Executive Directors, in alignment with the Remuneration Policy and targets achievement;
- monitor remuneration principles implemented to ensure that employees are properly incentivised based on individual and Group performance;
- ensure that the Group's remuneration principles are aligned with the strategy, in order to create long-term value; and
- recommend the fees to be paid to non-Executive Directors.

When determining the Remuneration Policy and practices, the Remuneration Committee is guided by the following principles: clarity, simplicity, risk, predictability, proportionality and alignment to Group culture.

Nomination Committee

The Nomination Committee:

- consists of at least three Directors, the majority of whom must be Independent non-Executive Directors;
- is chaired by an Independent non-Executive Director, who may also be the Chairman of the Board.

The Nomination Committee is tasked with the following:

- periodically assess the skill set required to competently discharge the Board's duties, considering the Group's strategic direction;
- review and make recommendations regarding Board composition, competencies, structure, size and diversity, to ensure that vacancies are filled with suitable candidates, in line with criteria defined in the Board Profile Paper;
- develop strategies to address Board diversity;
- develop and review Board succession plans, Director induction programmes and continuing development programmes, aiming to maintain an appropriate mix of skills, experience, expertise and diversity;
- identify Directors due for retirement by rotation on an annual basis;

- arrange the performance evaluation for Board members;
- review and make recommendations regarding Board appointments, re-elections and terminations;
- prepare a description of the role and skill set required for appointments;
- identify suitable candidates to fill Board vacancies;
- propose extension of Board appointments;
- ensure that, upon appointment, all Directors receive a formal letter of appointment that sets out the duration and responsibilities of the appointment; and
- review disclosures made by the Group regarding Board appointments, re-elections and terminations.

Investment Committee

Members of the Investment Committee must have significant property investment, retail and relevant market knowledge. The Investment Committee Chair must be a non-Executive Director with adequate financial and investment experience.

The senior management of the Group is responsible for identifying new investment opportunities, optimising the performance of existing assets (for example, through refurbishments, extensions and re-tenanting), and, where necessary, proposing the disposal of assets which no longer contribute to the Group's income growth strategy. The CEO will coordinate and monitor all acquisitions, capital expenditures and disposals, and will recommend those which exceed his mandate to the Investment Committee.

The Committee is responsible for formulating the overall investment strategy of the Group and for establishing investment guidelines. The Committee's activity complies with all applicable fiduciary, prudence and due diligence requirements, which experienced investment professionals would utilise, and with all applicable laws, rules and regulations issued by relevant local and international bodies.

The purpose of the Investment Committee is to:

- consider management recommendations for mergers, acquisitions, investments, capital expenditure and disposals, and make proposals to the Board for approval;
- authorise transactions that fall within its mandate, analyse and recommend to the Board those that fall outside its mandate; and
- evaluate and monitor investments performance over time.

The Board and the Committees considered their activity during 2022 and confirm that they are satisfied that they have fulfilled their responsibilities in accordance with their charters and the Corporate Governance Framework.



STAKEHOLDER ENGAGEMENT AND RELATIONSHIP MANAGEMENT

The Board oversees stakeholder relationship management, while responsibility for the day-to-day execution has been delegated to the Executive Directors and, further on, to line management.

NEPI Rockcastle has a transparent information communication policy, enabling stakeholders to assess the Group's economic value and prospects. The Company encourages proactive engagement with shareholders, including during the Company's semi-annual results presentations and Annual General Meetings, where Directors are available to respond to shareholders' inquiries on how the Board has executed its governance duties.

The Executive Directors have regular discussions on operational trends and financial performance with relevant stakeholders, where they believe this to be in the Group's best interest. No information is shared preferentially only to some stakeholders.

The Group's Directors ensure that all shareholders are treated equally and equitably, and that management recognises, protects and facilitates the exercise of all shareholders' rights through constant, open and timely communication. The Board seeks to protect the interests of minority shareholders while the Dealing Code and the Related Party Transactions Policy are designed to ensure such protection.

The Group actively manages its relationship with stakeholders and communicates formally in a number of ways:

- news, announcements, press releases are issued in response to events or under routine reporting obligations;

- SENS announcements are made for changes in its governance structure, Director, Committees as well as Directors' and associates' dealings;
- business updates are published regularly, depicting Company's performance;
- the reviewed interim condensed consolidated financial results are published in August each year, outlining performance for the six months ended 30 June. The results announcements are followed by Results Presentations and investor calls. The presentation and the reports are posted on the Group's website;
- the reviewed preliminary condensed consolidated financial statements for the year ended 31 December, including detailed management commentary, are published in February each year. These are followed by Results Presentations announced publicly on the corporate website, open to and accessible by any stakeholder;
- the Annual Report, including audited consolidated financial statements of the Group and separate financial statements of the Company, is published in March each year, comprising reporting on all relevant matters.

The Board is required through the applicable governance codes to provide a fair, balanced and understandable assessment of the Group's position and prospects in its external reporting. The Board considers that this Annual Report and the Audited Consolidated Financial Statements, taken as a whole, meet all requirements and provide the information necessary for shareholders to assess the Directors' governance of the Group.

More details on stakeholder categories and the key engagement mechanisms are included in the Sustainability section of this annual report, page 165.

Corporate governance

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INTERNAL CONTROLS AND COMPLIANCE MANAGEMENT SYSTEM

The Group is following Committee of Sponsoring Organisations of the Treadway Commissions (COSO) principles in defining its internal controls system and enterprise risk management framework. It applies the three lines of defence approach, with a view to further strengthen the system of internal controls and track compliance with relevant laws and regulations. As such, the system of internal controls is structured on the following lines:

- the first line of defence, line management (senior management, local management), is the function that owns risk and is responsible for operational processes within the Group. Line management is in charge of defining guidelines, implementing and executing internal controls, embedding risk management in the day-to-day operations, comparing performance against targets, monitoring achievement;
- the second line of defence has an oversight and

compliance monitoring role, and consists of functions such as Compliance, Risk Management and Data Privacy. These functions are primarily involved in monitoring laws, regulations and emerging risks, and providing support and advice to management in ensuring compliance thereof. They monitor and facilitate the implementation of effective risk and compliance management practices and assist the risk owners in reporting adequate risk information. In the consideration of their monitoring role, they recommend new controls or risk mitigating measures to be embedded in current processes and practices;

- the third line of defence, Internal Audit, is in charge of providing independent assurance on the effectiveness of the internal controls and risk management, including on how the first two lines discharge their duties.

A risk-based approach, the proportionality principle and segregation of duties are considered when developing all the policies and procedures at Group level, covering:

- efficiency, effectiveness, economy of operations;
- safeguarding of assets;
- reliability of financial reports; and
- compliance with laws and regulations.

The Group implemented a comprehensive Procurement Policy and a supplier due diligence process, in order to ensure that responsible purchasing is conducted and that procurement decisions are in the best interest of the Company. Responsible purchasing is aimed at Group level through:

- implementation of sound policies, promoting objectivity and transparency throughout the procurement processes and monitoring of compliance thereto;
- implementation of aligned requirements and controls in property management/project management contracts, to ensure that the same principles are applied by outsourced property and project managers;
- design of a detailed supplier risk assessment and due diligence, including suppliers green assessment; and
- win-win partnerships with some Group suppliers, based on sustainable business practices, where the Group and its suppliers may thrive and grow.

The Group rolled out a Leasing Policy, to ensure that tenant relationships are managed with professionalism and at high standards across the Group, and that internal controls are implemented, fostering transparency and enabling the achievement of the Company's objectives. A risk assessment and due diligence process are applied when onboarding new tenants and periodical revisions are performed thereafter.

The Board is responsible for the governance and ongoing oversight of internal controls, including information and technology. The Board confirms that processes exist ensuring timely, relevant, accurate and accessible reporting, communication and data storage. To this end, the Board ensures that the Group's IT processes and systems are integrated with the overall business strategy and objectives, monitoring that:

- processes, people and information technology are integrated seamlessly across the Group;
- hard and soft infrastructure supports the achievement of the Group's strategy;
- proper arrangements are implemented for business continuity and disaster recovery;
- proper security measures have been implemented to ensure that confidential data is safeguarded and

easily accessible, while complying with the relevant cybersecurity, data protection or other applicable laws and regulations; and

- proper investments in information technology are made with a view to enable the above.

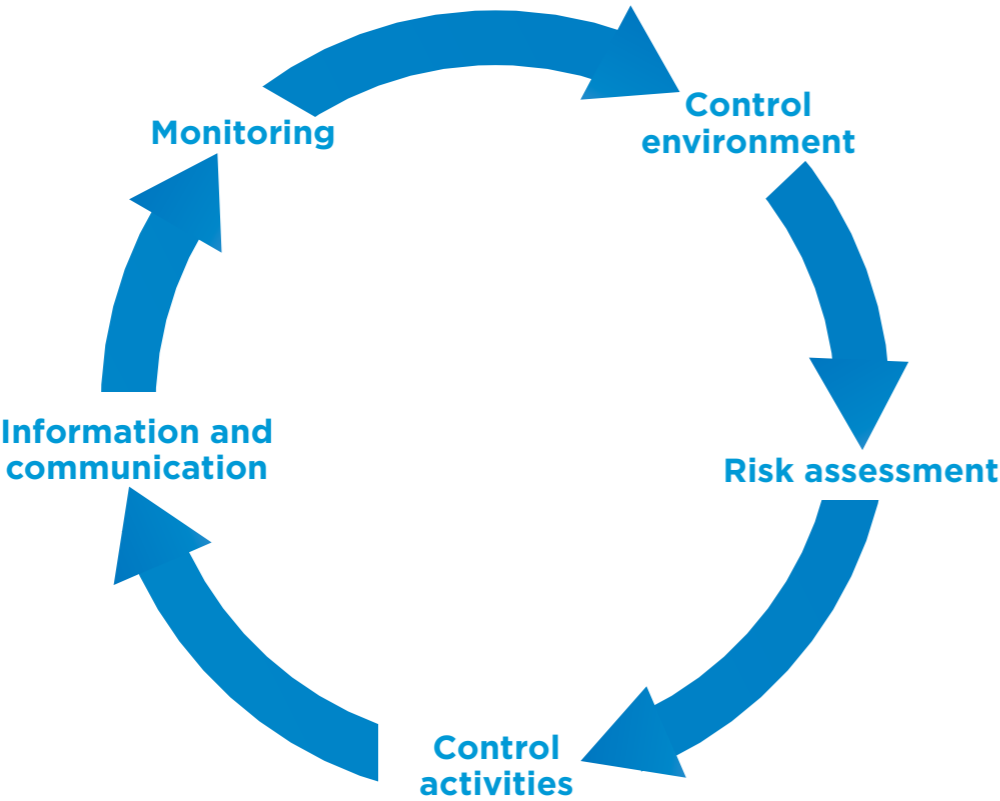
The Board has delegated the responsibility for IT and security to the CEO through the Operational Mandate and the CEO has further cascaded these to the Chief Digital Officer. Where IT processes are outsourced to third-party service providers, these are governed by service level agreements, with compliance monitored by management.

Appropriate IT security and business continuity management policies have been developed and implemented across the Group. NEPI Rockcastle takes cybersecurity risks seriously and has continued to implement extensive measures, to ensure these will not result in a material data breach, leakage or loss of key information.

The Group continued in 2022 its cybersecurity programme, focused on awareness, prevention (through regular training programs for all employees at least on an annual basis) and security by design. The Group implemented and communicated a clear escalation mechanism where any suspected attack can be reported and analysed. The 2022 awareness and prevention program focused on training programs for all employees meant to raise awareness of emerging security threats, key vulnerabilities, Company's policies, procedures and support functions.

The Group was the target of cybersecurity attacks during the year, while none had serious consequences due to the safeguards implemented. No attack led to either a significant leakage, loss of personal data and business secrets, or to unavailability of technology and business interruptions in the three years preceding this report date. With a focus to enhance internal controls, increase efficiency, transparency and traceability, and to operate in a paperless environment (to the extent possible and within current legal constraints in various jurisdictions), the Group has been working on digitalisation and process automation tools across various areas and processes, as a medium-term strategic priority.

The Group implemented a General Compliance Policy aiming to guide compliance by: (i) setting a clear compliance framework; (ii) promoting consistent, rigorous and comprehensive practices throughout the Group; and (iii) stimulating a culture of compliance, including ethics and integrity.



Corporate governance

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The Compliance function covers the following responsibilities at Group level:

- advisory: counsels all management levels and personnel on compliance with laws, rules and standards, including keeping them informed on legislative developments and emerging exposure;
- education: assists senior management in educating staff on compliance issues;
- identification, measurement and assessment of compliance risks: evaluates the compliance risks associated with business activities, including the development of new business practices and new partnerships; and
- monitoring, testing and reporting: periodically assesses compliance and monitors risks in all jurisdictions and emerging legislation.

The Board appointed a dedicated Group Risk and Compliance Officer and monitored the compliance management system structured on three pillars: (i) build awareness and enable prevention; (ii) deploy sufficient detection and investigation mechanisms; and (iii) implement appropriate response, mitigation and consequence management.

The Group Risk and Compliance Officer has the following responsibilities:

- assist the Board of Directors, Risk and Compliance Committee and management in fulfilling their respective risk and compliance responsibilities;
- set ongoing enterprise risk and compliance management practices suitable for the Group's needs;
- build and maintain relationships with those responsible for managing risks throughout the Group;
- report on incidents and severe risks to the CEO and Risk and Compliance Committee;
- propose, based on the relevant input from management, changes to the Group's risk appetite;
- develop and periodically review the compliance and risk management framework, methodology and operational processes at Group level, seeking to prevent Group exposure to excessive risks;
- set the annual Compliance Programme and report periodically to the Risk and Compliance Committee, on the risk and compliance management status;
- advise regarding the impact of legal and regulatory changes, as well the best practices and legislative trends;
- ensure deployment of training and awareness programmes for Group personnel, on a risk-based approach, aiming to develop the risk management culture; and

- run periodical compliance checks seeking to ensure that the implemented processes are aligned to the internal and legal framework, as well as that the appropriate controls are in place in order to prevent compliance risk to materialise.

NEPI Rockcastle implemented privacy policies and procedures across the Group, based on a zero tolerance to major information loss or leakage, and these are deployed and monitored by an experienced Data Protection Officer. The Group's approach to privacy includes:

- embedding privacy-by-design principle in core processes;
- embedding data privacy clauses in supplier and customer contracts;
- providing clear and relevant information to all data subjects regarding their rights and the coordination of processing;
- making sure that data is processed only for the purpose it has been collected;
- following the data minimisation principle, as well as the applicable data retention periods; and
- properly protecting personal data from loss or unauthorised access.

No breach resulting in a major leakage, loss or unavailability of personal data occurred in 2022.

The Group's policies and procedures are available to all employees in a shared location, promoted on internal communication channels and periodically acknowledged by the Group personnel. Training and awareness programmes are regularly organised, at least on an annual basis, as further described in the Risk and Compliance section of this annual report, page 121.

Operational compliance is monitored for all companies in the Group, and reported to the Risk and Compliance Committee on a quarterly basis. The Group would disclose in the Annual Report if it were to incur material or repeated regulatory penalties, sanctions or fines for breaches of, or non-compliance with, statutory obligations. At the date of this report, there were no material regulatory penalties, sanctions or fines for breach or non-compliance with statutory obligations imposed on Group companies or any of its Directors or officers. The key compliance risks the Group is facing and the mitigating measures and controls implemented are included in the Risk Management – Key Risk Areas section of this Annual Report, pages 123-132.

GENERAL MEETINGS OF SHAREHOLDERS

MEETINGS

The Company is required to hold an Annual General Meeting no later than the end of June each year. Other General Meetings may be held at the discretion of the Board or to comply with Applicable Listing Requirements.

The Board is responsible for giving notice of General Meetings, ensuring that it is given to all Shareholders entitled to vote and that it complies with the statutory notice period of 42 calendar days and Applicable Listing Requirements. The notice must include the subjects to be discussed, venue and time of the meeting, the requirements for admittance, and the Company's website address. Additional communications can be made in a separate document deposited at the Company's office for inspection, with a reference made in the notice.

General Meetings can be held in Amsterdam or Haarlemmermeer, as chosen by the Board. The Chairman of the Board will chair the general meeting, unless otherwise decided by the Board. Minutes of the meeting will be kept.

The record date for each General Meeting will be determined in accordance with the law and Applicable Listing Requirements to identify voting rights and eligible attendees, and instructions on how to register and exercise rights will be included in the meeting notice. To attend a General Meeting, a person or their proxy must notify the company in writing at the specified address and by the deadline indicated in the meeting notice, and the proxy must provide written evidence of their authorisation.

Shareholders and/or other persons entitled to attend the General Meeting, who, alone or jointly, meet the requirements set forth in section 2:114a subsection 2 of the Dutch Civil Code will have the right to request the Board to place items on the agenda of the General Meeting, provided the reasons for the request must be stated therein and the request must be received by the Chairman or the Chief Executive Officer in writing at least sixty (60) calendar days before the date of the General Meeting.

SHARE CAPITAL

The authorised capital of the Company amounts to twenty six million euro (€26,000,000) and is divided into two billion six hundred million (2,600,000,000) shares, having a nominal value of one eurocent (€0.01) each. On 31 December 2022 the issued share capital amounted to €6,070,000 divided into 607,000,000 shares. All shares are fully paid. There are currently no limitations either

under the Dutch law or the Articles of Association to the transfer of the shares.

During 2022 General Meeting, the shareholders have resolved to authorise the Board to issue shares for cash up to 10% of the issued shares, to repurchase shares up to 10% of the issued shares and to cancel repurchased shares.

MAIN POWERS OF THE GENERAL MEETING OF SHAREHOLDERS

The main powers of the General Meetings of Shareholders include:

- a. discussion of the board report;
- b. discussion and adoption of the annual financial statements;
- c. dividend proposal (if applicable);
- d. appointment of Directors (if applicable);
- e. appointment of an Independent Auditor (if applicable);
- f. adopt amendments to the Articles of Association; and
- g. other subjects presented for discussion or voting by the Board, such as the release of Directors from liability, discussion of the policy on reserves and dividends, authorization of the Board to issue shares, authorisation of the Board to decide that the Company should acquire own shares.

At the General Meeting, each share carries one vote and resolutions must be adopted by an absolute majority, unless a greater majority is required. A quorum of at least three shareholders with 25% voting rights is required, and votes can be cast by electronic means or by mail. If a quorum is not present at a General Meeting, the Board is authorised to call for a new General Meeting where resolutions can be passed regardless of the capital represented in the meeting. The structure of the Company's capital has been presented in this Report, each share carrying a right to vote in accordance with the Articles of Association of the Company and the applicable law. There are no classes of shares; no special restrictions on transfers; no special control rights; no agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights; no significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects thereof; no agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Corporate governance

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INTERNAL AUDIT

The Group has an inhouse Internal Audit function. The activity of Internal Audit, its mandate, responsibilities and access are regulated through the Internal Audit Charter, endorsed by the Audit Committee and approved by the Board. In accordance with its Audit Charter, Internal Audit reports functionally to the Audit Committee.

Internal Audit is centralised at Group level and has unrestricted access to Company's resources, information and people, to effectively discharge its responsibilities, with no restrictions placed upon the scope of work. The function carries out independent risk-based audits, under the oversight of the Audit Committee.

The Audit Committee therefore:

- defines the Internal Audit mandate and ensures no unjustified restrictions or limitations exist;
- reviews the performance and effectiveness of the Internal Audit function and its capacity to carry out the annual audit plan; and
- guarantees the independence of the Internal Audit function, through the functional reporting line and the direct unrestricted access.

Internal Audit reviews aim to assess the effectiveness of the Group's governance and internal controls, and if they are properly designed to ensure safeguarding of assets, efficiency, economy and effectiveness of operations, adherence to applicable laws and regulations, reliability of financial and operational reporting.



EXTERNAL AUDIT

Ernst & Young Accountants LLP and Ernst & Young Incorporated were appointed as Group independent external auditors in 2022, under the endorsement of the shareholders. The Group's audit rotation policy is to organise tenders for audit services regularly (every three years, maintaining some flexibility to adjust the timeline based on context), to ensure auditors' independence, as well as verify that audit fees are in line with the market.

The external auditors' scope of work include:

- review of interim condensed Consolidated Financial Statements of the Group as at 30 June;
- audit of the annual Consolidated Financial Statements of the Group and the standalone financial statements of the Company in accordance with IFRS as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, IFRS as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code; and
- audit of the financial statements of selected NEPI Rockcastle entities, prepared in accordance with local accounting principles.

The fees incurred for audit services are disclosed in the notes to the financial statements. No non-assurance services have been performed.

The Audit Committee and the external auditors have communicated on all matters required by Dutch Standard 260/ International Standard on Auditing No. 260 (Revised) 'Communication of audit matters with those in charge with governance'. In addition, the external auditor has communicated that in respect of JSE Listings Requirements Paragraph 22.15(h):

- the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control inspection of the audit firm "(Ernst & Young Inc.)" and on the designated individual auditor during its previous inspection cycle;
- the auditors have provided to the Audit Committee the required inspection decision letters, findings report and the proposed remedial action to address the findings at audit firm and individual auditor levels,

and have confirmed that there have been no legal or disciplinary proceedings brought against either of the two within the past 7 years; and

- the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

In accordance with best practice and the principle of direct, independent communication between the Audit Committee and the external auditors, the Audit Committee was provided with the auditors' report including significant auditing matters and observations related to the internal control environment and management's response. The Audit Committee reviewed the report and discussed the findings directly with the external auditor. The external auditors had private meetings with the Audit Committee, without the management team present and had unrestricted access to communicate privately to the Audit Committee any issue they may have considered necessary.

The external auditors confirmed their independence to the Audit Committee in respect of: relationships between Ernst & Young Accountants LLP, Ernst & Young Inc. and the Group; relationships and investments of individuals employed by Ernst & Young Accountants LLP and Ernst & Young Inc. in the Group; employment of Ernst & Young Accountants LLP and Ernst & Young Inc. staff by the Group; business relationships; other services provided by Ernst & Young Accountants LLP and Ernst & Young Inc. to the Group. The external auditors also confirmed there has been no contingent fees, no services granted by Ernst & Young Accountants LLP and Ernst & Young Inc. to Directors and/or senior management of the Group and no gifts or hospitality. The auditors have additionally confirmed compliance of the firm and individual audit partners with all internal Ernst & Young Accountants LLP and Ernst & Young Inc. independence requirements and rotation policies, as well as relevant regulatory and professional requirements, and have affirmed that their integrity, objectivity and independence have not been compromised.

The Audit Committee is satisfied with the information received based on which it concluded that Ernst & Young Accountants LLP and Ernst & Young Inc. and the audit partners in charge, are independent of the Group.

Risk Management & Compliance

RISK MANAGEMENT AND COMPLIANCE OVERVIEW

The Group recognises the importance of enterprise risk management and considers risk in both the strategy-setting process and in driving and controlling performance. The Group further acknowledges that risk management is an increasingly important business driver and, together with compliance management, is embedded in all business processes, and is the responsibility of every employee.

Under the Group's three lines of defence approach described in the Corporate Governance section of this report, the Risk Management and Compliance functions share the second line of defence, a symbiosis supporting and strengthening the internal control system by capitalising on alignment and synergies.

The Risk Management and Compliance functions are primarily charged with oversight of the risk and compliance management frameworks and processes, while encouraging risk owners to report relevant risk-related information and monitor emerging risks. The Risk Management and Compliance functions work in synergy with risk owners when identifying and implementing new controls or mitigating threats, all facilitating effective risk management. Risk Management and Compliance partners (risk partners) have been assigned at the level of each business area, aiming to embed risk management and compliance in business processes and to facilitate collaboration with the Group's Risk Management and Compliance Officer.

RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

NEPI Rockcastle developed a comprehensive framework for the management of risks, to increase overall awareness among personnel and enable the management functions responsible for managing risks to better identify, assess and control risks within their areas. The framework:

- aligns and integrates risk management with strategy and business objective setting;
- creates a culture of risk management and periodically increases awareness;
- ensures all current and future material risk exposures are identified, assessed, quantified and appropriately managed;
- enables compliance with relevant laws and regulations, wherever applicable, through the adoption of best practices;
- enables financial stability and sustainable business growth;
- fosters an educated approach towards risks and provides a Group-level risk assessment methodology and tools; and
- integrates the best practice principles set forth under the Committee of Sponsoring Organisations (COSO) framework and International Organisation for Standardization (ISO) 31000.

Group's operations are subject to a wide variety of statutory regulations and standards throughout different jurisdictions, so acting with integrity and observing the legal and ethical frameworks are of the utmost importance. A comprehensive compliance framework has been implemented, defining uniform rules and practices applicable to all Group entities. These are also committed

to conduct business activities lawfully and consistent with the Group's compliance obligations. NEPI Rockcastle is committed to preventing and deterring risks, associated to the following areas:

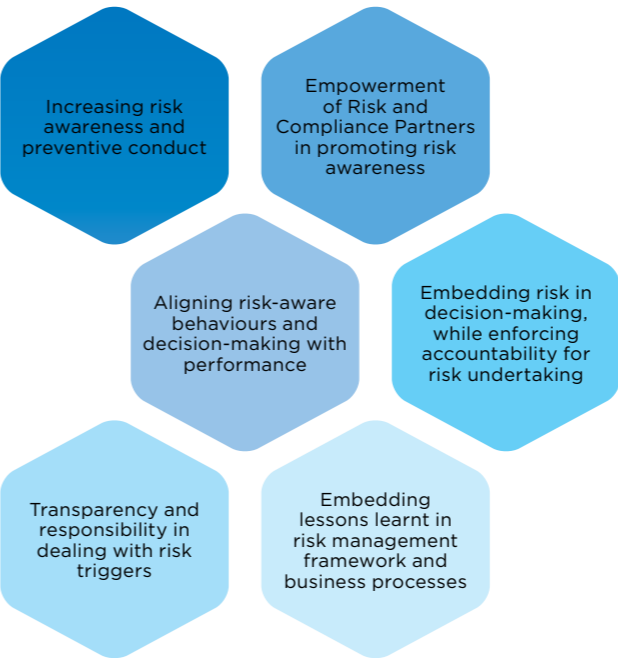
- potential conflicts of interest;
- related party transactions which may not be transparent or at arm's length;
- confidentiality and observance of professional secrecy;
- unopen and incomplete financial reporting or communications;
- non-compliance with fiscal regulations within a complex tax environment;
- use of privileged information and insider trading;
- money-laundering and the financing of terrorism;
- inadequate adherence to anticorruption and anti-fraud rules; and
- inefficient delegation of authority required to maintain the correct balance between flexibility, speed and span of control.

The Group's policies and procedures are periodically reviewed and revised to ensure permanent alignment to the applicable legal and regulatory framework as well as a continuously evolving business environment.

Overall Risk Management and Compliance Framework is also detailed in the "Corporate Governance" section of this Annual Report, pages 106-108, as a significant component of how the Group is governed.

RISK MANAGEMENT STRATEGY AND RISK GOVERNANCE

To ensure the efficient implementation of risk management principles and increase the overall risk-aware culture, the Group focuses its efforts on:



When implementing an efficient and sound Risk Management practice, information is key, therefore the Group ensures it is shared and escalated within the business in a transparent manner. To support this, management provides the Risk Management and Compliance Officer, Risk Management and Compliance Committee (the Committee) and Board of Directors with an appropriate level of relevant information, to assess whether current enterprise Risk Management practices are appropriate, facilitating their oversight.

Ensuring the Group's Board of Directors provides oversight of risk management, as well as the embedding of risk management in strategy and objectives setting are of paramount importance. Risks are identified and mapped to one or more of the strategic goals. This mapping is revisited annually, once next year's strategy has been set, to facilitate better risk assessment, as well as early impact assessment.

The responsibility for managing risk is shared between management and the Board of Directors assisted by the Committee. The Committee was established to support the Board in exercising oversight over enterprise Risk Management and Compliance processes, in order to ensure the Group has implemented an effective approach that will enhance its ability to achieve strategic and business objectives.



The risk management oversight role of the Board and Committee is enhanced by the Directors' independence and mix of skills, expertise and business knowledge. Board oversight (directly or through Committee) covers scrutinising key management decisions, presenting alternative views, offering sound judgement, challenging

organisational biases, acting in cases of wrongdoing. The Board challenges management without assuming the operational role of management. The detailed responsibilities and duties of the Board and Committee are defined in their respective charters and the Group's Corporate Governance Framework, and are

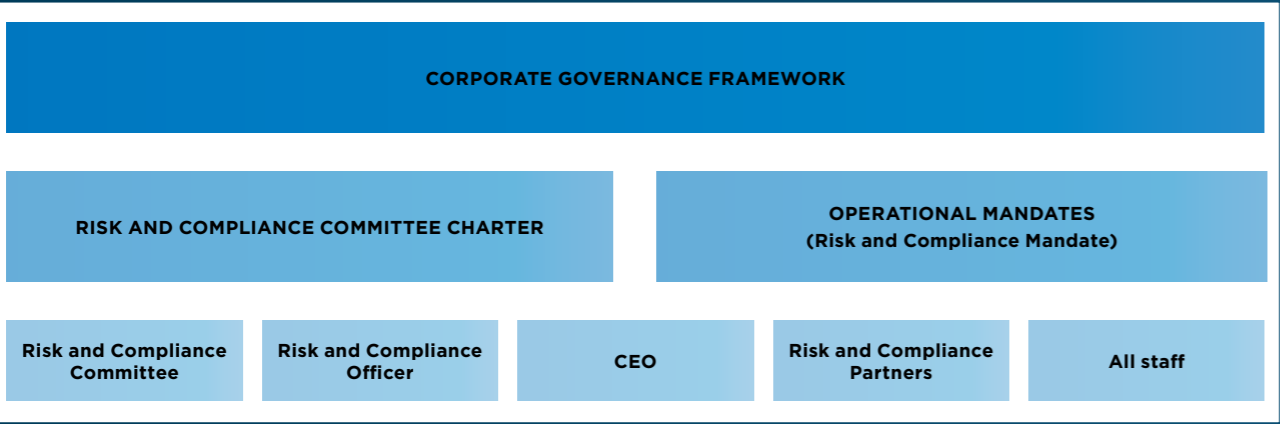
Risk Management & Compliance

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presented in the Corporate Governance section of this Annual Report, pages 82-104.

A Risk Management and Compliance Officer, reporting to the Committee, is mandated by the Board of

Directors with overseeing compliance and enterprise risk management as a second line of accountability. The Risk Management and Compliance Officer's responsibilities are set forth in its mandate granted by the Board of Directors.



The Board ensures that Risk Management policies and procedures, as well as the Compliance Risk Framework, designed and implemented by the Risk Management and Compliance Officer with the endorsement of the Committee, are:

- i. consistent with the Group's strategy and risk appetite; and
- ii. rely on an enterprise-wide culture that supports appropriate risk awareness, behaviours and judgments.

The Board will also provide oversight over the implementation of the *General Compliance Policy*, *Code of Ethics*, *Whistleblowing Policy* and overall Risk Management and Compliance system, based on regular reports provided by management, the Risk Management and Compliance Officer and Internal Audit.

Management embeds risk management practices into day-to-day operations and ensures that these practices are applied consistently, seeking to (i) build a risk-aware culture, (ii) agree risk management performance targets, (iii) ensure implementation of risk management recommendations and (iv) identify and report incidents, changed circumstances or emerging risks. Based on the risk appetite approved by the Board, management also decides whether to proceed with mitigation strategies and implement contingencies, while the Board directly, and through the Committee, exercises oversight.

Risk and Compliance Partners have been assigned to each area of expertise within the Group, to support the Risk Management and Compliance Officer in identifying and addressing risk triggers. The risk partners act as risk ambassadors throughout the Group, being the front office

for risk triggers identification. They share their knowledge and expertise, supporting the Risk Management and Compliance Officer in assessing the impact and probability of risk triggers, as well as recommending appropriate mitigation measures to address them.

Every employee has a responsibility to:

- i. understand and implement Risk Management processes;
- ii. report inefficient, unnecessary or unworkable Risk Management measures;
- iii. report loss events and near-miss incidents; and
- iv. cooperate with management on incident investigation.

As the Group operates in multiple jurisdictions and has a complex structure comprising a holding and financing entity, operational and management company subsidiaries, the Risk Management and Compliance Officer, in consultation with both management and the Committee has defined a structure of roles and responsibilities at management level, to ensure an effective framework for managing risks for each entity and local jurisdictions it operates in.

In consideration of its power to challenge management on the Risk Management system and based on the reports it receives directly and/or through the Committee, the Board may decide to request independent assurance on the effectiveness of Risk Management processes from external parties (consultants, auditors etc.).

The effectiveness of the Risk Management framework and processes is supported by framework design, operation, monitoring and reporting. Appropriate measures have

been implemented so that to ensure such effectiveness:

- the risks associated with the strategy and activities of the Group have been identified and assessed, covering strategic, operational, compliance and reporting risks;
- the risk appetite has been defined and needed measures in order to mitigate risks have been implemented;
- the risk and compliance management function, as well as the overall internal controls system are in place and effectively operating, while neither significant changes nor major failings occurred during the past financial year;
- the material changes in external factors and their impact on the Group's activities have been considered, assessed and monitored, while tailored action plans have been defined with the support of the management, periodically monitored and reported;
- the Risk Management and Compliance Officer reports quarterly to the Committee on the evolution of monitored risks and provides a highlight of emerging ones. The Risk Management and Compliance Officer also reports on the overall performance of the Risk Management and Compliance function, and may raise any significant trigger risking to impact Group operations and/or the overall internal control environment.

The Group confirms that:

- i. this report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- ii. the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- iii. this report includes the material risks and the uncertainties, to the extent that they are relevant to the expectation of the Group's continuity for the period of twelve months after the preparation of the report; and considering current position of the Group, it is appropriate to prepare its financial statements on a going concern basis; having considered the potential impact of the conflict in Ukraine and the overall macroeconomic environment on the Company's and the wider NEPI Rockcastle Group revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by these circumstances during 2022 and subsequent to the year-end, there are no material uncertainties relating to the Group's ability to continue as a going concern.

No major failings in the internal controls system or risk management approach were identified by management in 2022.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT POLICY	<ul style="list-style-type: none">• increased risk awareness throughout the Group;• risk strategy and risk culture;• specific responsibilities within the risk management process; and• guidance for management functions to identify, assess and control risks within their areas of responsibility.
RISK APPETITE STATEMENT	<ul style="list-style-type: none">• types and amount of risk the Group is willing to take in the context of creating, preserving and realising value; and• rules and principles to be considered in risks undertaking, to maintain alignment to risk appetite.
CRISIS MANAGEMENT AND BUSINESS CONTINUITY FRAMEWORK	<ul style="list-style-type: none">• guidance for incident management, to minimise risks and ensure health and safety of personnel, integrity of assets and availability of data; and• rules to handle incidents that interrupt normal operating procedures, to avoid escalation to crisis threatening to have a severe negative impact on Group's financial results, brand, reputation, its relationship with employees, customers and suppliers.
BUSINESS COTINUITY PLAN	<ul style="list-style-type: none">• clear responsibilities and specific workflow during a crisis, to timely resume or restore business operations;• priorities and solutions to address disruptive threats; and• based on the threat and risks analysis, business impact analysis and continuity requirements.

Risk Management & Compliance

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RISK APPETITE

NEPI Rockcastle closely monitors risks with a potential impact on strategic goals, assessed in accordance with risk evaluation methodology. The Group considers in its periodic assessments the risk triggers such as fluctuations in the Group's financial results, changes in political, social, legal, regulatory or economic conditions, inflation, interest rates, fluctuation in exchange rates, deflation, the Group's ability to successfully implement business strategies, future investments and acquisitions, competition.

The Group has developed and approved criteria defining its risk appetite regarding critical activities creating, preserving and realising value. Such critical activities, processes and topics include: asset management, leasing, investments, tax structure management, treasury operations, tenant relationship, data privacy, human resources, Know-Your-Partner process.

The Group has set the following financing related targets to ensure risks are managed properly:

- a weighted average debt maturity of at least three years at any given time;
- at least 70% of property portfolio should be unencumbered; and
- LTV ratio below 35% (maximum 40% in the short-term).

NEPI Rockcastle has zero tolerance towards risks related to:

- health and safety (for example structural integrity of properties, fire security, serious pollution)
- fraud and corruption
- doing business with clients/partners not carrying out legal and legitimate activities or rejecting transparency
- money laundering and terrorism financing
- serious violation of the Code of Ethics by employees, collaborators or Directors
- damage to reputation materially affecting its ability to attract funding, personnel or relationships with business partners
- non-compliance with material regulatory requirements (for example competition, data privacy)
- exposing the Group and its employees, collaborators or Directors to any criminal liability
- non-compliance with financial reporting standards
- any practices presenting a risk of market abuse as defined by the rules and regulations of the markets where the Group's debt or equity instruments are trading.

The Group defines its risk appetite for each material area as follows:

Data Privacy. The Group has zero tolerance towards (i) material regulatory non-compliance, significantly affecting data subjects' rights and liberties; (ii) intrusive,

disproportionate or unlawful data processing; (iii) personnel misconduct leading to material reputational and/or financial consequences for the Group.

Taxation. The Group has a low risk tolerance to matters which may trigger in the future a risk of interpretation by the tax authorities as being non-compliant with applicable laws. In this respect, the Group (i) is continuously monitoring the tax legislative developments as well as the European Court of Justice cases on the abuse of EU law, (ii) has a prudent approach on its tax structure and ensures that the Group companies are economically embedded within the structure and are equipped with sufficient functions and activities.

Treasury operations. The Group has a very limited appetite towards investments in listed securities and any actions in respect of listed securities portfolio are taken based on the decision of Investment Committee.

Acquisitions. The Group does not invest in properties that do not fulfil cumulatively specific pre-set criteria, such as country risk, positioning, demographics, GLA, quality profile of tenants etc.

Construction works. The Group has (i) zero tolerance to any risk that would compromise safety on the construction site and later on during the exploitation of the property; (ii) zero tolerance to using construction materials, installations and equipment that are not fully compliant with applicable laws and regulations and/or that dangerous for the workers, staff or visitors; (iii) very limited tolerance towards making savings in the development budget if by doing so it creates a risk of compromising the quality of the property, while at all times and in any circumstances the safety of property and people should not be at risk; (iv) zero tolerance to starting development works based on non-compliant or incomplete planning or permitting approvals to works that require additional costs in absence of appropriate approvals.

Tenants. The Group has a low appetite towards (i) making compromises to the overall tenants mix quality, accepted only on a short-term basis and in exceptional situations, determined by the social-economic environment, usually triggered by emergency episodes (such as pandemic, calamities etc.) or local/regional particular context; (ii) tenants with a track record of not paying their debts; (iii) accepting tenants that cannot provide adequate creditworthiness documentation. To this end, detailed creditworthiness reviews are performed before signing lease agreements and all tenants are required to provide guarantees, covering rent and operating costs, based on exposure.

Political environment. The Group has (i) a low appetite towards extending its portfolio in jurisdictions that could determine uncertainty and/or delays in executing the Group's strategy; (ii) zero tolerance towards any request or initiative of financial support (sponsorship, donation, any other in-kind benefits etc.) to any political party and/or politically exposed person, as well as to involvement in political issues of the countries where it is present.

IT infrastructure. The Group does not accept (i) operating without having a backup of the Company data material for the operation of its business and disaster recovery of critical IT infrastructure; (ii) risks that would materially impair the reliability of the Group's IT infrastructure; (iii) operating without having in place measures and processes designed to prevent/pro-actively preventing any form of cyber-attacks such as spam, phishing, malware, ransomware campaigns.

Management of the Group's assets. The Group (i) does not accept impairing the state and condition of its properties for the sake of short-term income increase or cost savings; (ii) has a very low appetite towards compromising the long-term prospects and the sustainability of the property for short-terms gains; (iii) accepts the risk of failure in respect of innovative initiatives such as PropTech, retail transformation, etc. as long as the financial impact is within budget and there is no other material impact such as on reputation, non-compliance or health and safety.

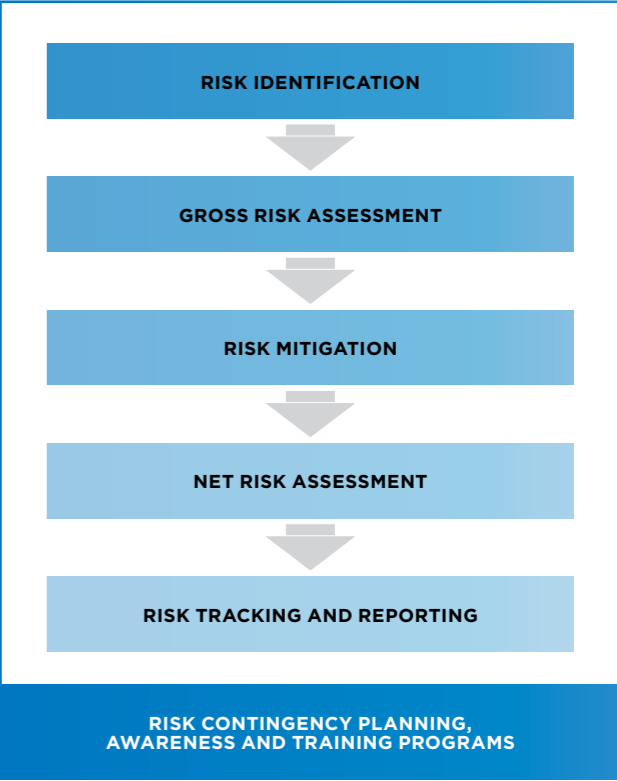
Know-your-client/partner. The Group's policy is to work only with clients/partners who carry out legal and legitimate activities and maintain business transparency. The know-your-partner/client process focuses on the assessment of the identity of clients/partners, as well as of their potential involvement in acts of corruption, fraud, terrorism financing, money laundering. The Group's risk assessment methodology is supported by a risk-based approach, which involves the use of evidence-based decision-making to target the risks of money laundering and terrorism financing.

When determining the risk appetite for a particular risk that does not fall into the zero-tolerance category, the capacity of the Group to absorb the risk in the pursuit of its strategy and business objectives shall be considered, as well as the Group's tolerance. The tolerance represents the acceptable variation in performance in relation to the targets, as they are defined by the Group strategy and further on cascaded based on specific performance indicators per area of activity and per individuals. Exceptions to risk appetite are extremely rare and always follow the escalation process, while risk undertaking is transparently embedded in the decision-making and the counterparty is always assigned with risk and closely monitored.

The Group's policy is to cooperate only with clients/partners who carry out legal and legitimate activities and maintain business transparency. The Know Your Client/Partner Process ('KYC'/'KYP') focuses on the assessment of the identity of clients/partners, as well as of their potential involvement in acts of corruption, fraud, terrorism financing, money laundering. Group's risk assessment methodology is supported by a risk-based approach, which involves the use of evidence-based decision-making. The end-to-end Know Your Customer/Partner Process has been automated, based on the eligibility criteria and risk matrix as defined in the Group Know Your Client/Partner Procedure.

RISK MANAGEMENT PROCESS AND RESPONSIBILITIES

Before implementing adequate mitigation measures, the probability and impact of each risk versus the cost of mitigation, as well as the Group's risk appetite, are considered. For significant risks, a contingency plan and/or a series of activities that should take place prior to, or when the event occurs, are assigned. Both mitigation and contingency plans support proper monitoring of risk treatment progress, as well as evaluation of residual risk.



Risk Management & Compliance

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Risk awareness requires that all employees are conscious of what constitutes a threat and are sensitive to specific events or factors that could potentially impact the Group positively or negatively, enabling risk identification. Management identifies and documents key assessed risks in a Risk Register, while risk factors or events are brought

to the attention of the Risk Management and Compliance Officer, the Committee and the Board, where appropriate.

In the process of identifying, assessing, responding to and reporting on risks, the Group uses dedicated tools:

Risk Register	Risk Heat Map	Risk and Incidents Reports	Incident and Crisis Management Framework	Business Continuity Arrangements
an automated and auditable inventory that lists the risks identified as relevant and that may impact the achievement of strategy and business objectives, subject to revision on a quarterly basis with the support and active involvement of Risk and Compliance Partners.	developed based on the probability, impact and a combination thereto to assess the severity of the risks, while aligning to existing social-economic context and business strategical trends.	summarising risks and specific incidents monitored by management and reported to the Risk and Compliance Committee together with proposed/taken mitigation measures.	specific guidelines to distinguish between incidents and crisis potentially affecting information security, physical security, information systems continuity, personal data integrity and availability, while ensuring personnel health and safety and integrity of assets.	setting clear responsibilities and specific actionable plans applicable in case of crisis, meant to timely resume or restore business operations after disruptive events.

Personnel is aware of what constitutes a threat and is sensitive to specific events or factors that could potentially impact the Group positively or negatively. Risk identification consists of determining which threats are likely to affect the Group, therefore risks are documented and monitored through the Risk Register, and reported quarterly to the Committee.

Employees are trained to report incidents of malfunction, suspicious activities, threats or weaknesses potentially affecting health and safety, information security, physical security, information systems continuity, privacy or other relevant areas. If a crisis occurs, crisis management teams will respond according to the *Incident and Crisis Management Policy*, following key principles such as:

- place the highest priority on people safety: employees, clients, visitors, partners, emergency responders and community members, as best practice proves that personnel are more likely to co-operate with the extra demands during a disruptive incident, if their welfare needs are met;
- ensure the integrity and safety of property goods and tenants' products for sale;
- protect assets and ensure continuity of business processes;
- maintain a strong brand reputation;
- make decisions and take actions that are consistent with the Group's core values;

- comply with all applicable national and international laws, rules and regulations;
- make public disclosures that are full, fair, accurate, timely and understandable, regarding the impact of the crisis on Group's facilities, associates, customers, operations and communities; and
- consider all stakeholders and share relevant information with them, in a timely manner.

Executive management are responsible for the design and implementation of effective crisis management strategy, plans, processes and organisation. The Group sets up a Crisis Management Team ('CMT'), to manage major events and those declared as crisis. The composition of the CMT and response depend on the scope, nature and (potential) impact. The CMT is authorised to mobilise all internal and external resources that it deems necessary to manage a crisis. External resources include, but are not limited to, law firms, technicians, consultants, public relations companies, third-party logistics, employee assistance providers, etc.

The CMT is accountable for the Group's response to a crisis and for addressing the concerns of staff and key stakeholders, for example NEPI Rockcastle's leadership, investors, key customers, suppliers and government officials.



PHOTO: AURA CENTRUM

Risk Management & Compliance

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COMPLIANCE AND RISK MANAGEMENT IN 2022

Key activities performed to enhance compliance and risk management

During 2022, the Group undertook a periodic internal review of the **enterprise Risk Management and Compliance Management system**, and amended the Risk Management and Compliance Framework, in line with efforts to ensure a one size fits all approach with regard to risk assessment and mitigation. These amendments focused on:

- testing business continuity arrangements and reviewing the incident and crisis management framework
- training and awareness programmes for all staff, focusing mainly on prevention of corruption, gifts policy, whistleblowing rules and channels
- definition of specific controls and segregation of duties rules to be embedded in business processes and supporting technology
- improving the Group Know your Client/Partner Process and monitoring tools
- increasing efficiency of the partnership between Risk Management and Compliance Officer and risk partners in order to optimise risk triggers collection and mitigation
- embedding compliance and risk management in key Group projects, especially in the digital transformation and process automation initiatives
- ensuring a more efficient and transparent sponsorship and donation process.

The Group **business impact assessment** methodology and the **business continuity arrangements followed the usual annual review process**. The analysis covered all processes and subprocess, especially new ones, interdependencies

between areas and departments, resources, people, assets and suppliers' availability, critical systems and flows. Processes and subprocesses are aligned to top risks, while hypothetical disruptions in critical processes are assessed based on a risk matrix, designed to consider the potential financial impact, as well as the impact on partners, operations, legal/regulatory obligations and reputation exposure of the Group.

Monitoring the effectiveness of risk management

Following a Group-wide fraud and criminal corporate liability risk assessment review performed in 2021, the Risk Management and Compliance Officer monitored closely the status of action plans and reported the progress to the Committee on a quarterly basis. The assessment is performed and updated at least annually, based on most relevant fraud risk scenarios and a risk-based approach, where probability and impact are assessed both as gross and net values, i.e., before and after mitigation. Following such assessment, the Company derives the priorities for the following year in terms of key risk areas and expected mitigation effort. General measures, such as increased awareness and training, policy development and periodic updates, revision of job descriptions are derived and prioritised. The Risk Management and Compliance Officer sets general priorities and key focus areas for the following year, which are included in the Compliance Program, and progress is reported quarterly to the Committee.

The risk management and compliance key priority areas for 2022 are detailed below:

In addition to ad-hoc meetings that are held whenever needed to consider special matters, to enhance the effectiveness of the risk management process, the **Risk and Compliance Committee** is convening on a quarterly basis. Any incidents and matters which are relevant in determining the level of the effectiveness of the Group's risk management are raised by management, through the Risk and Compliance Officer, to the Committee. Ultimately, the Internal Audit function, as the third line of defence in the internal controls system, assesses and investigates the effectiveness of risk management carried out by the first two lines of defence, i.e., compliance and risk management and business management.

Any significant incidents, misalignments between the decision, actions and activities of the Group and the its risk appetite or ineffective processes or controls were addressed through appropriate measures, such as revision of existing or implementation of additional policies or procedures.

Training and awareness programs have been organised for new joiners and all staff during 2022, supporting implementation of the new policies and procedures, reminding of Compliance and Risk Management essentials, aiming to raise risk awareness and developing a proactive risk aware culture among Group personnel. Regular posts on internal communication platform covered ethical conduct, gifts policy, whistleblowing values and available channels, and encouraged the Company's tone at the top and speak-up cultures. Awareness campaigns on ethics and anti-corruption practices were organised to cover also Group partners, clients and suppliers.

To ensure transparent communication is part of an efficient Risk Management process, **regular alignment workshops** continued in 2022 between functions responsible for the second line of defense (Risk Management and Compliance) and the third line of defense (Internal Audit), promoting an aligned Group-wide approach to preventing risk exposure and increasing the efficiency of overall Risk Management practices. To ensure that strategy and business goals were considered when setting and adjusting the Risk Management system, as well as to enhance the tone at the top culture in relation to a risk awareness, **regular working sessions** involving the Risk Management and Compliance Officer, Chief Executive Officer, Chief Financial Officer, Internal Audit Director and Group Legal Counsel continued. These dealt with projects and initiatives, process optimisation, potential risks and mitigation factors, especially in the context of a changeable socio-economic environment requiring fast strategic decisions and an adaptable risk management approach.

The **Business Continuity Plan** has been successfully tested in 2022, followed by the regular awareness training dedicated to Group personnel. Awareness and training, tone from the top promoting a risk culture, timely communication, remain key success factors for an efficient business continuity system management, especially in the current political and economic context. Learning from Covid-19 pandemic period where timely reaction proved to be crucial, the Group reacted immediately upon the Ukraine conflict broke out, as well as later on when the energy crisis emerged. Therefore, to support adequate and prompt impact assessment on the Group's business, a dedicated task force has been created and mandated to keep track of context evolution and develop actionable plans to enable the Group to adapt its strategy and focus to the new reality. Throughout this difficult and complex context, the Group's focus has always been to preserve people safety, assets protection, processes continuity, functional partnerships with tenants and suppliers, successful and transparent internal and external communication.

The Group framework was extended to address new potential risk triggers and concerns, and to align to new legal and regulatory environment due to Group's relocation decision to the Netherlands. In this context, the overall corporate governance framework and related policies and procedures have been revised and implemented internally, such as the General Compliance Policy, the Risk Management Policy, the Declaration of Interests Policy, the Code of Ethics, the Dealing Policy. Also new policies have been approved and implemented, such as:

- Related Party Transactions Policy has been developed based on IAS 24 and JSE Listings Requirements;
- Diversity and Inclusion Policy has been defined and implemented, aiming to help the Group promote effective communication and consultation concerning equal opportunities and diversity by appropriate means, channels and tools; and
- For the purpose of addressing inadequate/insufficient controls, segregation of duties at Group level and additional internal controls have been defined and mapped in the system currently in place.

Risk management, Compliance and Internal Audit are involved in Group optimisation and digital transformation projects so that they may recommend the most efficient control approach. Furthermore, Compliance validates all policies and procedures, and ensures coordination of the internal methodological process, enabling it to recommend needed controls and raise potential concerns in a timely manner. The Risk Management and Compliance Officer ensures all policies and procedures are available to all employees

BUSINESS CONDUCT (INTRA-GROUP AND IN RELATION TO EXTERNAL PARTNERS)	OPERATIONS AND PROCESSES	CONTEXTUAL RISK RESPONSE PLAN
<ul style="list-style-type: none">• Unethical conduct• Gifts policy• Conflict of interests• Sponsorships and donations• Whistleblowing	<ul style="list-style-type: none">• Inadequate/insufficient controls• Know your Client/Partner process, money-laundering and financing of terrorism• Information security• Data privacy• Procurement process management• Business continuity	<ul style="list-style-type: none">• Regional conflictual contexts• Energy crisis

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on Group's intranet and are regularly consulted. Relevant changes are shared by the means of internal communication channels, so that all Group existing personnel as well as new joiners may easily become familiar with the internal regulatory framework updates. The Risk Management and Compliance Officer offers guidance and advice to all staff regarding their roles and responsibilities.

Management assesses the risks of material misstatements in the financial statements due to fraud, by continuous evaluation of the design and relevant aspects of the system of internal controls, as well as among others the code of conduct, whistleblowing procedure and incident registration. Mitigation of the risk of material misstatements in the financial statements is achieved through:

- Implementation of a financial reporting calendar, as well as relevant internal controls, routines, checks and balances in the reporting process;
- Ensuring an appropriately sized and experienced finance and reporting team;
- Reconciling on a monthly basis, budget and forecast versus actuals with quarterly review by the Audit Committee;
- Audit Committee review of significant management estimates and accounting policies;
- Starting the implementation of a single integrated, secure and performant IT architecture for ERP, Budget and Forecasting, Leasing, Procure-to-Pay, Master Data Management and Group Financial and Operational Reporting, delivering digital capability for end-to-end business management; and
- Periodic internal and external auditors' review.

PLANNED AREAS OF FUTURE FOCUS

Annually, the Risk Management and Compliance Officer runs a risk assessment, to determine the focus areas for the following year and whether there is a need to update the Group internal regulatory framework and refine the Annual Compliance Program.

Considering the conflictual regional context emerging in early 2022, the energy crisis that followed and the reasonable concerns regarding the political and economic environment, the Group decided to concentrate in 2023 on the following key areas:

- increase knowledge and awareness of the risk management culture and particularly crisis management culture;
- avoid unethical practices and encourage partners to act alike;
- support core processes of Group-wide uniformization and digital transformation;
- ensure adequate segregation of responsibilities and controls are embedded in the new and revised processes; and
- increase awareness of money laundering and terrorism financing triggers.

Embedding risk management in strategy and business objectives setting as well as in the execution process, is key to successful and effective enterprise risk management, so this goal remains a top priority for the Group. As such, the automation of all core processes, accommodating internal controls, and segregated roles and action rules will remain a priority in 2023.

Data governance continues to be a priority, aiming to improve the overall data management: ownership responsibilities, storage and archiving rules, adequate labelling and access controls embedded in business processes, monitoring and continuous improvement. Such implementation, requiring significant financial and human resources, aims to prevent risk exposure of the Group

entities to financial and reputational loss, and to protect the assets of the Group and of its partners.

Information technology and cybersecurity have undergone material mitigation in 2022, managing to address efficiently and significantly most relevant concerns and vulnerabilities. Proper controls and validations have been embedded in the business process to enable centralised decision making for IT software and hardware projects, appoint a dedicated legal partner for IT-related contractual arrangements and enable extended risk assessment of outsourced services as well as used software and systems. This area will remain a focus in 2023, especially the redesign of shopping centres' network infrastructure, given the associated risk exposure to financial and reputational losses triggered by potential incidents, data breaches, impact on Group confidential information and individuals' data.

Increasing risk awareness and encouraging a more proactive instead of reactive risk management culture among Group personnel will remain of utmost importance and will be included on the agenda of the Risk Management and Compliance Officer, the Committee and the management team for the next years, as a critical success factor in achieving Group's strategic and business objectives. Also, crisis management culture is of particular interest, and employees will be trained to react appropriately when facing a crisis, as this might not only save lives but also increase the efficiency of remedial actions.

Training and awareness programmes remain a focus. Onboarding and annual campaigns are organised for all staff and Directors. Regular awareness campaigns will continue for staff and third-party partners (suppliers and tenants), encouraging them to express legitimate concerns regarding how NEPI Rockcastle's personnel perform their duties and approach them.

KEY RISK AREAS

Unexpected significant developments in the political, economic, financial, regulatory, geopolitical, social or health environments in the jurisdictions the Group operates, may have an impact on Group's assets, financial results, distribution policy, development and extension initiatives and investment/divestment approach.

Key strategic directions are periodically reassessed, ensuring identified risks are aligned to moving business objectives, while adequately and efficiently addressing potential negative impact on Group's activities or correctly weighing the potential opportunities.








PHOTO: CITY PARK

Risk Management & Compliance

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Key strategic directions*

Pillar 1 – Growth	
	Preserve a high-quality portfolio of dominant assets
	Delivering on development pipeline, positively contributing to the property portfolio and income generation
	Expanding and strengthening the portfolio Net Operating Income
Pillar 2 – Sustainability	
	Foster a strong financial discipline, including adequate liquidity, conservative gearing, and a diverse debt structure, to support growth directions
	Focus on ESG, to deliver on sustainable and responsible growth

*Strategic directions have been revised by management and external reports are currently being aligned accordingly

The Group expresses its openness to disclosing relevant information on significant events that could challenge its risk management framework and/or the key mitigating actions, while reasonably preserving information

sensitivity and observing confidentiality. In the risk assessments performed in 2022, the Group focused on the following risk triggers:

- overall economic context (gas/oil crisis, utilities cost increase, inflation, increased prices of goods and services)
- disruption to global supply chains
- legally imposed utilities consumption restrictions
- potential utilities unavailability causing business interruption
- downsides of caps on energy prices (disturb financial markets' stability, limits on supply etc.)
- potential escalation of Ukraine crisis, risk of involving other countries.






Dedicated action planning followed the risk assessment and relevant measures were implemented to mitigate identified risks.







The key risk areas listed below include the most relevant risk triggers the Group encounters, associated business impact and mitigating actions, as well as anticipated trends. This is not an exhaustive inventory, but instead includes the most relevant ones to the Company's ecosystem. Additional risk factors have not been reflected, despite being monitored, as their occurrence is not likely or their impact significant across the portfolio:

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Strategy cluster				

Strategic risks arise mainly from the fundamental decisions executive management makes implementing business strategy, while keeping up with the dynamics of the political, economic and social environment. Essentially, strategic risks lead to the Group not being able to achieve its business plan and core corporate targets or may even endanger the going concern of the Group.










The Group may not always be able to execute its investments and divestments policy at the most opportune time, due to unforeseen fluctuations in the real estate or financial and capital markets. Adverse market movements could also affect the value of the Group's portfolio, its financial position, liquidity, operating income and future prospects.










Limited new capital		Limitations on new capital injection, shortage of financing or re-financing at acceptable cost, adverse changes in macroeconomic conditions or the Group's performance may lead to a rating downgrade and/or unavailability of capital, inability to fund property investments or development program, increased cost of finance.	Cash flow management is performed daily and forecasts for the next year are updated several times a year.	Shareholders
				Financing partners
			Other measures: Spread of sources and maturity of facilities, committed but undrawn facilities maintained, continuing and extensive capital market and bank relationship management by the CFO and CEO.	Employees
				
				

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Market price evolution in real estate development		Due to high demand, the price of real estate developments increases.	A procedure has been implemented to assure the best market prices for each construction stage.	Shareholders
		Specific risk triggers:	Tenders are organized for all projects.	Tenants
		<ul style="list-style-type: none">• overlapping of more risk triggers (raw materials costs increase since pandemic, partial unavailability of materials after pandemic due to high demand, utilities cost increase, inflation rate increase, Ukraine crisis) causing delays in delivery of materials, materials and services costs increase, temporary and partial stand-by of developments projects• overall 25%-30% cost increase compared to 2021• high delays in delivery for specific materials	FIDIC type contracts are used - fixed prices, not impacted by sudden price increases on the market. Fast decisional process is key.	Suppliers
Delays in execution of assets rotation strategy	  	Due to current economic circumstances many assets available on the market and lack of capital make divesting assets difficult (improper conditions, risk of not achieving the desired pricing).	A strong asset appraisal policy is in place, setting out a structured framework used in the decision-making process for disposals. The strategy on medium and short-term is designed taking into account the market conditions - if attractive pricing can be achieved for acquisitions and/or if pricing for assets to be disposed reflects the assets value. Several scenarios are designed so that no forced sale is done and at all times the market is monitored and strategy adapted so that value is preserved. The Board monitors compliance and performance quarterly. Every decision approved by Board	Shareholders Financing partners

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Finance cluster				
<p>The Group constantly monitors its exposure to interest rate volatility, liquidity, foreign exchange rates, equity markets, and sets applicable management policies. The Group pays close attention to managing the inherent financial risks of its activity and to the financial instruments it uses.</p> <p>The Group's policy on credit, liquidity, and market risks, including currency and interest rate, as well as the management of those risks are disclosed in notes 4 and 6 to the financial statements.</p> <p>The Group is subject to various taxes in the countries where it operates. In some jurisdictions, there is an increasing burden from compliance and regulatory requirements, as well as a certain degree of unpredictability, which can lead to lower performance.</p>				
Investors demand decrease	   	Decrease in investor demand for real estate, impacting the NAV and putting pressure on bank covenants.	Having a portfolio of prime properties, maintaining strong compliance with financial covenants and performing active asset management is expected to mitigate the severity of the impact on the Group.	Shareholders Financing partners
Liquidity risk	    	The Group might not be able to meet its financial obligations as they fall due.	<p>In addition to its usual sound financial management, the Group is committed to maintaining its conservative gearing level and robust liquidity.</p> <p>Also, the Group uses the following mitigation measures:</p> <ul style="list-style-type: none"> a flexible approach to developments (i.e. revise pipeline, focus on committed ongoing projects) maintain enough liquidity to meet its liabilities when due, under normal and stress conditions, without incurring unacceptable losses or risking reputational damage management prepares budgets, cash flow analyses and forecasts, which enable the Directors to assess the level of financing required for future periods budgets and projections are used to assess any future potential investments and compared to existing funds held on deposit to evaluate the nature and extent of future funding requirements. 	Shareholders Tenants Suppliers Employees Local authorities Financing partners

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Debt and equity capital markets volatility	   	<p>The invasion of Ukraine caused turmoil in the financial markets, already negatively impacted by the macroeconomic tensions due to Covid-19 pandemic.</p> <p>Due to uncertainty caused by the geopolitical crisis and macroeconomic evolution, the future of retail sector markets remains reserved. These are rather exogenous risks, largely outside Group's control, however they can significantly influence the share price and bond yields.</p>	<p>Continuous assessment of exposures, liquidity and any other appropriate risk measures together with independent supervision by the Risk and Compliance Committee. The Group is maintaining close contact with investors and bond holders.</p> <p>The Tax and Treasury Risk Partner will ensure monitoring, perform market research and raise potential risk triggers to the Executive Committee, while the decision on mitigation measures remains with the Executive Committee and the Board.</p>	Shareholders Financing partners Employees
Operational cluster				
<p>Property development and management activities entail typical risks, such as insufficient building maintenance leading to a degradation of portfolio, health and safety risks, business continuity improperly managed, budgets overrun, improper tenant relationship management, over-reliance on a single third party.</p>				
Utilities cost increase risk	    	<p>Utilities cost increase might trigger higher operational costs. Due to increasing price of fossil fuels and electricity, the costs of utilities have increased significantly since 2021 and have been also affected by the war in Ukraine. This may (i) have a direct impact on Group NOI, (ii) cause shortfall, (iii) increase tenants' operational costs and create potential issues with collection process, (iv) negatively impact producers/distributors/suppliers/end-consumers (e.g. materials, logistics cost increase). Legislation is expected to change, i.e. new responsibilities/requirements for landlords, to accommodate the new market conditions.</p>	<p>The Company implemented adequate budgeting, more sustainable and cheaper alternative energy sources (such as photovoltaic panels), protective contractual clauses, backup for existing suppliers to prevent potential outage in case they become insolvent.</p> <p>A saving policy is being piloted in one Romanian and one Polish location involving the implementation of a new digital platform for integrating building management systems.</p> <p>A co-generation engine for electricity and heat production from natural gas was installed as a pilot in one Polish location.</p>	Shareholders Tenants Suppliers Employees Local authorities

Risk Management & Compliance

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Utilities cost increase risk (continued)			Specific planned actions for 2023-2024 at Group level, aiming to increase operational and cost efficiency: <ul style="list-style-type: none"> Closing of empty parking levels Modifying HVAC, circulation pumps, air curtains operating hours HVAC set point management. 	
Utilities outage risk	    	<p>The economic context (gas/oil crisis, utilities cost increase, inflation rate increase, disruption in the global supply chains) is challenging. Some countries are expected to impose mandatory heating or cooling limits on offices and shopping centres, in case of severe shortage (EU agreed to cut natural gas consumption by 15%, aiming to reduce reliance on Russia). Consumption restrictions potentially imposed by law in some countries for non-essential areas, protecting domestic consumers and essential operations. Possible limitation or interruption of tenants' activity resulting in potential rent concessions.</p> <p>Potential fines for non-compliance.</p> <p>Local blackouts with impact on energy prices.</p> <p>Hungary, Serbia, Slovakia more dependent on Russian gas.</p> <p>Some suppliers may refrain from making firm offers due to the legislative context, creating uncertainty in the budgeting and costs management area.</p> <p>No or little insurance coverage.</p>	<p>The Group makes efforts to secure the prices for gas and energy for next years. Some stability/support offered through state aid/caps. Technical measures implemented and further assessment made to address potential energy limitation by country (e.g. Poland).</p> <p>On-site energy production using solar panels already installed in ten Romanian assets.</p> <p>Oil burner tanks being installed in case of a gas supply crisis in Croatia. Electric air curtains and boilers are being installed as alternative to gas in Serbia.</p>	<p>Shareholders</p> <p>Tenants</p> <p>Suppliers</p> <p>Employees</p> <p>Local authorities</p>

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Information security/cybersecurity risk in shopping centres	  	Heterogeneous equipment, management software, network and security measures in the shopping centres may lead to information and cybersecurity risks.	<p>The Group launched a project for the upgrade and securing of the shopping centres network:</p> <ul style="list-style-type: none"> changing/redesigning/upgrading network infrastructure installing a new Wi-Fi system with improved capabilities securing technical equipment and enrolling in VPN, securing vendor/service provider access to Group systems providing ticket-based technical support standardisation of network equipment and centralised management installing software updates and antivirus. <p>The project was launched in 2021 and is expected to continue over the next 3 to 4 years, due to availability of network equipment, as well the significant financial investment required.</p>	<p>Shareholders</p> <p>Tenants</p> <p>Employees</p>
Risk of tenants' default	   	<p>Tenants' default may lead to bad debts, high vacancy, depreciation of rental income and portfolio value and in the end a reduction in distributable earnings.</p> <p>Litigations with tenants over rent reductions and reliefs might trigger:</p> <ol style="list-style-type: none"> alteration of the relation with tenants – decision to reduce business in our locations or to relocate credit risk – tenants fail to meet their contractual obligations – impact on cashflows and liquidity additional subsequent regulatory risk (as tenants may file various complaints with various authorities) 	<p>Detailed creditworthiness reviews are performed before signing lease agreements with tenants.</p> <p>All tenants are required to provide cash deposits or bank letters of guarantee, covering rent and operating costs, based on exposure.</p> <p>The Group maintains close tenant relationships through its internal leasing team, and tenants' performance is monitored regularly by the asset management team.</p> <p>Various indicators such as tenants turnovers and occupancy cost/affordability are assessed monthly, and measures are implemented on a need basis.</p>	<p>Shareholders</p> <p>Tenants</p>

Risk Management & Compliance








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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Risk of tenants' default (continued)		iv. financial impact – unpaid rents, litigations related costs, administrative penalties or fines imposed by authorities v. operational risk – high vacancy, bad debts vi. negative media and reputational risk. New risk triggers, following Covid-19 and post-pandemic: Ukraine crisis, utilities cost increase, inflation rate increase, changes in consumer spending behaviour.	The Group has an experienced cash collection team, that follows standardized procedures. The Group's reliable and steady OCR level of 12.1% (for 2022) allows it to maintain a healthy tenant relationship and materially mitigate the risk at portfolio level.	

Legal, Regulatory and Compliance cluster

As an owner and manager of real estate assets, the Group must comply with relevant laws and regulations, in all countries where it operates. Areas such as corporate law, health and safety, environment, building construction and urban planning, commercial licensing, leases and commercial laws, personal data protection are highly regulated across the Group's portfolio.

Climate change risk	    	Potential breaches of relevant environmental, health and safety, non-financial reporting legislation and regulations might trigger financial and reputation loss, sanctions, negative media, damage to third parties. Neglecting assets' climate adaptation plan may trigger financial and reputational loss.	The Group developed an ESG Strategy, aiming to adapt to and mitigate climate risks, provide guidelines for sustainable and performant operations, develop synergies between the building and its environmental context. Third party due diligence is performed to early identify potential ESG risks in new assets considered for acquisition, together with relevant details regarding building certification and permitting. The Group is developing climate adaptation plans for its assets and allocates CAPEX necessary to mitigate exposure to climate risk.	Shareholders Tenants Suppliers Local authorities
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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Non-compliance with laws and regulations and non-adherence to good governance practices.	    	Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage. Investing in international markets increases operational, regulatory and other related risks. The Group operates across numerous jurisdictions and is therefore subject to a complex compliance environment, as well as diverse governmental and regulatory changes.	The Group engages experienced and reputable in-house and external legal and specialised advisors. Management continuously monitors compliance with legal requirements. Appropriate operational compliance management is ensured through continuous monitoring of permits and authorisations required by law, covering all properties, operations and jurisdictions. The Company conducts a centralised quarterly review of the operational compliance status at Group level and reports results to the Board who provides oversight. Appropriate policies and procedures set the Group's ethical tone at the top culture. The Know your Client/Partner policy mitigates money-laundering/terrorism financing and prevents corruption. A Group Risk Management and Compliance Officer, as well as risk partners are assigned, while risk management and compliance status is regularly reported to the Committee.	Shareholders Financing partners Employees Tenants Suppliers Local authorities
Non-compliance with EU General Data Protection Regulation, within complex jurisdictions and local specificities.	 	Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage.	The Group has set up a structure and has employed an experienced Data Privacy Officer ('DPO') to coordinate data privacy compliance.	Tenants Shareholders Employees Local authorities

Risk Management & Compliance

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Non-compliance with EU General Data Protection Regulation, within complex jurisdictions and local specificities. <i>(continued)</i>			<p>The Group implemented Data Privacy policies and procedures, as well as regular training and awareness campaigns for all staff.</p>	
			<p>Responsibilities for data privacy were assigned in each jurisdiction.</p>	
			<p>Relevant processes have been scrutinised and as a result the Group implemented measures to ensure compliance, as well as to early identify and address vulnerabilities.</p>	
			<p>Contractual arrangements in relation to outsourcing providers acting as data processors comply with legal requirements and best practices.</p>	
			<p>Platforms and software are assessed to be privacy by-design, pentests are applied to critical systems/platforms, based on a predefined risk matrix considering the type and volume of personal data processed.</p>	
			<p>A data governance project was launched to harmonise Group practices, meant to also cover privacy risks.</p>	

The Group has not faced any unexpected or unusual material risks and did not undertake any material risk outside its risk appetite and tolerance levels during 2022.



PHOTO: PROMENADA SIBIU

Remuneration review

1. Key principles of remuneration

The Remuneration Report aims to provide insight into the Group's remuneration strategy and policy for Directors and staff.

The report has been approved by the Remuneration Committee, that ensures that NEPI Rockcastle's remuneration and incentive policy, practices and performance indicators align with the Board's vision, Group's values and business objectives.

The Group's remuneration policy and its implementation are strategically important to the human capital and directly affects the Group's strategy, long-term interests and sustainability. It also aligns business objectives and targets with the objectives and strategic priorities of Directors and staff. The remuneration and incentive policies are designed to motivate Directors and employees to pursue the Group's growth and success.

The Group's philosophy is that remuneration reflects the health of the business, is aspirational for the staff and is the result of both personal and business outcomes.

Hence, remuneration is critical in driving the achievement of results and attracting, engaging and retaining the best professionals. The Remuneration Committee and management are committed to ensuring that the remuneration strategy:

- supports through full integration the corporate and people strategy;
- is clear, flexible, transparent and fair and its implementation is a priority for management; and
- is market competitive providing a balance between performance and motivation.

The Remuneration Policy is aimed at creating a performance-driven corporate culture, strong enough to compete in a rapidly developing market – one that is characterised by high turnover, low unemployment, expertise scarcity and increased mobility towards Western Europe or inter-continental.

Considering all these factors, the remuneration proposition has been designed to motivate the delivery of strong results, positive performance and the achievement of strategic objectives, while also serving as a powerful tool for the retention of valuable, high-achieving and skilled professionals.

The key remuneration principles set out by the Group remain unchanged, as they position the Group's policy competitively in the market and serve the business strategy:

Performance-driven pay – remuneration is driven by the employee's role and performance, as well as the Group's performance.

NEPI Rockcastle has implemented a clear process for setting short- and long-term measurable goals, based on Objectives and Key Results ('OKR'), to ensure greater focus on those important business elements and results that are directly connected to business performance and shareholders' return. The objective setting process is structured along two important pillars, which are aimed to ensure that business targets and adherence to values and professional conduct are drivers of strong performance. Hence, each employee and Director have pre-set annual objectives structured as follows:

- Business objectives: key performance indicators ('KPI's) and strategic priorities;
- Key results – a breakdown of what are the essential results expected to be delivered in order to ensure achievement of the objective;
- Personal development objectives - professional behaviour, management skills, adherence to the Group's values and expected competencies.

Objectives are measured progressively throughout the year, with an expectation of at least one 'check-in' mid-year to ensure proper monitoring.

Competitive pay – the Group is committed to offering competitive packages to its employees and Executive Directors and is constantly observes relevant market benchmarks. NEPI Rockcastle ensures remuneration components are market aligned, at least at the median and approaching the maximum for strong performers.

Total annual pay – remuneration is defined as a total annual package and consists of three main components:

- fixed pay;
- variable pay: short- and long-term incentives, which can be delivered in both cash and share awards, as per the Group's incentive plan, rules of which were last approved by shareholders in 2022 ('the New Incentive Plan Rules'); and
- individual and collective benefits.

Variable pay as a differentiator – the Group's Remuneration Policy emphasises variable pay structures as enhancers of differentiated total pay, in line with performance, seniority and complexity of the role, predetermined objectives and expected impact on the business, measured in terms of results delivered and managerial capabilities to develop, lead and motivate people.

Fair pay – when setting pay levels and packages, the Group aims to achieve internal equality (similar pay for similar roles, levels of complexity and experience) and external fairness (pay determined considering the market levels and dynamics).

Annual pay review process – remuneration reviews are held annually, in connection with performance reviews, to ensure the remuneration process is benefiting the business and is based on the performance review process.



PHOTO: MEGA MALL

NEPI Rockcastle's objective is that the annual review considers business results and individual achievements, as well as external factors such as market circumstances and benchmarks.

Connecting annual pay and performance reviews enhances a business-driven, objective process, well adapted to internal and external factors.

2. Internal and external factors influencing remuneration related decisions

Internal and external factors affecting the Group's markets, industry and business generally are continually observed and adapted to, maintaining a valuable and flexible proposition to its staff members.

Wider external factors

The Group operates in competitive markets which are influenced by challenging and diverse factors. Elements related to the Remuneration Policy are workforce dynamics, skillset availability, working arrangements and routines and remuneration specificity across multiple geographies.

An important external factor affecting and influencing NEPI Rockcastle's markets, workforce dynamics and stability, directly and indirectly, is the Ukraine – Russia military conflict. With five of the Group's countries of operation bordering either Russia or Ukraine, the pressure created by the war was intensively felt especially in the first half of 2022. New security measures and specific crisis management schemes are in place at asset, country and corporate levels to prepare for, and prevent, any significant business disruptions. Maintaining direct contact with staff was a priority, as well as using the Company's scope and resources to provide comfort and security.

Effective risk management actions were implemented, including, but not limited to, business continuity plans and staff mobilisation in cases of serious repercussions.

The Ukraine – Russia military conflict affected the business environment, by negatively impacting the perception of stability and safety of the investments in the surrounding geographical area. The Group experienced a generalised increase of costs and reduced predictability over its budgets – driven by the volatility of utilities prices, especially electricity and interest rates hikes. Despite the unfortunate and regretful context, the Group's strategy and management of the crisis have maintained a strong business position, ensuring considerable growth, while maintaining the safety of all the staff members.

The **migration of skilled professionals** to Western Europe or other more developed regions continues to be critical to talent availability and overall retention. The effect of this migration was even stronger this year driven by the instability generated by the war at the borders of Hungary, Lithuania, Poland, Romania and Slovakia, and is expected to continue throughout 2023.

Moreover, a large-scale introduction of hybrid and remote work options was experienced during 2022 further reducing the availability of skilled professionals. Major international companies continue to leverage Central and Eastern European talent by either relocating employees or creating flexible working hubs across Central and Eastern Europe, especially in Bulgaria, Poland and Romania.

The fiscal environment remained relatively stable across CEE apart from some important changes in Poland, which represents the second largest country of operation for NEPI Rockcastle. This led to direct pressure on remuneration and hence, to an in-depth review of the annual reward packages offered to the staff members, during the 2021 and 2022 performance and reward review (March 2022 and February 2023).

Remuneration review

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Levels of pay continued to show a trend of increase across industries and experience levels in CEE. The highest variances were seen in technology, digitalisation, project management, logistics, retail and FMCG.

Inflation – The year 2022 witnessed unprecedented inflation levels over the last 10 years, exacerbated by the war effects: low political and military stability, energy prices, commercial restrictions, de-valuation of local currencies. The annual average inflation for 2022 for EU27 was 9.2% compared to 2.9% in 2021.

Inflation rates in the Group’s countries of operations have also increased significantly during 2022, up to 15% on average for the NEPI Rockcastle countries.

Foreign exchange rates between EUR and local currencies varied less substantially (except Hungary) than in 2021, experiencing an average of 2.0% depreciation of local currencies relative to EUR.

Internal priorities and factors related to workforce

The overarching people related priorities of the Human Resources (‘HR’) function and the management team was ensuring that the Group’s employees remain safe and are prepared for any crisis that may arise, especially in the context of the recent pandemic and the Ukraine - Russia military conflict. Business continuity, security, health and safety measures were a focus during 2022.

Relocation of the parent Company to Netherlands was an important process of transition and change, aimed at ensuring a more stable business, operating in a safe, strongly governed capital markets environment, providing increased opportunities for business growth and development of the Group’s operations.

Changes in the top management team during an unstable and challenging business and political environment represented an important internal factor influencing the leadership, strategy definition and strategic priorities of the Group, mainly focused on:

- Further integration of the portfolio across the Group, positively reflected in the team dynamics and organisation;
- Internalisation of property management functions in the Group portfolio’s western countries (Czech Republic, Hungary, Lithuania and Poland) to ensure scalability of the operating model, streamlining and further business efficiencies; and
- Adding new strategic competencies and teams development, to further drive digitalisation (ERP implementation), cost efficiencies and controls (procurement) and strategic development of the business (sustainability, renewable energy).

In this context, intensive efforts were made to maintain engagement, motivation and interaction amongst teams at

optimal levels. At the end of 2021, the People Engagement Survey results were available to management and served as a good platform for discussion and action planning around the critical and important aspects for staff members to rate NEPI Rockcastle as a great place to work.

To ensure the Group remains relevant in the way it structures pay and aligns packages with the relevant benchmarks, a reward survey was run during 2022 for the C-level and senior management positions. Furthermore, for the staff members, NEPI Rockcastle has accessed market reports for general market updates and salary increases across CEE and specifically the Group’s countries of operation.

The Remuneration Committee response to internal and external factors

Although the aforementioned external factors affected the environment and the Group’s business directly, NEPI Rockcastle managed to mitigate the impact on its results. Overall, the Group’s business results and KPIs have improved significantly during 2022 relative to the previous year and to a large extent relative to 2019, a year of reference in terms of performance delivered by NEPI Rockcastle.

The results delivered by NEPI Rockcastle led management to make specific and contextualised decisions in relation to remuneration. Jointly, the Remuneration Committee and the Group’s management team have appreciated that achievement of the 2022 performance was the result of intensive efforts, proper risk management and efficient strategic decisions. During 2022, adjustments and updates were intensively discussed by the Remuneration Committee, in the context of all the relevant changes in the market and in the structure of the management team.

Remuneration Policy was updated to reflect both the regulatory requirements of the Netherlands, the country of relocation of the parent Company, as well as the pressures on the labour market and the inflationary environment. Implementation of the Remuneration Policy took into account many elements, while keeping focus on performance – related pay, new competencies and new roles and also, where necessary, adjusting packages to market conditions.

Engagement with stakeholders and implementing feedback

Executive and non-Executive Directors meet investors and discuss economic context, market factors and challenges, the Group’s achievements, results, strategic priorities, as well as remuneration related aspects. Such direct consultation is acknowledged, and while not all stakeholders can be engaged (due to their large number), Directors personally meet major shareholders and request feedback.

In the specific context of the relocation to the Netherlands and the review of the Remuneration Policy, extensive consultations with shareholders were held by the Chairman of the Board and the Remuneration Committee. They took note of, and acted upon the feedback, ensuring these concerns were discussed and reflected, as far as possible, in the new Remuneration Policy.

During February 2022 and in September 2022 the Chairman of the Board and the representatives of the Remuneration Committee engaged with the main shareholders to :

- present the principles of the remuneration framework in place;
- clarify any questions or concerns;
- outline the significant envisaged changes;
- take note of feedback; and
- consult on proposed changes to remuneration.

As a result of the consultations and considering the specific requirements of Dutch legislation, an Amended Remuneration Policy and Amended Long-Term Incentive Plan (‘LTIP’) were proposed to shareholders at the Extraordinary General Meeting on 16 November 2022.

The amendments to the Remuneration Policy and Long-Term Incentive Plan received votes from 81.17% of the shareholders, of which:

- 95.95% voted positively for the amendments to the Remuneration Policy; and
- 98.39% voted positively to the amendments to the Long-term Incentive Plan.

Main areas of feedback received from those shareholders that engaged with the Group on the remuneration topics, as well as items pointed out by Institutional Shareholder Services (ISS) Proxy Analysis and Benchmark Policy Voting Recommendations are presented below:

Feedback theme	NEPI Rockcastle response to feedback
Transparency and disclosure	The 2022 annual implementation of Remuneration Report includes specific details related to: <ul style="list-style-type: none">• award determination mechanism;• details of KPIs, weights, targets and achieved results• sliding scales ranges for relevant KPIs;• maximum levels of pay for STIP and LTIP (where applicable); and• TSR peers list with specific results (for percentile determination).
LTIP vesting conditions	In the Amended Remuneration Policy and the Amended Incentive Plan Rules, the LTIP vesting conditions for Executive Directors have been amended to reflect feedback, market practices and regulatory requirements: <ul style="list-style-type: none">• From 5 years tranche vesting changed to 3-years cliff vesting; and• 2 years lock-up has been introduced.
Claw-back mechanism	In the Amended Remuneration Policy and the Amended Long-term Incentive plan, the LTIP vesting conditions have been amended to reflect the mechanism for claw-back.
Market benchmark	During 2022, the Group has undertaken a benchmark analysis against the Western Europe, CEE, South Africa and international markets for both Executive Directors and senior management levels, on both fixed, variable and benefits components. Results have been discussed within the executive management and Remuneration Committee and measures have been taken within the reward review process for 2022 and 2023 fixed pay.
Levels of pay to be benchmarked to the relevant market.	

Remuneration review

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The Remuneration Committee remains actively engaged with external advisors and reward consultants to gather intelligence on:

- the overall market (the Chairman and/or the Remuneration Committee participate in dedicated executive/Reward workshops and cross-industry meetings)
- the Group's business (NEPI Rockcastle regularly analyses reports issued by external advisors regarding the Group's remuneration and implement adjustments, when appropriate).

Amended Remuneration Policy and Amended Incentive Plan Rules in 2022

Following the Group's relocation to the Netherlands, the Remuneration Policy, the Incentive Plan Rules and relevant remuneration practices have been reviewed and updated to align them with Dutch legislation and the Dutch Corporate Governance code while maintaining adherence to King IV principles and best market practices. The Company noted shareholder feedback and the Amended Remuneration Policy was adopted with 95.95% positive voting at the Extraordinary General Meeting in November 2022. The Amended Incentive Plan Rules were also adopted with 98.39% positive voting during the same meeting.

The remuneration structure of Executive Directors has been mostly reviewed to align the variable pay components to the market and the specific requirements of the Dutch legislation and Corporate Governance code:

- Variable pay KPIs have been reviewed for the Short – Term incentive plans

- Group level LTIP has been amended by:
 - » Introduction of claw-back provisions
 - » Changing from 5-years tranche vesting to 3 years cliff vesting, plus a 2 years period of lock-up
 - » Introduction of specific termination provisions in relation to the awarded LTIP

More details of the specific changes are presented in the Remuneration Policy and the Implementation report.

Non-Executive Directors Remuneration

No change in the remuneration of the non-Executive Directors was made during 2022.

Remuneration Committee priorities

During 2022, the Remuneration Committee's priorities were set around:

- ensuring proper succession for CEO, CFO and COO;
- ensuring proper reward and motivation for the new top management team, proper onboarding and performance – driven alignment reflected in fair and competitive pay;
- strengthening the internal team capabilities by acquiring the needed new competencies and properly onboarding them within the top and senior management teams;
- supporting the management team throughout the challenging market context, while maintaining and monitoring adherence to the agreed remuneration principles;
- engaging with shareholders to better understand their feedback and optimise the existing Remuneration Policy; and
- driving the necessary and expected Amendments to the Remuneration Policy and the Long-Term

Incentive Plan, incorporating stakeholders feedback and complying with the requirements of the Dutch legislation and Corporate Governance code.

The Remuneration Committee's objectives, processes and plans remain aligned to the business and aim to address the internal and external influencing factors, the needs and expectations of stakeholders, including employees. These are outlined below:

Remuneration Committee's priorities	Approach	2022 process
1. Group's Remuneration related priorities		
Ensure remuneration motivates people for performance while managing the challenging and unstable business environment of 2022	The Group reviews variable and fixed remuneration annually. Performance of the business and individual professionals is being assessed. Variable pay is linked to KPIs and overall annual individual performance, while the fixed pay is linked to the complexity of the role.	In the context of the strong performance delivered by the Group and its team, budgets have been distributed in line with business results, set at business function level. Allocation of bonuses is agreed based on meritocracy, hardship, complexity of projects and strategic decisions managed within a specific business function. Emphasis is placed on determining performance fairly throughout the performance management process, as this links into variable pay. Decisions about the specific level of bonuses is taken at top management level (i.e., Directors of business functions), while team leaders are encouraged to assess performance and make relevant recommendations to reflect the contribution of individual team members. Variable remuneration for Executive Directors is determined in line with the Remuneration Policy, KPIs and computation algorithm.
Ensure the Group's remuneration is aligned to the relevant market and provides internal fairness	The Group frequently consults international independent remuneration experts to ensure a proper understanding of the benchmarks and determine actions to be implemented during the annual remuneration review processes.	For top management, a market survey was conducted during 2022. For staff members, the Group consulted general market reward reports and trends on expected salary growth at industry/ country/seniority levels.
Ensure transparency of the Group's remuneration policy, pay levels and structures, objectives and adequate link between pay and business performance	The principles and details of Group's remuneration policy, including any changes made or anticipated are publicly presented in the Annual Report. Meetings with management teams are held annually within the remuneration and performance review process to outline, explain and clarify decisions and rationale.	The 2022 Annual Report presents a compelling overview of remuneration for both Executive and non-Executive Directors, as well as principles of remuneration across the staff. Allocation of staff cost budgets was done at business function level, allowing top management team to take a wider responsibility over managing the process of reward review. Individual discussions with team leaders were held by the HR Director to explain and clarify: <ul style="list-style-type: none">budget allocationprinciples of remunerationreward review and link to performance of teams and individuals.



PHOTO: ARENA MALL

Remuneration review

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Remuneration Committee's priorities	Approach	2022 process
2. Alignment of ethics of pay		
Ensure alignment of all staff remuneration principles and pay structures across all countries in which the Group operates	The same remuneration review process is conducted at Group level and in all countries where NEPI Rockcastle is present.	The HR function is a centralized function which ensures HR services across the Group. Determination of specific remuneration at the level of a team is done upon consultation with HR reward specialist who provides, for each position within the Group, an analysis of the job level, benchmarking against specific functions and geographies and makes recommendations in respect of appropriate pay levels. This process ensures that same principles of pay are consistently applied across all grades, functions and countries.
	The HR Director ensures the roll out of the process is aligned and the same principles are applied across all countries.	
	The Remuneration Committee is informed of and annually approves the performance and reward review approach.	
Ensure remuneration is determined without discrimination	The HR Director, as mandated by the executive management and Remuneration Committee ensures through detailed reviews of the reward processes that pay levels are set free from any discrimination based on: gender, age, race, religion or other.	Fixed remuneration is determined based on role, responsibilities, level of competence and experience, while variable remuneration is determined based on performance, impact and contribution. No consideration is given during the hiring, or reward review process, to any other factor that could lead to discrimination, such as gender, age, race, religion or other.
		The Remuneration Committee is also reviewing the principles, mechanisms and implementation of reward review, to ensure that only role and performance elements are considered in reward determining decisions.
		The HR department monitors relative pay of staff to ensure fairness and ethical pay principles are observed.
3. Shareholders' engagement and Corporate Governance		
Ensure shareholders' feedback is observed and discussed	Regular meetings are held with shareholders upon presentation of financial results, where questions received and addressed by Executive and non-Executive Directors cover the entire range of topics, including remuneration.	
	The Remuneration Committee maintains contact with shareholders and discusses feedback with the Board after voting at the AGM. All shareholders have been publicly invited to provide their feedback as per the results announcements issued on 30 June 2022.	
	The Remuneration Committee Chairman and the Chairman engaged in detailed discussions and consultations on remuneration related matters with major shareholders during February and September 2022.	
Comply with King IV requirements and other relevant corporate governance frameworks	The Board is actively promoting and encouraging management to continuously improve Corporate Governance and alignment with to relevant corporate governance frameworks.	



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4. Key decisions in 2022

Area	Group's decision												
Staff remuneration													
Fixed pay	<p>The 2022 reward review has been finalised. Considering the market circumstances affecting the business, it was decided that 2023 salaries will be adjusted on a discretionary basis to align with:</p> <ul style="list-style-type: none">• market levels and conditions as presented in Section 2 (Internal and External Factors Influencing Remuneration Related Decisions)• internal fairness and• ensure adequate levels of motivation, engagement and retention in the current market circumstances.												
Salary and bonus pool	<p>Staff cost budgets were set at business function level allowing more flexibility and accountability over remuneration-related decisions.</p> <p>The HR reward function and CEO supervise the consistent application of remuneration principles across the business. Variable pay decisions are calibrated at Group level with the CEO and HR Director, ensuring consistent application of reward principles.</p>												
Executive Directors' Remuneration													
Fixed pay	<p>All three Executive Directors have been appointed to new roles during 2022. Their fixed pay has been determined in accordance with their role, as presented in the Implementation Report.</p> <table><tr><th>Executive Director</th><th>Position</th><th>Annual fixed pay (€)</th></tr><tr><td>Rüdiger Dany</td><td>CEO</td><td>600,000</td></tr><tr><td>Eliza Predoiu</td><td>CFO</td><td>350,000</td></tr><tr><td>Marek Noetzel</td><td>COO</td><td>350,000</td></tr></table>	Executive Director	Position	Annual fixed pay (€)	Rüdiger Dany	CEO	600,000	Eliza Predoiu	CFO	350,000	Marek Noetzel	COO	350,000
Executive Director	Position	Annual fixed pay (€)											
Rüdiger Dany	CEO	600,000											
Eliza Predoiu	CFO	350,000											
Marek Noetzel	COO	350,000											
Variable pay – Short-Term Incentive Plan ('STIP')	<p>KPI structure, composition and weighting align the impact over business and are aimed to reward and reflect role's specificity by:</p> <ul style="list-style-type: none">• differentiating between roles – different KPIs for different roles; and• applying different weighting for same KPIs for different roles. <p>Specific adjustments have been made to the weights of KPIs at the beginning of 2022, to reflect business strategic areas of focus.</p>												

Remuneration review

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Area	Group's decision							
Variable pay – Short-Term Incentive Weights and structure 2022 - 2021		2022				2021		
	Performance measures STIP	2022 vs. 2021	CEO	CFO	COO	CEO	CFO	COO
	Financial performance		35%	40%	25%	30%	60%	25%
	Growth in distributable earnings per share*	maintained	30%	30%	25%	30%	40%	25%
	Maintaining Investment Grade rating	maintained	5%	10%	-	-	20%	-
	Operational performance		25%	15%	40%	45%	-	50%
	NOI organic growth*	maintained	10%	5%	15%	15%	-	20%
	Maximum accepted vacancies*	maintained	5%	-	10%	10%	-	10%
	Collection rate*	added	5%	10%	5%	-	-	-
	GRI - gross rental income increase*	added	5%	-	10%	-	-	-
	Increase in retail trading densities over CPI	excluded	-	-	-	10%	-	10%
	Maximum tenant arrears written of	excluded	-	-	-	10%	-	10%
	Debt risk management		-	10%	-	-	7.5%	-
	Debt maturity (remaining years, excluding RCF)	maintained	-	10%	-	-	7.5%	-
	Qualitative factors		15%	10%	10%	-	7.5%	-
	Timing (weeks) of financial results publication (from the end of financial period)	excluded	-	-	-	-	7.5%	-
	ESG - conclusion of the ESG plan, milestones and roadmap, approved by the Board	added	10%	10%	5%	-	-	-
	ESG - installation of energy-photovoltaic panels in 10 locations	added	5%	-	5%	-	-	-
	Discretion of the Board		25%	25%	25%	25%	25%	25%
	%Total achievement		100%	100%	100%	100%	100%	100%
<i>*For specific KPIs, sliding scales and metrics were set for minimum/target/maximum level of achievement. Sliding scale and performance incentive zone applies. Sliding scale ranges from 0% for minimum level to 100% for target level and 200% for maximum level.</i>								
Variable Pay – Long-Term incentive ('LTIP')	Changes were made to the LTIP determination mechanism during 2022, as detailed in the Implementation Report.							
	TSR versus peers, which is Group based, applies similarly to all executive positions.							
	Determination of quantum of LTIP	The list of peers has been reviewed by the Remuneration Committee.						
No loans were granted to either Executive Directors or staff.								

The Remuneration Committee is committed to ensure that NEPI Rockcastle adopts best practices in remuneration, aligned to good corporate governance. Therefore, it will continue to carefully monitor the stability of the business, political and geographical environment (especially in the current context of the Ukraine - Russia war and related impact on the global economy), as well as specific industry trends, market dynamics and stakeholders' expectations.

- Specifically, NEPI Rockcastle's Remuneration Committee will ensure:
- the Remuneration Policy and the Incentive plans remain competitive and serve the business to drive the implementation of strategy and delivery of results;
 - performance measures are defined in a manner that supports the delivery of added value for stakeholders;
 - engagement with stakeholders in a transparent manner;
 - benchmarking of pay against relevant markets every two years.

5. Remuneration Policy Adoption and Non-Binding Advisory Vote on Implementation Report

The Remuneration Policy received a binding positive vote during the November 2022 Extraordinary General Meeting. In accordance with Dutch legislation, the Remuneration Policy will be reviewed and presented for shareholders' approval in 2026 (every four years). The Remuneration Policy and the Remuneration Implementation Report will be presented at the Annual General Meeting for its advisory (non-binding) vote in accordance with the JSE Listings Requirements. NEPI Rockcastle invites shareholders to engage with executive management and the Remuneration Committee prior to the 2023 Annual General Meeting with any concerns regarding the Implementation Report, or any clarification

needed for a better understanding of the remuneration practices. Directors remain committed to engaging with shareholders in order to address all legitimate and reasonable objections and concerns.

The Remuneration Committee has carefully considered the implementation of the Remuneration Policy throughout the year and believes it achieves stated objectives. The Committee is confident that the Remuneration Policy remains aligned with the strategy of the business to support value return to shareholders and other stakeholders.

Andre van der Veer
Remuneration Committee Chairman



PHOTO: BONARKA CITY CENTER

Remuneration review

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REMUNERATION POLICY

Scope

The Remuneration Policy is centered on the Group’s mission, long-term value creation and continuity of the business, taking into account the interests of its stakeholders. The core of NEPI Rockcastle’s remuneration strategy and policy is the focus on the value created within and through its teams, which results from:

- the achievement and results delivered by each team member, individually and collectively;
- how the Group develops top professionals, helps them acquire new skills and encourages innovation; and
- the teams’ stability, ensured by recruiting, motivating, and retaining qualified key professionals with the right level of experience and competences to drive the Group’s mission.

Moreover, remuneration is intended to be competitive in relation to both the market in which the Group operates and the nature, complexity, and relative size of the business. Considering the Group’s listing on several stock exchanges (Johannesburg Stock Exchange, Euronext Amsterdam and A2X) and the recent migration of the parent Company to the Netherlands, the principles of King IV and the Dutch Corporate Governance Code have been taken into consideration when seeking advice in drafting this Remuneration Policy.

To support this strategy, the Remuneration Policy is designed based on the following key principles:

- performance driven pay;
- competitive pay;
- total annual package;
- variable pay;
- fair pay; and
- annual pay review.

To evaluate the effectiveness and ensure sustainability of both the strategy and principles, the Group observes specific fundamentals of implementation, detailed below:

Clarity – the Group’s Remuneration Policy, frameworks and mechanics are transparent and clear, allowing for effective engagement with shareholders and human capital.

Simplicity – the pillars of the Group’s remuneration structure are straightforward – fixed pay, benefits, and variable short- and long-term pay. Determination of variable pay is always linked to individual performance (further to the annual performance review process) and Group performance (made public, with shareholders engaging in detailed discussions on the performance achieved and impact on the overall business growth and continuity).

Risk – the Remuneration Policy and processes structured around implementation of the policy are set so that any risk of excessive pay or underpay is identified and acted upon. The key controls in identifying and addressing such risks are:

- Remuneration Policy (on review or hiring) is validated by Human Resources and a remuneration specialist, considering internal equity and market data.
- Remuneration of the Executive Directors is based on benchmarks assessed regularly (typically every second year) and stakeholder involvement. Social consensus is also taken into account.
- Various internal pay ratios and analysis are regularly calculated as part of the reward review and discussed with the management and Remuneration Committee, should any non-typical progression be noticed.
- All variable pay determination is linked to performance review. Remuneration review is done only upon completion of the performance review process to avoid misalignment between awarded pay and delivered performance.
- Results of performance management are calibrated at Group level, to maintain consistency in the way performance is measured and benchmarked for similar roles, impact, and seniority.
- Reward reviews and awards of variable pay are done once a year, and the process’ principles and outcomes are presented and discussed within the Remuneration Committee, with the Human Resources Director and CEO.
- Key Performance Indicators (**KPIs**) and strategic objectives pre-set at individual level (for both staff and Executive Directors) are aligned to business KPIs and derived from the strategic direction of the Company.
- KPIs and strategic objectives are sufficiently wide (and ensure that there is a combination of areas that are to be focused on). The Group’s embedded target is that performance in one area is not achieved by compromising in other areas or in ethical aspects of the business.
- Performance reviews of employees in addition comprise a component of 360-degree feedback, focused on behaviours, values and ethics. Any possible unethical behaviour would be signalled and acted upon before awarding any component of variable pay.
- Performance reviews include in addition a component of Environmental, Social and Governance (ESG) for all Executive Directors and members of the senior management team, that is detailed in specific KPIs and cascade down to the level of the teams, across all teams.

Predictability – the Group has developed the Remuneration Policy and implementation mechanisms so that total awards for human capital are predictable to the extent possible: by market moves, by internal decisions on pay, and, most importantly, by the link to Group and individual performance and role (as determining pay in the Group’s policy is linked to market, role and responsibilities and performance).

Sliding scales and performance incentive zones are defined for the core KPIs of Executive Directors, enabling minimum and maximum variable payouts to be predicted.

Proportionality – the Remuneration Policy and principles are focused on linking individual awards, the delivery of strategy and the long-term performance of the Company.

There are specific elements in the Group’s policy which ensure poor performance is not rewarded – bonus pools will be activated at specific achievement rates and upon consideration and approval of the Group’s management and Remuneration Committee. In addition, the basic rules of the policy state that performance with below expectations is not rewarded, and consequence management is enforced.

Alignment to culture – When developing the Remuneration Policy and philosophy, the Group focused on how its four core values reflect the way people behave and drive performance. The Group values linked to the remuneration philosophy are set out below:

Philosophy	The Group’s Remuneration Policy was designed to deliver fair, market-related compensation for all employees, whilst ensuring differentiated reward packages as appropriate, in line with each employee’s role, competence, performance and behaviour. The variable pay component ensures that excellence and innovation are rewarded. Compensation is anchored at the market median and is structured to exceed market levels where performance in creating value for stakeholders is achieved.				
Principles	Pay for performance	Total annual package approach	Annual remuneration reviews	Competitive and fair pay	Differentiated variable pay
Details	Remuneration is driven by the employees’ role and performance review, and the overall performance of the Group. Clear, measurable goals are set for the Group, teams and individual employees.	Remuneration is defined as a total annual package, consisting of fixed pay, variable pay (which can be delivered in cash and/or shares), and individual and collective benefits.	Remuneration reviews are held annually, with the purpose of assessing performance for the past year and defining remuneration packages (performance bonuses, new levels of fixed pay and benefits).	The Group is committed to paying fixed salaries at market level (compared to companies of similar size and complexity), and variable components above market level for high- performing employees. Annual inflation reviews ensure salary levels remain competitive.	The Group has a differentiated variable pay method, based on role, seniority and performance levels.
Company Values	Excellence	Excellence	Integrity	Integrity	Excellence
	Innovation		Development		Innovation
	Development		Communication		

Remuneration review

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IMPLEMENTATION AND GOVERNANCE

The Remuneration Committee is responsible for the Remuneration Policy and its implementation in accordance with statutory requirements. The Remuneration Committee is appointed by the Board to make a proposal for the establishment or amendment of the Remuneration Policy, which is then proposed to the annual general meeting for approval. The remuneration of Executive and non-Executive Directors is proposed by the Remuneration Committee to the Board of Directors.

The remuneration of Executive and non-Executive Directors in the Remuneration Policy will stand for vote as per the provisions of the Dutch law at least once every 4 years (next voting taking place in 2026).

The entire Remuneration Policy will stand for a non-binding advisory vote as per the provisions of the JSE Listings Requirements every year during the Annual General Meeting (next voting taking place in 2023).

Remuneration of Executive and non-Executive Directors is disclosed annually in the Remuneration Report prepared as part of the Company's Annual Report. The remuneration mentioned in the Company's Annual Report will include all awards, whether paid directly to the Executive and non-Executive Directors, or to a service company controlled by them.



PHOTO: SHOPPING CITY TIMISOARA

REMUNERATION DESIGN

Pillar	Description	Purpose and link to strategy
Fixed pay All staff	<p>Guaranteed and fixed pay, determined by role and responsibilities, experience, competence, qualifications, and expertise. The median of the relevant market is used as a reference point for determining the level of fixed pay.</p> <p>Adjustments can be made for specific circumstances, achievements, and responsibilities.</p> <p>Reviewed annually to ensure internal and external equity, correlation to role and responsibilities (especially in case of role change or competence/qualifications uplift).</p>	<p>The Group aims to remain the dominant commercial real estate investor and operator in Central and Eastern Europe. Hence, its teams should comprise top professionals: qualified, experienced, competent, and motivated.</p> <p>The Group's target is to attract, motivate and reward specific skillsets needed, especially considering a competitive labour market with high scarcity of property and commercial real estate skills and qualifications.</p>
Short-term incentive plan ('STIP') All staff paid in cash	<p>Variable pay delivered for achievements against short-term objectives set in advance. Variable pay relates to the employees' role. The more senior an employee is, the more they can impact the Group's results; hence the higher proportion of variable pay in their annual package.</p> <p>Under-delivering against objectives leads to no variable pay.</p> <p>Categories of seniority used for staff STIP are: non-managerial, middle management and subject matter experts, and senior management.</p> <p>STIP total variable pay is subject to achievement of business targets and budgets.</p>	<p>NEPI Rockcastle aims to remain among the best performing retail real estate companies in CEE and continue to deliver best results against challenging targets. Variable pay is designed to incentivise individual contribution to business results. The stronger the performance, the higher the variable pay.</p>
Long-term incentive plan ('LTIP') Executive Directors and key staff Shares awards	<p>Annual share awards made to participants based on Group's achievements of three-year trailing KPIs (internal and external).</p> <p>Quantum of allocation is determined as a percentage of annual fixed pay.</p> <p>Vesting period of three years for Executive Directors (cliff vesting at the end of the 3-year period) and for key staff (tranche vesting over 3 years). For Executive Directors there is a mandatory lock-up period (sales restriction) for an extra 2-year period after vesting, resulting in a total lock-up for 5 years from the date the award is allocated.</p> <p>Although the LTIP is primarily settled through shares as per the above, the NEPI Rockcastle Incentive Plan can allow for LTIP to be settled in cash.</p>	<p>NEPI Rockcastle aims to drive achievement of ambitious strategic priorities and keep senior management and Executive Directors focused on long-term value creation.</p> <p>The Group's long-term interests should be aligned with those of senior management and Executive Directors.</p> <p>A medium to long-term retention of key professionals is essential to the business.</p>
Benefits All staff	<p>Medical services based on subscription or medical insurance, the cost of which is partially or fully covered by the Group.</p> <p>Meal allowance/vouchers as per local legislation.</p> <p>Access to sports facilities – cost of subscription partially covered by the Group.</p> <p>Other wellbeing benefits, including work flexibility and hybrid work.</p>	<p>Happy, healthy, and motivated employees are more efficient and deliver better results.</p> <p>Ensuring stable teams is essential, and the Group can play an important part in educating lifestyle-related habits.</p>

Remuneration review

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Each element of remuneration is described in more detail below. All Executive Directors are entitled to participate in the Group’s long-term and short-term incentive plan.

Fixed pay

The strategy is to position the fixed pay for both employees and Executive and non-Executive Directors at market median, and for specific, critical roles, above the median up to the 75th percentile. These specific roles are set by assessing scarcity of the market, turnover trends, and uniqueness of roles.

Based on market circumstances, in order to best determine the appropriate level of fixed remuneration, the Group benchmarks salaries of employees against the relevant markets. The commitment of the Group is that, at least every second year, market benchmarks are consulted to ensure external equity. For such process, NEPI Rockcastle uses the services of international top-tier reward consultants, specialised in the relevant industries and markets.

Remuneration is reviewed (annually) with the aim to validate internal and external equity, as well as to determine any changes needed. As the Group focuses on being more competitive in annual pay through variable pay, increases in salaries are considered only in case of:

- change of role and responsibilities (e.g., promotions);
- external equity: significant gaps compared to relevant market benchmarks; and
- internal equity: similar pay for similar roles in similar geographies.

Increases in salaries are subject to meeting budgets and must be aligned with the overall performance of the Group.

The Group does not provide any loans or guarantees to Executive or non-Executive Directors.

Variable pay – STIP

STIP for employees is determined as a proportion of the annual fixed pay, and can vary depending on certain elements:

- Company’s **performance**;
- **Employee’s role**, which determines the target bonus rate (e.g., non-managerial, middle management/ subject matter experts, senior management); and
- **Individual performance rating** – obtained by each employee within the annual performance evaluation process (on a scale of 1 to 5).

The annual employees’ STIP is determined by applying a multiplier, factor of performance and role level, to the annual fixed salary.

STIP for Executive Directors is determined based on a clear measurable algorithm that leads to a coefficient to be applied to the annual fixed pay. The measures

comprised by the algorithm are aligned to the business KPIs, and structured by categories of performance:

- financial performance (such as: growth in distributable earnings per share, investment grade rating)
- operational performance (such as net operating income, accepted vacancies, collection rate, gross rental income increase)
- debt risk management (such as debt maturity (remaining years, excluding RCF); and
- qualitative factors (definition of ESG strategy and roadmap and execution of energy-photovoltaic projects)

Structure of specific KPIs within the above categories, and weights of KPIs in the total scheme, are adjusted and differentiated to reflect the specific roles of the Executive Directors.

Weight distribution of KPIs:

Performance measures STIP	Weight		
	CEO	CFO	COO
Financial performance	35%	40%	25%
Operational performance	25%	15%	40%
Debt risk management	-	10%	-
Qualitative factors	15%	10%	10%
Discretion of the Board	25%	25%	25%
TOTAL	100%	100%	100%

The objectives are set for the 12-month financial period under review, and the achievement rate is calculated considering the specific weights agreed for each individual measure.

The pay varies between 100% at target to a maximum of 170% applied to the annual fixed pay.

Sliding scale ranges are applicable for specific KPIs (growth in distributable earnings per share, net operating income, maximum accepted vacancies, collection rate and gross rental income increase) from 50% for minimum level to 100% for target level and 200% for maximum level.

STIP is paid if a minimum of 75% of the KPIs are achieved.

Non-Executive Directors will not be eligible to participate in the STIP. They are entitled to an annual fee in their capacity as members of the Board of Directors, and members of committees of the Board of Directors, respectively, as approved by shareholders at each annual general meeting.

Variable pay – LTIP

LTIP awards to key staff and Executive Directors are made based on the terms of the NEPI Rockcastle’s Incentive Plan. Eligible employees and Executive Directors receive an award of restricted shares which vest:

- for key staff, in tranches over a period of three years; and
- for Executive Directors, in full at the end of a period of three years, after which they remain subject to lock-up (sales restriction) for a further period of 2 years, resulting in a total of 5 years from allocation before shares become freely disposable.

For key staff, the quantum of allocation is a factor of the employee’s fixed pay and STIP, in consideration of the overall annual performance, role and business impact.

The LTIP allocation is finalized in February-March of each year, upon completion of the performance review for the previous financial year. Other LTIP allocations can take place based upon employment, promotion, or retention as part of an offered remuneration package.

Executive Directors’ LTIP award allocation is based on achievement of both internal and external measures.

The **internal measure** is the three-year compound annual growth rate of distributable earnings per share relative to an indexation-linked benchmark. The result, as a percentage, is multiplied with an internal hurdle factor of 20.

The **external measure** is determined as total shareholder return compared to a relevant, Board-approved set of peers, with the respective KPI being considered:

- fully met if the Group performed in the top quartile – a percentage of 50% of the annual fixed pay;
- 50% of the full achievement if the Group performed in the second quartile – 25% of the annual fixed pay; and
- not met if the Group performed in the bottom two quartiles.

The resulting factors (expressed in percentages) from both internal and external measures are multiplied by annual fixed salary.

LTIP determination for Executive Directors’ performance is approved by the Remuneration Committee and settled through share awards without attached loans.

Clawback provisions

Clawback provisions may apply to STIP and LTIP awards made to key staff and Executive Directors, such that all or part of any awards under the STIP or LTIP (or their value), including distributions received on award shares, may be recouped in the event of gross misconduct, gross negligence, or material error occurring or being discovered within 2 years of allocation of any STIP award or vesting of any LTIP award shares.

External factors such as new laws and regulations or social developments may prevent awards under the STIP or LTIP.

Internal pay ratio

When determining the remuneration of Executive Directors, in line with the Dutch Corporate Governance Code, the Remuneration Committee reviews and considers the progression of the internal pay ratio between the pay of the Executive Directors and that of a relevant reference group of employees. The Company aims to further ensure alignment to the principles of philosophy of the Remuneration Policy, while reasonably weighting the position and the responsibilities of managing a listed company with the reward levels, to reach a reasonable proportionality with the salaries and employment conditions of all Company employees and management. Pay ratios in relevant markets where the Group has teams and operates business and asset portfolios are reviewed annually. The methodology, principles and relevant ratios are reported annually in the Implementation Report, in the spirit of full transparency.

Ratio between fixed and variable pay

The remuneration of Executive Directors is designed to support both short- and long-term alignment of interests of management with shareholders, as well as to be strongly performance driven. The framework is set to ensure a healthy and incentivising weighting between fixed and variable (both STIP and LTIP) pay. For Executive Directors, the pay weight (at target achievements as per the internally set objectives) is approximately of 30% fixed pay and 70% variable pay.

Minimum and maximum levels of variable pay as per the remuneration framework

The remuneration framework for Executive Directors is designed to ensure a threshold of performance for variable pay and the conditions under which no variable award is granted.

Minimum levels

Minimum/Zero STIP: The threshold of cumulative achievement of KPIs is 75%. For any level of achievement below 75%, the STIP award is capped to maximum the equivalent of the Board discretion percentage and per the STIP KPIs table.

Minimum/Zero LTIP award:

- The cumulative compound annual growth rate (CAGR) over 3-year (adjusted to 2-year for 2022 as further presented on page 152) must be higher than indexation + 1%, failing which the LTIP award for this component of the KPI is zero; and
- The total shareholder return of the Company must be positioned versus selected peers either in the first or second quartile, failing which the LTIP award for this component of the KPI is zero.

Remuneration review

» continued

Maximum levels

A maximum capped achievement for extraordinary performance, or as determined by the Remuneration Committee based on business circumstances, is also designed as part of the framework.

For STIP awards, the maximum is determined based on the calculation of achievement of KPIs that have a pay range applied, resulting in a maximum of 170% of annual fixed pay achievement.

For LTIP awards, the maximum award is capped at 270% of annual fixed pay.

Termination of employment

Managing risks related to pay and termination of employment is a priority for the Remuneration Committee, CEO and Human Resources Director.

The following considerations apply in the event of termination of employment:

Notice period

- for staff, does not exceed 6 months in any of the jurisdictions where the Company operates
- for Executive Directors, 3 months

Fixed pay and benefits are discontinued when employment ceases. Applicable benefits may continue to be provided during the notice period, but will not be paid on a lump sum basis.

STIP - Entitlement to STIP will lapse on termination of employment and no further payments will be made upon termination. On a discretionary basis, the management (for staff) and the Remuneration Committee (for Executive Directors) may decide to award a proportion of the STIP for the period worked until the date of the termination, on the termination date.

LTIP - All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of a fault (bad leaver) termination. In the event of a no-fault (good leaver) termination, management (for staff) and the Remuneration Committee (for Executive Directors) have

discretion to determine whether unvested awards shall vest as scheduled, on an accelerated basis (all, part or pro rata) or lapse, including discretion as to the application of lock-up of award shares of Executive Directors, all of which is detailed in the Remuneration Report for the respective period. All unvested awards vest and shares release from lock-up upon death of an employee or Executive Director.

Severance pay may be granted on termination of employment as required by law or based on the conditions of termination (fault/no-fault terminations), at the discretion of the management (for staff) and the Remuneration Committee (for Executive Directors).

Non-Executive Directors' fees

The non-Executive Directors are paid based on their role by way of an annual fee payable on a monthly basis. Increases in NED pay are proposed by the Board, based on relevant market benchmarks, and approved at the AGM.

Travel, accommodation, and logistics costs incurred by NEDs in relation to performance of their duties are covered or reimbursed by the Group.

Executive Directors' agreements

The actual remuneration of the Executive Directors shall be as set forth in the applicable Executive Director's services or employment agreement with the Group or a subsidiary, concluded for an indefinite period and in compliance with applicable laws. The service agreement includes an agreement concluded between the Group or a subsidiary and the service company controlled by the Executive Director. The terms of such agreement are intended to be consistent with this Remuneration Policy; provided that, in the event of any inconsistency between the applicable services or employment agreement and this Remuneration Policy, the terms of the agreement will prevail.

The Executive Directors' service or employment agreements do not provide for pensions or other benefits outside the realms of this Remuneration Policy. Any pensions or other benefits provided will be approved by the Remuneration Committee and disclosed in the Implementation Report on an annual basis.

IMPLEMENTATION REPORT

Executive Directors' remuneration

The variable pay components linked to 2022 results (STIP and LTIP) were determined based on performance criteria. The Remuneration Committee reviewed the criteria in December 2022 and approved them based on preliminary assessed performance on 10 February 2023. Subsequently, the Committee validated the variable pay components on 13 March 2023, based on the final performance for the year.

1. 2022 STIP AWARD DETERMINATION

The 2022 STIP KPIs have been structured in two main categories:

Quantitative KPIs (Financial and Operational performance and Debt Management)

- the quantitative KPIs are aimed at linking the performance within the operations (NOI Organic Growth, Vacancies, Collection rate and GRI) and financing (liquidity and debt risk profile) to the investment profile and distributable earnings to

shareholders. The sliding scales are applicable for those specific KPIs that have the potential to exponentially influence the growth in distributable earnings and the Group's overall performance.

Qualitative KPIs (ESG related)

- Remuneration decision to introduce the ESG qualitative KPIs is aimed at channelling the focus of the executive management on driving the definition of a sound Sustainability Strategy and on implementation of strategic projects in the area of ESG – photovoltaic panels and the renewable energy model applied across the Group will ensure a more self-sustainable business, reduced costs and an overall better value proposition for both tenants and shareholders.

Assessment of the STIP KPI's resulted in an overall achievement rate between 140%-149%. The majority of the KPIs have been achieved at target up to maximum levels versus target and sliding scales have been applied.

Performance measures STIP	Target 2022			Weight			Result	Achieved		
	min	tgt	max	CEO	CFO	COO		CEO	CFO	COO
Financial performance				35%	40%	25%		65%	70%	50%
Growth in distributable earnings per share*	24%	30%	36%	30%	30%	25%	51.5% ^a	60%	60%	50%
Maintaining Investment Grade rating	-	-	-	5%	10%	-		5%	10%	-
Operational performance				25%	15%	40%		44%	30%	68%
NOI organic growth*	9%	13%	17.0%	10%	5%	15%	16.7%	19%	10%	29%
Maximum accepted vacancies*	3.5%	2.5%	1.5%	5%	-	10%	2.7%	5%	-	9%
Collection rate*	96%	97%	98%	5%	10%	5%	99% ^a	10%	20%	10%
GRI - gross rental income increase*	12%	15%	18%	5%	-	10%	20% ^a	10%	-	20%
Debt risk management				-	10%	-		-	10%	-
Debt maturity (remaining years, excluding RCF)	-	over 4 years	-	-	10%	-	4.6 years	-	10%	-
Qualitative factors				15%	10%	10%		15%	10%	10%
ESG - conclusion of the ESG plan, milestones and roadmap, approved by the Board	-	-	-	10%	10%	5%	achieved	10%	10%	5%
ESG - installation of energy-photovoltaic panels in 10 locations	-	-	-	5%	-	5%	achieved	5%	-	5%
Discretion of the Board-				25%	25%	25%		25%	20%	18%
%Total achievement				100%	100%	100%		149%	140%	146%
Annual fixed remuneration								600,000	350,000	350,000
TOTAL 2022 STIP								866,750 ^a	478,214 ^{a*}	510,563

^aGrowth in distributable earnings per share, collection rate and GRI - gross rental income increase are capped at maximum level.
⁻Discretion of the Board was granted at the levels of maximum 25% for the CEO, 20% out of 25% for the CFO and 18% out of 25% for the COO, to reflect the on-going efforts on internal projects recording significant progress, however, for which completion is carried forward in the upcoming 12-24 months.
^{*}Mr Rüdiger Dany was appointed as Executive Director and Chief Operating Officer of the Group with effect from 18 August 2021. From 1 February 2022 he was appointed as interim CEO and from 1 June 2022 he was confirmed in his role on a permanent basis. In computing the STIP award for 2022, the amount was determined by reference to the CEO annual fixed remuneration for 11 months and the role of COO for one month.
^{**}Mrs Eliza Predoiu was appointed as interim CFO of the Group with effect from 1 February 2022 and from 1 June 2022 she was confirmed in her role on a permanent basis. In computing the STIP award for 2022, the amount was determined by reference to the CFO annual fixed remuneration for 11 months and her previous role as Deputy CFO for one month.

Payout - KPIs with a sliding scale applied	Min	Target	Max
Growth in distributable earnings per share*	50%	100%	200%
NOI organic growth*	50%	100%	200%
Maximum accepted vacancies*	50%	100%	200%
Collection rate	50%	100%	200%
GRI - gross rental income increase	50%	100%	200%

^{*}For specific KPIs, sliding scales and metrics were set for minimum/target/maximum level of achievement. Sliding scale and performance incentive zone applies. Sliding scale ranges from 50% for minimum level to 100% for target level and 200% for maximum level.

Remuneration review

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2. 2022 LTIP AWARD DETERMINATION

The LTIP award determination is based on two measures:

External measure – Total Shareholder Return (‘TSR’) comparison to relevant peers

The TSR represents an important and relevant mark of the shareholders’ return relative to the market. Although the TSR is a measure that is not directly linked to the performance of the Executive Directors and the management team, and is highly influenced by multiple market circumstances, through the inclusion of TSR for LTIP determination, the Remuneration Committee aims at aligning the award level to the performance delivered in relation to the relevant peers.

Quartile	Peer	TSR 2022
1	Deutsche Euroshop	57%
	Mercialys	26%
	Kleppiere	12%
	Redefine	6%
2	NEPI Rockcastle	4%
	Growthpoint	3%
	Carmila	3%
	MAS Real Estate	0%
3	Hyprop	-2%
	Citycon	-4%
	Ca Immo	-6%
	URW	-20%
4	Globalworth	-25%
	S Immo	-41%
	Immofinanz	-48%
Min	0	-48%
Third Quartile Marker	1	-13%
Second Quartile Marker	2	0%
First Quartile Marker	3	5%
Max	4	57%
NEPI Rockcastle Quartile		Second Quartile
LTIP remuneration component based on TSR comparison		25%

Source: Bloomberg.
TSR FY2022 calculated in EUR, considers dividends reinvested in security.

Internal measure

The internal measure is the compound annual growth rate of distributable earnings per share relative to an indexation-linked benchmark. The result, as a percentage, is multiplied by an internal hurdle factor of 20.

- [CAGR in distribution per share – (Indexation+1pp)] * internal hurdle
- 2-year CAGR in distribution per share (as of 2021 - 2022): 16.51%*
 - Indexation: 3.2%+ 1pp = 4.2%**
 - Internal hurdle factor is 20
 - Overall achievement: 270%

The CAGR compound rate is the main element in determining the LTIP award and directly weights the growth rate over consecutive years to the level of the award, while aligning executives’ interests as shareholders to the business.

LTIP Computation	
	Assuming CAGR relative to 2020
Indicator	2022
CAGR	16.51%
Minus (Indexation + 1)	(4.2%)
	12.31%
Internal hurdle	20
Second quartile for TSR	25%
LTIP award	270%

*Considering the pandemic circumstances and the challenging market context affecting the business in the last two years, in order to fairly reflect these effects in the reward proposition for the Executive directors, and in order for their remuneration to be in line with the business results, the Remuneration Committee has decided to use the 2 years compound CAGR for the determination of the award of 2022 versus 3-year compound growth previously used.
**Considering that indexation is the key rate used in relation to all the Group’s commercial dealings, the Remuneration Committee has decided to use indexation when determining awards (instead of previously used inflation). The indexation used is the one communicated in the rental escalation note of the 2021 Annual Report.

The LTIP corresponding to the 2022 performance has been awarded in March 2023.

Executive Director’s shareholding

Executive Directors or entities in which they have an indirect beneficial interest held the following numbers of NEPI Rockcastle shares at 31 December 2022:

Names	Number of shares unvested or subject to a share scheme loan	Freehold shares	Total
Rüdiger Dany	137,945	-	137,945
Eliza Predoiu	22,000	-	22,000
Marek Noetzel	166,752	17,077	183,829
TOTAL	326,697	17,077	343,774

Single figure remuneration

The total remuneration and detail for Executive Directors for 2022, relative to previous years where applicable, is contained in the table below. This disclosure is aligned with the Dutch Executive Remuneration legal requirements.

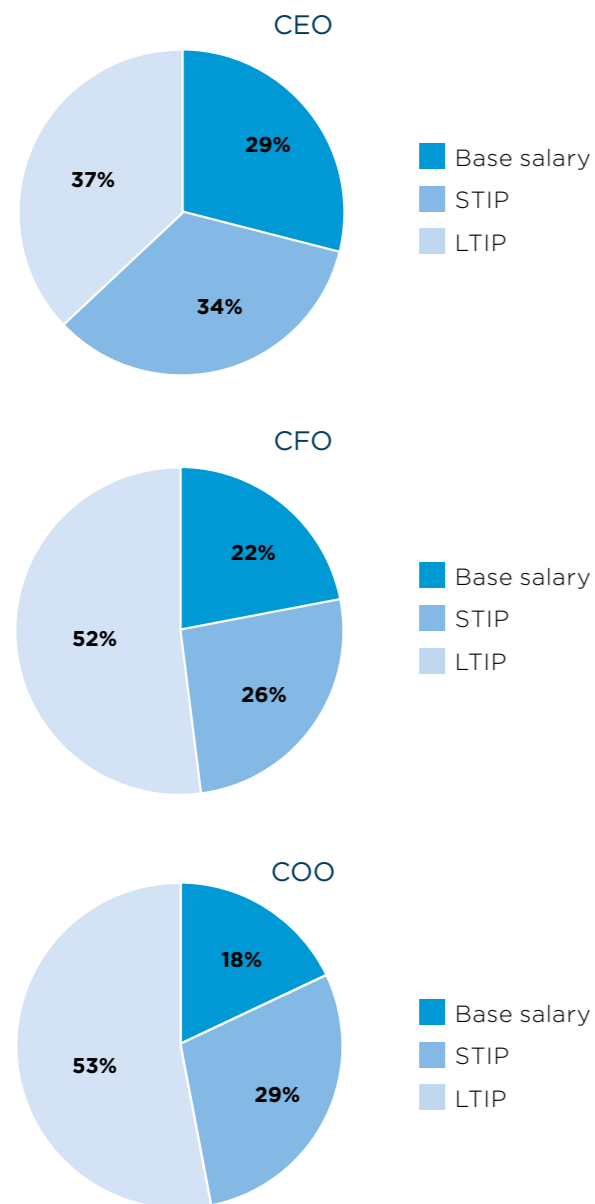
All amounts in € thousand							
Executive Directors	Directors’ fees	Interim period related remuneration (one off)	STIP	LTIP (number of shares)	LTIP (€ thousand equivalent)~	Total single figure of remuneration*	
Rüdiger Dany**	2022	517	200	867	161,627	936	2,519
	2021	400	-	200	137,945	800	1400
Eliza Predoiu***	2022	253	150	478	163,255	945	1,826
	2021	-	-	-	-	-	-
Marek Noetzel^	2022	329	-	511	163,255	945	1,785
	2021	300	-	225	12,932	75	600
Alex Morar^^	2022	188	-	-	-	-	188
	2021	600	-	-	-	-	600
Mirela Covasa^^^	2022	147	-	-	-	-	147
	2021	400	-	-	-	-	400

*All figures represent total cost to Company; there are no other benefits granted to the Directors than the ones disclosed above.
**Mr Rüdiger Dany was appointed as Executive Director and Chief Operating Officer of the Group with effect from 18 August 2021. From 1 February 2022 he was appointed as interim CEO and from 1 June 2022 he was confirmed in his role on a permanent basis. In computing the STIP award for 2022, the amount was determined by reference to the CEO annual fixed remuneration for 11 months and the role of COO for one month.
An LTIP award of €800 thousand (137,945 shares) was granted in 2022, at the Board’s discretion, to Rüdiger Dany as an extraordinary sign-on, one-off award as COO (for 2021). Considering his appointment as CEO as detailed above, an amount of 118,239 shares is deducted from the 2022 performance related award, further to the termination of his position as COO.
The total LTIP award entitlement for Rüdiger Dany for 2022 performance is €1,620 thousand, equivalent to 279,866 shares, of which 118,239 are being deducted from the previous year’s allocation. Hence, the remaining award for the CEO role and 2022 performance, is an award of 161,627 shares, equivalent of €936 thousand.
*** Mrs Eliza Predoiu was appointed as interim CFO of the Group with effect from 1 February 2022 and from 1 June 2022 she was confirmed in her role on a permanent basis. In computing the STIP award for 2022, the amount was determined by reference to the CFO annual fixed remuneration for 11 months and her previous role as Deputy CFO for one month.
^Mr Marek Noetzel, an Executive Director of the Group, was appointed as Chief Operating Officer effective from 1 June 2022.
^^Mr Alex Morar resigned from his position of Chief Operating Officer effective from 1 February 2022. The fees for 2022 include a non-compete compensation of €120 thousand.
^^^ Ms Mirela Covasa resigned from her position of Chief Financial Officer effective from 1 February 2022. The fees for 2022 include a non-compete compensation of €100 thousand.
-The share price for the LTIP relating to 2022 performance is €5,78849 and has been determined as 30-days Volume Weighted Average Price (‘VWAP’) from 10 February 2023 (date of the approval by the Remuneration Committee). The share price for the LTIP relating to 2021 performance is €5.7994 and has been determined as 90-days VWAP from 8 March 2022 (date of the approval by the Remuneration Committee).

Remuneration review

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The Weight between the various components of reward for the Executive Directors is as follows:



Internal Pay ratio and comparative information

In line with the guidance provided under Dutch Corporate Governance Code and the Dutch Civil Code, the CEO pay ratio and five-year average employee compensation are to be disclosed in the annual Remuneration Report.

To meet the five-year trend of average employee compensation requirement, total personnel costs reported in the annual report as "Staff cost" divided by the average headcount reported in the annual report (less any Executive Directors) who are included in the total average headcount was utilised and is illustrated in the tables below:

	2022	2021	2020	2019	2018
Employees (excluding Directors) (€ thousand)	10,671	8,135	7,496	10,719	10,358
Average number of employees	454	436	439	441	481
Average employee compensation (€ thousand)*	23.5	18.7	17.1	24.3	21.5

*Staff costs do not include LTIP awards, any training, professional and personal development or wellbeing costs.

CEO Pay ratio

	2022	2021	2020	2019	2018
CEO compensation (€ thousand)*	2,519	600	810	2,641	1,698
Average employee compensation (€ thousand)	23.5	18.7	17.1	24.3	21.5
CEO Pay ratio	107.2	32.2	47.4	108.7	78.9

*CEO compensation total figure includes the shares award at allocation (not based on their vesting).

The increase in the CEO pay ratio from 2021 to 2022 is primarily attributable to the strong business results after post-pandemic recovery. Excluding the LTIP awarded to the CEO for 2022 performance (in March 2023), the CEO pay ratio would have been 67.4. The pay ratio between the CEO and senior management and middle management and subject matter experts, considering base salary and incentive opportunities (both short-term and long-term incentives) would range from 3 to 27.

Non-Executive Directors' fees

No Changes in the non-Executive Directors Fees took place during 2022.

Actual	Member/Chairman	2022 Annual remuneration
Board of Directors	Member	48,000
Board of Directors	Chairman	72,000
Board of Directors	Lead Independent Director	5,000
Audit Committee	Member	11,000
Audit Committee	Chairman	18,000
Risk and Compliance Committee	Member	9,000
Risk and Compliance Committee	Chairman	15,000
Investment Committee	Member	11,000
Investment Committee	Chairman	18,000
Remuneration Committee	Member	8,000
Remuneration Committee	Chairman	12,000
Nomination Committee	Member	7,000
Nomination Committee	Chairman	11,000
Sustainability Committee	Member	7,000
Sustainability Committee	Chairman	11,000

The 2022 non-Executive Directors annual fees are set out below:

Actual	Member/Chairman	Annual remuneration	Andre van der Veer	Andries de Lange	Antoine Dijkstra	Steven Brown	George Aase	Andreas Klingen	Ana Maria Mihaescu	Jonathan Lurie	Total
Board of Directors	Member	48,000	48,000	48,000	48,000	48,000	-	53,000	48,000	48,000	341,000
Board of Directors	Chairman	72,000	-	-	-	-	72,000	-	-	-	72,000
Audit Committee	Member	11,000	11,000	-	11,000	-	-	-	11,000	-	33,000
Audit Committee	Chairman	18,000	-	-	-	-	-	18,000	-	-	18,000
Risk and Compliance Committee	Member	9,000	9,000	-	-	9,000	-	-	-	9,000	27,000
Risk and Compliance Committee	Chairman	15,000	-	-	15,000	-	-	-	-	-	15,000
Investment Committee	Member	11,000	-	-	-	11,000	11,000	-	-	11,000	33,000
Investment Committee	Chairman	18,000	18,000	-	-	-	-	-	-	-	18,000
Remuneration Committee	Member	8,000	-	8,000	-	-	8,000	-	8,000	-	24,000
Remuneration Committee	Chairman	12,000	12,000	-	-	-	-	-	-	-	12,000
Nomination Committee	Member	7,000	-	7,000	7,000	-	-	7,000	-	-	21,000
Nomination Committee	Chairman	11,000	-	-	-	-	11,000	-	-	-	11,000
Sustainability Committee	Member	7,000	-	-	7,000	7,000	-	-	7,000	-	21,000
Sustainability Committee	Chairman	11,000	-	-	-	-	-	11,000	-	-	11,000
Annual fee			98,000	63,000	88,000	75,000	102,000	89,000	74,000	68,000	657,000

Remuneration review

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Comparative table over remuneration and Group's performance

Comparative table over remuneration and Group's performance in line with guidance provided under the

Dutch Corporate Governance Code and the Dutch Civil Code, the performance of the Company, the remuneration of each Director and the average employee compensation other than directors from 2018 to 2022 financial years is disclosed in the following table:

Group performance		2022	2021	2020	2019	2018
Distributable earnings per share (euro cents)		52.15	34.42	38.42	56.33	52.86
Net Operating Income (€ thousand)		404,565	346,891	322,964	400,738	346,070
All amounts in € thousand						
Director	Position	2022	2021	2020	2019	2018
Rüdiger Dany	Chief Executive Officer	2,519				
Rüdiger Dany	Former Chief Operating Officer		1,400			
Eliza Predoiu	Chief Financial Officer	1,826				
Marek Noetzel	Chief Operating Officer	1,785				
Marek Noetzel	Former Executive Director		600	405	970	769
Alex Morar	Former Chief Executive Officer	188	600	810	2,641	1,697
Mirela Covasa	Former Chief Financial Officer	147	400	540	1,784	1,334
Spiro Noussis	Former Executive Director (former co-Chief Executive Officer)					655
Nick Matulovich	Former Executive Director					505
George Aase	Chairman	102	112	88	62	25
Antoine Dijkstra	Non-Executive Director	88	104	86	72	61
Andre van der Veer	Non-Executive Director	98	116	108	109	83
Andreas Klingens	Non-Executive Director	89	103	81	48	
Steven Brown	Non-Executive Director	75	84	47		
Andries de Lange	Non-Executive Director	63	74	40		
Jonathan Lurie	Non-Executive Director	68	25			
Ana Maria Mihaescu	Non-Executive Director	74	27			
Robert Emslie	Former Non-Executive Director/ Former Chairman		78	132	141	105
Desmond de Beer	Former Non-Executive Director			36	73	60
Dan Pascariu	Former Non-Executive Director/ Former Chairman					55
Michael Mills	Former Non-Executive Director					42
Sipho Vuso Majija	Former Non-Executive Director			27	65	25

Performance of 2022, both in terms of NOI and Distributable Earnings per share, relative to the past 2 pandemic years is significantly improved, reaching similar

levels to the performance of 2019. Following a similar trend, the payouts for the executive directors have declined during 2019-2021 and have recovered, aligned with the business performance, in 2022.

Non-Binding Advisory Vote on the Implementation Report

This implementation report is subject to a non-binding advisory vote by shareholders at the 2023 AGM.



PHOTO: SHOPPING CITY BUZAU

WHY SUSTAINABILITY MATTERS FOR NEPI ROCKCASTLE

STATEMENT FROM THE CEO

Sustainability is a journey of coexistence between people and the planet and in order to reimagine the thriving future of real estate we need to understand how the key trends in this sector impact society and economy. There are just seven years left to reach the Paris Agreement 2030-goal of cutting global carbon emissions, therefore doing what is right for the planet, people and environment was one of NEPI Rockcastle's drivers in 2022. With the Group's shared values guiding our decisions, we made good progress in addressing the changing climate crisis and sustainability remained a top priority in 2022, amid challenges such as the conflict in Ukraine, rising energy costs, rising inflation. At NEPI Rockcastle, we understand that we need to generate a positive impact on our communities, the environment, and this can only be achieved by going beyond simple mitigation, towards a restoring and regenerating mindset.

We report transparently where we are in this journey and our commitment for the future. We pledge to remain devoted to the continuous improvement mindset, so as to transform our habitats and activities, to make a significant leap towards emissions reduction, act ethically with integrity and respect towards people, communities and nature. Our shopping places deliver convenience, inclusion and accessibility. Enabling the communities to use them not only for shopping, but also for socialising, education, healthcare, remains at the core of our community engagement strategy and how we see our contribution to the society wellbeing.

Sustainability is at the heart of our business decisions, and we cultivate a mindset of investing into the initiatives that will not only enable us to meet our ESG goals, but also generate a positive bottom-line impact. We see sustainability and profitability going hand in hand and consider that in today's business landscape you can no longer disconnect them, while looking towards the future. We are keen on capitalising on technological developments to keep our competitive and sustainable advantage. An illustrative example are the solar panels we made a decision to invest in, starting 2022. Producing on-site

renewable electricity for own consumption is essential for the sustainable growth, from both an economical and environmental perspective and we are keen on continuing this journey.

During 2022, the Group reviewed its sustainability initiatives, strategy, and financial investment necessary to upgrade to more sustainable operations and development. To ensure that our priorities and actions were in line with what really matters, we carried out a materiality assessment and received valuable input from some of our key stakeholders, including Board Members, Executive Directors, Sustainability Committee members and employees. On the basis of this assessment, we focused our ambitions to cover three pillars:

1. Invest in healthy and sustainable buildings;
2. Be a trusted partner for our stakeholders; and
3. Create an attractive, professional, and ethical work environment.

These pillars create the foundation of our sustainability strategy and will guide our efforts to reduce our environmental impact and increase our socio-economic performance over the coming years. In 2022, we continued to certify our properties in accordance with BREEAM, illustrating the commitment of influencing operations and development towards greener cities in the regions where NEPI Rockcastle operates.

Deploying a digital mindset around all aspects of the business, we are taking steps to reduce waste through improved recycling initiatives, connect our people across geographies and encourage them to develop and maintain environmentally friendly habits.

While I am proud of where sustainability journey has taken us so far, more effort is still required to achieve our short and mid-term goals until 2030. By continuing to work together and prioritising sustainability, we will do our part to ensure a greener and safer tomorrow for generations to come.



PHOTO: PROMENADA NOVI SAD

Sustainability performance

EXECUTIVE SUMMARY

The Group has demonstrated its commitment to sustainability through its large number of BREEAM certified buildings, its impressive year-on-year increase in the use of energy from certified renewable sources, and its ongoing initiatives to improve energy efficiency. As a result of these dedicated efforts, the Group has achieved a 13% reduction in its carbon footprint in operations in 2022 compared to 2021, a good progress on its path to achieving the main goal of emissions reduction.

NEPI Rockcastle's sustainability report outlines its management's approach to various environmental, social, and governance topics. **Pillar one, Develop and maintain healthy and sustainable properties** extensively covers environmental topics. **Pillar two, Be a preferred business partner for our stakeholders**, focuses on social topics pertaining to the Company's sites, operations, tenants, customers, suppliers, and the wider community. Finally, **Pillar three, Create an attractive, professional and ethical organization**, outlines the governance areas and workforce management approach.

This report is compiled in alignment with the Global Reporting Initiative (GRI) – Comprehensive and the European Public Real Estate Association Sustainability Best Practices Recommendations (EPRA sBPR).

With growing concerns over a wide range of ESG topics, the landscape in which NEPI Rockcastle operates is continuously evolving. Market trends and regulations advance towards supporting the real estate sector in contributing to the United Nations Sustainable Development Goals (UN SDGs). The Group defined its sustainability strategy, core pillars and material issues in line with relevant SDGs, as referenced further in this report. The core SDGs that the Group's initiatives are contributing to are described in the Framework Alignment chapter of this report (pages 229-230).

The Group has made significant strides in monitoring and enhancing its environmental and socio-economic performance, has invested in its teams through training and development programs, has surveyed customers in order to refine its customer experience approach and hosted community events throughout the retail portfolio.



PHOTO: SERDIKA CENTER

ABSOLUTE PERFORMANCE IN 2022

23kg
Carbon intensity CO2e/m ² /year
73%
Assets equipped with highly-efficient LED lighting (by GLA)
10
Photovoltaic installations
74%
Share of renewable electricity in total electricity
100%
BREEAM* (by GLA)

PROGRESS COMPARED TO 2021**

-13%
CO2 emissions
-13%
Electricity intensity/ 1000 visitors
+15%
Waste recycling rate
+11%
Share of renewable electricity
-18%
Gas and district heating consumption

* Eligible portfolio without industrial and strip centres
** +/- refers to increase or decrease compared to 2021 on a portfolio level

Sustainability performance

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SUSTAINABILITY GOVERNANCE

The Sustainability Committee, comprising Executive and non-Executive Directors of the Board of Directors, actively oversees the development and implementation of durable, long-lasting policies, and monitors the progress made by the Group. The Executive Directors regularly engage in dialogue with the Board on key sustainability aspects and ensure that the long-term strategy enables growth in a sustainable and responsible manner, considering the risks and opportunities associated with key environmental, social and governance matters, including climate change.

The sustainability strategy execution and progress are monitored at the highest level of executive management, i.e., by the CFO, as the Executive Director part of Sustainability Committee, and ultimately by the CEO. In 2022, the Company appointed a Group Head of Sustainability to lead the execution, track progress of implementation of sustainable initiatives, and report the status. The Head of Sustainability reports to the CEO and works closely with internal and external stakeholders. The Head of Sustainability has regular contact with the Sustainability Committee and is the primary responsible to advance the sustainability agenda and prioritise focused and concerted actions across the portfolio.

The Group Head of Property Management, also appointed in 2022, is tasked with championing the environmental program in the assets, keeping a close eye on progress towards targets, and inspiring teams to seek out new ways to minimise the Company's impact on the environment. On a local level, each asset team is responsible for maintaining properties, proposing and executing action

plans and CAPEX investments addressing sustainability, regularly reporting and storing environmental data through a digital platform.

Specific KPIs have been defined and embedded in the annual performance assessment for key management levels, from the Executive Directors downwards, in order to link ESG performance to personal performance and remuneration. Such KPIs cover all business functions in the Company, demonstrating the commitment across the whole Company.

RISKS AND OPPORTUNITIES

Managing risks and capitalising on opportunities makes NEPI Rockcastle a healthy and sustainable business. As companies are operating amid a climate crisis, and with a growing concern over ESG matters, the traditional financial risk management approach and the concept of financial value is enhanced with relevant environment, social and governance aspects.

The Annual Report (including the Corporate Governance, Risk Management and Remuneration chapters) and the Financial Statements underline the Company's sound risk management approach, and management's commitment to delivering the sustainability strategy.

This section further highlights ESG specific concerns, related risks, and how these reshape the real estate industry.

Environmental	Social	Governance
Energy Efficiency Renewable energy Embodied Greenhouse Gasses Operational Greenhouse Gas Emissions Climate Adaptation and Resilience Sustainable Materials and Circular Economy Waste Management Supply Chain Management and Responsible Procurement Biodiversity Water Management Sustainable Design Certification	Health, Safety and Well-Being Labour and Human rights Community Involvement and Corporate Giving Visitor Experience Educational Campaigns at asset level Tenant Engagement Diversity, Inclusion and Equal Opportunities Employee Recruitment and Development	Privacy Protection and Cyber Security Risk Management Ethical Business Conduct Indirect Job Creation Bribery, fraud and corruption Executive compensation Fiduciary duty Political contributions Shareholder rights Board oversight

Risk	Description	Management approach
Climate change	With increasing greenhouse gases discharge into the atmosphere, the climate changes. This causes climate shocks and stressors that buildings have to withstand. If a building cannot cope with these changes, such as maintaining a comfortable indoor temperature or in case of damage to the building, the value of the asset may decrease. Developers and owners of assets can differentiate by offering resilient properties. Climate change also raises the transitional risks, i.e., those measures that the Company needs to take and those investments it needs to do, to cope with climate change and emerging regulatory updates. Climate change risks are further developed and analysed in a dedicated section of this report, in line with Task Force on Climate Related Financial Disclosure ('TCFD') recommendations.	NEPI Rockcastle is investing in energy from renewable sources, either produced on-site, such as solar panels or purchased from suppliers. The Group is also investing into smart systems like metering and BMS's in order to collect the data from the assets, gain knowledge of which assets need improvements and adjust equipment parameters in real time. Assets are BREEAM-certified and assessed by environmental specialists.
Resource use and depletion	The real estate sector traditionally demands significant natural resources. Amongst other, the scarcity of resources, and the growth of population/market pressure/local conditions, may increase prices. By developing properties that require fewer raw materials and more renewable resources, a competitive advantage can be obtained.	NEPI Rockcastle carries out LCA (life-cycle assessment) during construction stage, in accordance with the standard EN 15978:2011, in order to evaluate the building's environmental performance from a whole life-cycle perspective and identify potential improvements.
Air pollution	The burning of fossil fuels and the use of harmful substances in an irresponsible manner causes air pollution. This has a negative effect on the health of people and the planet. Ensuring air pollution is kept to a manageable level limits the negative impact on all stakeholders and improves a Company's reputation.	By undergoing BREEAM certification, NEPI Rockcastle gains insight into potential sources of air contamination and prioritizes investments in leak prevention and detection measures.
Waste pollution	The improper disposal of waste affects the health and wellbeing of the community and the environment.	The Group has implemented waste recycling facilities across the whole portfolio and installed composting equipment in Romania and Bulgaria, with the aim to reduce waste going to landfill. The Group introduced the 'Green Appendix' with tenants and a sustainable procurement approach with business partners, aiming to align to circular economy principles.
Ineffective circular economy	Reusing and recycling lowers the demand for raw materials, reduces embodied carbon and may even generate cost benefits. Implementation of a circular approach may, in the long-term, decrease carbon emissions and address climate change.	In new developments, the Company carries out the LCA, which considers several environmental impacts, including global warming potential, stratospheric ozone depletion, acidification of land and water sources, eutrophication, formation of tropospheric ozone, and waste processing. The assessment covers life cycle stages from cradle to grave with separate reporting in product stage, construction process, use stage, operational energy, and end of life.
Impact on biodiversity	The ecosystem relies on rich biodiversity. Poor biodiversity in the community makes the environment less habitable. Ensuring assets do not cause a loss of biodiversity or even enrich it, creates a healthier community and improved reputation.	The Group ensures investments in biodiversity within the asset's environment by implementing initiatives like: beehives, planting trees, green areas, meadows with flowers, houses for birds and insects.

Sustainability performance

» continued

Risk	Description	Management approach
Deforestation	Rich vegetation is essential to create biodiversity and sequester carbon out of the atmosphere. Reforesting areas/protecting existing flora has multiple local and global benefits.	The Group worked with its partners and customers in Poland to plant a total of 24,000 trees in the proximity of its shopping centres. As a result, at maturity, the forest will consume annually 18 tons of CO2 and produce 3,360 kg of oxygen.
Natural disasters due to climate change	Climate change and scarcity of land pushes the sector into areas where nature can damage the integrity of an asset. Monitoring the value at risk is essential for investors and managing it well can differentiate them from others.	A dedicated climate change adaptation plan will be prepared in 2023 for each asset.
Non-compliance with environmental legislation	With growing environmental concerns, laws and regulations are put in place to address this issue. Insufficient monitoring or failing to prepare in due time may lead to significant non-compliance, fines, and penalties.	The Group is constantly monitoring legal and regulatory changes and implements mitigating actions to ensure compliance thereto.
Access to green financing	Investors are increasingly paying attention to the environmental impact of the bonds and loans in their portfolios. As a result, there is a growing demand for transparency and accountability in this area. Failing to meet the requirements of investors, could lead to fewer options for financing our activities.	NEPI Rockcastle has developed a Green Finance Framework in 2020. €1 billion green bonds have been issued under the Green Finance Framework (€500 million as of December 2021, and another €500 million in January 2022). The Group plans to revise and update the framework, by adhering to best practices in the markets where it operates.

While some of the risks have a greater potential to affect the Group's resources and operations, such as climate change, resources scarcity, volatility in emerging markets, waste management, and circularity, there are other risks that are rated as moderate or low in the Company's context and locations, such as loss of biodiversity and natural disasters. The Group also recognizes opportunities such as increased access to the green financing market, costs reduction following circular economy approach or following the implementation of resource efficiency measures.

In addition to the climate risks, there is a reputational risk exposure related to the ESG issues. In accordance with the RepRisk Index and RepRiskRating, NEPI Rockcastle denotes low risk exposure and is rated AAA. The RepRisk Index (RRI) and the RepRisk Rating (RRR) quantifies a Company's reputational risk exposure related to controversial Environmental, Social and Governance (ESG) issues and is performance based, reflecting companies actual risk performance.



STAKEHOLDER INPUT

Communication with stakeholders is grounded on integrity, impartiality, and transparency. The sustained stakeholder engagement and updated materiality analysis

shape the foundation for the Company's ESG priorities. Details of stakeholder management activities at Board level are also included in the Corporate governance chapter of this annual report.

Stakeholder	Overview	Form of engagement
Shareholders	<p>The Group is committed to providing all shareholders with timely and equal access to relevant information through open, honest and transparent communication.</p> <p>The Group engages with shareholders on a wide range of topics, including remuneration, strategy, risk management, corporate governance.</p>	<ul style="list-style-type: none">Transparency via website announcementsAnnual/extraordinary general meetingInvestor toursInvestor presentations and one-on-one meetingsAnnual reports, business strategy updates and condensed financial results
Employees	NEPI Rockcastle maintains professional working relationships with its employees, while at the same time fostering a culture of collaboration, encouraging new ideas, proactivity, and ownership. The Group implemented the necessary safety and distancing measures to ensure employees are protected.	<ul style="list-style-type: none">Performance reviewsEngagement surveyTraining and development opportunitiesInternal communication hub 'SPOT'Friday Talks with key members of the management team
Tenants	The Group maintained a high occupancy rate and stable rent levels across the portfolio, while adopting a fair and equitable approach to tenants, aimed at ensuring the long-term success of the retail ecosystem.	<ul style="list-style-type: none">On and off-site meetingsTenant engagement surveyGreen lease appendix
Visitors and community	NEPI Rockcastle, as a good corporate citizen, always considers the impact of its projects and operations on society, the community and the environment.	<ul style="list-style-type: none">Customer engagement surveyInfo deskCommunity eventsAmenities and services
Analysts	The Group holds semi-annual results presentations and participates in industry conferences. Information is provided through analyst presentations, road shows, annual and interim reports. NEPI Rockcastle openly addresses analysts' questions concerning all aspects of the business and communicates frequently during the year to answer queries.	<ul style="list-style-type: none">Bi-annual investor presentationsInvestor meetingsInvestor road showsAnnual reports, business strategy updates and condensed financial results
Suppliers and contractors	NEPI Rockcastle maintains professional relationships with all its suppliers and ensures they understand performance standards and requirements, also in the aspect of sustainability. Where possible, NEPI Rockcastle defines service level agreements or terms of reference in its relationships with suppliers, which include performance expectations and deliverables.	<ul style="list-style-type: none">Know your Partner due diligence processEthics and awareness campaignsSustainability commitment with business partners
Financing partners	The Group maintains relationships with banks, financial institutions and bondholders and keeps open communication with its financing partners. Compliance with loan covenants is closely monitored by finance management and the Audit Committee, and reported according to the applicable financing agreements.	<ul style="list-style-type: none">Green Finance FrameworkAnnual and Sustainability reportsOne on one meetingsDirect reports according to each financing agreement requirementGreen bond reports
Government and local authorities	NEPI Rockcastle endeavours to build mutually beneficial relationships with governments in the jurisdictions where the Group operates, acknowledging that the Group is a major taxpayer and that it creates job opportunities both during project development and afterwards, in the operational stage. NEPI Rockcastle engages with local authorities both directly and via its property managers and external consultants.	<ul style="list-style-type: none">Local permits and certificationsCompliance with regulatory framework

Sustainability performance

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MATERIALITY ASSESSMENT

A comprehensive materiality assessment was deployed in 2022 to evaluate the key sustainability topics, to determine which topics should be prioritised and addressed by the Company in strategy setting and business operation. The GRI standard was used to drive the materiality assessment, providing the criteria for assessing and evaluating the importance of topics related to an organization’s sustainability performance. An updated long-list of sustainability topics was identified, in line with the GRI topic-specific standards.

The Group identified and prioritised its key focus items of medium and high risks and opportunities to base its short- and medium-term targets. Understanding the context in which NEPI Rockcastle operates allowed a more focused review of the topics to be considered in the materiality assessment. The following aspects were considered:

- Identified NEPI Rockcastle material topics
- Industry and geographies-relevant topics
- Best practices in the real estate industry
- Main concerns voiced by the investment community
- Primary ESG risks and opportunities, including climate change
- Potential changes in legislation in the countries where the Company operates.

A Group-wide employee survey was conducted to gather internal perspective on the significance of impacts. The survey results were further calibrated in a focus group with representatives from key areas in the Company, calibrated with key owners in the management team, presented to the Sustainability Committee for consideration and approval, then sent to the Board for final endorsement.

Compared to previous years, Covid-19 impact has been contained and is no longer considered a material topic for NEPI Rockcastle. Instead, it has been integrated into “Health, Safety, and Well-Being”, and “Visitor Experience” topics that are still deemed important.

The matrix below reflects the outcomes of the 2022 materiality assessment and NEPI Rockcastle is committed to continue the engagement efforts with internal and external stakeholders and to further prioritise its material topics in the future.

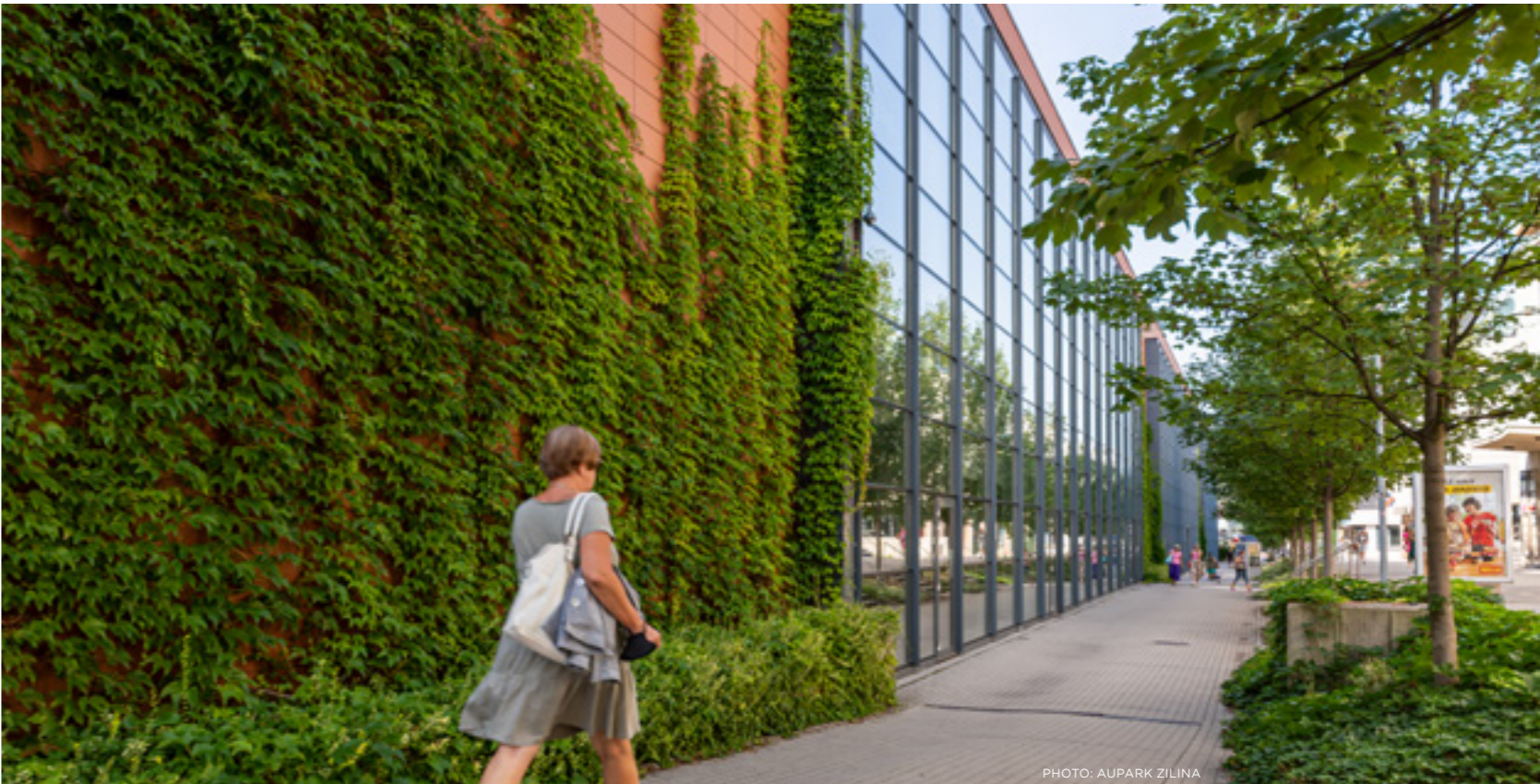
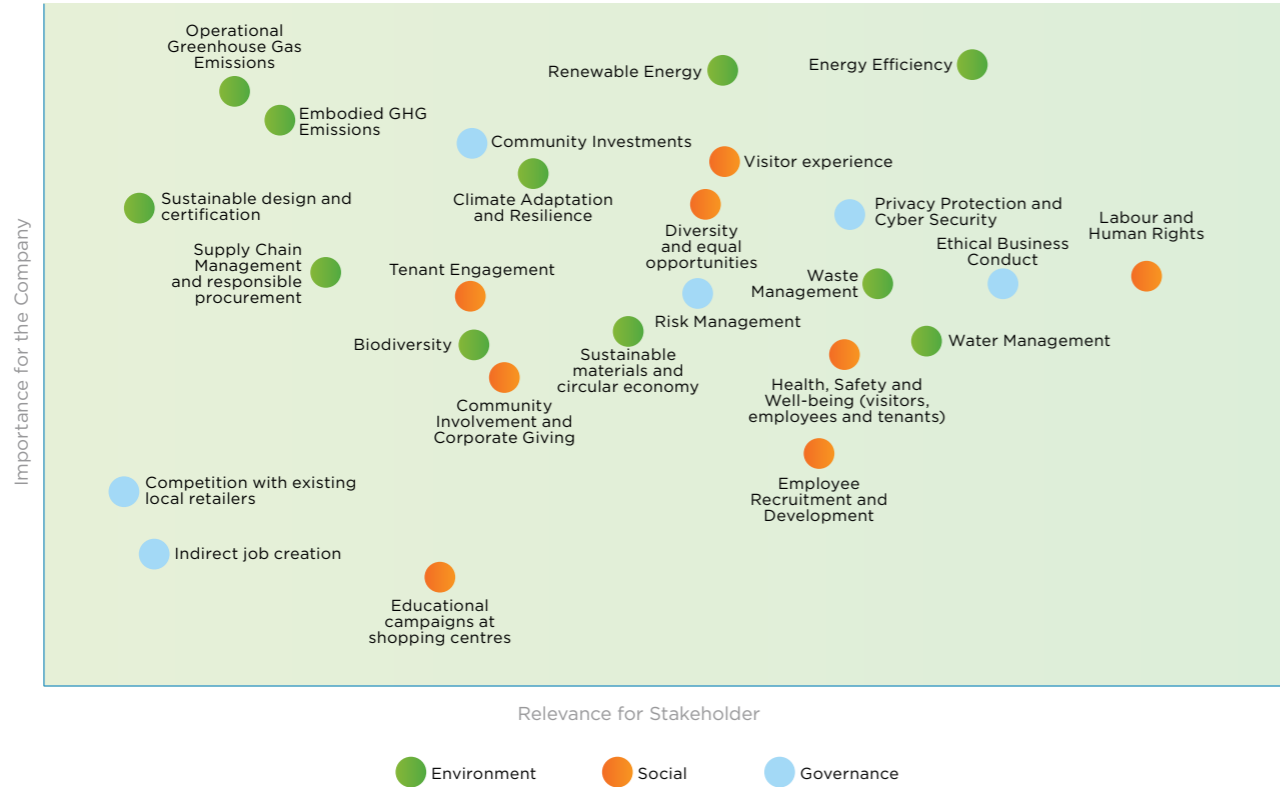


PHOTO: AUPARK ZILINA

SUSTAINABILITY STRATEGY

Considering the materiality assessment conducted and the evolution of the sustainability approach within and outside the Company, the Group has formalized its sustainability strategy in order to have a more concentrated plan, addressing sustainability goals, setting more granular KPIs that are measurable and allow progress monitoring. The sustainability strategy has been approved by the Board and comprises of three distinct pillars:

Sustainability strategy pillars	Invest in healthy and sustainable buildings	Be a trusted partner for our stakeholders	Create an attractive, professional, and ethical work environment
Key focus areas	<ul style="list-style-type: none"> Prepare plan for portfolio decarbonization Purchase renewable energy Increase energy efficiency Reduce emissions from operations and development Achieve reduction to zero of avoidable waste to landfill from operations Avoid water waste Ensure transition to a circular economy Continue BREEAM In-Use buildings certification and launch BREEAM in Construction certification Protect natural resources and biodiversity 	<ul style="list-style-type: none"> Optimise customer engagement level Enhance collaboration on green leases and tenant initiatives Support local communities Advocate and support decarbonization of supply chain Promote digitalization and efficiency 	<ul style="list-style-type: none"> Ensure compliance with regulations, policies and procedures Assess supplier risk and make informed decisions Provide an attractive place to work and develop

Based on its revised sustainability strategy, the Group contributes directly to 10 out of 17 UN SDGs, with a strong focus on the communities and sustainable cities objectives.

Sustainability performance

» continued

SUSTAINABLE FINANCING

In 2020, NEPI Rockcastle implemented a Green Finance Framework, prepared in accordance with the International Capital Markets Association Green Bond Principles 2018 and Loan Market Association Green Loan Principles 2020. The proceeds from the bond issuance and/or loans concluded under the Green Finance Framework are allocated to finance and/or refinance existing and/or future projects which would improve the environmental performance of the Group's portfolio.

According to the Green Finance Framework, the evaluation and selection process observe the criteria detailed in the table below:

Eligible category	Eligible criteria	Environmental benefits
Green buildings	<ul style="list-style-type: none">Acquisition, construction, or refurbishment of buildings which meet recognized standards for best practices in energy and resource efficiency and low-GHG emissions;BREEAM (Very Good and above).	<ul style="list-style-type: none">Energy savingsGHG emissions decreaseWater savings
Energy efficiency	<ul style="list-style-type: none">Renovation or refurbishment of existing buildings not included under the "green building" category, delivering (1) minimum 30% reduction in carbon emissions intensity or (2) two letter grade improvements according to local Energy Performance Certificate, against the baseline performance of the building, before the renovation;Individual measures on buildings reducing energy use and/or carbon emissions – installation of solar photovoltaic systems.	<ul style="list-style-type: none">Energy savingsGHG emissions decrease

€1 billion green bonds have been issued under the Green Finance Framework (€500 million as of December 2021, and another €500 million in January 2022). Moreover, a green loan agreement was concluded with the IFC in 2021, undertaking that all proceeds will be allocated as per the Green Finance Framework. The latest Green Bond Report can be found at <https://nepirockcastle.com/sustainability/focus-and-performance#susapp>

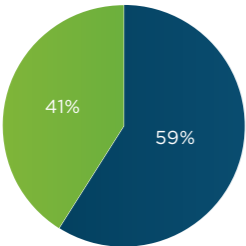
Separately from the Green Finance Framework, but in line with the Company's commitment for sustainable business, all available revolving credit facilities are linked to the sustainability rating provided by Sustainalytics. Moreover, a secured green loan of €60 million for Ploiesti Shopping City has been concluded in December 2022 for a 7-year term. The financed property holds a BREEAM In-Use Excellent certification and a Class A energy performance certificate.

The Group continued to increase the share of green financing in its total debt, year on year.

During 2022, the Group initiated an assessment to evaluate alignment with the EU Taxonomy on the Technical Screening Criteria (TSC) at asset level and on Minimum Social Safeguard (MSS) at Group practices level. The assessment confirmed that the Group is aligned to MSS and that the two assets scoped in for this exercise, Mega Mall in Bucharest and Promenada Festival in Sibiu, both assets located in Romania, are aligned with EU Taxonomy. The Group is committed to continue this assessment and alignment for the remaining portfolio in 2023 and onwards.

The Group plans to update its Green Finance Framework starting 2023, align it to best practices and industry standards.

% of Green financing out of total funding
as at 31 Dec 2021



Green debt and sustainability linked drawn and undrawn RCFs Other debt

% of Green financing out of total funding
as at 31 Dec 2022

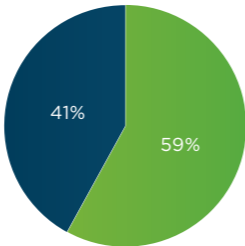


PHOTO: SHOPPING CITY TÂRGU JIU

Sustainability performance

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PILLAR 1: INVEST IN HEALTHY AND SUSTAINABLE BUILDINGS

While climate change and environmental protection are topics of global importance, there are also local and community issues that everyone should be concerned about. NEPI Rockcastle considers it essential for both companies and individuals to contribute to the preservation of the planet. Environmentally-friendly practices have been implemented in all countries where the Group operates. The Group makes active efforts to engage with tenants and business partners in order to create awareness and obtain support for the Company's initiatives, as well as positively impact the carbon footprint upstream and downstream in the supply chain.

The development, operation and management of buildings consume significant resources and can have a major impact on the environment. To address these

environmental concerns in a socially responsible manner, NEPI Rockcastle has defined an environmental policy and a sustainable procurement policy, in an effort to better manage the Company's impact.

The Group aims to lower the use of primary energy, greenhouse gas emissions, potable water, non-recycled waste output, and pollution, through specific targets and active management. NEPI Rockcastle strives to maintain a high standard in its assets, including green building certifications and biodiversity in the surrounding areas.

The following table provides a summary of the Group's environmental goals, where applicable, and their status as of the end of 2022 in comparison to 2021, while the base year remains 2019.



Targets	End year/ set to be delivered	UN SDG	KPIs	Status in 2022
Increase energy efficiency by 20%	2024		% MWh	1% reduction in consumption compared to 2021
			% Energy intensity	1% increase in intensity compared to 2021
Produce renewable energy for own consumption	2030		on-site renewable production capacity	Ten assets in Romania with solar panels installed in 2022
Reach a waste recycling rate of 60% from operations	2025		% Waste recycled/total waste produced during operations	47% of waste was recycled in 2022
			% of recycled waste per visitor	15% increase in recycling rate compared to 2021
Achieve zero waste to landfill from operations	2025		Remove avoidable waste going to landfill	Compost equipment installed in Bulgarian and selected Romanian properties, enabling onsite processing of organic waste, further diverting waste from landfill
Decrease (potable) water consumption by 15%	2024		% water consumption	16% increase in the total water consumption compared to 2021, due to operating at full capacity and return of customers to the centres after pandemic limitations were lifted (2021 still affected by Covid-19 measures)
			% water intensity	3% decrease of water consumption per visitor
Reduce emissions from operations by 70%	2030		Operations carbon footprint	20% reduction in emissions from own operations compared to 2021 (scope 1 and 2) 13% reduction in emissions from total operations compared to 2021
Reduce embodied emissions from new constructions by 30%	2030		Construction carbon footprint	LCA carried out for assets under development with full commitment to analyse and address recommendations
Continue BREEAM In-Use buildings certification, with a minimum of "Very Good" and above	Ongoing		Number of assets with a Biodiversity Action Plan	100% of eligible portfolio has been certified for their operations conducted up to December 2022 (excluding strip centres and industrial)
Implement a Biodiversity Action Plan for all properties in operation and under development	2025		Strategy developed Number of assets	Specific ecology reports and habitat management action plans for BREEAM certified assets

The reference year for evaluating the progress on environmental targets was established as 2019 by the Company. This year was chosen as it provides a representative picture of regular operations, prior to the impact of the Covid-19 pandemic, which altered some results in the 2020-2021 period.

Sustainability performance

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SUSTAINABLE RESOURCE MANAGEMENT

With a clear vision of improving the long-term sustainability of its operations, the Group continued to invest in the sustainable development of its portfolio, in clean and sustainable technologies, adopted policies that address environmental and social challenges, and engaged in more proactive stakeholder discussions.

Energy, water and waste management data is collected and analysed at corporate level on a monthly basis. An annual report on the collected data, key insights, lessons learned, and the main investments required to meet annual targets, is compiled under the supervision of the Group Head of Sustainability and the Board, and presented to the Sustainability Committee, together with status of key initiatives.

ENVIRONMENTAL MANAGEMENT PROGRAM AND POLICIES

Initiated in 2019, following best practices review and various consultations with relevant stakeholders, the Environmental Policy and Sustainable Procurement Policy were defined at Group level. The Environmental Policy outlines the Group's commitment to achieve effective environmental management, ensuring adequate risk mitigation, cost savings, innovation and social responsibility. The Group encourages its personnel and the rest of the stakeholders to embrace the 4Rs principle and adhere to the circular economy concepts:



To enhance efficient property management and maintenance, NEPI Rockcastle constantly reviews and updates its internal policies and procedures, aligning with best practices embodied in relevant Environmental Management System (EMS) standards and enabling the meeting of sustainability goals. The Group has issued

a manual for energy consumption optimization and is following procedures, covering the following:

1. Energy efficiency and reduction of consumption:
 - Identify efficient operations for all HVAC systems including temperature settings and operation;
 - Identify lighting with high environmental impact and efficient use;
 - Implement Building Management Systems (BMSs) optimization and training on efficient use for all onsite teams;
 - Optimise use of other types of equipment, i.e. escalators, elevators, pumps, fountains;
 - Implement corrective measures for ongoing improvement.
2. Water scarcity:
 - Identify efficient use of water, install water-efficient devices;
 - Optimise potential use of underground and rain-water.
3. Data collection:
 - Monitor performance monthly, benchmark consumption annually;
 - Track environmental performance through a digital platform, enabling unified access to data in all properties, comparison between assets identification of key focus areas.
4. Comply with environmental laws:
 - Set clear environmental targets and deadlines;
 - Educate employees on environmental matters, at least on an annual basis and more often those in key areas such as property management;
 - Improve internal communication on environmental management and targets;
 - Conduct external environmental audits through BREEAM assessments.



PHOTO: PLANTING TREES, SPLATAN SHOPPING CENTRE

ENERGY EFFICIENCY PROGRAM

Electricity and Gas consumption

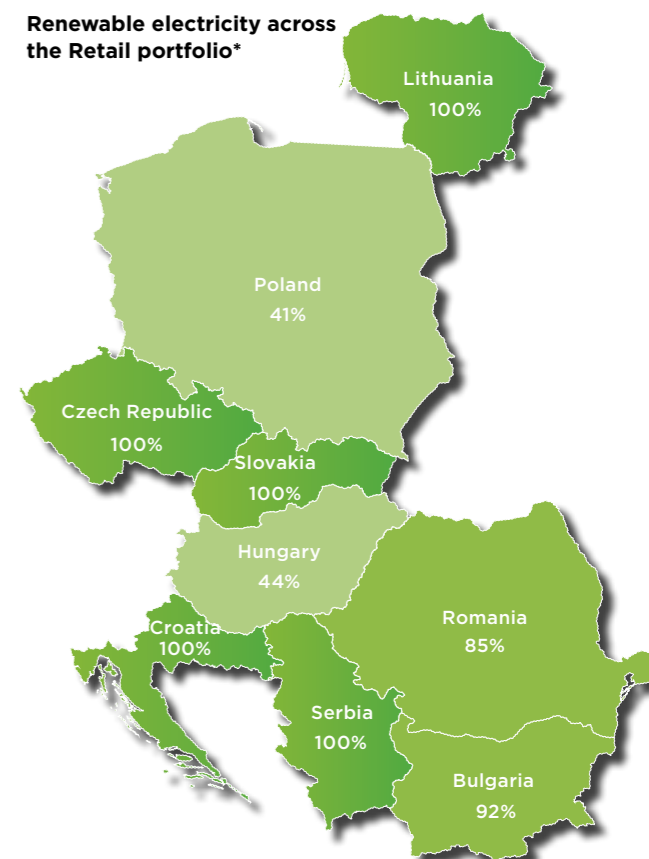
At NEPI Rockcastle, conserving resources and boosting energy efficiency are integral to our strategy. The Group strives to make the assets portfolio as energy-efficient as possible, minimise consumption, and integrate on-site renewable energy production to enable reaching set targets.

In 2022, NEPI Rockcastle achieved a 1% reduction in energy consumption compared to the previous year, having in mind that first quarter of 2021 was still facing pandemic restrictions (therefore the use of utilities was still reduced). Teams were also committed to find efficiency opportunities following the increased energy prices. The energy consumption reduction was driven by cuts in gas, district heating and cooling, as well as adjusting indoor temperatures to reduce the need for air conditioning or heating. The Property Management department has prepared a manual for the teams, rolling out best practices and know-how across portfolio so that to enable energy efficiency.

Transition from traditional lighting to LED began in 2018 and has been a continuous effort in the Group. LED lighting has been fully implemented in 69% of the portfolio by GLA (subsequently increased to 73% by the publication of the report) and has been partially implemented in various stages in the remaining part. Occupancy lighting control and sensors continued to be installed. The Company plans to prioritise full LED lighting implementation across its portfolio by mid-2023.

The Group's commitment to using energy from renewable sources continued in 2022. Starting 2020, the Board of Directors approved budgets to accelerate the use of energy

Renewable electricity across the Retail portfolio*



* Purchased for landlord controlled areas

Sustainability performance

» continued

from renewable sources. As a result, renewable energy procured continued to increase from 67% in 2021 to 74% in 2022. Going forward, NEPI Rockcastle aims to keep increasing the use of renewable energy, in line with its carbon neutrality targets, as further detailed in this report.

Corporate and local teams are working on activities to improve the energy efficiency of the buildings. Investments in 2022 of €1.2 million covered improvement of the building envelope, lighting, heating, ventilation and cooling, appliances and equipment. Investments have also been made to improve BMSs in the assets with outdated systems, install movement sensors in technical corridors, optimise HVAC settings and to connect building systems with equipment enabling optimised operation.

The Group launched in 2022 in its Polish portfolio the cogeneration initiative, meant to optimise resource consumption. Cogeneration, also known as combined heat and power, is a highly efficient process that generates electricity and heat simultaneously. By utilising the exhaust energy from gas turbines, steam can be generated in a heat exchanger which can then be used in several systems, all with no additional fuel consumption. Using gas as fuel to simultaneously generate heat and electricity within a single unit and onsite, is more efficient and cost-effective than traditional power production. The pilot has been completed in Platan Shopping Centre and is expected to have a positive impact on the property's total energy consumption.

CLIMATE CHANGE RISKS AND OPPORTUNITIES

NEPI Rockcastle is aware that climate change will impact both its own operations as well as those of its value chain partners, from physical impacts directly related to weather events, to transition risks that may impact the organization as a result of moving towards a low carbon economy.

Developing an action plan to address climate change risks and opportunities is a key step in understanding the challenges involved. In line with the Task Force on Climate-Related Financial Disclosures (TCFD), the Group's strategy is based on adopting climate-resilient activities and on reducing the carbon emissions resulting from its operations. The Group monitors and is aware of the climate risks and opportunities it faces and develops conscious measures to mitigate such risks, adapt to new challenges and secure its resilience. The Group will implement necessary measures to mitigate risks that may

The Group has identified and planned investments for 2023, totalling €4 million, to be implemented across all operational assets, including initiatives recommended as a result of BREEAM certification. These improvements include investments in green roofs, smart meters that will enable efficient data collection, measures promoting biodiversity, water restoration, sustainable mobility for local communities, and overall improvements in the buildings, leading to more sustainable operations.

Renewable energy production
NEPI Rockcastle has commenced installation of solar panels across the Romanian portfolio to increase the use of energy from renewable sources. The Group has invested €3.4 million in 2022 and rolled out photovoltaic panels in ten assets. In 2023, the Group further plans to introduce on-site renewable energy production in twenty assets. The cumulative capacity will ensure an installed power of 40 MW. The total investment is estimated at €37 million and is expected to significantly reduce the assets' carbon footprint.

Similar initiatives are currently under various analysis or planning stages in the rest of the countries in the portfolio. By investing in on-site renewable energy production, the Group is able to reduce costs for traditional energy, to become more energy-independent and prepare the assets be resilient in front of future regulations and changes in the energy markets. The on-site renewable energy production contributes significantly to the Group's sustainability targets to reduce its carbon footprint.

result in significant pollution or have notable negative effects on protection of flora or fauna.

Climate change risks can be physical, both acute and chronic, as well as transitional, caused by evolving policies, technologies and behavioural changes. The climate change potential impact on the Group's assets will depend on specifics such as the asset's location, exposure, magnitude of the change and will be different in each asset.

The Group assesses and regularly monitors climate change risks and opportunities, both the physical and the transitional ones. The climate change risk assessment is complementary to the Group-wide risk management processes and feeds its results in the wider enterprise risk management approach, as described in the Risk Management section of this report.

Climate risks						
Physical risks			Transition risk			
Acute risks		Chronic risks	Policy and legal risks	Technology risks	Market risks	Reputational risks
Potential risks	Increased risk of extreme weather events	Changes in climate and landscape Water scarcity risk	Increased regulations and exposure to litigation	Investment and transition costs to low carbon technology Uncertainty of investment decisions	Uncertainty regarding consumer behaviour, market signals and supply chain	Changes in consumer preferences and stakeholder expectations
Time horizon	Short-term	Short to medium-term	Medium to long-term	Short-, medium-, long-term	Medium to long-term	Medium to long-term
Financial implications	Increased operating, capital and insurance costs, as well as asset depreciation due to damages		Increase in operating and/or penalties/litigation costs	Value loss of existing assets Costs of procuring new technology	Increased costs from unexpected market changes in supply chains	Reduced revenue Reduced investor interest
	Stranded assets					

Climate-related opportunities					
Potential opportunities	Resource efficiency	Energy source	Products and services	Markets	Resilience
	Improved operating efficiency	Access to new technologies and energy sources Access to incentive schemes and carbon offset markets	Development of new products, low-emission goods and services and climate adaptation measures	Access to new markets, assets and public sector incentives Less sensitivity to market conditions	Reduced energy and resource dependency Reduced overdependency on energy suppliers
	Time horizon	Short-term	Short-, medium-, long-term	Medium-term	Short-, medium-, long-term
Financial implications	Reduced operating costs, higher NOI	Increased capital availability and positive returns from low-carbon technology investments	Increased revenue and better competitive position	Increased revenue/ lower costs through access to new markets and diversification	Increased resilience resulting in reduced costs
		Reduced operational costs Potential revenue from on-site produced renewable energy			Avoid loss of revenue due to business interruptions

NEPI Rockcastle has defined distinct time horizons for evaluating and managing climate change risks. Short-term risks may arise between 2023-2025, medium-term risks between 2026-2030, and long-term risks between 2031-2050.

NEPI Rockcastle collaborates with its insurance companies, who provide insights on potential physical risks evaluation.

The insurance companies cooperating with the Group conduct annual on-site risk assessments and scenario analyses, to estimate potential losses and determine existing measures to minimise the impact of each risk. The insurer evaluates the building structure, facades, roof terraces, and equipment to determine if extreme weather can cause damage to the property or persons. Authorities that specialise in flood risk management have also created river flood risk maps, which the Group uses to assess flooding risks.

Physical risks are already visible and may already be experienced. For instance, high spring temperatures leading to excessive precipitation, lack of winter precipitations leading to drought and water scarcity,

strong winds resembling tornadoes, and sudden wind changes have recently affected the region, therefore NEPI Rockcastle considers these risks will probably have an impact in the short-term on its assets and catchment areas. Climate adaptation plans will be implemented for all assets that will be recertified with BREEAM in the coming years, to contain the impact of these risks.

Most of the transitional risks and opportunities are expected to affect the Company in the short-term (for example the developments in technology and the competitive advantage coming from implementing disruptive technology) to medium and to long-term (especially in terms of alignment of regulations across all jurisdictions the Group operates). Taking the time horizon into account, the Group embedded mitigating measures in its sustainability roadmap, addressing the highest prioritised risks.

Sustainability performance

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TOWARDS A LOW CARBON ECONOMY

NEPI Rockcastle aims to contribute to a more sustainable environment, by reducing the carbon footprint of its buildings, both during construction and in operation. In 2022, the Group decreased its carbon footprint by 13% compared to 2021, due to the increase of the renewable energy share and reduction of gas and district heating consumption across its portfolio.

The Group uses the methodology and calculation factors provided in the Measurabl platform, and allocates in Scope 1 gas consumption, in Scope 2 electricity, heating and cooling for common areas and in Scope 3, the energy consumed by tenants. Scope 3 coverage is currently limited, as indirect emissions in the supply chain or those generated by transportation are not yet estimated. The Group is making strides to accelerate its scope 3 emissions data collection, based on collaboration with tenants and suppliers.

NEPI Rockcastle mainly discharges gas emissions generated by the HVAC equipment in its properties. Such emissions are kept under control and verified according to the law, while non-compliance with maximum legal emissions has not been reported. The Group performs regular maintenance and technical verifications of its equipment with specialized service providers, and it is committed to investing in new technologies that minimise negative impact on the environment.

A carbon reduction pathway has been established for the Group and is endorsed by the Board, encompassing development and redevelopment, operations, engagement with key stakeholders, management of own offices and employees business travel. The carbon pathway outlines how NEPI Rockcastle intends to reduce its greenhouse gas emissions and reach its climate goals of reducing operations carbon footprint by 70% and embedded carbon by 30% by 2030, compared to 2019. It sets out ambitious actions, policies, and technologies that will be implemented year on year to achieve the carbon reduction

targets by 2030 and serves as a roadmap for transitioning the organization and portfolio to a low-carbon economy. The Group commits to further extend this pathway in the following years, in order to further define long-term targets until 2050.

NEPI Rockcastle utilized the Carbon Risk Real Estate Monitor (CRREM) methodology and tool to monitor and adjust its portfolio's alignment with the Paris Agreement and assess carbon-related risks. The outcome of the data implemented into the tool is to underline the assets which will become stranded in the near future and was key in prioritising CAPEX allocation on those assets in urgent need. The stranding diagrams generated from the asset-level analysis provided valuable insight into the need for short to medium to long-term decarbonization actions to align with the decarbonization pathway and avoid the risk of carbon tax (currently not set up in any jurisdiction the Group operates, but considered a potential risk). This analysis aimed to help the Group better identify and prioritise its decarbonization efforts and related investment.

Part of the ESG strategy is focused on a commitment to reduce GHG emissions with initiatives to be implemented and KPIs set for the management team, formalising the responsibility towards meeting reduction targets and deadlines. Specific sustainability KPIs have been defined for Executive Directors and cascaded down to next management level in all business functions, to link personal performance and remuneration to Company's sustainability performance. The ESG strategy recognizes the responsibility on the management level and integration of physical climate change into regular risk assessment and business operations. In line with the strategy, NEPI Rockcastle is committed to prepare a climate adaptation plan for each asset in order to mitigate the changing climate. In 2022 the Group invested significant effort into the data collection process, in improving accuracy and data sources and in monitoring the emissions in its portfolio.



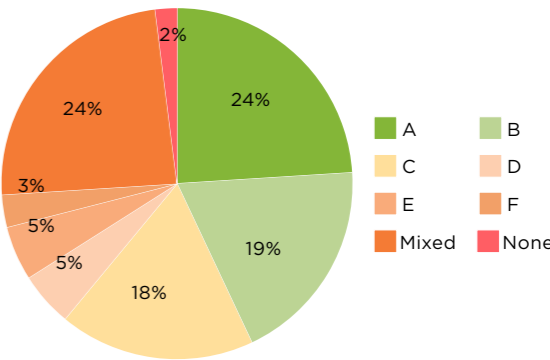
BUILDING CERTIFICATION

The Group is committed to enhancing the quality of its buildings and promoting sustainable construction from both a structural and operational standpoint. It uses the BREEAM methodology to evaluate and certify the sustainability of its buildings, covering various aspects such as energy and water use, health and well-being, pollution, transportation, materials, waste management, ecology and biodiversity, management processes.

As of December 2022, 100% of the eligible portfolio was BREEAM certified and the Group is committed to continue the certification of its eligible portfolio in the following years. The remaining buildings, not prioritised for certification by the Group, are industrial and strip centres, representing approximately 3% of the total portfolio by GLA. The BREEAM In Construction Certification was initiated also for the shopping centres in the development pipeline.

The Group is also keeping track of the Energy Performance Certificates (EPC) in place for its real estate portfolio. As of 31 December 2022, NEPI Rockcastle has A and B label certificates in place for 43% of the floor area. The Group is continually pursuing the updating of EPC labels in response to the energy efficiency measures implemented.

EPCs AT A GROUP LEVEL/PROP



'A-F' represent the energy certification level. 'Mixed' label was assigned when more than one level is in place in an asset. 'None' was assigned for one asset (industrial) where the energy certificate was not obtained.

Sustainability performance

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CASE STUDIES OF THE ASSETS THAT HAVE UNDERGONE BREEAM CERTIFICATION IN 2022

Galeria Warmińska, a shopping centre located in Poland, has achieved the **BREEAM In Use Excellent** rating, demonstrating the Group’s commitment to sustainability and the environment. To meet the rigorous standards of the rating, the shopping centre has implemented a number of environmentally friendly initiatives, including:

- Rainwater collection and use in irrigation
- Occupation motion sensor for the lighting system in the parking area, with 95% LED lighting
- Revolving exterior doors
- Building management system controls
- Permanent multi-technical maintenance and digital monitoring of utilities
- Energy consumption efficiency measures, including variable speed drivers for smoke evacuation systems, circulation pumps for heating and cooling systems, and 23% of energy coming from renewable sources

- Motion detectors for the lighting in back door corridors and staircases
- Bicycle racks, service stations, electric car charging stations

Additionally, the shopping centre features a number of sustainable initiatives, such as dusk sensor for lighting control, protection foil on skylights, 30% biologically active area in the built-up area, thermal energy recovery system, 330 trees and shrubs planted around the building, composters for grass, taps with motion sensors, urinals with flush sensors, dual-function toilets, automatic lighting switch-off in elevators, insect and bird houses, beehives and flower meadow to enhance biodiversity, and an outside playground. These initiatives contribute to a more sustainable and environmentally friendly shopping experience for customers and local community.



PHOTO: GALERIA WARMINSKA



PHOTO: SHOPPING CITY BUZAU

Shopping City Buzău, a shopping centre located in Romania, has achieved the **BREEAM In Use very good** rating, demonstrating the Group’s commitment to sustainability and the environment. To meet the rigorous standards of the rating, the shopping centre has implemented a number of environmentally friendly initiatives, including:

- Occupation motion sensor for the lighting system in the parking area, with 100% LED lighting
- Revolving exterior doors with access doors from the underground parking area
- Building management system

- Permanent multi-technical maintenance and digital monitoring of utilities
- Energy consumption efficiency measures, including variable speed drivers for smoke evacuation systems, circulation pumps for heating and cooling systems, and 48% of energy sourced from renewable sources
- Bicycle racks, service stations, and electric car charging stations

Rainwater collection and use for irrigation as well as motion detecting sensors in back-door corridors and staircases are planned to be implemented in 2023.

Sustainability performance

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Paradise Center, a shopping centre located in Bulgaria, has achieved the **BREEAM In Use Excellent** rating in 2022. This achievement highlights the centre's dedication to sustainability and the environment. In order to meet the Excellent rating, the shopping centre implemented a range of environmentally friendly measures, such as:

- Variable speed drivers for smoke evacuation systems, circulation pumps for heating and cooling systems, and energy-efficient LED lighting throughout the common areas enabling reduction of energy consumption in the centre
- A wide range of sustainable design elements, such as dusk sensors for lighting control, protection foil on skylights, and a thermal energy recovery system

- 100% of electricity comes from renewable sources
 - Separate waste collection and special containers for collecting recyclable apparel and footwear has been installed
 - Sustainable travel options for customers and tenants, including bicycle racks and service stations, electric car charging stations.
- The shopping centre also partners with socially recognized organizations like the Bulgarian Red Cross, UNICEF, and SOS Children's Villages Bulgaria to support a variety of social causes, contributing to a more sustainable and environmentally friendly shopping experience for customers and the local community.

STIMULATE SUSTAINABLE MOBILITY

NEPI Rockcastle developed a wide network of electric cars charging stations, in partnership with Enel and Tesla, in Romania, Bulgaria and Poland. The Group is currently analysing the markets and regulations across the portfolio and is building a feasibility review for installation of its own car charging stations. Based on the results, the Group plans to prepare the roll out strategy during 2023.

WATER AND CONSERVATION PROGRAM

NEPI Rockcastle properties are generally connected to the public water and sewage networks. Water is consumed in the Group properties mainly by the food processors and through the use in restroom areas by visitors of the shopping centres. Prevention of water waste, careful monitoring of consumption, leak detection and signalling, are the main measures integrated in the properties.

By continuing the implementation of the measures proposed in previous years, the Company gets closer to managing water as an important resource and to continuously mitigating the water scarcity risk. The following activities continued to be deployed in the water risk management approach:

- performing studies to check if underground water can be used instead of the conventional system, for specific operations;
- collecting rainwater and reusing it for irrigations, equipment cooling and other activities;
- installing diffusers on water taps to reduce the flow and ensure a maximum water flow of 6 litres/min;
- fitting toilet areas with water shutoff systems ensuring a full flush volume of a maximum of 6 litres and an average flush volume of 3,5 litres and for urinals a maximum of 2 litres/bowl/hour;
- eliminating leakage from the fire systems and HVAC, and installing leak prevention and monitoring systems, with BMS alert sensors;
- implementing a proactive maintenance and revision schedule for equipment;
- performing regular water analysis to determine the risk of Legionella contamination and ensure water quality, as well as the integrity of water distribution systems.

In 2023, NEPI Rockcastle is further committing to address the water scarcity risk by water conservation through measures such as reusing grey water, capturing rainwater for landscaping, and installing automatic flush toilets and low-temperature hot water systems in restrooms, reducing at the same time energy consumption.

Complementary to water consumption management, another aspect addressed by NEPI Rockcastle is the management of the impact of water discharge. NEPI Rockcastle's activities are non-industrial and therefore the volume of water consumed may be considered equal to the volume of water discharged, with a negligible difference for rainwater.

The main wastewater sources identified in the Group properties are:

- domestic wastewater from sanitary areas, offices, and showers in the changing rooms;
- tenants' wastewater from food processing;
- rainwater from the roofs;
- rainwater from the vehicles parking/roads platforms.



Sustainability performance

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Rigorous implementation of the Environmental Policy at Group level includes regular maintenance programs, use of efficient equipment and strict internal procedures, to ensure that the properties are permanently in compliance with water quality regulations:

- hydrocarbon/oil separators installed in parking areas;
- grease separators for all properties and individual grease separators for food processing tenants;
- specific maintenance programme for the sewage systems;
- separate sewage system for wastewater and rainwater;
- water treatment plants for those properties where the used water is discharged into a natural stream of water.

The Group's water discharge process is not considered a high-risk pollution factor, with all properties following the relevant laws and regulations. Due to a few cities' technical restrictions on takeover capacity, some NEPI Rockcastle properties are not connected to the city's public sewage system therefore discharge used waters into a natural stream of water. Strictly on and around these sites, biogenesis does not include any plant or animal species protected by the current regulations. Even so, in these locations, the wastewater is discharged after being treated in wastewater plants, under the supervision of environmental authorities. The Group takes responsibility and minimizes as much as possible the effects of its activities, by regularly monitoring the water quality both before reaching the plant and after treatment, before discharge.



PHOTO: SHOPPING CITY BUZAU

WASTE MANAGEMENT

NEPI Rockcastle aims to minimise waste discharged to landfill, maximise recycling, and promote reuse as per circular economy principles. Authorized operators dispose the general waste in compliance with local regulations, and the Group provides suitable facilities for sorting and storing waste. In 2022, the Company collected 24,358 tons of waste from its properties, with 47% of recycled waste diverted from landfill.

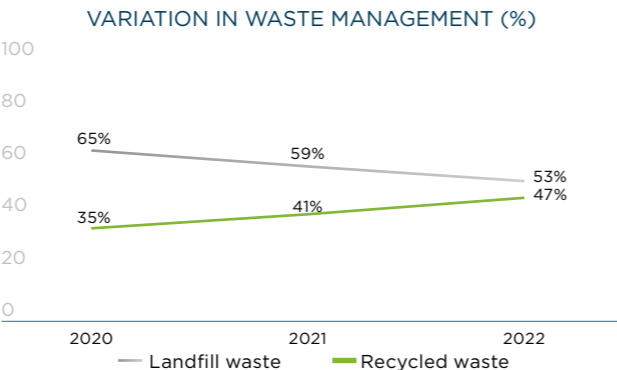
The Group has defined its zero-avoidable waste to landfill strategy, and is applying strict selective collection procedures, creating efficient flows to increase the share of recyclable waste, modernising waste sorting areas and implementing a system of transformation of organic waste into compost in assets in Romania and Bulgaria. Moreover, to promote environmentally responsible behaviour while educating tenants and visitors, concerted campaigns have been rolled throughout the portfolio. The Group continuously engages with tenants and business partners to encourage them to join in this initiative, build awareness and boost support. Good outcomes for the numerous campaigns, initiatives and actions implemented over the last year give NEPI Rockcastle the chance to build informed communities, engage multiple stakeholders, and contribute to addressing environmental and climate issues.

The Group has installed the in-vessel composting equipment, designed to convert biodegradable organic waste into compost, in selected properties in Romania and in Bulgaria. The installation of the composting machines has been initiated in order to significantly reduce the waste going to landfill and make use of the end product. During 2023 the Group is planning to initiate

a cooperation with the University of Agriculture Science in Romania to analyse the potential of the product either being used as fertiliser or bio coal.

During 2022 the Group completed the installation of recycling waste disposal bins in 100% of the portfolio common areas and continues to install such devices in the exterior areas in 2023.

The Group is committed to contributing to a circular economy and encourages recycling in order to reduce the avoidable waste going to landfill. In 2022, the local teams started implementing a measuring system to better track and analyse the waste generated by tenants and customers. Starting 2023, NEPI Rockcastle plans to extend this program and enhance its data collection and monitoring processes, gathering detailed information, helping reduce waste and promote recycling.



ENVIRONMENTAL COMPLIANCE

The Group complies with environmental regulations and standards, and regularly monitors its compliance with applicable laws and norms. All properties operate in accordance with the environmental laws and standards of the countries in which they operate, and compliance is monitored and verified by environmental protection agencies. NEPI Rockcastle encourages its partners to provide feedback, including reporting any non-compliance with environmental laws or regulations or any potential environmental risks. During 2022, the Group has not faced any environmental non-compliance issues resulting in material fines.

The Group ensures that its operational procedures are consistently in line with relevant legislation, and it continuously monitors the status of its landscapes, habitats, and property ecosystems. It also commissions various studies, including BREEAM assessments, ecological studies, habitat status reports, Legionella risk assessments, lighting and air quality certifications, and sound stress reports.

In the last two years, properties such as Galeria Wołomin, Galeria Tomaszów, Platan Shopping Centre, Bonarka City Center, Alfa Centrum Białystok, Pogoria Shopping Centre, and Focus Mall Piotrków Trybunalski have invested in nanotechnology air filtration systems for their HVAC units, which increase the filtration level of incoming fresh and recycled air, effectively helping to combat smog. The properties' Air Quality Certificates confirm that they are using this new filtration technology correctly.

BIODIVERSITY AND ECOLOGY

NEPI Rockcastle aims to have a unitary approach towards the conservation and improvement of biodiversity and minimise its negative impact around its centres. The Group assesses the impact of its activities on the environment and the associated risks through ecology reports. Environmental due diligence procedures are integrated in the property acquisition decision, while environmental permits are obtained and materially complied with in the construction process.

The Group will develop a Biodiversity Strategy by 2025 and will base it on biodiversity risk and impact assessments, setting on-site specific targets and objectives. As part of this strategy, the Group will consult with biodiversity experts such as conservation groups, governmental organisations, or research organisations and universities.

Within the urban nature of its buildings, the Group recognizes the potential for its properties to enhance local flora and fauna. These buildings can serve as centres for biodiversity in their respective communities. One example of this is the "bee-friendly shopping centres" initiative, part of the "Save the Bees, together" campaign in Poland. Another example is the planting trees in Poland. This campaign was preceded by environmental workshops with customers and was conducted in 10 shopping centres in Poland. The Group worked with its partners and customers to plant 24,000 trees in the proximity of the shopping centres. The planted forest is estimated to annually consume 18 tons of CO₂ and produce 3,360 kg of oxygen at maturity.

Sustainability performance

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HEALTH AND SAFETY

The health and safety of occupants is a top priority for the Group, and all commercial centres have implemented the necessary organizational and technical measures to comply with applicable legal requirements in all jurisdictions. The Risk and Compliance Committee regularly monitors and reports on operational compliance, focusing on permits and authorizations related to fire safety, hygiene, and environmental safety, among others.

The property management team takes proactive measures to maintain high standards of health and safety. This includes regular cleaning of ventilation channels,

maintenance and repairs of HVAC and fire safety systems, regular building inspections, and capital investments in installations related to health and safety. The Group also plans to implement remote monitoring of the CCTV system, has contracted a security company for additional support, and assesses the implementation of a designated fireman position to monitor all fire systems 24/7. Regular evacuation drills are conducted as a training element, and all security companies are required to implement antiterrorist procedures. Tenants and service providers are also required to use safety precautions during fit-out works.

SUSTAINABLE DEVELOPMENTS

Promenada Craiova – development (Craiova, Romania)

The new mall will comprise of 63,700m² of retail GLA and on the ground floor a commercial gallery, a hypermarket, and coffee shops. The first floor will offer dining areas, entertainment options, playgrounds, a restaurant and cafe zone, a cinema, and a terrace that will be integrated into the outdoor events area.

A Life Cycle Assessment has been conducted for this new development, and several environmental initiatives have been integrated into the design and construction of the property, enabling it to operate efficiently while containing the use of natural resources.

Renewable energy on site and increased energy efficiency

The investment in sustainable development and environmental protection includes the use of renewable energy sources to reduce carbon emissions and energy consumption. It is the first time that NEPI Rockcastle is developing an asset that is producing on-site electricity from renewable sources, with photovoltaic panels covering its parking lot. Energy-efficient solutions such as heat pumps, heat recovery systems, LED lighting will be implemented in the common areas. Energy efficiency is considered early in the design process including smart metering and heat recovery, as the asset is being constructed in line with NZEB regulation (Near Zero Energy Buildings).

Waste management

Design optimization is a crucial aspect in reducing construction and demolition waste. Designers worked closely together during the design stage to ensure minimal waste. Most of the contracts are 'design and build', therefore contractors are responsible end to end of the site operations and also prioritise waste reduction. Each contractor is responsible for waste management and there is a focus on encouraging recycling and sorting of waste. Communication with tenants during the fit-out design stage is important, to allow early agreement on layouts and minimise repeated modifications, demolition and waste.

Health and safety

Health and safety is a top priority during construction works, and measures are taken to ensure compliance with regulations. A dedicated Health and Safety inspector oversees the site, and weekly reports are submitted to contractors to monitor non-compliance. Workers are equipped with personal protection equipment, including work boots, helmets, and vests, while vehicles on site have sound notifications.

Sustainable transport

Aiming to encourage sustainable transportation, the mall will be equipped with 143 bays for electrical cars with fast charging infrastructure, as well as 16 supercharger stations specifically designed for Tesla vehicles.



Sustainability performance

» continued

PILLAR 2: BE A TRUSTED PARTNER FOR OUR STAKEHOLDERS

As the premier owner and operator of shopping centres in the CEE, the Group aims to be a trusted business partner for the key local stakeholders.

NEPI Rockcastle is creating a positive experience for the community visiting the shopping malls on a daily basis. The Group ensures, for both visitors and retailers, healthy and safe environment, creating many places to work from and visit.

Visitors	Retailers	Communities
NEPI Rockcastle welcomed close to 294* million visitors in 2022	Over 7,000 lease contracts are in place as at 31 December 2022	The Group operates in the heart of 52 communities clustered around its retail portfolio
The shopping centres owned and managed by NEPI Rockcastle have proven to be more than a popular destination. Offering a well-rounded tenant mix, comprehensive amenities, and top-notch services, customers know they meet their shopping needs. The Group continually gathers customer insights through surveys to stay informed of their evolving needs, ensuring that offerings are in line with the latest trends and demands. This commitment to understanding and serving our customers keeps our assets future-proof.	NEPI Rockcastle aims to provide attractive spaces for retailers to sell their products and services. The Group provides safe, clean, and attractive spaces, allowing business owners to meet with their clients in one convenient location. The teams are committed to improving collaboration and exchanging knowledge on sustainable business practices. The Group's green lease provisions serve as the cornerstone for promoting joint efforts in environmental consciousness and reducing our overall environmental impact.	NEPI Rockcastle owns and operates retail centres that have a crucial function in the communities, and the Company strives to create a beneficial influence that goes beyond retail. These centres serve as the core of their communities by presenting educational initiatives, backing entrepreneurship, supplying resources for non-profit organizations, and promoting community engagement. They are not only a place for shopping but also a dynamic and essential component of their communities.

*Data above covers assets reported on in the sustainability report, as explained in the Organizational boundaries, without assets acquired in the end of 2022 in Poland and Romania.

In 2022, NEPI Rockcastle expanded its Regional Marketing department with the goal of utilising its regional reach to enhance consumer understanding, mall positioning, and go-to-market efforts with improved quality and increased collaboration. To achieve this, they have established a

three-pillar marketing regional structure that enables:

- A consistent approach to understanding consumers (WHO)
- A standardized method for determining mall positioning (WHAT), and
- The creation of synergies for effectively reaching, engaging, and satisfying shoppers (HOW).

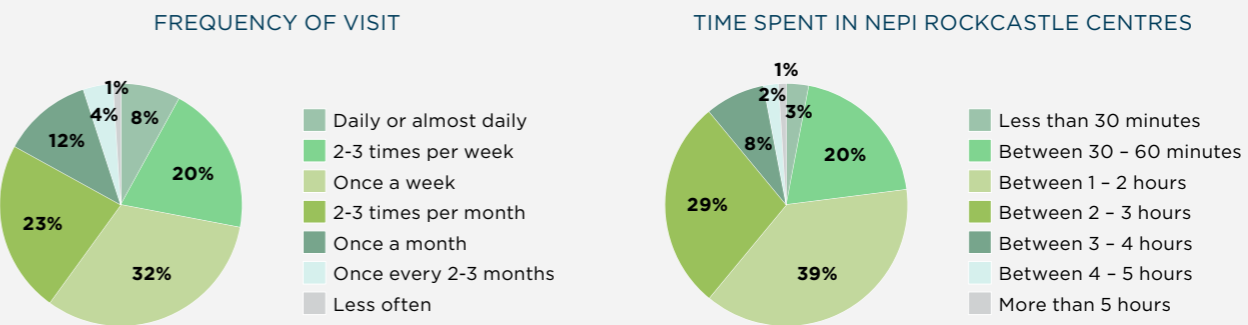
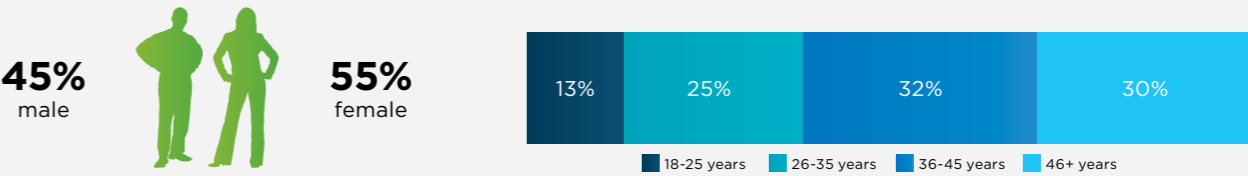
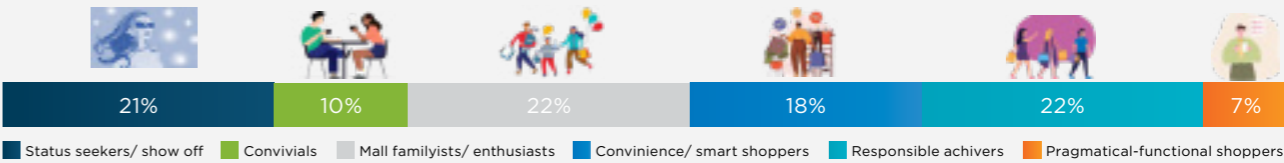
KNOWING OUR CUSTOMERS

In 2022, NEPI Rockcastle carried out customer satisfaction surveys in 17 centres located in Romania, 2 centres in Bulgaria, and 1 in Hungary. Through these engagement surveys the Group aims to gather information on various aspects, including consumer habits when visiting shopping malls, consumer groups or motivational segments for shopping malls, the consumer perception on NEPI Rockcastle's malls (including the Net Promoter Score) compared to competitors, and the extent of awareness and use of NEPI Rockcastle's digital engagement applications.

The customer engagement surveys provide valuable insight into consumer preferences, behaviours, needs, which are used to optimise the shopping centre's offerings and improve customer satisfaction. The outcomes support NEPI Rockcastle to identify areas of improvement and take corrective measures to address customer complaints and issues, which can lead to

improved customer loyalty and retention. It also enables the Group to assess the effectiveness of marketing, promotional and community engagement campaigns therefore making data-driven decisions to enhance the consumer and community approach.

The long-term sustainable value of customer engagement surveys is the creation of a positive experience and brand reputation, which is critical for the success and longevity of a business. By engaging customers and demonstrating a commitment to understand their needs and preferences, the Group can build strong relationships with its customers and enhance their overall experience, leading to increased footfall, sales, and profitability, but also to better understanding the needs and expectation of the communities. A full implementation of this consumer research approach will be carried out across all assets by the end of April 2023.



TOP 10 OCCASIONS TO VISIT MALL



TOP 10 IMPORTANT ATTRIBUTES ON A MALL



Romanian consumer study undertaken in 17 centres

Sustainability performance

» continued

COMMUNITIES ENGAGEMENT

Resilience, strength and impact, shaped societies during the last years. Resilience is not just about an individual's ability to overcome adversity, it is also about supporting others and the organisations which help them. That is why NEPI Rockcastle is committed to participating in building strong and resilient communities.

As the leading investor and developer of commercial real estate in the CEE, NEPI Rockcastle has the power to lead change and the way to a healthier, more sustainable, and better future, for both its clients and local communities. Creating strategic long-term partnerships with local and global organisations has been a key factor in understanding community needs and shared priorities, and in managing coordinated efforts towards achieving impactful outcomes. The Group aims for assets to support local charity and non-governmental organizations ('NGOs') contributing to healthy development of the local communities.

Through the **#ResponsiblyTogether** platform, which is an umbrella for the Group's social responsibility projects, the Group continued to roll out a wide range of projects targeting three major sustainability directions, in line with its community engagement strategy: community health, education and environment.

Provide education to build a better future

NEPI Rockcastle believes that education is the key to creating a better world and is committed to investing in educational programs for children, parents and senior members of the communities. The Group understands the importance of providing relevant information and align educational topics with the needs of the local community. The Group covers a wide range of fields, including science, parenting, technology, road safety, and the preservation of local traditions. By doing so, NEPI Rockcastle empowers individuals and communities to drive positive change and create a brighter future.

In 2022, the marketing teams organised educational projects in more than 25 shopping centres in Romania, Slovakia, and Poland. The "Empty classroom" project in Romania was organized for the second time with the goal of providing access to well-equipped libraries for children from underprivileged areas to promote reading and education. With the help of World Vision Romania, the local teams organized a main event featuring music industry ambassadors, launched a book and donated school supplies in 9 shopping centres. As a result, 39 schools were equipped with books and materials for artistic activities benefiting over 10,000 children.

The Group also supported the roll-out of the "Fake News" program developed by Save the Children Romania. This initiative aimed to educate children, teachers, and parents on recognising and avoiding fake news. It consisted of an online conference attended by over 30,000 teachers and parents, a guide distributed to all public schools, and theatre improvisation in 9 shopping centres, attended

by over 1,000 children. Additionally, a series of podcasts with parents who are also experienced journalists will be organized in 2023, to debate fake news and how to identify them. These are expected to attract over 1 million views.

Promoting health and safety initiatives in the communities

NEPI Rockcastle recognizes the importance of health education and has taken steps to increase its impact in this area. By developing scalable projects that address community needs in health support, from prevention to intervention, the Group is committed to support the growth and development of the communities where it operates. The Group believes in a well-informed and connected community and works to bring all relevant parties together to encourage engagement and active participation. NEPI Rockcastle acts as a facilitator of sustainable engagement, working collaboratively to empower communities and support their growth. By doing so, the Group plays an important role in promoting responsible and active engagement within society.

NEPI Rockcastle has hosted health-focused campaigns in 47 shopping centres in all 9 countries, allowing more than 20 million people to access key health information.

In Romania, NEPI Rockcastle addressed the issue of limited blood donation awareness through its campaign "You can also donate!". This initiative successfully attracted over 1,000 donors in just two months.

NEPI Rockcastle collaborates with local authorities through its Asset and Property Management teams to support the community needs. An example of such partnership is the creation of a sensorial room in Timisoara for children with autism. This facility is the only one of its kind in the region and provides free treatment, development, and practice opportunities for over 180 children with autism and sensorial issues.

Entrepreneurship

NEPI Rockcastle values the role of entrepreneurs in its communities as they bring new employment opportunities and add energy to the shopping centres. In Romania, the team has encouraged young designers and start-ups to pursue their careers in our spaces.

"Building destinies" is a partnership with the NGO Social Incubator that helps young people from disadvantaged backgrounds find their footing. Over 100 young people aged 17-21 interacted with employees in 4 Romanian shopping centres and tenants, gaining exposure and understanding the operations and activities in a shopping centre.

The Nootka working spaces are versatile booths that can be used by young entrepreneurs for meetings or as work-spaces. They are available in Timisoara, Bucharest, and Constanta, conveniently located and equipped with all necessary facilities.



PHOTO: PLANTING TREES, SPLATAN SHOPPING CENTRE

Exceptional Support Program: Ukraine Help

NEPI Rockcastle's shopping centres showed their support for the crisis in Ukraine by lighting their facades in the Ukrainian flag colours and donating to NGOs aiding refugees and people in Ukraine. A standout initiative is the Charity Shop located in Platan Shopping Center. This is the first store of its kind in Zabrze and in the NEPI Rockcastle chain. The community is encouraged to donate used or new clothing, which will go directly to refugees in Ukraine after segregation and cleaning.

Since its opening, nearly 15,000 people have benefited from the Charity Shop, which continues to attract strong interest. Clothing and footwear come from local donors, tenants, suppliers, and refugees exchanging items (primarily for children who have outgrown their clothes). Platan customers shopping in the stores are also donating clothes here. The shop is run by Ukrainian female volunteers and coordinated by the Children and Youth Association Great Fleet of United Forces in Zabrze.

Promoting awareness on critical environmental issues

To enhance the environmental awareness and the support communities, over 20,000 trees were planted in Bulgaria and 24,000 in Poland during 2022. In Constanta, a recycling campaign was held at the NeverSea Festival where over 100 kg of plastic was collected and over 15,000 people were engaged. During the Plastic BOSS campaign at City Park Mall, people were challenged to transform plastic bottles into fashionable accessories during the festival. During 2022 a team of volunteers cleaned beaches in Constanta, Romania.

Eco-workshops were organized in all 12 Polish centres, where customers created Kokedama balls as an eco-friendly alternative to plastic pots. These were aimed at raising awareness about reducing waste and attracted over 2,400 participants.

Sustainability performance

» continued

THE SUSTAINABLE PROCUREMENT POLICY

NEPI Rockcastle is committed to leading the change to a better future by continuously increasing the sustainability efforts, therefore intends to extend its positive influence and advocate the change in its supply chain. The Group commits to influence business partners to join efforts and share similar ambitions around positive environmental impact, climate change mitigation, carbon footprint reduction, circularity, ethics and social responsibility. The sustainability commitment for NEPI Rockcastle's business partners is one step towards this ambitious target and is published on the corporate website, accessible to all business partners [Nepi-Rockcastle-Business-Partner-Sustainability-commitment.pdf \(nepirockcastle.com\)](#)

The Group started the roll out of dedicated sustainability clauses in the contracts with suppliers, whereas the supplier warrants that it observes the principles and values provided in the Sustainability Commitment and furthermore, that it will take necessary measures to ensure that its personnel, as well as its main subcontractors, suppliers and collaborators, are complying with such principles and values.

The Sustainable Procurement Policy was designed to ensure that the Group can positively influence its upstream value chain and that suppliers implement aligned sustainable principles in their line of business. During 2022, the Group prioritised a review for key suppliers across all jurisdictions and core operations (construction and assets management) and carried out an assessment via a Green Assessment Form, checking compliance with key points in its ESG pillars. The assessment was meant to identify the potential improvement of provisions and policies in the supply chain and will finally lead the Group into being able to increase its scope 3 greenhouse gas emissions measurement.

The Group values the following principles of the sustainable procurement, with a target of full implementation by the end of 2023:

- choosing products and services with a lower environmental impact;
- making sure that procurement is approached in an ethical manner;
- reasonably reviewing that major suppliers are aware of and comply with key sustainability principles, in order to understand the impact of their products on environment and communities;
- implementing new strategies to avoid unnecessary consumption and proactively managing demand;
- encouraging innovation in sustainable products and services.

NEPI Rockcastle strongly believes in collaborating with partners sharing the same values, based on a win-win partnership governed by probity and integrity. The main principles are covered in the Code of Ethical Conduct, Anti Money Laundering and Counterterrorism Policy and Sustainable Procurement Policy. As such, NEPI Rockcastle is committed to extend its principles of responsibility through its value chain, which is crucial to the safety of its employees, tenants and visitors, as well as to proper positioning and performance of its shopping centres. The Group has implemented compliance clauses covering anti-money laundering, counter terrorism and anti-corruption in its standard contract templates, and extended due diligence processes for its partners.

For transparency reasons, a Compliance Statement has been published on the Group's corporate website, accessible to business partners, summarising the main principles and rules defined in the Group's Compliance Framework, e.g. commitment to ethics, long-term win-win relationship, zero-tolerance against bribery and corruption, open communication, high standards of confidentiality and privacy.

GREEN LEASES

During 2022, the Group continued working towards the improvement of sustainable collaboration with tenants, through implementing green clauses into the house rules or into lease agreements, in all countries where it operates. Some core environmental clauses are already covered in the current lease agreements, while for others the Group initiated discussions with key tenants, to identify the common ground regarding sustainability endeavours. These will cover:

- permission to access tenant utility data, including transparency on energy, water, and waste;

- operational parameters and energy performance targets which tenants should adhere to (for example HVAC set point/landlord override, occupancy sensors, auxiliary HVAC hours, no use of volatile organic compounds, installation of LEDs);
- common participation of the landlord and tenant in activities required for obtaining and/or maintaining the green building certification (for example recycling, green areas maintenance, pest control);
- common effort to promote sustainable means of transportation instead of personal vehicles (for visitors and employees).



SPONSORSHIPS AND DONATIONS

The Group formalized its Sponsorship Policy and commits not to support entities/projects which:

- conflict with the Group's values or targets and/or negatively impact the environment, health or safety;
- promote or interfere with industries such as tobacco and alcohol;
- promote violence or terrorism;
- are involved or cooperate with partners involved in money laundering, corruption or other unethical practices;

- are involved in, or support, political parties/campaigns/projects.

While the Group recognises its role in a 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 other in-kind benefits may be offered in such context).

ACTIONABLE TARGETS IN RELATION TO GROUP PARTNERS

The Group intends to collaborate with responsible partners therefore it defined the following targets:

- Embed relevant controls in the business processes, so that to enable proper and transparent due diligence (compliance and financial risk assessment) and compliance with Group Risk Appetite;
- Ensure that high risk partners follow the escalation decision process, while wisely and objectively weighing associated risks against business needs;
- Anti-corruption and anti-money laundry clauses are included in all contractual arrangements with our partners;

- Organise recurrent ethics awareness campaigns dedicated to clients and suppliers, to share our commitment to ethics and encourage our partners to report any potential irregularities;
- Implement fair competition rules and increase awareness both internally and externally; and
- Zero tolerance towards any request or initiative of financial support (sponsorship, donation, any other in-kind benefits etc.) to any political party and/or politically exposed person, as well as to involvement in political issues.

Sustainability performance

» continued

PILLAR 3: CREATE AN ATTRACTIVE, PROFESSIONAL AND ETHICAL WORK ENVIRONMENT

NEPI Rockcastle has a diversified internal management team that possesses strong asset management, sustainability, development, investment, leasing, and financial expertise. The Company is able to efficiently pursue property opportunities in CEE due to its geographically diverse management skills, resulting in a strategic advantage in acquiring, developing, and managing properties. The Group's focus on generating long-term performance is driven by skills, engagement, and teamwork of its employees, leading to the creation

of value. The Company is committed to maintaining the highest ethical standards and ensuring compliance with applicable laws and regulations in all of the jurisdictions in which it operates.

This report covers the Group's approach for managing its employees as defined by local laws across all jurisdictions. Relationship with other contractors, sub-contractors, freelancers, collaborators, that the Group works with, is not included.



PHOTO: NEPI ROCKCASTLE INTEGRATION EVENT

STRATEGIC ACTIONABLE TARGETS

The Group continued its sustainability strategy roll out in 2022 and prioritised its focus on its people and their integrity.

Objective/ Commitment	KPIs	Term	
		Medium	Long
Ensure compliance with regulations, policies and procedures	<ul style="list-style-type: none">Timely monitoring, reporting, alignment and or remediationEnable consequence managementIncrease Whistleblowing awareness among Group personnel or external partners and encourage reporting of legitimate concerns		Permanent
Maintain ethical relationships with authorities, government representatives, politically exposed persons, and enforce anti-corruption rules	<ul style="list-style-type: none">Raise awareness among Group personnel regarding:<ul style="list-style-type: none">» Group's gifts policy, especially in relation to public officials/politically exposed personsDeploy awareness campaigns focused on the rules of ethical business conduct embraced by the Group:<ul style="list-style-type: none">» Money, in any form, is never given, offered, solicited, or accepted, on personal behalf or on behalf of the Company. No gift or entertainment may be given or received if it is intended to influence a person's behaviour or decision» No employee may encourage or solicit gifts or entertainment of any kind from any individual or entity with whom the Group conducts business		Permanent

INTEGRITY AND ETHICAL CONDUCT

NEPI Rockcastle is committed to maintain the highest ethical standards and comply with applicable laws and regulations in all jurisdictions. The Group undertakes to preserve ethical principles and conduct, focusing on promoting integrity as one of the Group's core values, to set and lead by example, where honesty and reliability in business practices are of the highest importance.

The Group's continued success depends on employing highly qualified people and establishing a working environment free from discrimination, harassment, intimidation, or coercion based on race, religion, gender, age, nationality, or disability. Therefore, the Group personnel is coached to treat everyone fairly, to avoid the intent and appearance of unethical or compromising practices, to treat all persons with respect and consideration, to demonstrate the highest standards of integrity, truthfulness and honesty in order to inspire confidence and trust, both internally and outside the Company.

In the area of Sustainability, the Group is particularly committed to the full compliance with all environmental laws, standards, and guidelines.

Violations of the above, including environmental risks may be reported to the Risk and Compliance Officer or by using the Whistleblowing channels, in line with the Whistleblowing Policy, published on the corporate website <https://nepirockcastle.com/group/corporate-governance/whistleblowing-policy/>.

Policies and procedures are available to all personnel, in every country and entity. These are posted on the Group's unified engagement and communication platform, while key aspects such as the Code of Ethics, the Whistleblowing Policy, the Compliance Statement and the Sustainability Commitment are available to all stakeholders, on the Group corporate website.

The Code of Ethics defines expected principles and is available on the corporate website [Code-of-Ethics-corporate-website-2023.pdf \(nepirockcastle.com\)](https://nepirockcastle.com/group/corporate-governance/code-of-ethics-corporate-website-2023.pdf). To complement the Code of Ethics provisions on the conflict of interest, the Group implemented the Declaration of Interests Policy, covering all employees as well as the Directors in in the Board.

The Group engages only with Partners that:

- comply with all legal provisions on the fight against corruption;
- neither they nor their collaborators/subcontractors or their employees have committed and will not commit, any act of corruption in relation to government representatives;
- will not corrupt the representatives of the Group in order to obtain a preferential treatment or any undue benefits.

Sustainability performance

» continued

DIVERSITY AND INCLUSION POLICY

The Group supports the principles of gender diversity at Board level and throughout the Company. As described in the Corporate Governance Section in this report (page 86), the Group formalized its Diversity and Inclusion Policy in 2022, in line with the Dutch legislation, covering its approach and commitment to diversity in the Board and all staff levels. The policy is meant to support the stand the Group takes in relation to ensuring strong diversity practices and inclusion behaviour, further highlighting the commitment to build a strong workforce and encourage diversity of mind. Aside from diversity, consideration of criteria such as expertise, knowledge and competence will continue to prevail in the recruitment process, and the candidate should be appropriately qualified for the role.

NEPI Rockcastle adhered to core principles of diversity and inclusion since 2020, by signing the Diversity Charter

in Romania and Poland. The Diversity Charter is based on a set of general principles promoting multiculturality, aiming at:

- 1. developing an organizational culture based on respect, trust and recognition;
- 2. supporting diversity as a source of progress and innovation;
- 3. improving economic performance.

The diversity in numbers, from a male/female perspective, as well as from the diverse and inclusive working frameworks accepted across the Group is presented below. The numbers are in line with the general demographic distribution and the one of the workforce profiled for our specific functions, departments, professions and roles.

Permanent contracts		Temporary contracts		Full time		Part-time	
F	M	F	M	F	M	F	M
294	141	33	7	323	144	4	4
TOTAL 475							

% OF EMPLOYEES BY COUNTRY

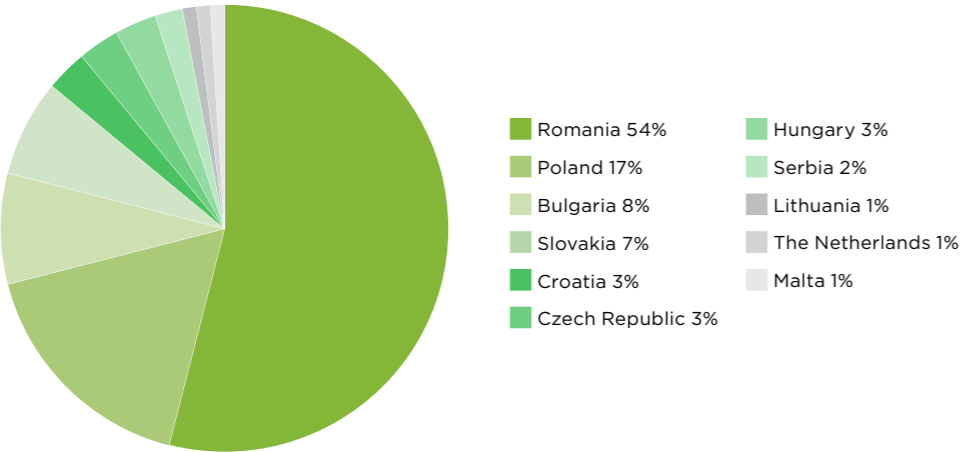


PHOTO: GALERIA WARMIŃSKA

Sustainability performance

» continued

Details of gender distribution across the Group are presented below:

Level	Gender	Number	Distribution
Senior management team (functions leads)	F	4	44%
	M	5	56%
Middle management and subject matter experts	F	84	61%
	M	53	39%
Non-managerial	F	243	74%
	M	86	26%

The gender distribution for top and middle management (including subject matter experts) is 60% women and 40% men in aggregate, while for specific functions the share may vary.

Although different percentage of women and men across the teams, a tolerant, diverse, inclusive and engaging culture is encouraged to ensure the Group can attract skilled and strong professionals. The Group recognizes that a balanced distribution enhances team dynamics and increases productivity and hence is committed to observe and aspire to reach a good distribution of roles towards males and females.

Ratio of basic salary and remuneration across genders
A key measure of diversity and equity is the pay ratio by gender. The Group monitors the salary ratio of women and men for each category of management, each department and team. Also, the same ratios are monitored for each relevant region and market across all the countries where the Group operates.

Generation		Headcount	Average age	%
Generation Z	up to 24 Y	11	22.6	2%
Millennials	25-34 Y	118	30.3	25%
Generation X	35-49 Y	303	41	64%
Baby Boomers	50-65 Y	43	55.4	9%
TOTAL		475	39.3	100%

At Group level, across geographies and functions, the woman to man pay ratio by management levels, determined by reference to fixed gross salary, varies between 0.77-0.94 and is broken down as follows:

- Top Management - 0.94
- Middle Management and Subject Matter Experts - 0.77
- Non - managerial - 0.86

Age diversity
The Group encourages diversity across age, based on the experience, maturity, needs and skillset required to deliver the business strategy, helping to increase innovation and creative problem-solving.

Each of the four generations below has different strengths, preferences, and work styles that are determined by the world in which they grew up, their life stage, and their professional experience.

EMPLOYEES BENEFITS

To ensure reward and compensation are aligned with the market, the Group relies on market data from experienced providers.

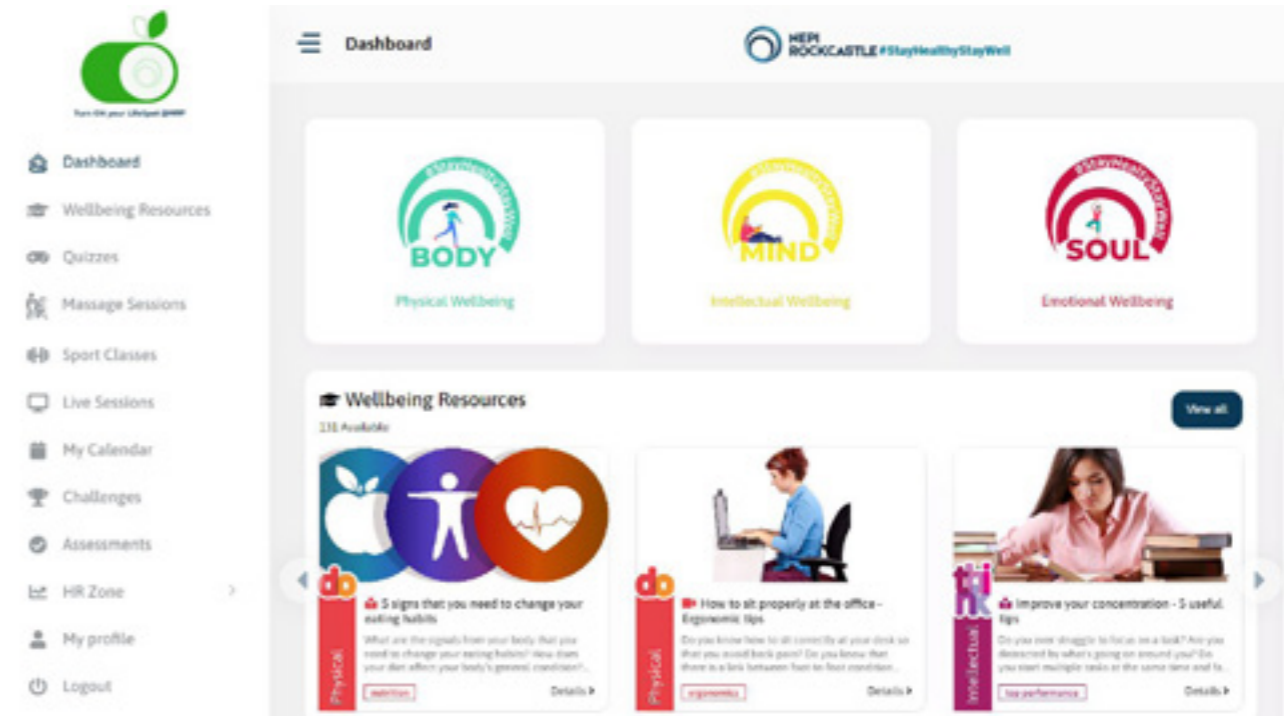
The benefits package applies to all employees across the Group, with no differentiation based on geography or full-time/part-time working schedule, and consists of:

- flexible return-to-work schedule for employees returning from maternity/parental leave;
- flexible working program;
- work from home up to 6 days per month;
- short Fridays subject to specific internal guidance;
- one-off allowance for parents upon childbirth;
- one-off allowance for other family events;
- employee well-being initiatives such as: participation in sport events, subsidising gym subscription, employee health insurance and private subscriptions to medical services;
- social gatherings and parties for both employees and their children at 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 Year's Eve;

- paid trainings, business certifications and access to business events as further described in the people development section below;
- healthy food and drinks at work;
- gifts and wellbeing workshops for special days (Women's Day, Easter, Spring Day).

The Group implemented a wellbeing platform in 2021 and since then, it offers conferences and workshops increasing employee engagement. In 2022 over 100 online training modules were made available to all Group employees to support enhancement of a healthy and balanced life.

- Key features of the platform include:
- repository of wellbeing resources and programs (videos, articles, physical therapy exercises, financial education, do it yourself projects);
 - access to various workshops and challenges;
 - possibility to upload own materials;
 - a gamified experience where users can gather points, reach the next level and have the possibility to earn prizes.



Sustainability performance

» continued

Parental leave

A total of 5,809 days were granted in 2022 for parental/ childcare leave, across all countries, in line with the labour law in each of those jurisdictions where the Group operates.

Collective bargaining

Considering the relatively small number of employees spread across different geographies in the region where the Group operates, together with the HR policies around remuneration, retention, development, selection, as well as the Code of Conduct provisions governing the business, the Group did not consider it relevant and material to implement a collective bargaining agreement.

PEOPLE ENGAGEMENT, RETENTION AND DEVELOPMENT

Engagement and retention

Engagement and retention of key employees are two interlinked essential elements for the efficiency and continuity of the business. Retention of staff is a challenging mandate for the Group's leadership in the context of post-pandemic and Russia-Ukraine military conflict as well as a difficult and competitive labour market in CEE. This market is still facing significant migration of its labour force towards Western Europe. A large part of the workforce has shifted towards more flexible and rather non-typical career options for progression, with shorter time in roles and change of career direction more frequently. The shift towards entrepreneurship and remote working was still felt during 2022 and represented one of the reasons for turnover or challenges in sourcing and attracting talent.

To keep employees engaged, NEPI Rockcastle considers that being transparent, creating opportunities for people to understand the Company purpose, strategy and performance, is essential in encouraging employees to feel proud they work and represent NEPI Rockcastle. During 2022, the Group continued to strengthen management communication with its teams, in both regular meetings, internal conferences, as well as through top management communication, strategy discussions and business updates.

The leadership communication through Friday Talks platform continued and represented one of the most relevant channels to communicate mainly due to significant changes in the structure of the top management that took place during 2022. Friday Talks represented one of the firm-wide first engagement with the newly appointed leadership team and a friendly way of engaging between management and employees.

The internal communication platform SPOT continued to be the place to share information and create communities, share employment and business updates. SPOT brings together information that used to be spread across different locations, from messages from CEO to team members, to strategy and financial updates, internal policies awareness campaigns, news on the Group's portfolio and its employees, marketing campaigns organized in the shopping centres, wellbeing events, guidance and general information regarding the performance management process. A total of approximately 180 posts were published during 2022, enabling people to stay informed and participate in different challenges.

The Group continued to engage its employees by celebrating important business milestones or traditional holidays through online and face-to-face social gatherings for team members and their children (on Christmas, Women's Day).

Employee engagement survey

During 2022 NEPI Rockcastle analysed and acted upon the results of the engagement survey conducted in 2021. The analysis was a joint effort of both HR and team managers to organise focus groups and de-brief, discuss and understand the triggers of engagement and how best to put in practice specific actions and initiatives to make the workplace a great place and the organization healthier, happier, and **#strongertogether**.

The results of these discussions were embedded into an action plan for 2022-2023.

The next engagement survey will be organized in Q2 2023 as it remains a priority for the Group to retain, engage and motivate employees.



Sustainability performance

» continued

KEY ENGAGEMENT PRIORITIES

	Wellbeing and flexibility		Leadership, direction and alignment		Recognition
	Stress Management	Work flexibility	Communication of strategy, plans and normal course of business, results, challenges	Integration of structures, processes and teams	Recognition and Motivation
Goal	Support people in identifying sources of stress and build ways to reduce and manage stress in order to improve wellbeing. Evolve the Group's flexible working culture to remain competitive on the market and respond to employees' needs		Increase top-down communication and transparency over NEPI Rockcastle strategy, course of business and achievements. Advance with the Group's integration of all business functions		Further emphasise the importance of recognition and build the needed skills to provide recognition and tailor motivation
Actions	Tailored Stress Management programme for critical groups (e.g. Finance, Digital and Technology, Marketing and Admin function)	Design, pilot and implement a "Flexible Working" – hybrid work and flexible hours. Implement Short Fridays	Enforce regular/thematic/by business line Friday Talks with top management team (Group strategy for the next 3 years; updates on the course of business, key projects, achievements, new developments; changes at Group level). Senior management team to brief and cascade information about strategy, Company results, investors tours, future development and investment plans	Integration events/workshops for: <ul style="list-style-type: none">•Asset Management and Leasing•Property management•Centre management•Legal and Compliance and Investments•Development•Finance and Accounting	Roll-out people management program for team leaders - "Leading teams" aimed at managerial level with focus on: how to give feedback, how to manage stress, recognise and motivate people

RECRUITMENT AND SELECTION

One of the most important pillars of a strong and successful people organization is the structure and quality of the team. Having the right people in the right place, with the appropriate skillset in the Group is a business imperative for leadership as well as a core HR responsibility.

The CEE labour market continues to be incredibly competitive and challenging in terms of workforce. Therefore, the recruitment and selection process remained a strategic area of focus for the business and one where the Group invests time and resources to both attract and retain talent.

To serve all the markets in which the Group has teams, more than 9 countries and 30 cities, the Company uses its wide network of hiring managers alongside external partners and agencies to scan the markets, source the most appropriate candidates, recruit and onboard all the necessary competencies. The Group's HR team uses people analytics to make decisions in relation to the personnel strategy (including Hogan assessment, California Psychological Inventory (CPI) , Thomas – DISC). The data is stored in the HR administrative internal system and has, over years, started to show valuable insights about the structure of the teams, the competencies and the skillset both in place and needed.

As the Group is transforming, integrating and consolidating as a mature business, the teams are also growing and new competencies are required. Therefore, the Group reinforced, as part of the recruitment process, an approach which requires management to support the hiring decision with a solid business case, role profile, impact on the organization and return on the investment. This allowed the Group to reorganise activities, leverage more and better on internal available resources and support career growth of its existing personnel.

As part of the recruitment strategic priorities during 2022, the Group has consolidated some of the core teams at Group level by successfully onboarding new Group leaders for functions such as Marketing, Asset Management, Property Management, Sustainability and Procurement. Not only have these new roles consolidated the Group integration strategy, but they are strengthening the skillset and the competencies needed to take the business further and ensure sustainable growth.

Employee hiring
The recruitment activity during 2022 was very intensive and a total of 134 people have joined NEPI Rockcastle, either in new positions created to build competencies, in new teams internalized or replacing employees.

Internalization, Integration and Acquisitions

The largest number of joiners are related to the **internalization** process that the Group started during 2022. This process is the one to bring in-house and create the Group's own teams of people that operate and manage assets. In this respect, for all the assets in the portfolio where the asset management and local operations were externalized to third parties, the Group has strategically decided to internalise teams and processes. The process of insourcing will continue in 2023 as part of a revised business model aligned across all jurisdictions.

Alongside the internalization, the Group further progressed on **integration** of its operations and business models across the Group, to consolidate all teams at Group level and streamline the processes.

During 2022 the Group has successfully completed three **acquisitions**: the remaining 50% stake of the joint-venture partner in Ploiesti Shopping City in Romania, Copernicus Shopping Centre and Forum Gdańsk Shopping Center in Poland.

Both internalisation, integration and acquisitions are people-intensive processes, engaging high number of people in the hiring and onboarding processes. These are critical to ensure integration is well implemented from a cultural perspective, as well as from an operational perspective. This remains a strategic area of focus for the team leadership and HR during 2023.

Employee Turnover
Monitoring employee turnover is particularly important and represents a priority for both HR and team leaders across the Group. While monitoring internal turnover, NEPI Rockcastle is engaged in understanding the dynamics of the market and reading into the social aspects or any related symptoms that influence turnover, apart from the internal factors.

In 2022, the labour market dynamics and staff turnover continued to be relatively higher than in the previous years, during the pandemic period. This is triggered by employees shifting more than before towards freelancing and entrepreneurial endeavours, changing skills, joining different industries (such as technology, logistics).

An element of increased dynamic on the labour market in 2022 was inflation, which reached unprecedented levels in CEE, up to 15% in average at portfolio level. This created pressure for employees that became more prone to making decisions to change profession based on better financial offers.

For 2022, the blended voluntary turnover rate across all jurisdictions was 9.84%, while the non-voluntary rate was 4.81%. The non-voluntary turnover is related to the Group's performance-focused approach, 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 to tolerate lack of commitment or compromising on values and business integrity.

In managing retention, the Group focused its attention to supporting employees in finding the appropriate work-life balance and integrating their professional and personal responsibilities. Such efforts led to more engaged, motivated and committed employees and increased attractiveness of NEPI Rockcastle as employer. Both the team managers and HR run exit discussions with leavers in the most relevant cases, to understand how NEPI Rockcastle can improve the environment to reduce the risk of losing people to the market.

Sustainability performance

» continued

New employees hire and employee turnover

New employees					Turnover			
2021			2022		2021		2022	
Gender								
Female	61	68%	92	69%	57	69%	42	63%
Male	29	32%	42	31%	26	31%	25	37%
Age								
<30	21	21%	30	22%	10	12%	5	7%
30-50	64	71%	97	72%	69	83%	59	88%
>50	5	6%	7	5%	4	5%	3	4%
Total	90		134		83		67	

Employee turnover details

Management level		Number of leavers	Average headcount	%
Top management (functions leads)*	Voluntary	2	9	22.2%
	Non-voluntary	-		-
Middle management and subject matter experts	Voluntary	6	152	3.9%
	Non-voluntary	6		3.9%
	Business discontinued/outsourcing	-		-
Non-managerial	Voluntary	37	296	12.5%
	Non-voluntary	13		4.4%
	Business discontinued/outsourcing	3		1.0%
TOTAL		67	457	14.7%

Average headcount 31 December 2021 – 31 December 2022.



Transition assistance program

The Group implemented a transition assistance program, which consists of individual career discussions, applicable to all employees in case of involuntary termination of the

employment agreement. The initiative aims to ensure continued employability in case of termination through:

- individual career discussions with the HR team;
- support in accessing professional services in this area.

PROFESSIONAL DEVELOPMENT AND TRAINING

Professional and career development is one of the key elements of NEPI Rockcastle’s people’s strategy and value proposition. Over the past few years, NEPI Rockcastle has constantly invested more and more resources and focused on developing its teams and strengthening the skillset. Year on year the professional development activities have evolved both in structure and in numbers, reaching in 2022 a total of 24,587 hours, with an average of 6.4 days/employee overall and 7.5 days/trained employee. In an unpredictable and fast paced business environment, the competencies and skills of the Group’s teams represented a critical success factor.

Professional development and training allow employees to acquire new skills, improve existing ones and perform better on their jobs, be great leaders and remain motivated in the workplace.

In NEPI Rockcastle the Professional Development Strategy is mainly driven by business priorities and people development needs. The business strategy is cascaded into the learning plans, by closely identifying the skills and competencies needed to deliver the strategy and then providing for the right people with the right skillset.

During 2022 the HR and leadership team have guided the Professional Development Strategy based on 3 important business and people imperatives:

1. Integration of business across the Group
2. Growth of business to recover from the pandemic period (business and work environment)
3. Engagement of people, communication and transparency around business information.

Moreover, there are several other important elements that the Group’s HR team have explored in order to tailor and structure best the learning activities.

During 2022 a thorough development needs analysis (DNS) was conducted: analysis of the employee’s personal development plans, discussions with the managers about the strategic agenda for the year and team objectives, 360 feedback results and engagement survey results. This analysis resulted in several relevant development priorities, such as various technical skills, communication, leadership, persuasion and influence, negotiation,

planning and project management, problem solving, self-management, teamwork, coaching.

Professional development is structured at NEPI Rockcastle as blended learning so it combines both training programmes and other learning contexts such as conferences, coaching on the job, business meetings, networking and industry events, participation in Group-wide people initiatives, peer learning, internal communication and others.

Two of the most important programmes during 2022 were designed around the need to further consolidate the succession pipeline for the centre management function across the Group and around the need to raise the level of the team management skills:

- ✓ The Leadership Journey for Centre Managers – pilot for 16 centre managers with planned follow-up in 2023
- ✓ Leading Teams for People Managers – almost 60 of the team managers were targeted for the programme.

The Leadership Journey for Centre Managers was structured around 4 modules, 8 days of blended learning approach across 3 months in 4 locations. The purpose of the programme was to equip centre managers with the right skills to effectively navigate and lead in the face of digital transformation by:

- laying a common understanding of the Group’s business
- getting on-board with the market trends/important industry insights
- developing a deeper understanding of the customer and master communication and negotiations.

Additionally, the programme envisaged to transform the Group’s team leaders mindset into an innovative one, taking their people management skills to the next level and thus, preparing the leaders for succession.

The competencies the Group was looking to develop included: business acumen, technical skills (finance, reporting, property), consumer understanding and profiling, commercial relationships and communication, negotiation skills, whole leadership: self (growth mindset and entrepreneurship) and others (leading by SMART objectives, motivation and delegation).

Sustainability performance

» continued

The Leading Teams programme was a strategic addition to the learning plan of 2022, resulted from the People Engagement survey. One of the three key themes of the 2021 People Engagement Survey results was the people's need to feel more motivated, recognized and supported by their leaders with empathy and growth mindset. To help team managers in this challenging mandates to lead people, we have created a practical training programme aimed to bring a visible impact into the participants' and their teams development – The Leading Teams Programme. All people managers were invited to attend the two full days programme with the aim to develop proper skills, methods, and best practices:

- Understand the people manager role inside the organization
- Develop managers' skills to give feedback. From feedback to feed-forward
- Develop trust and collaboration. Empower People
- Drive motivation
- Manage stress and workload through proper delegation.

Apart from the two programs mentioned above, several programmes were designed and delivered to team members throughout the year, alongside other learning initiatives:

- ✓ Managing interpersonal relationships
- ✓ Advanced communication skills
- ✓ Negotiation and Influencing Skills
- ✓ Make feedback meaningful
- ✓ Communicate and Collaborate
- ✓ Coaching
- ✓ Ethics and crisis management
- ✓ Leadership communication
- ✓ Team cooperation and stress management
- ✓ Process Communication Model - PCM
- ✓ Impactful presentations
- ✓ Stress Management and Resilience
- ✓ Planning and time management
- ✓ Technical – Functional courses for marketing, digital, finance, reporting, accounting.

Change Management - Business Strategy and Business Integration Events

A strategic business priority of 2022 was to progress with the Integration of the operations across the Group, which led to several levels of transformation both in processes, teams and roles. To support the communication and the understanding of this transformation, a series of change management events were organized over a period of four months. Nine **Integration Team Events** and two **Leadership Strategy Workshops** took place with the attendance of more than 320 colleagues across the Group in Romania, Poland, Hungary, Czech Republic, Slovakia.

During in average 2.5 days, teams spent quality time together having a blended type agenda - the strategic priorities of the Integration events were all around

discussing and understanding the business strategy, the structure, processes, while focusing also on people agenda: leadership, team collaboration, diversity and inclusion, social interaction and relationship building. The integration events were enhanced each by a business simulation to allow development of situational leadership, learn about crisis management, collaboration, sustainability and resilience.

Friday Talks continued during 2022 and contributed to raising awareness of NEPI Rockcastle team members on relevant matters about our industry, market trends, business strategy, business results as well as new topics on which we have just started shaping knowledge – such as sustainability. A Friday Talk dedicated to sustainability, while others touched topics such as residential real-estate market, renewable energy and photovoltaic panels, western Europe real estate market.

Technical and Functional training

The development of the Group's operations, the integration agenda, the digital transformation journey and the alignment of processes raised further challenges on the resources and skills front. We have realized the need to build or strengthen new competencies in the organization, such as sustainability, procurement, systems and data transformation.

These priorities as well as the ongoing need to keep employees updated on the technical matters resulted into approximately 6000 hours of technical training in order to equip people with the right skills and increase their level of knowledge and expertise on a range of different areas: asset management, compliance and risk, digital, sustainability, Microsoft Office, finance and accounting, IFRS, reporting, laws and regulations, marketing, Power BI, property management, English language.

Moreover, all employees have been trained during 2022 on topics such as cybersecurity, risk management, independence, conflict of interest, sustainability. Such trainings are regularly organized and participation is typically mandatory for all NEPI Rockcastle employees.

To keep up with trends in our business, our employees attended a number of 30 conferences and events where global thinkers, elitist community of world-changers and outstanding business insights are nicely mixed with networking, such as: MAPIC - International retail property market event, The Shopping Center Forum, The Global Capital Sustainable and Responsible Capital Markets Forum London, EXPO REAL - International Trade Fair for Property and Investment, MIPIM - The Leading Property Market, Cushman & Wakefield conference - Real Estate, HEPI TRADER - Conference on current energy market, PropTech Vienna, Brand Minds, IAA Global Finance in Sustainability Conference – Back to the human touch in communication.



PHOTO: GALERIA TOMASZOW

Training for Executive and non-Executive Directors
Regular updates relevant for the activity of the board its specific committees have been organized and delivered

covering topics such as Renewable energy in Real Estate, Risk, Sustainability, Compliance, Regulatory Frameworks, Taxation Structures and Re-domiciliation.

Sustainability performance

Development programme category	Development programme	Competencies developed
	<ul style="list-style-type: none"> • Presentation skills - Presenting with impact and flow • Stress Management programme • Planning to success • Managing interpersonal relationships • Think on your feet (advanced communication skills) • Unleashing strengths - Gallup • Negotiate to win • Spells of Influencing • Make your feedback meaningful • Communicate and Collaborate to Win • Ethics and crisis management • Google - Increase job efficiency • Team cooperation and stress management • Excel (beginners, medium, advanced levels) • Marketing Management • Inspiration session - Decoding creativity 360 • Marketing insights • IFRS Updates • Reporting training • Compelling Copywriting for Marketers • Business English • New rules for digital intermediaries • Power BI training • Product Management Foundation course • Energy Law - practical aspects • Labour Law - practical aspects, changes planned for 2023 • TUPE across Europe • FIDIC: The Practical Use of the 2017 FIDIC Conditions of Contract with Highlights of the 1999 First Editions 	
	<ul style="list-style-type: none"> • Preparation for the introduction of Euro • E-mail Marketing • Withholding tax and application of international agreements • Trends and charges in financial reporting and regulation • Financial management • Connect with users through mobile • Promotion of Company through content • Insight into user needs and online behaviour • Tax legislation and accounting training • Planning in Property Management • Rising ESG to Board Level • How to make net zero possible • Carbon accounting • Non financial and sustainability and reporting practices • Identify Emission Reduction Sustainability Opportunities and Plan for Net Zero Targets • EU Taxonomy • Sustainable Real Estate: Creating a Better Built Environment • Sustainable supply chains • From talk to action - Making good on net-zero commitments • ESG Drivers: The European CSRD and the TCFD - Risks and Opportunities • Everything Starts Here: Data Collection For Carbon Footprints • Retail in the context of energy crisis • Annual accounting closure and changes ZKPO • Consumer Law 	<ul style="list-style-type: none"> • Communication skills • Negotiation skills • Presentation skills • Productivity • Flexibility • Open-mindedness • Marketing and consumer trends • Influencing skills • Planning skills • Language skills • Time management • Resilience skills • Tax and accounting • Reporting • Law • Sustainability
Customized programmes, soft skills and hard-skills		

Development programme category	Development programme	Competencies developed
Certifications and Conferences	<ul style="list-style-type: none"> Information Privacy Technologist Certification ACCA Certification Hogan Assessment Certification Compliance Certification Money laundering prevention and combating Certification Tickets to professional conferences, relevant for different employee functions (Brand Minds, Compliance, Governance, Risk, MAPIC, MIPIM, IAA Global Conference, PropTech Vienna, ESG Academy, Webstock, The GlobalCapital Sustainable and Responsible Capital Markets Forum London, Facility Management Campus etc.) MCIPS, Chartered, Certification issued by Chartered Institute of Procurement and Supply 	<ul style="list-style-type: none"> Data protection Financial and tax skills Human Resources Management Compliance Protection against money laundering Technical competencies depending on the function: marketing, advertising, procurement, risk, business and digital skills, finance and tax, real estate, law, sustainability, facility management
Coaching	<ul style="list-style-type: none"> PURE Brief Coaching Training - Module 1 to 4 	<ul style="list-style-type: none"> Building relationship and resilience Flexibility and adaptability Solution focused practice
Leadership	<ul style="list-style-type: none"> The Leadership Journey for Centre Managers Leading Teams Process Communication Model - PCM Leadership communication training 	<ul style="list-style-type: none"> Business acumen Technical skills: finance, reporting, property Consumer understanding and profiling Commercial relationships and communication Whole leadership: self (growth mindset and intrapreneurship) and others (leading by objectives, coaching and mentoring, delegation) People management Tailored communication skills to individual needs

Employees development facts and figures

	2022	2021
Total number of hours of training attended	24,587	9,463
Total number of soft-skills training hours	4,213	3,173
Total number of hard-skills training hours	5,697	2,723
Total number of Coaching on the job hours	5,429	-
Total number of hours for Conferences and Business events	9,101	690
Total number of trained employees	410	234
Average number of training hours per trained employee	60	40
Average training days/trained employee	7.5	5

Employee training and development (h/employee)

	EPRA Code	Units of measure	Indicator	2022	2021
Employee Development	Emp-training	Women	hours/employee	54.9	27.9
		Men	hours/employee	60.4	41.9
		Mixed - all employees	hours/employee	3.0	4.6

Sustainability performance

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Way forward in professional development and training
In 2023 and onwards the Group's main priority will remain to invest in the continuous development of its employees in order to be prepared for new challenges.

NEPI Rockcastle will further develop both technical and business competencies through leadership, digital programmes and hard-skills trainings.

PERFORMANCE MANAGEMENT PROCESS

Performance management process is a core process aimed at aligning interests and objectives of each individual, of the teams and of the management to the objectives and strategic priorities of the business. It is the core framework that allows setting the standards and measuring, quantifying progress and impact of individuals and teams on the business achievements. It is also a core source of information of where the Group's management needs to enforce actions, tactics and provide support to overcome business challenges and anticipate opportunities.

At individual level, the performance management process is an opportunity for the manager and employee to assess the achievement of the business, commercial and strategic objectives during the previous year and discuss areas for future development.

The Group 's performance management process is built around the Objectives and Key Results (OKRs) methodology, to manage performance, set business objectives and monitor progress towards results. This methodology enhanced focus, productivity, efficiency, alignment of objectives to strategy.

The process operated fully digitalized, all data being stored in a platform integrated within the Company's internal communication portal Spot which serves as repository for individual performance goals and as a communication platform between manager and team members covering all aspects of performance and objectives monitoring.

The performance review is an annual solid and continuous process, structured in five cyclic steps:

1. Objectives and Key Results Setting: all employees of the Group discuss and agree the set of key objectives, KPIs, strategic priorities and personal development aspirations for the year. Once agreed, the annual Objectives Plan is signed off by the Manager.

To create an environment where talent is identified and employees are developed in the flow of work, all efforts will be focused on building and promoting a sustainable development culture, streamlining access to training and monitoring return on investment. NEPI Rockcastle believes that development and career growth are important instruments in motivating employees, in giving back to its professionals, as well as in increasing loyalty and commitment.

2. Mid-year Check-in: During June – August managers and team members are expected to go through a documented check-in, a formal review of objectives and completion level. This is an opportunity for employees to identify elements of challenge, to review objectives if needed, to agree specific interventions and actions to overcome matters that could prevent achievement of objectives, KPIs and strategic priorities.
3. Annual Evaluation – which comprises two important elements:
 - 360 feedback review run for all team managers and subject matter experts. This review is behavioural and aimed at assessing people's behaviour and management capabilities as well as the adherence to the Group's values and principles. The results are considered by the manager as part of the overall annual performance evaluation and are taken into account on the final performance rating proposal.
 - Performance feedback – where the employee and the manager discuss and document their view on the level of achievement of the annual plan, discuss areas of strength and development, results of 360 feedback and conclude on the annual performance rating.

4. Calibration Meetings – at Group level, the HR team together with the relevant Group Heads of functions and the CEO review the outcomes and calibrate results across the Group, functions, levels of seniority and levels of management. The calibration meetings are one of the most important milestones, as they are meant to ensure same performance standards are fairly applied and that the overall performance ratings distribution is healthy and balanced.

Bonus, where discretionary awarded, is aligned across the firm and is set in line with the performance rating, while the salary is aligned with the role, career move, promotion and also to the external reward market dynamic.

5. Communication of performance evaluation results and reward decisions – performance rating, career change and role, alongside the respective reward (bonus, salary increase) are communicated to each employee. Specific outputs of the process, in particular the areas for development are taken forward in the following year's objectives plan, as a remediation or personal/professional development plan.

For 2022, a total of 475 members of staff were part (either reviewed or/providing feedback) of the Annual Performance Review.

39% of the members of staff taking part in the annual performance review have been evaluated through

360 feedback. Overall, the Group reached a balanced scores distribution, which indicates well differentiated feedback.

The performance management process is tightly linked and interconnected with the Professional Development Agenda. As the Group has the benefit of monitoring results throughout the years, it was noticed how the Professional Development Annual Curricula and the trainings that offered to the employees have supported improvements in the particular areas of focus. As shown by the results of the 360 feedback, scores increased in some critical competencies that were addressed throughout 2022 by trainings and business events.



PHOTO: GALERIA WARMINSKA

Sustainability performance

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HEALTH, SAFETY AND LABOUR CONDITIONS FOR OWN EMPLOYEES

The Group considers employee safety and health as one of the highest priorities.

Each employee must be aware of the Group's applicable guidelines and follow all applicable safety procedures and programs, while supervisors are responsible for ensuring that all reasonable safeguards and precautions are taken in the workplace. If an employee has any safety concerns, these can be reported to the Health and Safety responsible or using the whistleblowing channels. Employees directly involved in property activities, construction and developments, and any other operational activities make all efforts to ensure that themselves and their colleagues treat health and safety matters with priority. Measures are taken in order to ensure that the laws and guidelines are followed and that a proper work environment is maintained at all times. The Group will not accept in any of its properties or in relation to any supplier, practices such as forced labour or child labour.

No complaints or any other reports have been recorded in 2022, on potential issues related to health and safety labour conditions and no fines or administrative measures have been applied by labour authorities for non-compliance thereto.

CREATING AWARENESS ON INTERNAL CODES, POLICIES AND ETHICS

During 2022, the Group further developed and built awareness on the following, as part of its commitment to the highest ethical standards:

- Code of Ethics
- Whistleblowing Policy
- Compliance Policy
- Declaration of Interests Policy
- Risk Management Policy

Periodical awareness and training campaigns throughout the year aim to reinforce and remind Group's personnel the core values which are embedded in its processes: Integrity, Avoidance of conflict-of-interests, Excellence, Teamwork and Communication, Innovation, and Learning. As the Group places paramount importance on ethical behaviour, these are embedded in the 360 feedback survey, part of the annual evaluation process. These core values are constantly reinforced by the Group's Executive Directors, translated into practice based on the 'Tone from the Top' principle and embedded in various trainings, workshops, awareness campaigns, throughout the year.

The personnel is encouraged to disclose any potential conflict of interest they might have, in the annual conflict-

The risk assessment performed in 2022 at Group level as part of the enterprise risk management covered also potential noncompliance with employment legal framework, triggering potential financial loss (fines, damages to individuals), as well as reputational exposure (such as non-compliance with ESG principles). HR function coordinates processes for the Group in a centralized manner, ensuring efficient and timely monitoring and common practices. Local legal teams are continuously monitoring local legislation applicable to employment area, so that the Group may align its internal regulatory framework to legislative requirements, as the case may be. Employee handbooks have been implemented where the law requires. Management assessed HR and employment-related risks as low.

During 2022, there were no accidents at work, no reported occupational diseases and no deaths. Consequently, no days of sick leave or absenteeism have been reported due to accidents at work or occupational hazards. Employees training on occupational health and safety is provided in all jurisdictions, in line with the local legislation.

of-interest campaign, as well as whenever such situation may occur. Disclosures are assessed by the Risk and Compliance Department, who also suggests adequate preventive or mitigation measures, as the case may be, so that to ensure that personal interests of employees do not conflict with Group's interests.

Awareness and training campaigns covering all employees, key collaborators, tenants, and suppliers were organized during 2022, covering all jurisdictions. The Group continued to prioritise raising awareness on conflicts of interest, gifts policy, whistleblowing, code of ethics, policies and procedures. The awareness campaigns participation rate was 100%, both at Board of Directors and employee level.

The Risk and Compliance Officer and the Compliance function provide advice to all employees. Questions, grievances, potential risks or uncertainties may be directed through dedicated communication channels, to promote transparency and raise employees' awareness, as well as provide advice and support. The requests for advice are treated confidentially, tracked and answered in a timely manner.



When it comes to sustainability compliance, the Risk and Compliance Officer supports the Group Head of Sustainability in setting the overall framework, in the risk assessment and prioritisation process, in the definition of training and awareness campaigns, as well as in embedding sustainability across business processes and risk management.

The Group has an open-door policy and supports a speak-up culture, thus employees are encouraged to share their concerns, suggestions or complaints with their line manager, Risk and Compliance, Internal Audit. In order to promote full transparency, as well as to provide a mechanism to report concerns, NEPI Rockcastle has implemented the Whistleblowing Policy, provided several convenient reporting channels, while guaranteeing non-retaliation and confidentiality.

The reporting channels available to both employees and any external party, allowing anonymous reporting, are the following:

- online portal available 24/7 on the Group's corporate website; and
- 24/7 hotline reachable from all countries relevant to the Group.

Both channels are monitored by an independent third-party service provider and each report is documented and submitted to the Chairman of the Board, Chair of the Audit Committee, Internal Audit Director, CFO and CEO.

The Company encourages the potential whistle-blowers to disclose their identity by enforcing its non-retaliation policy and guaranteeing confidentiality wherever reasonably possible. Even though disclosing the whistle-blowers' identity supports the efficiency and effectiveness of the investigation process, by allowing the investigation team to obtain clarifications, follow up, and provide information on the status of the investigation, complaints made anonymously are considered and analysed with the same degree of diligence.

The Whistleblowing Policy and reporting channels are communicated to all employees by the Risk and Compliance department on an annual basis and are also available on the Group's website.

The Group received tip-offs in 2022 from both inside the Company, as well as from some of its tenants and suppliers, in several jurisdictions, concerning specific operational matters. The channels used by the whistle-blowers were, in their order of use: the online portal, information/e-mail to Internal Audit, e-mail to Risk and Compliance. The tip-offs received, including types of alleged misconduct, procedures performed, conclusions and recommendations are categorised, traced and reported periodically to the Audit Committee. All tip-offs were analysed and, if plausible, investigated, while the reports together with conclusions and recommendations were discussed in the Group Audit Committee.

Based on the above, the Group considers the Code of Ethics has been effectively implemented across all jurisdictions.

Sustainability performance

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EPRA SUSTAINABILITY PERFORMANCE MEASURES (ENVIRONMENT)

Energy												
			Absolute performance (Abs)			Like-for-Like performance (LFL)						
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)				
Elec-Abs	MWh	Electricity	Retail	488,808	464,768	5%	447,110	422,067	6%			
			Romania	192,727	186,306	3%	176,383	169,670	4%			
			Poland	121,274	110,882	9%	95,920	88,263	9%			
			Slovakia	25,530	23,150	10%	25,530	23,150	10%			
			Bulgaria	41,166	37,536	10%	41,166	37,536	10%			
			Hungary	34,496	31,973	8%	34,496	31,973	8%			
			Serbia	17,694	20,623	-14%	17,694	17,178	3%			
			Lithuania	15,938	15,088	6%	15,938	15,088	6%			
			Croatia	22,701	22,925	-1%	22,701	22,925	-1%			
			Czech Republic	17,282	16,284	6%	17,282	16,284	6%			
			Office	3,264	3,114	5%	3,264	3,115	5%			
			Slovakia	1,231	1,182	4%	1,231	1,182	4%			
			Bulgaria	2,033	1,933	5%	2,033	1,933	5%			
			Industrial	4,017	4,885	-18%	4,017	4,885	-18%			
			Romania	4,017	4,885	-18%	4,017	4,885	-18%			
			TOTAL	496,089	472,767	5%	454,391	430,067	6%			
			Elec-Abs	MWh	Renewable Electricity	Retail	364,579	313,159	11%	339,180	293,570	9%
						Romania	163,242	139,651	13%	148,343	127,013	12%
						Poland	49,306	41,373	9%	38,806	37,867	-6%
Slovakia	25,530	23,150				0%	25,530	23,150	0%			
Bulgaria	37,708	30,659				12%	37,708	30,659	12%			
Hungary	15,178	3,406				313%	15,178	3,406	313%			
Serbia	17,694	20,623				0%	17,694	17,178	0%			
Lithuania	15,938	15,088				0%	15,938	15,088	0%			
Croatia	22,701	22,925				0%	22,701	22,925	0%			
Czech Republic	17,282	16,284				0%	17,282	16,284	0%			
Office	2,780	2,148				23%	2,780	2,148	24%			
Slovakia	1,231	1,182				0%	1,231	1,182	0%			
Bulgaria	1,549	966				52%	1,549	966	52%			
Industrial	1,979	2,516				-4%	1,979	2,516	-4%			
Romania	1,979	2,516				-4%	1,979	2,516	-4%			
TOTAL	369,338	317,823				11%	343,939	298,234	9%			
DH&C-Abs	MWh	District heating and cooling				Retail	46,284	55,280	-16%	42,712	51,063	-16%
						Romania	-	-	0%	-	-	0%
						Poland	20,699	25,150	-18%	17,127	20,933	-18%
			Slovakia	12,222	13,175	-7%	12,222	13,175	-7%			
			Bulgaria	960	1,520	-37%	960	1,520	-37%			
			Hungary	-	-	0%	-	-	0%			
			Serbia	-	-	0%	-	-	0%			
			Lithuania	3,641	5,454	-33%	3,641	5,454	-33%			
			Croatia	-	-	0%	-	-	0%			

			Energy						
			Absolute performance (Abs)			Like-for-Like performance (LFL)			
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)	
DH&C-Abs	MWh	District heating and cooling	Czech Republic	8,762	9,981	-12%	8,762	9,981	-12%
			Office	2,959	3,062	-3%	2,959	3,062	-3%
			Slovakia	1,240	1,328	-7%	1,240	1,328	-7%
			Bulgaria	1,719	1,734	-1%	1,719	1,734	-1%
			Industrial	-	-	0%	-	-	0%
			Romania	-	-	0%	-	-	0%
			TOTAL	49,243	58,342	-16%	45,671	54,125	-16%
Fuels-Abs	MWh	Fuels (Gas)	Retail	65,040	81,756	-20%	61,654	77,114	-20%
			Romania	36,442	44,292	-18%	33,692	41,214	-18%
			Poland	1,056	1,240	-15%	420	736	-43%
			Slovakia	7,787	8,798	-11%	7,787	8,798	-11%
			Bulgaria	5,231	4,901	7%	5,231	4,901	7%
			Hungary	8,738	13,532	-35%	8,738	13,532	-35%
			Serbia	1,474	3,477	-58%	1,474	2,415	-39%
			Lithuania	696	675	3%	696	675	3%
			Croatia	3,616	4,843	-25%	3,616	4,843	-25%
			Czech Republic	-	-	0%	-	-	0%
			Office	175	176	0%	175	176	0%
			Slovakia	175	176	0%	175	176	0%
			Bulgaria	-	-	0%	-	-	0%
			Industrial	9,402	11,357	-17%	9,402	11,357	-17%
			Romania	9,402	11,357	-17%	9,402	11,357	-17%
			TOTAL	74,617	93,289	-20%	71,231	88,647	-20%
Energy-Int	kWh/m²/year	Energy intensity	Retail	163	161	1%	163	163	0%
			Romania	190	189	0%	187	188	0%
			Poland	153	144	6%	158	154	2%
			Slovakia	176	175	1%	176	175	1%
			Bulgaria	137	127	8%	137	127	8%
			Hungary	155	163	-5%	155	163	-5%
			Serbia	128	131	-2%	128	131	-2%
			Lithuania	128	134	-4%	128	134	-4%
			Croatia	123	129	-5%	123	129	-5%
			Czech Republic	197	203	-3%	197	203	-3%
			Office	110	110	1%	110	110	1%
			Slovakia	143	145	-2%	143	145	-2%
			Bulgaria	95	93	2%	95	93	2%
			Industrial	467	576	-19%	467	576	-19%
			Romania	467	576	-19%	467	576	-19%
			TOTAL	164	163	1%	165	165	0%

Sustainability performance

» continued

Greenhouse gas emissions												
EPRA Code	Units of measure	Indicator	Absolute performance (Abs)			Like-for-Like performance (LFL)						
			2022	2021	% (2022-2021)	2022	2021	% (2022-2021)				
GHG-Dir-Abs	MTCO2e	Direct - Scope 1	Retail	6,157	7,593	-19%	5,996	7,284	-18%			
			Romania	1,567	1,553	1%	1,406	1,437	-2%			
			Poland	-	33	-100%	-	33	-100%			
			Slovakia	1,366	1,560	-12%	1,366	1,560	-12%			
			Bulgaria	948	888	7%	948	888	7%			
			Hungary	1,566	2,400	-35%	1,566	2,400	-35%			
			Serbia	55	281	-80%	55	88	-38%			
			Lithuania	-	-	0%	-	-	0%			
			Croatia	655	878	-25%	655	878	-25%			
			Czech Republic	-	-	0%	-	-	0%			
			Office	32	32	0%	32	32	0%			
			Slovakia	32	32	0%	32	32	0%			
			Bulgaria	-	-	0%	-	-	0%			
			Industrial	69	72	-4%	69	72	-4%			
			Romania	69	72	-4%	69	72	-4%			
			TOTAL	6,258	7,697	-19%	6,097	7,388	-17%			
			GHG-Indir-Abs	MT CO2e	Indirect - Scope 2	Retail	24,486	30,930	-21%	20,046	24,897	-19%
						Romania	1,600	3,110	-49%	1,115	2,571	-57%
						Poland	14,430	16,436	-12%	10,475	10,942	-4%
Slovakia	2,769	2,985				-7%	2,769	2,985	-7%			
Bulgaria	834	1,664				-50%	834	1,664	-50%			
Hungary	2,043	3,238				-37%	2,043	3,238	-37%			
Serbia	-	-				0%	-	-	0%			
Lithuania	825	1,236				-33%	825	1,236	-33%			
Croatia	-	-				0%	-	-	0%			
Czech Republic	1,985	2,261				-12%	1,985	2,261	-12%			
Office	432	496				-13%	432	496	-13%			
Slovakia	281	301				-7%	281	301	-7%			
Bulgaria	151	195				-23%	151	195	-23%			
Industrial	-	-				0%	-	-	0%			
Romania	-	-				0%	-	-	0%			
TOTAL	24,918	31,426				-21%	20,478	25,393	-19%			
GHG-Indir-Abs	MT CO2e	Indirect - Scope 3				Retail	59,032	64,104	-8%	51,183	53,746	-5%
						Romania	13,312	18,987	-30%	12,974	17,746	-27%
						Poland	41,526	38,784	7%	34,015	29,667	15%
			Slovakia	45	35	29%	45	35	29%			
			Bulgaria	932	1,760	-47%	932	1,760	-47%			
			Hungary	2,879	4,067	-29%	2,879	4,067	-29%			
			Serbia	212	349	-39%	212	349	-39%			
			Lithuania	126	122	3%	126	122	3%			
			Croatia	-	-	0%	-	-	0%			

Greenhouse gas emissions									
			Absolute performance (Abs)			Like-for-Like performance (LFL)			
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)	
GHG-Indir-Abs	MT CO2e	Indirect - Scope 3	Czech Republic	-	-	0%	-	-	0%
			Office	455	631	-28%	455	631	-28%
			Slovakia	-	-	0%	-	-	0%
			Bulgaria	455	631	-28%	455	631	-28%
			Industrial	2,317	2,779	-17%	2,317	2,779	-17%
			Romania	2,317	2,779	-17%	2,317	2,779	-17%
			TOTAL	61,804	67,514	-8%	53,955	57,156	-6%
			Retail	305	421	-28%	329	460	-28%
GHG-Int	kg CO2 e/1000 visitors/ year	GHG emissions intensity - Scope 1, 2, 3 emissions	Romania	142	232	-39%	156	257	-39%
			Poland	858	1,069	-20%	1,039	1,295	-20%
			Slovakia	141	227	-38%	141	227	-38%
			Bulgaria	166	335	-50%	166	335	-50%
			Hungary	274	505	-46%	274	505	-46%
			Serbia	28	66	-58%	28	79	-65%
			Lithuania	171	336	-49%	171	336	-49%
			Croatia	74	97	-24%	74	97	-24%
			Czech Republic	103	149	-31%	103	149	-31%
			Office						
			Slovakia						
			Bulgaria						
			Industrial						
			Romania						
			TOTAL	305	421	-28%	329	460	-28%
			GHG-Int	kg CO2 e/m²/ year	GHG emissions intensity - Scope 1, 2, 3 emissions	Retail	23	26	-12%
Romania	12	17				-30%	13	18	-29%
Poland	57	57				1%	61	55	9%
Slovakia	15	17				-8%	15	17	-8%
Bulgaria	8	13				-38%	8	13	-38%
Hungary	22	33				-33%	22	33	-33%
Serbia	1	3				-57%	2	3	-38%
Lithuania	6	9				-30%	6	9	-30%
Croatia	3	4				-24%	3	4	-24%
Czech Republic	14	17				-13%	14	17	-13%
Office	16	20				-21%	16	20	-21%
Slovakia	17	18				-6%	17	18	-6%
Bulgaria	15	21				-26%	15	21	-26%
Industrial	83	101				-18%	83	101	-18%
Romania	83	101				-18%	83	101	-18%
TOTAL	23	26				-13%	22	25	-10%

Sustainability performance

» continued

			Water									
			Absolute performance (Abs)			Like-for-Like performance (LFL)						
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)				
Water-Abs, Water-LFL	m³	Water consumption	Retail	1,770,461	1,514,123	17%	1,613,560	1,386,412	16%			
			Romania	820,078	702,096	17%	731,658	635,398	15%			
			Poland	322,607	269,493	20%	254,126	217,656	17%			
			Slovakia	116,023	87,678	32%	116,023	87,678	32%			
			Bulgaria	147,795	133,735	11%	147,795	133,735	11%			
			Hungary	135,013	113,452	19%	135,013	113,452	19%			
			Serbia	56,790	67,750	-16%	56,790	58,574	-3%			
			Lithuania	49,518	37,500	32%	49,518	37,500	32%			
			Croatia	42,053	38,139	10%	42,053	38,139	10%			
			Czech Republic	80,584	64,280	25%	80,584	64,280	25%			
			Office	8,506	7,216	18%	8,506	7,216	18%			
			Slovakia	1,287	840	53%	1,287	840	53%			
			Bulgaria	7,219	6,376	13%	7,219	6,376	13%			
			Industrial	12,967	20,170	-36%	12,967	20,170	-36%			
			Romania	12,967	20,170	-36%	12,967	20,170	-36%			
			TOTAL	1,791,934	1,541,509	16%	1,635,033	1,413,798	16%			
			Water-Abs, Water-LFL	m³	Groundwater	Retail	42,554	34,028	25%	42,554	34,028	25%
						Romania	10,068	6,614	52%	10,068	6,614	52%
						Poland	-	-	0%	-	-	0%
						Slovakia	17,823	17,063	4%	17,823	17,063	4%
Bulgaria	3,860	283				1264%	3,860	283	1264%			
Hungary	-	-				0%	-	-	0%			
Serbia	-	-				0%	-	-	0%			
Lithuania	-	-				0%	-	-	0%			
Croatia	10,803	10,068				7%	10,803	10,068	7%			
Czech Republic	-	-				0%	-	-	0%			
Office	-	-				0%	-	-	0%			
Slovakia	-	-				0%	-	-	0%			
Bulgaria	-	-				0%	-	-	0%			
Industrial	2,060	770				168%	2,060	770	168%			
Romania	2,060	770				168%	2,060	770	168%			
TOTAL	44,614	34,798				28%	44,614	34,798	28%			

			Water									
			Absolute performance (Abs)			Like-for-Like performance (LFL)						
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)				
Water-Int	m³/m²/year	Water Intensity	Retail	0.45	0.38	18%	0.46	0.39	18%			
			Romania	0.59	0.51	16%	0.60	0.52	15%			
			Poland	0.33	0.28	18%	0.35	0.30	17%			
			Slovakia	0.42	0.32	31%	0.42	0.32	31%			
			Bulgaria	0.43	0.39	10%	0.43	0.39	10%			
			Hungary	0.47	0.39	21%	0.47	0.39	21%			
			Serbia	0.38	0.32	19%	0.38	0.39	-3%			
			Lithuania	0.31	0.24	29%	0.31	0.24	29%			
			Croatia	0.20	0.18	11%	0.20	0.18	11%			
			Czech Republic	0.58	0.47	23%	0.58	0.47	23%			
			Office	0.15	0.12	25%	0.15	0.12	25%			
			Slovakia	0.07	0.05	40%	0.07	0.05	40%			
			Bulgaria	0.18	0.16	13%	0.18	0.16	13%			
			Industrial	0.45	0.71	-37%	0.45	0.71	-37%			
			Romania	0.45	0.71	-37%	0.45	0.71	-37%			
			TOTAL	0.45	0.38	18%	0.45	0.39	15%			
			Water-Int	m³/1000 visitors/year	Water Intensity	Retail	6.0	6.2	-3%	6.5	6.8	-4%
						Romania	7.1	6.9	3%	7.8	7.6	2%
						Poland	4.9	5.2	-5%	6.0	6.3	-5%
						Slovakia	3.9	4.4	-10%	3.9	4.4	-10%
Bulgaria	9.0	10.4				-13%	9.0	10.4	-13%			
Hungary	5.7	5.9				-3%	5.7	5.9	-3%			
Serbia	5.9	7.1				-17%	5.9	8.5	-31%			
Lithuania	8.9	9.3				-4%	8.9	9.3	-4%			
Croatia	4.7	4.2				12%	4.7	4.2	12%			
Czech Republic	4.2	4.2				-1%	4.2	4.2	-1%			
Office												
Slovakia												
Bulgaria												
Industrial												
Romania												
TOTAL	6.0	6.2				-3%	6.5	6.8	-4%			

Sustainability performance

» continued

Waste									
Absolute performance (Abs)									
Like-for-Like performance (LFL)									
EPRA Code	Units of measure	Indicator	2022	2021	% (2022-2021)	2022	2021	% (2022-2021)	
Waste-Abs, Waste-LFL	MT	Waste	Retail	24,334	21,847	11%	22,629	20,420	11%
			Romania	10,272	10,908	-6%	9,701	10,371	-6%
			Poland	5,416	4,037	34%	4,282	3,147	36%
			Slovakia	1,612	1,268	27%	1,612	1,268	27%
			Bulgaria	2,723	2,168	26%	2,723	2,168	26%
			Hungary	1,490	1,162	28%	1,490	1,162	28%
			Serbia	634	674	-6%	634	674	-6%
			Lithuania	235	184	28%	235	184	28%
			Croatia	1,058	808	31%	1,058	808	31%
			Czech Republic	894	638	40%	894	638	40%
			Office	9	7	29%	9	7	29%
			Slovakia	9	7	29%	9	7	29%
			Bulgaria	-	-	0%	-	-	0%
			Industrial	15	20	-25%	15	20	-25%
			Romania	15	20	-25%	15	20	-25%
			TOTAL	24,358	21,874	11%	22,653	20,447	11%
Waste-Abs, Waste-LFL	MT	Recycled Waste	Retail	11,504	8,998	28%	9,996	7,736	29%
			Romania	5,075	3,967	28%	4,666	3,565	31%
			Poland	2,755	2,205	25%	1,656	1,345	23%
			Slovakia	857	711	21%	857	711	21%
			Bulgaria	655	484	35%	655	484	35%
			Hungary	635	481	32%	635	481	32%
			Serbia	221	209	6%	221	209	6%
			Lithuania	227	178	28%	227	178	28%
			Croatia	712	567	26%	712	567	26%
			Czech Republic	367	196	87%	367	196	87%
			Office	7	4	75%	7	4	75%
			Slovakia	7	4	75%	7	4	75%
			Bulgaria	-	-	0%	-	-	0%
			Industrial	-	-	0%	-	-	0%
			Romania	-	-	0%	-	-	0%
			TOTAL	11,511	9,002	28%	10,003	7,740	29%

			Proportion of centres with Sustainable Certification	
			Proportion by no. of centres	
EPRA Code	Units of measure	Indicator	No. of properties	2022
Cert-Tot	#	Certificates	Retail	45
			Romania	19
			Poland	12
			Slovakia	5
			Bulgaria	2
			Hungary	2
			Serbia	1
			Lithuania	1
			Croatia	1
			Czech Republic	2
			Office	2
			Slovakia	1
			Bulgaria	1
			TOTAL	47



PHOTO: MAMMUT SHOPPING CENTRE

Sustainability performance

» continued

DEVELOPMENT

Absolute performance (Abs)					
	EPRA Code	Units of measure	Indicator	2022	2021
Energy	Elec-Abs	MWh	Electricity	606	-
	Energy-Int	kWh/m²/year	Energy intensity	3.3	-
Greenhouse gas emissions	GHG-Indir-Abs	MT CO2e	Indirect - Scope 2	203	-
Water	Water-Abs	m³	Water consumption	7,417	-

The projects covered: Promenada Craiova, Promenada Bucharest and Vulcan Residence Bucharest for construction stage up to December 2022.

OWN OPERATIONS - CORPORATE OFFICES

Absolute performance (Abs)						
	EPRA Code	Units of measure	Indicator	2022	2021	%(2022-2021)
Energy	Elec-Abs	MWh	Electricity	344	308	12%
	DH&C-Abs	MWh	District heating and cooling	58	85	-32%
	Fuels-Abs	MWh	Fuels (Gas)	181	203	-11%
	Energy-Int	kWh/m²/year	Energy intensity	221	227	-2%
Greenhouse gas emissions	GHG-Dir-Abs	MTCO2e	Direct - Scope 1	33	37	-11%
	GHG-Indir-Abs	MT CO2e	Indirect - Scope 2	146	140	4%
	GHG-Int	kg/m²/year	GHG emissions intensity - Scope 1 and 2 emissions	68	67	1%
Water	Water-Abs	m³	Water consumption	1,255	1,431	-12%
	Water-Int	m³/m²/year	Water Intensity	0.48	0.54	-11%

Own operations cover offices in Warsaw and Bucharest.



PHOTO: PLATAN SHOPPING CENTRE

QUALIFYING NOTES IN LINE WITH EPRA SBPR

Organisational boundaries

NEPI Rockcastle’s environmental data reporting covers 56 income producing properties, comprising of 52 retail properties, 2 office buildings and 2 industrial properties, where the Group has operational control. For more details, please see Property Schedule (pages 320-321). The Group did not include in its figures data related to the assets acquired in the end of 2022 from the market (Forum Gdansk Shopping Center and Copernicus Shopping Centre) or from joint venture partners (Ploiesti Shopping City) as the assets were for a very short time under the Group’s controls in 2022.

Control is understood as the legal capacity to monitor and make decisions on supply chain management, utilities consumption and facilities management. This excludes any area of the properties over which the tenant has full control in terms of contracting, monitoring consumption and payment. The Group is making efforts to collect also data for tenant – fully controlled areas, for a broader perspective on its environmental impacts.

Coverage

The Group includes in this report, for each environmental aspect, data related to all the properties within its control, as described in organisational boundaries.

The Group has made a concerted effort to collect information on utilities and waste consumption at its properties, including for tenant fully controlled areas. Some tenant-controlled areas are still left out, due to insufficient data quality or information. The Group

plans to continue to increase the coverage of the information reported, thus demonstrating commitment to sustainability, environmental and energy performance, both on the portfolio and corporate level. In the meantime, for calculation of intensity factors, those areas fully controlled by tenants, where the Group was not yet able to have reliable data, were excluded both from consumption and from the gross floor area.

Estimations

NEPI Rockcastle managed to collect data for tenants fully controlled areas, however in some cases, this data is incomplete. In these cases, the Group assumed that energy consumed comes from non-renewable energy. In some assets, where the waste is being tracked in m³ based on local practices, a reconversion rate to metric tons (as required by reporting standards) was used, as follows:

- 0.35 for compressed waste
- 0.15 for non-compressed waste

Organic waste composted and redirected from landfill was no longer quantified due to technical limitations. The Group has scheduled implementation of weighing equipment, allowing also the quantification of this waste.

Purchased renewable electricity percentage was estimated where supplier confirmation was not received in due time, based on previous year, supplier profile, contractual clauses. The percentage was estimated as presented above for leased areas in Aura, Alfa, Pogoria, Karolinka, Solaris and for all areas in Warminska, Arena and Mammut.

Changes to last year’s report

Changes from last year’s Annual Report*			
	2021 Reported	2021 Corrected	Corrected - Reported
Electricity (MWh)	476,163	472,767	(3,396)
Renewable Electricity (MWh)	315,644	317,823	2,179
Fuel (MWh)	93,004	93,289	287
District Heating and Cooling (MWh)	58,342	58,342	-
Water (m³)	1,542,719	1,541,508	(1,211)
Waste (MT)	23,152	21,874	(1,278)
CO2e (MTCO2e)	108,695	106,639	(2,056)

* Figures without own operations and development.

Explanation to the changes in scopes for 2021 reporting:

- The changes in energy covering electricity, renewable electricity, fuel, district heating and cooling comes from data being reconciled with invoices and information that was not available at the time of reporting for 2021.
- The changes in water consumption comes from data being reconciled with invoices and information that was not available at the time of reporting for 2021.
- The changes in waste disposal comes from data being reconciled using new reconciliation factors and information provided invoices that was not available at the time of reporting for 2021.
- The changes in CO2e are caused by the differences in energy consumption covering electricity, renewable electricity, fuel and district heating and cooling.

Sustainability performance

» continued

Third-Party Assurance
NEPI Rockcastle has not sought out third-party assurance for this report.

Boundaries
NEPI Rockcastle reports on the properties over which it has operational control, on a whole building basis.

Normalisation
NEPI Rockcastle has normalised its data by using gross floor area (adjusted with GLA tenant controlled for which data is not fully collected from tenants yet) and number of visitors as denominators. This means that, for example, energy intensity is calculated per m² and per 1.000 visitors.
Gross floor area covers built area including underground, technical spaces, terraces, and multilevel parking. Exterior parking area was not included.

Segmentation
Data on environmental and energy performance has been broken down based on property type (retail, office, industrial), as well as the nine different countries where NEPI Rockcastle operates.

Narrative on performance
Explanatory details on past performance and planned initiatives are included in the respective sections of this Sustainability report.

Location EPRA sustainability performance
The EPRA index (Framework Alignment section, page 227) gives detailed information on the location of each reported item in the annual report.

Reporting period
The reporting period covered by this report is 1 January 2022 – 31 December 2022. Comparative data on a gross and like-for-like basis with the previous year is included for each type of utility.



FRAMEWORK ALIGNMENT

NEPI Rockcastle aims to consistently improve upon its practices. Adhering to internationally accepted standards makes this much easier. In this Report, the Group has adopted and implemented the framework guidelines and standards of the EPRA and GRI. This report has

been prepared in accordance with EPRA's sBPR and GRI Comprehensive. The table below comprises the index of standards that the Group aligns to, together with a reference to the data location in this report.

Global Reporting Initiative

GRI (Global Reporting Initiative) Standard	Reference	Comments/ other references
GRI 101. Foundation 2016		
GRI 102. General Contents 2016		
1. Organizational profile		
102-1. Name of the organisation	Front cover	
102-2. Activities, brands, products, and services	4	
102-3. Location of headquarters	244, 324	
102-4. Location of operations	6	
102-5. Ownership and legal form	234	
102-6. Markets served	28-63	
102-7. Scale of the organization	12-15, 68-73	
102-8. Information on employees and other workers	194-198	
102-9. Supply chain	28-63, 190	
102-10. Significant changes to the organization and its supply chain	28-63, 190	
102-11. Precautionary principle or approach	239	
102-12. External initiatives	229-232	
102-13. Membership of associations	5, 229-232	
2. Strategy		
102-14. Statement from senior management decision-makers	9-10, 24-25, 158	
102-15. Key impacts, risks, and opportunities	123-132, 162-164, 174-175	
3. Integrity and ethics		
102-16. Values, principles, standards, and norms of behaviour	145, 210	
102-17. Mechanisms for advice and concerns about ethics	106-108, 210-211	
4. Governance		
102-18. Governance structure	84-85	
102-19. Delegating authority	85, 97	
102-20. Executive-level responsibility for economic, environmental, and social topics	162	
102-21. Consulting stakeholders on economic, environmental, and social topics	165-167	
102-22. Composition of the highest governance body and its committees	84-99	
102-23. Chair of the highest governance body	83-84, 90	
102-24. Nominating and selecting the highest governance body	85-86	

Sustainability performance

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GRI (Global Reporting Initiative) Standard	Reference	Comments/ other references
102-25. Conflicts of interest	95-96	
102-26. Role of highest governance body in setting purpose, values, and strategy	82-84	
102-27. Collective knowledge of highest governance body	87	
102-28. Evaluating the highest governance body's performance	95	
102-29. Identifying and managing economic, environmental, and social impacts	162-167	
102-30. Effectiveness of risk management processes	115	
102-31. Review of economic, environmental, and social topics	162-167	
102-32. Highest governance body's role in sustainability reporting	102, 162	
102-33. Communicating critical concerns	210-211	
102-34. Nature and total number of critical concerns	210-211	
102-35. Remuneration policies	144-147	
102-36. Process for determining remuneration	151-152	
102-37. Stakeholders' involvement in remuneration	134-155	
102-38. Annual total compensation ratio	153-155	
102-39. Percentage increase in annual total compensation ratio	153-155	
5. Participation of stakeholders		
102-40. List of stakeholder groups	165	
102-41. Collective bargaining agreements	192	
102-42. Identifying and selecting stakeholders	165	
102-43. Approach to stakeholder engagement	165-166	
102-44. Key topics and concerns raised	165-167	
6. Reporting practice		
102-45. Entities included in the Consolidated Financial Statements	246-248	
102-46. Defining report content and topic Boundaries	221	
102-47. List of material topics	166-167	
102-48. Restatements of information	GRI content index	There have been no restatements of information.
102-49. Changes in reporting	240	Changes in presentation to enhance presentation
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		
102-54. Claims of reporting in accordance with the GRI Standards	223	
102-55. GRI content index	223-226	
102-56. External assurance	20, 308-319	The Sustainability report is not subject to external assurance review.
GRI 201: Economic Performance 2016		
103-1 103-2 103-3 Management Approach	12-23, 26-27	
201-1 Direct economic value generated and distributed	12-23, 26-27	

GRI (Global Reporting Initiative) Standard	Reference	Comments/ other references
201-2 Financial implications and other risks and opportunities due to climate change	175	
201-3 Defined benefit plan obligations and other retirement plans	GRI content index	NEPI Rockcastle has not implemented a defined benefit plan or other retirement plan.
201-4 Financial assistance received from government	GRI content index	No financial assistance received in 2022
GRI 302. Energy 2016		
103-1 103-2 103-3 Management Approach	162-167	
302-1 Energy consumption within the organization	212-213, 220	
302-2 Energy consumption outside of the organization	212-213, 220	
302-3 Energy intensity	213	
302-4 Reduction of energy consumption	173, 212-213	
302-5 Reduction in energy requirements of products and services	173-174	
GRI 303. Water and effluents 2018		
103-1 103-2 103-3 Management Approach	181-182	
303-1 Interactions with water as a shared resource	181-182	
303-2 Management of water discharge-related impacts	181-182, 216-217	
303-3 Water Withdrawal	181-182, 216-217	
303-4 Water discharge	181-182, 216-217	
303-5 Water consumption	181-182, 216-217	
GRI 305. Emissions 2016		
103-1 103-2 103-3 Management Approach	176	
305-1 Direct (Scope 1) GHG emissions	214-215	
305-2 Energy indirect (Scope 2) GHG emissions	214-215	
305-3 Other indirect (Scope 3) GHG emissions	214-215	
305-4 GHG emissions intensity	215, 220	
305-5 Reduction of GHG emissions	214-215, 220	
305-6 Emissions of ozone-depleting substances	GRI content index	Immaterial in Group's context
305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	GRI content index	Immaterial in Group's context
GRI 306. Waste 2020		
103-1 103-2 103-3 Management Approach	182	
306-1 Waste generation and significant waste-related impacts	182, 218	
306-2 Management of significant waste-related impacts	182, 218	
306-3 Waste generated	218	
306-4 Waste diverted from disposal	218	
306-5 Waste directed to disposal	218	

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GRI (Global Reporting Initiative) Standard	Reference	Comments/ other references
GRI 307. Environmental compliance 2016		
307-1 Non-compliance with environmental laws and regulations	164	
GRI 308. Supplier environmental assessment		
103-1 103-2 103-3 Management Approach	190	
308-1. New suppliers/providers that were screened using environmental criteria	190	
308-2 Negative environmental impacts in the supply chain and actions taken	190	
GRI 401. Employment 2016		
103-1 103-2 103-3 Management Approach	198-208	
401-1 New employee hires and employee turnover	201-202	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	197	
401-3 Parental leave	198	
GRI 403. Occupational health and safety 2018		
403-1 Occupational health and safety management system	184, 210	
403-2 Hazard identification, risk assessment, and incident investigation	184, 210-211	
403-3 Occupational health services	210-211	
403-4 Worker participation, consultation, and communication on occupational health and safety	210-211	
403-5 Worker training on occupational health and safety	210-211	
403-6 Promotion of worker health	210-211	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	210-211	
403-8 Workers covered by an occupational health and safety management system	210-211	
403-9 Work-related injuries	210-211	
403-10 Work-related ill health	210-211	
GRI 404. Training and education 2016		
103-1 103-2 103-3 Management Approach	203-208	
404-1 Average hours of training per year per employee	207	
404-2 Programs for upgrading employee skills and transition assistance programs	203-208	
404-3 Percentage of employees receiving regular performance and career development reviews	208-209	
GRI 405. Diversity and equal opportunity 2016		
103-1 103-2 103-3 Management Approach	194-196	
405-1 Diversity of governance bodies and employees	194-196	
405-2 Ratio of basic salary and remuneration of women to men	194	
GRI 406. Non-discrimination 2016		
103-1 103-2 103-3 Management Approach	194	
406-1 Incidents of discrimination and corrective actions taken	194	
GRI 413. Local communities 2016		
103-1 103-2 103-3 Management Approach	186	
413-1 Operations with local community engagement, impact assessments, and development programs	186-189	
412-2 Operations with significant actual and potential negative impacts on local communities	186-189	

EPRA reference table

EPRA Performance Measure	Definition	Reference
EPRA Sustainability Performance Measures - Environment		
Elec-Abs:	Total amount of electricity consumed. It includes electricity from renewable and non-renewable sources, whether imported or generated on site. This accounts for CTP's corporate offices.	212
Elec-LFL:	The consistency of the electricity consumption in the operation. A like-for-like comparison of 2022 and 2021.	212
DH&C-Abs	Total amount of indirect energy consumed from district heating or cooling systems. In this instance, 'indirect' means energy generated off-site and typically bought from an external energy supplier.	212
DH&C-LFL:	The consistency of the district heating and cooling consumption in the operation. A like-for-like comparison of 2022 and 2021.	213
Fuels-Abs:	Total amount of fuel used from direct (renewable and non-renewable) sources ('direct' meaning that the fuel is combusted on-site).	213
Fuels-LFL:	The consistency of the fuel consumption in the operation. A like-for-like comparison of 2022 and 2021.	213
Energy-Int:	Consumption of direct and indirect energy normalised by an appropriate denominator.	213, 220
GHG-Dir-Abs:	Total amount of direct greenhouse gas emissions generated ('direct' meaning that GHG emissions are generated on site through combustion of the energy source/ fuel). This calculation includes use of natural gas in offices, car fuel, as well as jet fuel.	214
GHG-Indir-Abs:	Total amount of indirect greenhouse gas emissions generated ('indirect' meaning that GHG emissions are generated off-site during combustion of the energy source).	214-215
GHG-Int:	Emissions of direct and indirect GHGs normalised by an appropriate denominator.	215, 220
Water-Abs:	Total amount of water consumed within the corporate offices over the full reporting year.	216
Water-LFL:	The consistency of the water consumption in the operation. A like-for-like comparison of 2022 and 2021.	216
Water-Int:	Consumption of water normalised by an appropriate denominator	217, 220
Waste-Abs:	The total amount of waste produced and disposed of	218
Waste-LFL:	The consistency of the waste production in the operation. A like-for-like comparison of 2022 and 2021.	218
Cert-Tot	Total number of assets that have formally obtained sustainability certification, rating, or labelling at the end of the reporting year.	218
EPRA Sustainability Performance Measures - Social		
Diversity-Emp:	The percentage of male and female employees in the organisation's governance bodies and other significant employee categories.	194, 196
Diversity-Pay:	Ratio of the basic salary and/or remuneration of women to men.	194
Emp-Training:	The average number of hours employees have undertaken.	207
Emp-Dev:	Percentage of total employees who have received regular performance and career development reviews	208-209
Emp-Turnover:	The total number and rate of new employee hires and employee turnover.	202
H&S-Emp	The occupational health and safety performance with relation to our direct employees.	210
H&S-Asset	The proportion of assets controlled by The Group for which health and safety impacts have been reviewed	184
H&S-Comp	Incidents of non-compliance with regulations and/or voluntary standard concerning the health and safety impacts of assets assessed	184
Comty-Eng	percentage of assets under operational control that have implemented local community engagement, impact assessments and/or development programmes.	186-187; NEPI Rockcastle has community engagement plans in place for 52 shopping centres
EPRA Sustainability Performance Measures - Governance		
Gov-Board:	The composition of the highest governance body	84-99
Gov-Select:	The nomination and selection process for the highest governance body and its members, and the criteria used to guide the nomination and selection process.	85-86
Gov-Col	The processes for the highest governance body to ensure conflicts of interest are avoided and managed.	95-96

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Task Force on Climate-related Financial Disclosures
The table below provides section and page references to the sustainability chapter of the 2022 Annual Report,





where information recommended for disclosure by the Task Force on Climate-related Financial Disclosures (TCFD) can be found.

Theme	Recommendation	Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities.	A. Describe the Board's oversight of climate related risks and opportunities	See Sustainability governance page 162 of this Report
	B. Describe management's role in assessing and managing climate-related risks and opportunities.	Pillar 1: Climate change risks and opportunities pages 174-175 of this Report
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	C. Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	Risks and opportunities on pages 162-164 and Pillar 1: Climate change risks and opportunities pages 174-175 of this Report
	D. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Risks and opportunities on pages 160-162 and Pillar 1: Climate change risks and opportunities pages 174-175 of this Report
	E. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2° C or lower scenario.	The CRREM implementation initiative described in section 'Towards a low carbon economy', on page 176
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	F. Describe the organisation's process for identifying and assessing climate-related risks.	Risks and opportunities on pages 162-164 and Pillar 1: Climate change risks and opportunities pages 174-175 of this Report
	G. Describe the organisation's process for managing climate-related risks.	See Pillar 1 'Invest in healthy and sustainable buildings' for management approach description
	H. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Pillar 1: Climate change risks and opportunities, pages 174-175 of this Report
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	I. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	See Pillar 1 'Invest in healthy and sustainable buildings'
	J. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	See energy and carbon data for 2021 and 2022 on pages 212-215
	K. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See Pillar 1 'Invest in healthy and sustainable buildings'

United Nations Sustainable Development Goals (SDGs)
NEPI Rockcastle is able to contribute positively towards the United Nations Sustainable Development Goals. The Global Goals are a set of 17 interlinked goals adopted by the United Nations General Assembly in 2015, with the





aim of ending poverty, protecting the planet, and ensuring peace and prosperity for all by the year 2030.

The areas in which NEPI Rockcastle makes a positive difference include:

Goal	Description (as per UN public information)	Implementation
Goal 3: Good health and wellbeing	 To ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none">• Certifying buildings based on BREEAM methodology• Various studies such as sound, lighting, legionella disease, meant to ensure occupants health and wellbeing
Goal 4: Quality education	 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none">• Education initiatives in the Group's properties• Financial support for education of the communities
Goal 6: Clean water and sanitation	 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.	<ul style="list-style-type: none">• Reducing water consumption through use of more evolved technology and equipment• Monitoring and taking measures to improve the discharged water quality• Encouraging use of rainwater
Goal 7: Affordable and clean energy	 Encourage public and private investments in energy technologies. Promote better regulatory frameworks and innovative business models to transform the world's energy systems	<ul style="list-style-type: none">• Investing in Solar Panels• Purchasing energy from renewable sources• Boosting the utilization of clean energy sources• Adopting LED lighting to reduce energy consumption• Providing charging facilities for electric vehicles• Establishing a system for tracking, monitoring and optimising resource use
Goal 8: Decent work and economic growth	 Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs and stimulate the economy, while not harming the environment. Job opportunities and decent working conditions are advocated.	<ul style="list-style-type: none">• Investing and supporting the development initiatives in the local communities• Supporting new job opportunities during both construction and operation of the centres• Ensuring fair and safe working conditions for employees and collaborators, while asking the same from significant suppliers
Goal 9: Industry, innovation, and infrastructure	 Technological progress is the foundation of efforts to achieve environmental objectives, such as increased resource and energy efficiency.	<ul style="list-style-type: none">• Renovation, extension or development of properties giving importance to the materials, equipment and technologies used• Digitalising internal processes and implementing automation

Sustainability performance








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Goal 11: Sustainable cities and communities		Rapid urbanisation 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.	<ul style="list-style-type: none"> Implementing a selective waste collection system in order to significantly reduce landfill waste Encouraging tenants and visitors to adopt sustainable habits Implementation and optimisation of a consumption monitoring system for all properties Encouraging and actively participating in environmental initiatives aimed at social responsibility and awareness Consultation with local communities as integrated part of the development process Implementation of a Sustainable Procurement Policy Implementation of the sustainable commitment with business partners
Goal 12: Responsible consumption and production		Economic and social progress over the last century has been accompanied by environmental degradation that is endangering the very systems on which our future development and very survival depend. Sustainable consumption and production refer to “the use of services and related products, which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardise the needs of future generations”.	<ul style="list-style-type: none"> Reviewing legal and technical requirements and planning the development of photovoltaic installations Reducing the carbon footprint by implementing energy-efficient systems that reduce use of resources Implementing an aligned methodology for calculating the carbon footprint and reducing greenhouse gas emissions at Group level Adhering to non-governmental organisations aimed at improving, streamlining and developing a sustainable construction process Assessing and minimising the effects of climate-related risks and natural calamities on our communities
Goal 13: Climate action		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.	<ul style="list-style-type: none"> Outlining a Biodiversity Strategy at Group level. Performing ecological impact analysis and reporting on habitat and biodiversity for all operating locations (according to BREEAM standard).
Goal 15: Life on land		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.	

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







Best practice approach
An essential instrument for NEPI Rockcastle, to ensure it remains a front runner in the market, is to align and use leading ESG frameworks and adopt best practices. The table below shows:

- best practices implemented by the Company, with a further commitment to continue developing, until full implementation; and
- organisations with which the Company has established relations or common goals for sustainable operations.

Framework name	How it adds value to NEPI Rockcastle	
Recommendations, disclosure best practices		
Global Reporting Initiative (GRI)		Provides guidance on how to communicate impacts on issues such as climate change, human rights and corruption. It is the most widely adopted standard on ESG reporting and helps NEPI Rockcastle to provide its stakeholders with a sustainability report that communicates relevant topics to them.The 2021 Annual Report is prepared in accordance with the GRI Standards: Comprehensive.
EPRA Sustainability Best Practices Recommendations Guidelines		EPRA has established Best Practice Recommendation Guidelines ('EPRA BPR'), which focus on the key measures of most relevance to investors. These recommendations aim to give financial statements of public real estate companies more clarity, more transparency and comparability across European peers. The SBPRs provide a consistent way of measuring sustainability performance. Through their European focus and alignment to frameworks such as the GRI and TCFD, they support the Group speak a common language.
Carbon Risk Real Estate Monitor (CRREM)		CRREM gives clear science-based decarbonisation and energy reduction pathways for each country and asset class. It helps NEPI Rockcastle set targets for each asset and Paris-align with the 1.5-degree scenario. The Group strives to adhere to the pathways and increase the percentage of Paris-aligned buildings. NEPI Rockcastle adopted CRREM in 2021 to track portfolio performance with this widely adopted tool.
Task Force on Climate Related Financial Disclosure (TCFD)		NEPI Rockcastle has covered several of the TCFD recommended disclosures. The table can be found in "Framework Alignment" under TCFD. Further initiatives meant to improve the disclosure based on the TCFD recommendations, are currently prioritised by the Company.
Assessments		
Sustainalytics		In July 2022, Sustainalytics, a leading independent global provider of ESG and corporate governance research and ratings, reaffirmed NEPI Rockcastle's ESG Risk rating as "Low Risk". The Company's ESG Risk Rating improved to 11.4/100 from 12.5/100 at the end of 2022. The rating positions NEPI Rockcastle among the top ten rated companies in its subindustry, Real Estate Management Companies.
Global Real Estate Sustainability Benchmark (GRESB)		GRESB's main objective is to challenge real estate companies to achieve their highest environmental and social performance. NEPI Rockcastle participates annually in the GRESB assessment
Carbon disclosure project (CDP)		CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Sustainability performance

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Framework name		How it adds value to NEPI Rockcastle
Partnerships and adherences		
International Finance Corporation (IFC)		IFC supports investments and projects in the real estate sector and provides advisory services regarding employment, consumer spending and tax revenues. One of the main investment criteria for IFC is the compliance and consistency of the projects with the IFC investment policy and its environmental and safety standards.
United Nations Sustainable Development Goals (UNSDGs)		The Sustainable Development Goals (SDGs) were established by the United Nations in 2015 as the new global sustainable development agenda for 2030. These goals are achieved effectively when all countries, as well as the public and private sector, are striving towards the same objectives. NEPI Rockcastle uses the SDGs as a foundation and reference for their more specific ESG approach. The Group also actively urges its peers to adopt the SDGs
US Green Building Council		NEPI Rockcastle initiated the procedures for adhering to the criteria required to be a member of the USGBC in 2020. The procedures were finalised in early January 2021, the Company will continue this partnership through 2022 as well. USGBC is one of the representative non-profit organisations that support the development of prosperous, healthy and resilient communities throughout the transformation of the built environment. The main objective of USGBC is to transform the way buildings and communities are designed, built, and operated, enabling a socially responsible, healthy, and prosperous environment that improves the quality of life. Within the USGBC, NEPI Rockcastle, through its Gold Member status, consolidates its leading position in the real estate retail industry by transforming properties in the field of sustainable construction development, thus reducing the impact on the environment.
European Council of Shopping Places (ECSP)		The European Council of Shopping Places is the European retail association that provides a unified voice for an industry that designs, creates, finances, develops and manages places anchored in the retail area.
Measurabl		Measurabl is one of the world's widely adopted ESG data management platforms for commercial real estate. The platform provides advanced features such as automated utility data collection, building and portfolio performance benchmarking and advanced reporting functionalities. The platform is used by NEPI Rockcastle to track environmental data.
Indexes		
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. In the indicative index weight data prepared as of 2022, NEPI Rockcastle was reflected as a constituent, demonstrating strong ESG commitment.
(Source: Bloomberg Index Constituents, 28.02.2022)		

Word and abbreviations index		
BREEAM	Building Research Establishment Environmental Assessment Method	Method of environmental assessment for buildings that was developed by the Building Research Establishment (UK).
CRREM	Carbon Risk Real Estate Monitor	Tool that enables the companies to monitor the carbon risk based on the data collection for the entire building.
EMS	Environmental Management System	A management tool that allows businesses to roll out processes that help mitigate adverse environmental impacts. The ISO 14001 standard sets out specifications and guidelines for the implementation of EMS and defines the principles, procedures and criteria governing environmental audits.
EPRA	European Public Real Estate Association	The European Public Real Estate Association is the representation for the publicly traded European real estate sector. It provides information to the investors and stakeholders on improvement made by the Company in operating and promotes best practices.
ESG	Environmental, Social, Governance	Three main pillars of sustainability.
GBA	Gross built area	Total built area of the shopping centre, excluding external parking space.
GLA	Gross leasable area	Total area that is leased to the tenants, without kiosks, common area.
GHG	Green House Gasses	Gas that absorbs and emits the radiant energy within the thermal rage causing the green house effect.
GRESB	Global Real Estate Sustainability Benchmark	Non-profit organization set to assess the environmental and social performance of the real estate companies.
GRI	Global Reporting Initiative	Directives for the reporting standards for the sustainable development and report on the three pillars of governance, environment and social performance of the Company.
LFL	Like-for-like	Like-for-like growth is a measure of growth, adjusted for new or divested businesses. Comparison to the same scenario as per previous year.
MSS	Minimum Social Safeguard	Part of the EU Taxonomy assessment.
TSC	Technical Screening Criteria	Part of the EU Taxonomy assessment.

Analysis of shareholders and share trading

Shareholder spread in terms of the JSE Listings Requirements	Number of shareholders	Number of shares held	Holdings percentage (%)
Public	11 669	380 568 504	62.70
Non-public	2	223 297 826	36.79
Directors and employees	47	1 846 948	0.30
Other	-	1 286 722	0.21
TOTAL	11 718	607 000 000	100.00

Size of holding	Number of shareholders	Number of shares held	Holdings percentage (%)
1 to 2 500 shares	9 417	5 391 331	0.89
2 501 to 10 000 shares	1 024	5 078 392	0.84
10 001 to 100 000 shares	841	28 806 350	4.75
100 001 to 1 000 000 shares	350	116 083 951	19.12
1 000 001 to 3 500 000 shares	51	88 036 270	14.50
More than 3 500 000 shares	35	362 316 984	59.69
Other	-	1 286 722	0.21
TOTAL	11 718	607 000 000	100.00

Registered shareholders owning 3% or more of issued shares	Number of shares held	Holdings percentage (%)
2022		
Fortress Real Estate Investments Limited	144 008 793	23.72
Public Investment Corporation	79 289 033	13.06
State Street Bank and Trust Company (Custodian)	38 829 828	6.40
JP Morgan (Custodian)	27 336 689	4.50
Eskom Pension & Provident Fund	19 302 795	3.18
TOTAL	308 767 138	50.87
2021		
Fortress Real Estate Investments Limited	143 308 793	23.53
Public Investment Corporation	66 516 655	10.92
State Street Bank and Trust Company (Custodian)	34 326 524	5.64
JP Morgan (Custodian)	28 118 842	4.62
Rhea Mezzi Limited	18 849 607	3.10
Eskom Pension & Provident Fund	18 240 740	3.00
TOTAL	309 361 161	50.80

Beneficial shareholding of 3% or more of issued shares	Number of shares controlled	Holdings percentage (%)
2022		
Fortress Real Estate Investments Limited	144 008 793	23.72
Public Investment Corporation	79 289 033	13.06
Eskom Pension & Provident Fund	19 302 795	3.18
TOTAL	242 600 621	39.97
2021		
Fortress Real Estate Investments Limited	143 308 793	23.53
Public Investment Corporation	66 516 655	10.92
Rhea Mezzi Limited	18 849 607	3.10
Eskom Pension & Provident Fund	18 240 740	3.00
TOTAL	246 915 795	40.54

Beneficial shareholding of Directors

At 31 Dec 2022	Direct Holding	Indirect Holding	Associates	Total Shares Held	Holdings percentage (%)
Rüdiger Dany	137 945	-	-	137 945	0.02
Eliza Predoiu	41 398	-	-	41 398	0.01
Marek Noetzel	276 872	-	-	276 872	0.05
George Aase	10 000	-	-	10 000	-
Antoine Dijkstra	4 693	-	-	4 693	-
Andreas Klingen	-	-	-	-	-
Andre van der Veer	55 000	-	8 458	63 458	0.01
Steven Brown	-	-	-	-	-
Andries de Lange	-	205 246	-	205 246	0.03
Ana Maria Mihaescu	-	-	-	-	-
Jonathan Lurie	-	-	-	-	-
TOTAL	525 908	205 246	8 458	739 612	0.12

In between the year-end and the publication of this annual report, 488,137 shares have been allocated to the Executive Directors, as follows: 161,627 shares to Rüdiger Dany and 163,255 shares to Eliza Predoiu and Marek Noetzel respectively. For further details on the share based incentive plan and their allocation subsequent to the year-end, please refer to the Remuneration review section. None of the shares held by the Executive and non-Executive Directors are subject to security, guarantee, collateral and they are not encumbered in any way, except for 88,358 shares held by Marek Noetzel, which are pledged as security for the loan under Share Purchase Scheme. For the Executive Directors shareholding as a result of the share-based incentive programme as at 31 December 2022, please refer to Note 40 of the Financial Statements.

At 31 Dec 2021	Direct Holding	Indirect Holding	Associates	Total Shares Held	Holdings percentage (%)
Alex Morar*	487 903	925 292	-	1 413 195	0.23
Mirela Covasa*	359 432	200 199	-	559 631	0.09
Rüdiger Dany	-	-	-	-	-
Marek Noetzel	253 594	-	-	253 594	0.04
George Aase	10 000	-	-	10 000	-
Antoine Dijkstra	4 693	-	-	4 693	-
Andreas Klingen	-	-	-	-	-
Andre van der Veer	55 000	-	8 458	63 458	0.01
Steven Brown	-	-	-	-	-
Andries de Lange	-	52 146	-	52 146	0.01
Ana Maria Mihaescu	-	-	-	-	-
Jonathan Lurie	-	-	-	-	-
TOTAL	1 170 622	1 177 637	8 458	2 356 717	0.38

*As a result of the exit arrangements signed with the former CEO and CFO during 2021, the Company transferred to them 299,587 shares and 214,053 shares respectively, representing the total number of unvested shares as at exit date from the previous 2017 - 2021 awards. The shares have an associated selling restriction correlated with the initial vesting of each tranche.

In between the year-end and the publication of 2021 Annual Report, Rüdiger Dany has been allocated a sign-on award consisting of 137,945 shares and Marek Noetzel has been allocated 12,932 shares. None of the shares held by the Executive and non-Executive Directors are subject to security, guarantee, collateral and they are not encumbered in any way, except for 88,358 shares held by Marek Noetzel, which are pledged as security for the loan under Share Purchase Scheme. For further details on the Executive Directors shareholding as a result of share-based incentive programs, please refer to Note 40 of the Financial Statements.



FINANCIAL STATEMENTS

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with applicable laws and regulations.

The Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code.

In preparing the Financial Statements, the Directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether they have been prepared in accordance with and IFRSs;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Each of the directors, whose names are stated below, hereby confirm that:

- the annual Financial Statements set out on pages 240 to 305 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

With reference to Section 5:25c paragraph 2, sub c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Board declares that to the best of its knowledge:

- The financial statements provide a fair view of the assets, liabilities, financial position and profit or loss of NEPI Rockcastle N.V. and of the companies included in the consolidation taken as a whole;
- The directors' report provides a fair view of the situation on the balance sheet date and of the developments during the financial year of NEPI Rockcastle N.V. and of its affiliated companies whose information has been included in the financial statements, together with a description of the main risks NEPI Rockcastle N.V. faces.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

The Financial Statements on pages 240 to 305 were approved by the Board of Directors on 21 March 2023, authorised for publication on 22 March 2023 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer



Eliza Predoiu
Chief Financial Officer



Consolidated Statement of financial position

in € thousand		31 Dec 2022	31 Dec 2021**, **
ASSETS			
Non-current assets		6,764,255	6,027,271
Investment property		6,596,137	5,841,676
– Investment property in use	9	6,331,793	5,670,776
– Investment property under development	10	264,344	170,900
Goodwill	12	76,804	76,804
Deferred tax assets	25	54,679	48,669
Investments in joint ventures	36	-	23,659
Long-term loans granted to joint ventures	36	-	22,466
Other long-term assets	11	11,050	9,455
Derivative financial assets at fair value through profit or loss	20	25,585	4,542
Current assets		367,300	569,117
Trade and other receivables	13	85,496	60,972
Inventory property	16	20,694	9,522
Cash and cash equivalents	14	250,631	498,623
Derivative financial assets at fair value through profit or loss	20	10,479	-
Assets held for sale	15	18,685	1,752
TOTAL ASSETS		7,150,240	6,598,140
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		3,898,721	3,720,242
Equity attributable to equity holders		3,898,721	3,714,922
Share capital	17	6,070	6,090
Share premium	17	3,190,735	3,550,061
Other reserves		(4,656)	(3,384)
Accumulated profit		706,572	162,155
Non-controlling interest		-	5,320
Total liabilities		3,251,519	2,877,898
Non-current liabilities		3,052,373	2,716,314
Bank loans	19	546,744	297,155
Bonds	19	1,978,708	1,977,191
Deferred tax liabilities	25	419,554	371,366
Lease liabilities*	24	36,368	32,779
Loans from third parties	23	33,333	-
Other long-term liabilities	22	37,666	34,612
Derivative financial liabilities at fair value through profit or loss	20	-	3,211
Current liabilities		198,028	161,584
Trade and other payables	21	155,002	104,969
Provisions for litigations**		-	37,304
Bank loans	19	11,157	7,431
Bonds	19	14,263	11,048
Lease liabilities*	24	832	832
Loans from third parties	23	16,774	-
Liabilities directly associated with assets held for sale	15	1,118	-
TOTAL EQUITY AND LIABILITIES		7,150,240	6,598,140
Net Asset Value per share (euro)	26	6.42	6.10
EPRA Net Reinstatement Value per share (euro) ***	26	6.84	6.51
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		607,000,000	608,994,907

*At 31 December 2021, "Lease liabilities" (with a carrying amount of €33,612 thousand) were presented in line "Other long-term liabilities". At 31 December 2022, these are presented on separate lines within "Non-current liabilities" (long-term portion) and "Current liabilities" (short-term portion), with corresponding comparatives re-classified accordingly, to enhance presentation.

** At 31 December 2021, "Provisions for litigations" (with a carrying amount of €37,304 thousand) were presented in line "Trade and other payables". At 31 December 2022, these are presented on a separate line, with corresponding comparative re-classified accordingly, to enhance presentation.

***EPRA Net Reinstatement Value per share (non-IFRS measure) is Net Asset Value per share adjusted for the effect of non-monetary balance sheet items, such as deferred tax, goodwill and interest rate derivatives.

Consolidated Statement of comprehensive income

in € thousand		Note	31 Dec 2022	31 Dec 2021
Gross rental income			422,051	369,395
Service charge income			199,812	167,324
Property operating expenses			(219,388)	(172,063)
Partial forgiveness of receivables (Covid-19 forgiveness)			2,090	(17,765)
Net rental and related income*	27		404,565	346,891
Administrative expenses	28		(30,381)	(24,665)
Reversal of/(expenses) with litigation claim	29		21,304	(37,304)
EBIT**			395,488	284,922
Fair value adjustments of investment property	30		141,701	34,650
Foreign exchange gain/(loss)			1,585	(935)
Gain on disposal of assets held for sale			1,121	1,995
Profit before net finance costs and other items			539,895	320,632
Finance income	31		3,511	1,423
Finance costs	31		(56,802)	(62,649)
Bank charges, commissions and fees	31		(4,298)	(4,496)
Fair value adjustments of derivatives	32		37,946	5,174
Losses on extinguishment of financial instruments	32		(21,925)	-
Share of profit of joint ventures	36		3,280	1,902
Profit before tax			501,607	261,986
Income tax expense			(66,334)	(26,917)
Current tax expense	25		(23,068)	(10,274)
Deferred tax expense	25		(43,266)	(16,643)
Profit after tax			435,273	235,069
Total comprehensive income for the year			435,273	235,069
Profit attributable to:				
Non-controlling interest			106	65
Equity holders			435,167	235,004
Total comprehensive income attributable to:				
Non-controlling interest			106	65
Equity holders			435,167	235,004
Basic weighted average number of shares	33		607,756,809	608,994,907
Diluted weighted average number of shares	33		608,529,063	608,994,907
Basic earnings per share (euro cents) attributable to equity holders	33		71.60	38.59
Diluted earnings per share (euro cents) attributable to equity holders	33		71.51	38.59

* Out of the total Net rental and related income for 2021, €2.5 million relates to the two Serbian properties (disposed of on 12 July 2021).

**EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses)

*Subheadings "Net finance costs" and "Other items" shown in the Statement of comprehensive income at 31 December 2021 were removed in this Statement of comprehensive income, to ease understanding.

Consolidated Statement of changes in equity

<i>in € thousand</i>	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2021	6,090	3,550,061	(6,456)	137,373	5,255	3,692,323
Transactions with owners	-	-	3,072	(210,222)	-	(207,150)
— Share premium reduction [^]	-	(1,500,000)	-	1,500,000	-	-
— Share premium increase [^]	-	1,500,000	-	(1,500,000)	-	-
— Shares purchased for LTSIP* (Note 4.18(b))	-	-	(1,978)	-	-	(1,978)
— Share based payment expense (Note 4.18)	-	-	5,050	-	-	5,050
— Earnings distribution (Note 17)	-	-	-	(210,222)	-	(210,222)
Total comprehensive income	-	-	-	235,004	65	235,069
— Profit for the year	-	-	-	235,004	65	235,069
Balance at 31 December 2021/1 January 2022	6,090	3,550,061	(3,384)	162,155	5,320	3,720,242
Transactions with owners	(20)	(359,326)	(1,272)	109,250	(5,426)	(256,794)
— Share premium reduction ^{^^}	-	(350,000)	-	350,000	-	-
— Repurchase of shares (Note 17)	(20)	(9,326)	-	-	-	(9,346)
— Shares purchased for LTSIP* (Note 4.18(b))	-	-	(2,744)	-	-	(2,744)
— Share based payment expense (Note 4.18)	-	-	1,472	-	-	1,472
— Earnings distribution (Note 17)	-	-	-	(241,223)	-	(241,223)
— Acquisition of Non-controlling interest (Note 35)	-	-	-	473	(5,426)	(4,953)
Total comprehensive income	-	-	-	435,167	106	435,273
— Profit for the year	-	-	-	435,167	106	435,273
Balance at 31 December 2022	6,070	3,190,735	(4,656)	706,572	-	3,898,721

*LTSIP = debt free Long-Term Share Incentive Plan with a vesting component.

[^] Share premium movement – In June 2021, the Group transferred €1,500,000 thousand from share premium to accumulated profit. After a thorough reassessment, the Company decided to maintain the reserves as they were accounted for previously to the transfer from June, and thus, unwound the respective transfer in December 2021.

^{^^} During 2022, €350,000 thousand were transferred from share premium to accumulated profit, to ensure positive retained earnings at stand-alone parent Company level.

Consolidated Statement of cash flows

<i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
CASH FLOWS FROM OPERATIONS	38	375,362	324,031
Interest paid on loans and borrowings	19,22	(5,972)	(8,160)
Interest paid on lease liabilities	24	(577)	(582)
Bond coupon paid	19	(44,024)	(48,003)
Income tax paid		(9,479)	(6,405)
Bank charges paid		(4,327)	(4,366)
Cash paid for litigation claim settlement		(16,000)	-
Interest received		3,624	1,516
NET CASH FLOWS FROM OPERATING ACTIVITIES		298,607	258,031
INVESTING ACTIVITIES			
Investments in acquisitions and developments		(493,559)	(12,903)
Expenditure on investment property under development		(142,941)	(71,171)
Settlements of deferred consideration for prior years acquisitions		-	(2,825)
Acquisition of investment property	35	(316,998)	-
Acquisition of the remaining 50% stake in joint venture	35	(36,980)	-
Proceeds from disposal of assets held for sale		3,360	61,093
Other investments		-	154
Loans receivable from joint ventures - amounts granted		-	(1,106)
Loans receivable from joint ventures - amounts repaid		-	1,260
NET CASH FLOW USED IN INVESTING ACTIVITIES		(493,559)	(12,749)
FINANCING ACTIVITIES			
Payment to acquire shares for LTSIP		(2,744)	(1,978)
Repurchase of shares	17	(9,346)	-
Acquisition of non-controlling interest		(9,377)	-
Net movements in bank loans, bonds and other long-term liabilities		209,905	(176,937)
Proceeds from bank loans	19	260,000	73,521
Proceeds from bonds	19	493,566	-
Repayment of bank loans	19	(25,563)	(250,458)
Repurchase of bonds	19	(496,020)	-
Premium paid on repurchase of bond	32	(21,925)	-
Cash received from pre-hedge instrument		4,075	-
Repayment of other long-term liabilities	22	(4,228)	-
Other payments		(255)	(819)
Repayments of lease liabilities		(255)	(251)
Premium paid on acquisitions of derivatives		-	(568)
Earnings distribution	17	(241,223)	(210,222)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(53,040)	(389,956)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(247,992)	(144,674)
Cash and cash equivalents brought forward		498,623	643,297
CASH AND CASH EQUIVALENTS CARRIED FORWARD	14	250,631	498,623

Notes to the Consolidated Financial Statements

1. GENERAL

NEPI Rockcastle N.V. (“the Company”, “NEPI Rockcastle”, “the Group”) is a public limited company domiciled in the Netherlands, having its registered office at Claude Debussylaan 7-29, 1082 MC Amsterdam, with registration number at the Dutch Chamber of Commerce 87488329. The Company's shares are listed on the Main Board of the Johannesburg Stock Exchange Limited (“JSE”), Euronext Amsterdam and A2X. NEPI Rockcastle is the premier owner and operator of shopping centres in Central and Eastern Europe (“CEE”). The Group benefits from a highly-skilled internal management team which combines asset management, development, investment, leasing and financial expertise.

The Company was incorporated in the Isle of Man on 1 December 2016. On 29 November 2021, the Board of Directors (the “Board”) approved the migration of NEPI Rockcastle from the Isle of Man to the Netherlands, via an initial migration to Luxembourg (together, the “Migration”). Structured in this way, the migration of the Company to the Netherlands ensured the corporate continuity of NEPI Rockcastle and the trading in Group shares, which remain available to be traded on the JSE, Euronext Amsterdam and A2X.

On 10 May 2022, the Migration was approved by the Shareholders of the Company. As a result, following fulfilment of certain conditions precedent, the Group has, with effect from 6 September 2022, established its registered office and place of effective management and central administration in the Netherlands as a public limited liability company.

The Group's Consolidated Financial Statements and the Company's Separate Financial Statements are collectively referred to as the Financial Statements. The Financial Statements for the year ended 31 December 2022 were approved by the Board of Directors on 21 March 2023 and authorised for publication on 22 March 2023.

2. BASIS OF PREPARATION

a. Statement of compliance

The Consolidated Financial Statements have been consistently prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code. They comprise the Company and its subsidiaries, as detailed in “Basis of consolidation” in Note 4.2.

The significant accounting policies applied in the preparation of these Consolidated Financial Statements are set out below in Note 4 and are consistent with those applied for the preparation of the annual Consolidated Financial Statements as at 31 December 2021, except for the new mandatory standards and interpretations described below:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.
- IFRS 16 Leases-Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment) The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

These standards, amendments and interpretations did not have a significant impact on the Consolidated Financial Statements as at 31 December 2022.

Management has prepared the financial statements on a going concern basis. Having considered the potential impact of the conflict in Ukraine and the overall macroeconomic environment on the Company's and the wider NEPI Rockcastle Group revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by these circumstances during 2022 and subsequent to the year-end, there are no material uncertainties relating to the Group's ability to continue as a going concern.

In preparing the Consolidated Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the Financial Statements, including financial reporting judgements and estimates. NEPI Rockcastle is aware that climate change will impact both its own operations as well as those of its value chain partners. With increasing greenhouse gases discharge into the atmosphere, the climate changes. This causes climate shocks and stressors that buildings have to withstand. The Group's strategy is based on adopting climate-resilient

activities and on reducing the carbon emissions resulting from its operations. The Group assessed and regularly monitors climate change risks, both the physical and the transitional ones.

The Group's commitment to sustainability is illustrated in its high share of BREEAM certified buildings, in the increased use of energy from certified renewable sources across the Group, with year-on-year remarkable progress and in the continuation of energy efficiency initiatives.

b. Basis of measurement

The Consolidated Financial Statements are prepared on the historical cost basis, except for investment property in use, land for investment property under development, and interest rate derivatives, which are measured at fair value.

c. Use of estimates and judgements

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on experience and other factors believed to be reasonable under the circumstances and enable judgements to be made about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised and future periods if applicable.

d. Presentation

The Consolidated Financial Statements are presented in thousands of Euros (“€’000s”), rounded off to the nearest thousand, unless stated otherwise.

3. SIGNIFICANT EVENTS IN THE YEAR: POST COVID-19 RECOVERY AND MILITARY CONFLICT IN UKRAINE

In 2022, the Group's performance was limitedly impacted by the Covid-19 restrictions during the first quarter of the year. The overall macroeconomic context has evolved rapidly, with the military conflict in Ukraine, increase in energy costs and high inflation levels, leading Central Banks to increase interest rates.

Overview of restrictions in the period

During the first quarter of 2022, throughout Central and Eastern Europe (“CEE”), all remaining Covid-19 restrictions were lifted and 100% of NEPI Rockcastle's gross lettable area (“GLA”) was operational since the end of March. As a result of the Covid-19 restrictions being lifted, there have been insignificant concessions granted in the period (2021: €40.8 million). Moreover, the Group recognised a net positive effect of €2.1 million from the reversal of the expected partial forgiveness of receivables in relation to tenants accrued for in 2021 and not subsequently granted. This was the result of negotiation with the tenants and their strong performance from Q4 2021 onwards. Tenant performance translated into an increase in Net Operating Income (“NOI”) of 17% in 2022 compared to 2021. Excluding the impact of the disposal of two Serbian properties (completed in July 2021), NOI was 18% in 2022 vs 2021. Also, the fair value of the Group properties increased by 142 million in 2022.

The military conflict in Ukraine

The military conflict in Ukraine, commencing in February 2022, did not directly impact Group operations. No significant tenants were subject to sanctions, and the Group owns no assets in Ukraine or Russia. While some international tenants have assets in these countries, there are no indications of any serious financial difficulties. Other effects of the war in Ukraine, such as inflationary pressures and disruptions to supply chains, particularly for energy, can have a significant impact on the growth prospects of the economies of the countries in which the Group operates and particularly on consumption, putting pressure on the retail sector. Interest rates increased significantly with higher level of inflation exacerbated by the consequences of the war in Ukraine and Central Banks' monetary policy tightening, which also lead to increase in valuation of interest rate hedges. Management monitors the situation rigorously and updates investors regarding material developments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been consistently applied to all periods presented.

4.1 Foreign currency translation

a. Functional and presentation currency

The Consolidated Financial Statements are presented in Euro (“€”, “EUR”) thousands unless otherwise stated, which is NEPI Rockcastle's functional and presentation currency.

The functional currency is determined by the relevant, primary economic environment of each entity. The other determining factor is the currency in which most cash flows, goods and services are denominated and settled in the respective country. When the functional currency cannot be clearly identified, International Accounting Standard (“IAS”) 21

21 “The Effects of Changes in Foreign Exchange Rates” allows management to use judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Any change in the functional currency must be made prospectively in accordance with IAS 21.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.2 Basis of consolidation

Subsidiaries

The Consolidated Financial Statements incorporate the assets, liabilities, operating results and cash flows of the Company and its subsidiaries.

Subsidiaries are all entities controlled by the Company. The Company controls an entity when it is exposed or has rights, directly or indirectly, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over it. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date the control commences until the date the control ceases. The acquisition method is used to account for the business combinations. Identifiable acquired assets and liabilities, and contingent liabilities, assumed in a business combination are measured at their fair values on the date of acquisition. The consideration transferred for the acquired entity is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred, or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs, such as advisory, legal, valuation and similar professional services.

Jointly controlled entities

The Group had contractual arrangements with other parties that represented joint ventures. These take the form of agreements to jointly control other entities.

The Group accounts for its investments in joint ventures using the equity method. Under the equity method, the initial recognition of an investment in a joint venture is at cost; the carrying amount is subsequently increased or decreased to recognise the Group’s share of profit or loss of the joint venture. Distributions received from a joint venture reduce the carrying amount of the investment. The Group classifies its investment in joint ventures as a non-current asset and recognises its share of the joint ventures’ net result in the Statement of comprehensive income.

These Consolidated Financial Statements include the Company and the fully consolidated subsidiaries, as set out below (as at 31 December 2021 the Consolidated Financial Statements included jointly controlled entity consolidated using equity method):

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2022 (%)	Effective interest 2021 (%)
1	ACE3 Sp. z o.o.	Poland	Property-owning	100	85
2	Arena Center Zagreb d.o.o.	Croatia	Property-owning	100	100
3	Atrium Copernicus Sp. Zo.o.	Poland	Property-owning	100	-
4	AUPARK Kosice SC, s.r.o.	Slovakia	Services	100	100
5	AUPARK Kosice, spol. s.r.o.	Slovakia	Property-owning	100	100
6	AUPARK Piestany SC, s.r.o.	Slovakia	Services	100	100
7	AUPARK Piestany, spol. s.r.o.	Slovakia	Property-owning	100	100
8	AUPARK Tower Kosice, s.r.o.	Slovakia	Property-owning	100	100
9	AUPARK Žilina SC a.s.	Slovakia	Services	100	100
10	AUPARK Žilina, spol. s.r.o.	Slovakia	Property-owning	100	100
11	Aurora Mall Buzau SRL	Romania	Property-owning	100	100
12	Białystok Property Sp. z o.o.	Poland	Property-owning	100	100
13	Bonarka City Center Sp. z o.o.	Poland	Property-owning	100	100
14	Braila Promenada Mall SRL	Romania	Property-owning	100	100
15	Brasov Shopping City SRL	Romania	Property-owning	100	100
16	Bulfeld EOOD	Bulgaria	Property-owning	100	100
17	CEE Property Bulgaria EOOD	Bulgaria	Property-owning	100	100
18	CHP 1 Sp. z o.o.	Poland	Services	100	100
19	City Park Constanta SRL	Romania	Property-owning	100	100
20	Constanta Shopping City SRL	Romania	Property-owning	100	100
21	Deva Shopping City SRL	Romania	Property-owning	100	100
22	ECP Security Holdings Limited	Isle of Man	Holding	100	100
23	Energit Sp. z o.o.	Poland	Services	100	100

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2022 (%)	Effective interest 2021 (%)
24	E-Power Supply d.o.o. Beograd	Serbia	Services	100	100
25	E-power supply EOOD	Bulgaria	Services	100	100
26	E-power supply management d.o.o.	Croatia	Services	100	100
27	E-Power Supply s.r.o.	Slovakia	Services	100	100
28	Expo Real Estate Project SRL	Romania	Services	100	100
29	Festival Shopping Center SRL	Romania	Property-owning	100	100
30	Floreasca Center SRL	Romania	Holding	100	100
31	FORUM Usti s.r.o.	Czech Republic	Property-owning	100	100
32	Galati Shopping City SRL	Romania	Property-owning	100	100
33	General Building Management SRL	Romania	Property-owning	100	100
34	General Investment SRL	Romania	Property-owning	100	100
35	Gontar Sp. z o.o.	Poland	Property-owning	100	100
36	Forum Gdansk Sp. zo.o.	Poland	Property-owning	100	-
37	HANSA Immobilien EOOD	Bulgaria	Property-owning	100	100
38	INLOGIS VI s.r.o.	Slovakia	Property-owning	100	100
39	Iris Titan Shopping Center SRL	Romania	Property-owning	100	100
40	Karolinka Property Sp. z o.o.	Poland	Property-owning	100	100
41	Liberec Property s.r.o.	Czech Republic	Property-owning	100	100
42	Mammut Zrt	Hungary	Property-owning	100	100
43	Mammut Management Kft	Hungary	Services	100	100
44	Mammut Real Estate Kft	Hungary	Property-owning	100	100
45	Marapi Sp. z o.o.	Poland	Property-owning	100	100
46	Marketing Advisers SRL	Romania	Services	100	100
47	Mega Mall Bucuresti SRL	Romania	Property-owning	100	100
48	Milvus Sp. z o.o.	Poland	Property-owning	100	100
49	Mlyny a.s.	Slovakia	Property-owning	100	100
50	Monarda Sp. z o.o.	Poland	Property-owning	100	90
51	NE Property B.V.	Netherlands	Holding	100	100
52	NEPI Bucharest One SRL	Romania	Property-owning	100	100
53	NEPI Bucharest Two SRL	Romania	Property-owning	100	100
54	NEPI Croatia Management d.o.o.	Croatia	Services	100	100
55	NEPI Czech Management s.r.o.	Czech Republic	Services	100	100
56	Nepi Four Real Estate Solutions SRL	Romania	Holding	100	100
57	Nepi Holdings Ltd (wound up in 2022)	Isle of Man	Holding	-	100
58	NEPI Investment Management SRL	Romania	Services	100	100
59	NEPI Project Four EOOD	Bulgaria	Property-owning	100	100
60	NEPI Project One EOOD	Bulgaria	Property-owning	100	100
61	NEPI Project Three EOOD	Bulgaria	Services	100	100
62	NEPI Project Two EOOD	Bulgaria	Holding	100	100
63	NEPI Real Estate Development d.o.o.	Serbia	Services	100	100
64	NEPI Real Estate Project One d.o.o.	Serbia	Property-owning	100	100
65	Nepi Real Estate Project Three d.o.o. (sold in 2022)	Serbia	Property-owning	-	100
66	NEPI Rockcastle Hungary Kft.	Hungary	Services	100	100
67	NEPI Rockcastle Lithuania UAB	Lithuania	Services	100	100
68	Nepi Seventeen Land Development SRL	Romania	Services	100	100
69	NEPI Six Development SRL	Romania	Services	100	100
70	Nepi Sixteen Real Estate Investment SRL	Romania	Holding	100	100
71	Nepi Slovak Centres One a.s.	Slovakia	Services	100	100
72	NEPI Slovakia Management s.r.o.	Slovakia	Services	100	100

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2022 (%)	Effective interest 2021 (%)
73	NEPI Ten Development Solutions SRL	Romania	Property-owning	100	100
74	Nepi Twenty Real Estate Development SRL	Romania	Services	100	100
75	Nepi Twenty-One Investment Estate SRL	Romania	Services	100	100
76	Nepi Twenty-Three Investment Solutions SRL	Romania	Property-owning	100	100
77	NEPIOM Ltd	Malta	Holding	100	100
78	New Energy Management SRL	Romania	Services	100	100
79	Nobilia Sp. z o.o.	Poland	Services	100	100
80	NRE Sibiu Shopping City SRL	Romania	Property-owning	100	100
81	Olsztyn Property Sp. z o.o.	Poland	Property-owning	100	100
82	Otopeni Warehouse and Logistics SRL	Romania	Property-owning	100	100
83	Piotrków Property Sp. z o.o.	Poland	Property-owning	100	100
84	Platan Property Sp. z o.o.	Poland	Property-owning	100	100
85	Ploiesti Shopping City SRL (acquisition of the remaining 50% stake in joint venture in 2022)	Romania	Property-owning	100	50
86	Pogoria Property Sp. z o.o.	Poland	Property-owning	100	100
87	Promenada Mall Bucuresti SRL	Romania	Property-owning	100	100
88	Ramnicu Valcea Shopping City SRL	Romania	Property-owning	100	100
89	Real Estate Asset Management SRL	Romania	Services	100	100
90	Retail Park Pitesti SRL	Romania	Property-owning	100	100
91	Rockcastle Europe Limited	Mauritius	Holding	100	100
92	Rockcastle Global Real Estate Holdings B.V.	Netherlands	Holding	100	100
93	Rockcastle Poland Sp. z o.o.	Poland	Services	100	100
94	Rockcastle UK Property SPV Limited (wound up in 2022)	Mauritius	Holding	-	100
95	Satu Mare Shopping City SRL	Romania	Property-owning	100	100
96	SCP s.r.o.	Slovakia	Property-owning	100	100
97	Serenada Property Sp. z o.o.	Poland	Services	100	100
98	Severin Shopping Center SRL	Romania	Property-owning	100	100
99	Shopping City Piatra Neamt SRL	Romania	Property-owning	100	100
100	Sibiu Shopping City 2 SRL	Romania	Property-owning	100	100
101	Shopping City Timisoara SRL	Romania	Property-owning	100	100
102	Sofia Commercial Centre EOOD	Bulgaria	Services	100	100
103	Symmetry Arena Kft	Hungary	Property-owning	100	100
104	Targu Jiu Development SRL	Romania	Property-owning	100	100
105	Targu Mures Shopping City SRL	Romania	Property-owning	100	100
106	Tummam Kft	Hungary	Property-owning	100	100
107	Uždaroji akcinė bendrovė Ozantis	Lithuania	Property-owning	100	100
108	Vulcan Residential Park SRL	Romania	Property-owning	100	100
109	Vulcan Value Centre SRL	Romania	Property-owning	100	100
110	Zielona Góra Property Sp. z o.o.	Poland	Property-owning	100	100

Transactions and balances eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions, as well as investments in subsidiaries and corresponding equity in the subsidiaries are eliminated in preparing the Consolidated Financial Statements.

4.3 Investment property in use

Investment property is held to earn rental income, capital appreciation or both.

The cost of investment property acquired by any other means than a business combination consists of the purchase price and directly attributable expenditure.

Subsequent expenditure relating to investment property is capitalised when future economic benefits from the use of the asset are probable and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, investment property in use is measured at fair value. Fair value is determined semi-annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are based on the open market value, using the discounted cash flow method. Gains or losses arising from changes in the fair values are included in the Statement of comprehensive income for the period during which they arise. Unrealised gains or losses, net of deferred tax, are non-distributable.

Lease incentives, such as rent-free periods, discounts during the lease or payment of fit-out works for the benefit of the tenants, are part of value of the investment property and are straight-lined over the lease term. The lease term corresponds to the contractual duration for the majority of the leases, except for the anchor tenants, for which the lease duration is assessed by the Group based on past experience and taking into account factors such as: GLA of the property where the anchor tenant is located, catchment area, dominance/competition in the catchment area or purchasing power.

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount and recognized in the Statement of comprehensive income.

4.4 Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and carried at cost until construction or development is complete, or its fair value can be reliably determined.

The land on which investment property is constructed or developed is carried at fair value, which is determined semi-annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are performed using the market comparable approach or residual approach.

Gains or losses arising from changes in the fair values are included in the Statement of comprehensive income during the period when they arise. Unrealised gains or losses, net of deferred tax, are non-distributable.

4.5 Assets classified as held for sale

An investment property or a group of assets including an investment property (disposal group) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case:

- the assets must be available for immediate sale in their present condition,
- the Group must be committed to sell,
- there must be a plan to locate a buyer, and
- it is highly probable that a sale will be completed within one year from the date of classification.

On re-classification as held for sale, investment property that is measured at fair value continues to be measured in this way.

An investment property or disposal group classified as held for sale is presented separately in the Statement of financial position as assets or liabilities classified as held for sale.

Discontinued operations are disclosed as a single amount in the Statement of comprehensive income, comprising the total of: (i) the post-tax profit or loss of discontinued operations, and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

4.6 Goodwill

Goodwill arises upon business combination and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. When the consideration transferred is lower than the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree, the gain on acquisition is recognised directly in the Statement of comprehensive income.

Subsequent measurement

Goodwill is not amortized but is tested for impairment at least annually. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and it is represented by the individual properties and listed securities business. The carrying value of the CGU or groups of CGUs is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4.7 Impairment of non-financial assets

Intangibles that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of

an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“CGUs”). Non-financial assets, other than goodwill and intangible assets with infinitive useful life, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date, if indicators of reversal exist.

4.8 Loans to participants in the Share Purchase Scheme (as defined in Note 4.18)

Loans to participants in the Share Purchase Scheme incentive plan are initially recognised at the amount granted, carried at amortized cost and impaired based on expected credit losses (“ECL”) model (Note 4.18).

4.9 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially recognised at acquisition cost, subsequently carried at acquisition cost less accumulated depreciation or amortization and accumulated impairment losses. They are tested for impairment when indicators exist.

For property, plant and equipment the costs of minor repairs and maintenance are expensed when incurred while gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Both are recognised in the Statement of comprehensive income for the year.

The cost of computer licenses and property, plant and equipment is depreciated on a straight-line basis over the length of their useful lives:

Useful lives in years	
Computer licences	1-3
Office improvements	over the term of the underlying lease
Office equipment	2-16
Equipment used in owner-managed activities	3-22

4.10 Financial assets

4.10.1 Classification

In line with IFRS 9 “Financial instruments”, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt instruments financial assets depends on: (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

For financial assets measured at fair value through profit or loss (“FVTPL”), gains and losses are recorded in profit or loss.

4.10.2 Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group have transferred substantially all the risks and rewards of ownership.

4.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

a. Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (“SPPI”) are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in

the Statement of comprehensive income. Financial assets measured at amortised cost (“AC”) comprise cash and cash equivalents, long-term loans granted to joint ventures, loans to participants in the Share Purchase Scheme, long-term receivables and trade and other receivables (excluding prepaid expenses).

b. Equity instruments and derivatives

The Group subsequently measures all equity investments at fair value.

Equity investments are measured at FVTPL, with changes in fair value of financial assets recognized in profit or loss. Dividends from such investments are recognised in profit or loss when the Group’s right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

4.10.4 Impairment – credit loss allowance for Expected Credit Losses (“ECL”)

In line with IFRS 9 “Financial instruments”, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Group measures ECL and recognises credit loss allowance on an annual basis. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of any loss is recognised in the Statement of comprehensive income (profit or loss). Debt instruments measured at amortised cost are presented in the balance sheet net of the allowance for ECL.

ECLs are recognised for loans granted in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Expected credit losses for trade receivables are recognized using the simplified approach. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

4.10.5 Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

4.10.6 Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include, among others, insolvency or significant financial difficulties of the tenant, default on payment terms and vacation or abandonment of the leased premises. Impaired trade and other receivables are derecognised when all reasonable efforts to collect the amounts outstanding have failed and they are assessed as uncollectable.

4.10.7 Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss.

Specific valuation techniques used to value financial assets include:

- The use of quoted market prices or dealer quotes for similar instruments (for financial investments at fair value through profit or loss and financial assets/liabilities at fair value through profit or loss);
- Discounted cash flow analysis (for the remaining financial instruments).

The hierarchy for the fair value of financial assets and liabilities is as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.11 Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified and subsequently measured at amortised cost, except for financial liabilities at FVTPL: this classification is applied to interest rate derivatives and other financial liabilities designated as such at initial recognition.

4.12 Borrowings (bonds and bank loans)

Borrowings are recognised initially at the fair value of the liability (determined using the prevailing market rate of interest if significantly different from the transaction price) and net of transaction costs incurred. In subsequent periods, borrowings are subsequently carried at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in Statement of comprehensive income over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of comprehensive income.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in Statement of comprehensive income.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use (such as properties developed for future sale, capital appreciation or rental income) are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

4.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.14 Cash and cash equivalents

Cash and cash equivalents include cash balances, cash deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI), and (ii) they are not designated at FVTPL.

4.15 Trade receivables

Trade receivables are amounts due from customers for rental and service charge income from tenants in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, generally at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

4.16 Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (“NRV”). Principally, this is residential property that the Group develops and intends to sell on completion of development.

The commencement of development with a plan or a prior agreement to sell represents a change in use and accordingly the project is transferred from investment property to inventory property.

Costs incurred in inventory property include:

- freehold and leasehold rights for land
- amounts paid to contractors for development
- planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

4.17 Share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid, including any directly attributable incremental costs (net of income taxes for the purchases of the Company's equity instruments by any of the Group's subsidiaries, as a result of a share buy-back or for a share-based incentive plan) is presented within “Other reserves”, until the shares are cancelled or reissued. Where such ordinary shares are cancelled, their nominal value is debited to Share capital, with the corresponding difference up to their purchase price (including any attributable incremental cost, net of taxes) debited from Share premium. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group. Usually, shares are purchased for the debt-free Long-Term Share Incentive Plan (Note 4.18 (b)).

4.18 Share-based payments

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below:

a. Purchase Offers with a vesting component – Share Purchase Scheme (“NRP SPS”)

This program was put in place before the 2017 merger of the former groups New Europe Property Investments plc (“NEPI”) and Rockcastle Global Real Estate Company Ltd (“Rockcastle”). Under this program, participants were granted loans to acquire shares in the Company at fair value at the grant date. These loans were classified as “loan to participants in the incentive plan” and included in Other long-term assets (Note 11) The loans are carried at amortised costs and the accrued interest is recognised as finance income in the Statement of comprehensive income. The costs under this program are nil.

b. Debt free Long-Term Share Incentive Plan with a vesting component (“LTSIP”)

This program was put in place after the 2017 merger of the former groups NEPI and Rockcastle. Under this incentive plan, shares may be issued by the Group to executive directors and other key personnel for no cash consideration. Awards under this plan are at the discretion of the Board of Directors and are based on the performance of the Group and the employees. The costs related to the LTSIP are measured based on the fair value of the shares at the grant date and are recognized over the vesting period.

The costs are presented as part of the Administrative expenses in the Statement of comprehensive income and within Other reserves in the Statement of changes in equity.

4.19 Accumulated profit

The balance on the Statement of comprehensive income is transferred to accumulated profit at the end of each financial period. Distributions paid in cash are deducted from accumulated profit. Distributions for which shareholders elected to receive a return of capital are accounted for as an issue of share capital with a corresponding deduction from the share premium account.

4.20 Provisions

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reassessed at each reporting date and are included in the financial statements at their net present values using discount rates appropriate to the Group in the economic environment at each reporting date.

4.21 Revenue

Revenue is recognised at the fair value of the consideration received or receivable. Revenue comprises rental and related income and recovery of expenses, excluding VAT.

Rental income

Rental income receivable from operating leases is recognised on a straight-line basis over the duration of the lease, except for variable lease payments which are recognized when they arise.

Service charges income from tenants

Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services.

As specified in the lease agreements, the Group has the primary responsibility for providing services to tenants (electricity, water and gas utilities, interior and exterior cleaning, security, maintenance, repairs, etc). The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis. In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The Group negotiates directly with the suppliers all contracts for services provided to tenants. These contracts are concluded between the Group subsidiaries which own the properties and the direct supplier. As the Group sometimes uses the same providers for services across most of its portfolio, it can negotiate better prices through the economies of scale. The Group is considered principal in these transactions, in terms of the IFRS 15 requirements.

The Group negotiates and pays all expenses incurred by the tenants and then re-invoices these costs to them as defined in the contractual clauses included in the lease agreements. A flat fee is charged monthly during the year. This fee is estimated based on the previous year’s actual costs, with an annual service charge reconciliation performed based on current year’s actual costs incurred by the Group. For contracts terminated during the year, the Group estimates the service charge to be collected based on the current budget and last year’s actual costs.

Covid-19 pandemic discounts

Reduction of gross rental income
Since the beginning of the pandemic, the Polish Government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency/lockdowns. This relief, which was legally enforced and implemented without changes to the lease contracts with tenants, has been recognised in the Statement of comprehensive income, as a reduction of Gross rental income and Service charge income and as a decrease of Trade and other receivables, in the Consolidated Statement of financial position.

In some instances, the Group agreed to variable discounts contingent upon tenants’ performance falling below a certain threshold, which has been recognised in the Consolidated Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Partial forgiveness of receivables
In the context of trading restrictions, the Group granted voluntary rental concessions during lockdowns periods, and/or immediately following a lockdown. For the period up to the signing of lease modifications, the receivables already accrued in accordance with the in-force lease agreements have been partially written-off in accordance with the signed addendums, and therefore their financial impact was recognised immediately and not straight-lined over the new lease term. As such, tenant concessions granted before the signing of lease modifications were fully accounted for in the Consolidated Statement of comprehensive income as “Partial forgiveness of receivables (Covid-19 Forgiveness)”, and “Trade and other receivables” in the Consolidated Statement of financial position, in accordance with IFRS 9 “Financial

Instruments” (in relation to impairment of receivables). The accounting treatment is in accordance with IFRS 16, which allows rental income to be recognised even if recoverability is uncertain.

Contractually agreed and signed modifications subject to straight-lining from the effective date of the modification
Contractually agreed and signed concessions granted to, and obtained from, tenants are treated according to IFRS 16 “Leases”. IFRS 16 defines “lease modification” as a change in scope, or consideration, of the lease, not part of the original terms and conditions, such as rent discounts, lease extensions, increase in variable rent (coverage/turnover), introduction of break options, etc. Lease modifications are recognised prospectively over the new lease term and accounted for by the Group from the date the modification is contractually agreed and signed by both parties. Agreed lease modifications are recognised as lease incentives from the date the modification was signed. Such modifications are straight-lined over the new lease term and recognised in the Consolidated Statement of comprehensive income as a reduction of Gross rental income.

4.22 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

4.23 Earnings distribution

A distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 37.

4.24 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is determined using the liability method and is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the Statement of financial position, which are expected to apply to the period when the temporary differences will reverse or the tax loss carried forward will be utilised.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries that are unlikely to reverse in the foreseeable future.

A deferred tax asset is recognised based on the assumption that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The current tax expense incurred by the Group reflects tax accrued in the subsidiaries of the Group located in Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Malta, Mauritius, Poland, Romania, Serbia, Slovakia and the Netherlands.

Output Value Added Tax (“VAT”) related to sales is payable to tax authorities on either the collection of receivables from customers or the delivery of services to customers depending on which occurs first. Input VAT is generally recoverable against output VAT upon receipt of the invoice. The tax authorities in individual countries permit the settlement of VAT on a net basis. VAT relating to sales and purchases is recognised in the Statement of financial position on a net basis and is disclosed separately as an asset or liability, as the case may be. Where provision has been made for impairment of receivables, the loss is recorded for the gross amount of the debt, including VAT.

4.25 Segment reporting

Management decisions and consequent allocation of resources are based on individual property level reports, which are analysed in detail. Management has a hands-on approach and is involved in day-to-day activities. Regular management meetings are held at least monthly for each property, where the senior management of the Group and each property manager analyse the financial results, decide whether any repairs or improvements are necessary, review rent collection issues and allocate resources to resolve any delays with tenants and review maintenance plans, vacancies and the status of any contract negotiations, as well as other operational matters. The results of these discussions ensure management decisions are specific to each of the properties. The Segmental Reporting in Note 37 summarises the results recorded by the properties held by the Group. The properties can be classified as retail, office, residential or industrial properties, depending on industry practice.

The Group’s Chief Operating Decision Makers (“CODM”) are the executive directors, and they take decisions based on detailed reports. These are prepared regularly and are presented to the Board of Directors, which approves the results and gives guidance on the subsequent strategy to be undertaken.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated there on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets and head office expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Financial information in respect of investment property is provided to the Board of Directors: net rentals (including rental income, service charge income and property operating expenses) and valuation gains and losses. Individual properties are aggregated into segments with similar economic characteristics.

Consequently, the Group is considered to have five reportable operating segments:

- Retail segment: acquires, develops and leases retail properties in Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia and Slovakia;
- Office segment: acquires and leases office properties in Bulgaria and Slovakia;
- Residential segment: develops and sales on completion, residential properties in Romania;
- Industrial segment: acquires and leases industrial facilities in Romania, and
- Corporate segment: head office, administrative offices, Group and financing expenses.

Group entities have been aggregated into five reportable segments (retail, office, residential, industrial and corporate) as each of these segments have specific revenue streams, different operational reporting cycles across the Group's portfolio, separate operational teams including technical, leasing, property and facility management.

The Group also reports by geographic segments: Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia. There is also a Corporate segment which includes entities located in Malta and the Netherlands.

In addition, the Group's CODM closely follow changes in distributable earnings to its shareholders as a measure of profitability and as a result of successful implementation of the Group's strategy. Distributable earnings per share is calculated in terms of the SA REIT Association's Best Practice Recommendations Second Edition.

4.26 Earnings per share

The Group presents basic and diluted earnings per share.

Basic and diluted earnings/(loss) per share are calculated by dividing annual profit/(loss) for the year attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.27 Investment property acquisitions and business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically the following criteria, which indicate an acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operation processes are acquired and the complexity of the processes acquired. In line with amended IFRS 3 since 1 January 2020 the Group may also apply optional concentration test.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate amount of the consideration transferred, measured at fair value on the date of acquisition and the amount of any non-controlling interest in the acquired entity. If the fair value of net assets acquired is lower, the difference is recorded as goodwill. If the consideration is lower, the difference is recognised directly in the Statement of comprehensive income.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

For each business combination, the acquirer measures the non-controlling interest in the acquired entity either at fair value or as a proportionate share of their identifiable net assets. Transaction costs incurred are expensed.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the date of acquisition. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the Statement of comprehensive income. Acquisition accounting is finalised when the Group has gathered all the necessary information, which must occur within 12 months of the acquisition date. There are no exemptions from the 12-month rule for deferred tax assets or changes in the contingent consideration.

Transactions with non-controlling interests, where control is maintained, are accounted for as transactions within equity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in the accumulated profit reserve.

4.28 Leases where the Group is a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets for all leases, except for short-term leases and leases of low-value assets. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. The present value of lease payments is recognised by discounting the contractual lease payments using the interest rate implicit in the lease, representing the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

4.29 Standards issued but not yet effective and not early adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. This amendment is not expected to have a material impact on the Group.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group is currently assessing the impact of the amendments.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Group does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Group’s financial performance, financial position or cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group’s management discusses with the Audit Committee the development, selection and disclosure of the Group’s critical accounting policies and estimates, as well as their application.

The estimates and associated assumptions are based on historical experience and various other factors which are considered reasonable under the circumstances. These are used to make judgements about the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

Judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below:

Valuation of investment property

Investment property is stated at its fair value based on valuation reports prepared by international appraisers as at 30 June and 31 December each year. Valuations are based on discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. These are supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition.

In preparing the valuation reports on the Group’s investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management reviewed the appraisers’ assumptions relating to the discounted cash flow models used in the valuations and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

Valuations of the income generating properties are based on cash flow statements, in which the present value of net operating income during a ten-year period and the residual value of the property at the end of the period are calculated.

Forecasts of net operating income are based on leases signed at the time of the valuation date, the estimated rental values for existing leases when they expire and the estimated achievable rental values of the existing vacancies. The value of long-term vacancies is estimated based on the properties’ location and condition. The valuers’ assessments of non-recoverable expenses are based on their experience of comparable properties and historical costs provided by the Group.

The discount rates used are nominal returns on total capital before tax and vary between 7.30% and 11.95% (2021: 7.00% and 11.00%). The required rates of return are based on assessments of the market’s required returns for similar properties. The discount rate is set individually for each property and is based on the condition and location, the stability of the tenants and lease duration.

Further information relating to sensitivity of significant accounting estimates used in the valuation of investment property is presented in Note 9.

Impairment of assets

The Group tests whether assets are subject to impairment, in accordance with the significant accounting policies stated in Note 4.

The recoverable amounts of CGUs are determined based on future cash flows discounted to their present values using appropriate rates. Estimates are based on interpretation of generally accepted industry-based market forecasts. Further information in relation to impairment expenses recognised is presented in Note 6 and 12.

Functional currency

In assessing the functional currency of the Group, including the Company and its subsidiaries, management considers factors such as the local currencies of the countries where the Group operates, as well as the currency that mainly

influences rental prices for its properties, the currency that mostly influences labour, material and other costs of providing its services, the currency in which funding is accessed by the Group.

Although the competitive forces and regulations that determine the sales prices of goods and services are present in the countries which use different currencies than EUR, the macroeconomic developments in these countries to some extent is influenced by the eurozone. In addition, in real estate, leases agreements in the countries where the Group operates, as well as the financing of properties are generally denominated in EUR.

The Group predominately concludes its lease agreements in Euro (or, if these contracts are not concluded in Euro, they are indexed to the Euro exchange rate), even if invoiced in local currencies. Agreements for construction and development of investment properties are negotiated and concluded in EUR. Administrative and corporate expenses, such as advisory fees, audit fees, valuation fees, asset management fees are mostly negotiated and contracted in EUR. Salary and other employee related costs, although denominated in local currencies, are benchmarked to EUR.

Financing contracted by the Group, which include bonds, unsecured credit facilities and secured bank loans is denominated and settled in EUR. Interest paid on bank loans is linked to Euribor. Intra-group funding for property development is also denominated and settled in EUR.

In terms of transactions on the real estate market, acquisitions and sales of properties are negotiated and contracted in EUR in all jurisdictions the Group operate, due to the active international investors in those markets. This is also substantiated in external valuation reports, as valuations of properties are prepared in EUR.

In conclusion, management assessed that EUR is the functional currency for the Group, including the Company and its subsidiaries.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks due to its use of financial instruments: credit, liquidity, and market, including currency and interest rate. This note presents information about the Group’s exposure to each, as well as its objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board of Directors has delegated the responsibility for developing this framework to the Risk Committee. This Committee reports to the Board of Directors on its activities, oversees how management monitors compliance policies and procedures, and reviews the adequacy of the framework regarding the risks faced.

The Group’s policies are established to identify and analyse the risks it may encounter by performing its activities, to set appropriate limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and Group activities.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of financial position, except for the bonds. Should the bonds be repaid at their maturity, the Group’s liability towards bonds holders does not vary in line with the market price of its listed notes. For reference, as at 31 December 2022 the market value of the outstanding bonds issued by the Group is presented in Note 19.

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s loans granted to joint ventures, receivables from tenants and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

Credit exposure on financial instruments <i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
Loans granted to joint ventures	36	-	22,466
Tenant receivables	13	59,691	46,874
Cash and cash equivalents	14	250,631	498,623
Financial assets at fair value through profit or loss*	20	36,064	4,542
Loans to participants in the Share Purchase Scheme**	11,18	4,205	4,510
TOTAL		350,591	577,015

* Includes both long-term and short-term financial assets at fair value through profit or loss

**Presented in line Other long-term assets in the Statement of financial position

Out of the above maximum credit exposure, the balance of Loans to participants in the Share Purchase Scheme is not considered to present credit risk as these are guaranteed with the Company’s shares held as security (see details in Note 18).

Trade and other receivables relate mainly to the Group’s tenants. When monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, the industry they work in, business size and previous financial difficulties.

The exposure to credit risk is mainly influenced by the tenant's individual characteristics. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants (large international and national tenants; large listed tenants; government and major franchisees and companies with assets and/or turnovers exceeding €200 million), and there is no concentration of credit risk with respect to trade debtors: top 10 tenants account for 24.8% of the rental income as at 31 December 2022 (31 December 2021: 24.1%).

Management has established a credit policy where new customers are analysed individually for creditworthiness before standard payment terms and conditions are offered. When available, the analysis includes external ratings.

The Group establishes an allowance for impairment based on a simplified expected credit loss model in respect of Trade and other receivables. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The carrying value of financial assets approximates their fair value. The Group's exposure to credit risk associated cash and cash equivalents is limited through using financial institutions of good standing for investment and cash handling purposes. An overview of the tenant receivables net of impairment provision is set out below:

<i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
Tenant receivables – gross		69,033	54,156
Less: Impairment provisions		(9,342)	(7,282)
TENANT RECEIVABLES-NET OF IMPAIRMENT PROVISION	13	59,691	46,874

Reconciliation of impairment provisions is set out below:

Movement of provisions for doubtful debtors <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Carrying value at beginning of year	(7,282)	(9,753)
Additional provision from properties acquired during the year	(2,489)	-
Additional expected credit losses	(2,841)	(4,962)
Write-off of receivables	986	469
Recovery of previously expected credit losses	2,182	6,256
Released in relation to assets held for sale disposed during the year	-	625
Foreign exchange gain	102	83
CARRYING VALUE	(9,342)	(7,282)

This table excludes rent concessions.

The expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses, adjusting for forward looking macroeconomic data. For example, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted upwards. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the impairment provision as at 31 December 2022 was determined as follows for trade receivables.

31 December 2022 <i>in € thousand</i>	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	1%	5%	24%	89%	
Gross carrying amount – trade receivables	48,148	8,685	1,483	529	10,188	69,033
PROVISION FOR DOUBTFUL DEBTORS	(74)	(56)	(67)	(128)	(9,017)	(9,342)

The impairment provision for trade receivables as at 31 December 2021 is set out below:

31 December 2021 <i>in € thousand</i>	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	4%	8%	61%	
Gross carrying amount – trade receivables	32,278	7,795	1,422	922	11,739	54,156
PROVISION FOR DOUBTFUL DEBTORS	-	(31)	(52)	(73)	(7,126)	(7,282)

The maturity profile of the Financial assets at fair value through profit or loss is disclosed below:

31 December 2022 <i>in € thousand</i>	1-5 years	over 5 years	Total
Financial assets at fair value through profit or loss	25,958	10,106	36,064

31 December 2021 <i>in € thousand</i>	1-5 years	over 5 years	Total
Financial assets at fair value through profit or loss	2,643	1,899	4,542

While cash and cash equivalents and loans granted to joint ventures are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

For purposes of liquidity management, the Group has various deposit accounts and negotiated current account agreements with several banks. The arrangements in place result in an optimized mix between flexibility and reduced interest charges or best interest offered. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 31 December 2022, 95% of the Group's cash was held with investment-grade rated banks (31 December 2021: 96%), as detailed below:

Cash and cash equivalents	31 Dec 2022	31 Dec 2021
Held with banks as rated by Moody's		
A1	7%	4%
A2	30%	53%
A3	15%	3%
Aa3	8%	5%
Baa1	35%	14%
Baa2	-	2%
Baa3	-	15%
Held with not rated banks	5%	4%
TOTAL	100%	100%

6.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when due. The Group's approach to managing this risk ensures, as far as possible, it will always have enough liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. To ensure this occurs, the Group prepares budgets, cash flow analyses and forecasts, which enable the Directors to assess the level of financing required for future periods. Budgets and projections are used to assess any future potential investments and are compared to existing funds held on deposit to evaluate the nature, and extent of any future funding requirements.

Further reference to bank loan maturity analysis is made in Note 19. The table below presents undiscounted cash flows for all financial liabilities, computed at the contractual rates.

31 Dec 2022 <i>in € thousand</i>	Note	under 3 months	3-12 months	1-5 years	over 5 years	Total undiscounted cash flows	Total carrying amount
Bonds (including estimated future interest)	19	30,707	28,539	1,616,496	518,081	2,193,823	1,992,971
Bank loans (including estimated future interest)	19	9,232	22,974	393,592	211,739	637,537	557,901
Borrowings from third parties (including estimated future interest)	23	908	19,080	36,518	-	56,506	50,107
Trade and other payables	21	31,000	124,002	-	-	155,002	155,002
Other long-term liabilities	22	-	-	31,303	6,363	37,666	37,666
Lease liabilities (including estimated future interest)	24	832	-	4,506	67,036	72,374	37,200
TOTAL		72,679	194,595	2,082,415	803,219	3,152,908	2,830,847

31 Dec 2021 <i>in € thousand</i>	Note	under 3 months	3-12 months	1-5 years	over 5 years	Total undiscounted cash flows	Total carrying amount
Bonds (including estimated future interest)	19	28,915	30,137	1,603,847	508,790	2,171,689	1,988,239
Bank loans (including estimated future interest)	19	2,901	9,002	195,444	115,967	323,314	304,586
Derivative financial liabilities at fair value through profit or loss	20	-	-	3,211	-	3,211	3,211
Borrowings from third parties short and long-term (including estimated future interest)	22	317	4,965	1,044	5,396	11,722	8,746
Trade and other payables (excluding short-term borrowings from third parties)	21	20,116	80,465	-	-	100,581	100,581
Other long-term liabilities (excluding long-term borrowings from third parties)	22	-	-	22,410	7,844	30,254	30,254
Lease liabilities (including estimated future interest)	24	832	-	3,329	53,279	57,440	33,611
TOTAL		53,082	124,569	1,829,285	691,276	2,698,211	2,469,228

To enhance the liquidity risk disclosure, the “bonds” and “bank loans” components of this table, which were previously aggregated, are now disclosed separately. The comparative liquidity risk table, as of 31 December 2021, has accordingly been amended.

6.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices will affect the Group's fair value or future cash flows of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. The carrying value of financial assets and liabilities approximates their fair value, except for the carrying value of bonds, whose fair value is presented in Note 19.

6.3.1 Currency risk

Group's current assets and liabilities are exposed to foreign currency risk on purchases and receivables denominated in Romanian leu (RON), Polish zloty (PLN), Bulgarian Lev (BGN), Hungarian forint (HUF), Serbian dinar (RSD), Czech crown (CZK), Croatian kuna (HRK) and South African rand (ZAR). Cash inflows received in other currencies than Euro are converted to Euro using the spot rate available on the collection date. The amount converted to Euro is the net amount of cash inflow in a foreign currency and the estimated cash outflow in the same currency. The Group applies this policy to control its currency exposures in respect of monetary assets and liabilities denominated in currencies other than EUR. Sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the local currency of the respective Group entities, with all other variables such as interest rates held constant, are immaterial.

6.3.2 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on loans, borrowings and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 31 December 2022 and 31 December 2021, the Group held interest rate instruments in the form of interest rate swaps and interest rate caps, as further disclosed in Note 20.

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Bank loans	557,901	304,586
— Rate capped	330,000	191,520
— Rate swapped	114,928	115,873
— Variable rate	115,333	-
Accrued interest on loans and deferred loan costs*	(2,360)	(2,807)

* The balance exposed to variable rate as of 31 December 2022 relate to a portion of the outstanding revolving credit facilities disbursed at year-end and represents less than 5% of the total outstanding debt.

Sensitivity analysis for interest bearing financial instruments

A change of 100 basis points (bps) in interest rates would have increased/(decreased) equity and profit for the year as shown below. Calculations are based on the cash and loans and borrowings balances outstanding at the respective balance sheet dates. Cash and loans and borrowings balances are subject to change over the year. This analysis assumes that all other variables, particularly foreign currency rates, remain constant. All sensitivity analysis calculations presented below are before tax.

The benchmark rate for the bank loans with an outstanding amount of €557,901 thousand as at 31 December 2022 (2021: €304,586 thousand) is Euribor 3 months; if this rate is less than zero, Euribor shall be deemed to be zero. There are no plans to discontinue Euribor.

Loans and borrowings with fixed or swapped interest rates are not affected by market changes in interest rates.

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Loans to participants in the Share Purchase Scheme (including accrued interest) (Note 18)	4,205	4,510
Loans and borrowings (variable or capped rate)	(445,333)	(191,520)
TOTAL	(441,128)	(187,010)

31 Dec 2022 <i>in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	42	(42)	42	(42)
Loans and borrowings (variable or capped rate)*	(856)	1,130	(856)	1,130
TOTAL	(814)	1,088	(814)	1,088

*Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax.

31 Dec 2021 <i>in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	45	(45)	45	(45)
Loans and borrowings (variable or capped rate)*	(742)	-	(742)	-
TOTAL	(697)	(45)	(697)	(45)

*Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax.

7. INTERNAL CONTROLS TO MANAGE RISKS

The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to mitigate rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The key features of the Group's system of internal control include:

- Strategic and business planning: the Group prepares, and agrees, a business plan each year, to which the performance of the business is regularly monitored;
- Investment appraisal: capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee, and/or the Board of Directors where appropriate, in accordance with delegated authority limits;
- Financial monitoring: profitability, cash flow and capital expenditure are closely monitored, and key financial information is reported to the Board of Directors regularly, including explanations of variances between actual and budgeted performance, and
- Systems of control procedures and delegated authority: clearly defined guidelines and approval limits exist for capital and operating expenditure and other key business transactions and decisions.

8. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure it complies with its quantitative banking covenants and maintains a strong credit rating. During the year, no changes were made in the objectives, policies or processes.

Capital is primarily monitored using the gearing ratio (Loan-to-value), which was 35.7% (31 December 2021: 30.9%). The ratio is computed as interest bearing debt less lease liabilities less cash, divided by investment property (including investment property held for sale) and excludes the right-of-use assets. Loan-to-value is a non IFRS measure.

The Group's policy is to maintain a strong capital base of equity so as to maintain investor, creditor and market confidence and to sustain future business development. The Board of Directors also monitors the level of distributions to shareholders. Neither the Company, nor its subsidiaries, are subject to externally imposed capital requirements, except that the Group's subsidiaries are subject to compliance with bonds and bank borrowings' covenants, as presented in Note 19.

The Group ensures it retains comfortable levels of access to liquidity to finance the Group's ongoing operations and further investment opportunities.

9. INVESTMENT PROPERTY IN USE

Movement in investment property in use <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Carrying value at beginning of year	5,670,776	5,591,463
Additions from asset deals (Note 35)	367,769	12,530
Additions from the acquisition of the remaining 50% stake in joint venture (Note 35)	104,287	-
Transferred from investment property under development (Note 10)	51,139	92,528
Fair value adjustments (Note 30)	134,234	30,306
Additions to the right-of-use assets from acquired assets (Note 35)	3,843	-
Fair value adjustment of right-of-use assets (Note 30)	(255)	(251)
Investment property reclassified as held for sale (Note 15.1)	-	(55,800)
CARRYING VALUE	6,331,793	5,670,776

As at 31 December 2022, the balance of investment property included also right-of-use assets of €37,200 thousand (2021: €33,611 thousand) representing long-term land concessions for the Group Polish properties contracted from local government.

Investment property is carried at fair value and is independently assessed on a semi-annual basis, as at 30 June and 31 December.

For the year ended 31 December 2022 and 31 December 2021, the Group commissioned independent year-end appraisal reports on its investment property in use to Cushman & Wakefield, Colliers International and Jones Lang LaSalle, all members of the Royal Institution of Chartered Surveyors (RICS). Valuations are prepared in accordance with the RICS Valuation – Global Standards 2021 (the “Red Book”) and ANEVAR Valuation Standards-2022 Edition which incorporate the International Valuation Standards (“IVS”).

All investment property in use is valued by the Income Method. For the years ended 31 December 2022 and 31 December 2021 respectively, the applied method used for all investment property in use was discounted cash flow (“DCF”).

DCF uses explicit assumptions regarding the benefits and liabilities of ownership over the asset’s life, including an exit, or terminal, value. As an accepted method within the Income Method to valuation, the DCF method involves the projection of a series of cash flows onto a real property interest. To these projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of cash inflows associated with the real property.

The duration of cash flow, and the specific timing of inflows and outflows, are determined by events such as rent reviews, lease renewal and related lease-up periods, re-letting, redevelopment or refurbishment. The appropriate duration is typically driven by market behaviour. In the case of investment property, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission fees, and other operating and management expenses. The series of periodic net cash inflows, combined with the estimated terminal value anticipated at the end of the projection period, is then discounted. For all investment property in use, the current use equates to the highest and best use.

The Group provides all information necessary for the valuations, including detailed tenancy schedules, comprising information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options and indexation clauses. All properties have been inspected by representatives of external valuers for the purpose of 31 December 2022 valuations.

The Group’s valuers note in their valuation report that wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. Sustainability is taken to mean the consideration of such matters as environment and climate change, health and wellbeing and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal considerations.

As at 31 December 2022, the investment property in use had an EPRA Vacancy Rate of 2.7% (31 December 2021: 4.0%). EPRA Vacancy Rate is a non-IFRS measure which is defined in Appendix 1.

As at the same date, the Group’s portfolio included retail, office and industrial properties. IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a ‘fair value hierarchy’ (as per IFRS 13) which categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The fair value hierarchy is explained below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: use of a model with inputs (other than quoted prices included within Level 1) that are directly, or indirectly, observable market data, and
- Level 3: use of a model with inputs not based on observable market data.

The Group’s investment property is categorised as Level 3. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between hierarchy levels during the year.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Group’s property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are detailed below:

Unobservable input	Impact on fair value of increase in input
Estimated rental value	Increase
Discount rate	Decrease
Capitalisation rate for terminal value	Decrease

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2022 is presented in the table below:

Segment	Valuation technique	Estimated market rental value (yearly amount in ‘000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail	Discounted cash flow	294 – 24,411 (13,449*)	7.30% – 11.45% (8.94*)	5.45% – 9.25% (7.08*)
Office	Discounted cash flow	1,851 – 4,393 (3,675*)	8.50% – 8.75% (8.68*)	7.75% – 8.15% (8.04*)
Industrial	Discounted cash flow	645 – 1,727 (1,416*)	10.95% – 11.95% (11.66*)	8.75% – 9.75% (9.46*)

**Amounts or percentages represent weighted averages*

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2021 is presented in the table below:

Segment	Valuation technique	Estimated market rental value (yearly amount in ‘000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	246 – 22,190 (12,702*)	7.00% – 11.00% (8.50*)	5.30% – 9.00% (6.90*)
Office	Discounted cash flow	1,840 – 4,419 (3,744*)	8.50% – 8.75% (8.57*)	7.50% – 7.90% (7.80*)
Industrial	Discounted cash flow	556 – 1,531 (1,261*)	10.00% – 11.00% (10.72*)	8.50% – 9.50% (9.22*)

**Amounts or percentages represent weighted averages.*

^Excluding joint ventures.

Portfolio valuation: sensitivity to changes in the discount rate and exit rate

The tables below present the change in the valuation of the shopping centre portfolio using different discount rate and exit rate assumptions than those used by the appraisers.

Discount rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania	5.2%	2.5%	-2.4%	-4.7%
Poland	5.7%	2.8%	-2.6%	-5.1%
Croatia	5.8%	2.8%	-2.7%	-5.2%
Slovakia	6.9%	3.4%	-3.1%	-6.1%
Bulgaria	5.9%	2.9%	-2.7%	-5.3%
Serbia	5.6%	2.7%	-2.6%	-5.0%
Czech Republic	7.1%	3.4%	-3.2%	-6.3%
Lithuania	5.3%	2.6%	-2.4%	-4.8%
Hungary	6.5%	3.1%	-2.9%	-5.7%
TOTAL	5.7%	2.8%	-2.6%	-5.1%

Exit rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania	6.8%	3.3%	-3.1%	-6.0%
Poland	7.9%	3.8%	-3.5%	-6.8%
Croatia	6.6%	3.2%	-3.0%	-5.8%
Slovakia	7.8%	3.7%	-3.5%	-6.7%
Bulgaria	6.8%	3.3%	-3.1%	-6.0%
Serbia	6.3%	3.0%	-2.9%	-5.6%
Czech Republic	8.1%	3.9%	-3.6%	-7.0%
Lithuania	7.0%	3.4%	-3.2%	-6.2%
Hungary	8.3%	4.0%	-3.7%	-7.1%
TOTAL	7.3%	3.5%	-3.3%	-6.4%

10. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Carrying value at beginning of year	170,900	210,935
Additions from the acquisition of the remaining 50% stake in joint venture (Note 35)	1,700	-
Additions from asset deals (acquisition of land for development) (Note 35)	18,201	-
Additions from construction in progress	136,083	55,154
Fair value adjustments (Note 30)	8,917	4,110
Assets which became operational and were transferred to Investment property in use (Note 9)	(51,139)	(92,528)
Investment property under development reclassified as held for sale (Note 15.1)	(20,318)	(2,550)
Transfer to inventory property	-	(4,221)
Carrying value	264,344	170,900

Land included in Investment property under development is carried at fair value and is independently assessed on a semi-annual basis. For the years ended 31 December 2022 and 2021, the Group commissioned independent year-end reports to Cushman & Wakefield, Colliers International and Jones Lang LaSalle, based on which the fair value of land was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach (in accordance with RICS Valuation Standards and ANEVAR Valuation Standards (for Romanian properties). Land under sales comparison method was valued by the external appraisers using the recent transactions of similar land for development in the proximity of the subject property. The residual approach determines the residual land value by subtracting purchase and development cost from the expected gross development value of the project at completion. The construction works in the investment property under development are held at cost, and their carrying value is a reasonable approximation of their fair value. The methods have been consistently applied for the comparative period.

Borrowing costs capitalised in 2022 amount to €3,513 thousand (2021: €3,193 thousand) and were calculated using an average annual interest rate of 2.3% (2021: 2.4%).

The balance of Investment property under development split by land carried at fair value and additions from construction works held at cost (which approximate fair value) is detailed below:

Investment property under development <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Land (at fair value)	157,609	147,843
Construction works (at cost)	106,735	23,057
TOTAL	264,344	170,900

11. OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Loans to participants under the Share Purchase Scheme (Note 18)	4,205	4,510
Property, plant and equipment	3,780	3,599
Intangible assets	3,065	1,346
TOTAL	11,050	9,455

12. GOODWILL

The Group recognised goodwill for the following business acquisitions:

<i>in € thousand</i>	Segment	Balance at 31 Dec 2022	Balance at 31 Dec 2021
Pitesti Retail Park	Retail	1,671	1,671
Internalisation of NEPI Investment Management	Corporate	5,882	5,882
Aupark Kosice Mall	Retail	5,189	5,189
Iris Titan Shopping Center	Retail	934	934
Forum Usti nad Labem	Retail	5,646	5,646
Shopping City Sibiu	Retail	9,850	9,850
Korzo Shopping Centrum	Retail	2,899	2,899
Aupark Shopping Center Piestany	Retail	1,585	1,585
Arena Centar and Retail Park	Retail	13,512	13,512
Energit	Retail	6,976	6,976
Paradise Center	Retail	9,311	9,311
Arena Mall	Retail	7,905	7,905
Galeria Mlyny	Retail	5,444	5,444
TOTAL		76,804	76,804

There were no movements of goodwill in 2022 and 2021.

According to the Group's accounting policies based on IFRS, goodwill is tested at least annually for impairment or whenever there is an indication that it may be impaired. The lowest level within the Group at which the goodwill is allocated and monitored for internal management purposes is the CGU, represented by each individual property. CGUs to which the goodwill has been allocated were tested for impairment by comparing their net asset value with the recoverable value, which is the higher of value in use and fair value less cost to sell.

Goodwill from recognition of deferred taxes at the date of the business combination

All the goodwill summarised in the table above, with the exception of NEPI Investment Management and Energit, resulted from business combinations, as the difference between the deferred tax liability recognised in the balance sheet of the business acquired and the expected tax to be paid in case of a future disposal.

As a consequence, impairment tests performed on this type of goodwill at each reporting date consist in comparing its carrying amount with the amounts expected to arise from deferred taxes payable, should a disposal occur, at the level of each CGU.

As a result of this test in 2022, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2021: nil).

Goodwill from management and energy trading companies

Goodwill arising at the level of management company, NEPI Investment Management, is monitored at the level of this subsidiary, which employs part of the Group's key management and charges management fees to property operating companies.

The recoverable amount of NEPI Investment Management and Energit is represented by their value in use, determined based on the DCF derived from the five-year financial budgets for these two entities approved by management. Cash flows beyond the five-year period were extrapolated using the estimated cash flow of year 5. The discount rate used was based on the weighted average cost of capital in the specific geography of the two entities.

As a result of this test, no impairment arose in connection with the above two entities.

13. TRADE AND OTHER RECEIVABLES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Tenant receivables (Note 6.1)	59,691	46,874
VAT receivable	11,287	5,804
Prepaid property expenses	9,447	5,582
Other receivables	4,989	2,490
Other prepaid fees	82	222
TOTAL	85,496	60,972

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
EUR	161,035	418,751
RON	38,556	29,442
PLN	19,837	15,799
BGN	10,663	8,974
HUF	3,213	6,645
HRK	7,703	12,562
CZK	5,909	4,016
RSD	3,101	1,773
ZAR	614	572
USD	-	9
GBP	-	80
TOTAL	250,631	498,623

Cash and cash equivalents by type <i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Current accounts	196,019	378,401
Deposits	50,079	120,000
Restricted cash	4,250	-
Petty cash and other values	283	222
TOTAL	250,631	498,623

15. ASSETS HELD FOR SALE

Investment property held for sale is carried at fair value and is independently assessed on a semi-annual basis, as at 30 June and 31 December.

In November 2022, the Group disposed of a plot of land in Sabac, Serbia held by Nepi Project Three d.o.o. in a share deal, for a transaction value of €3.3 million, with a net gain on disposal of €1.1 million.

In August 2022, the Group entered into a binding agreement for the sale of a plot of excess land owned by General Building Management SRL, owner of the development in Craiova, Romania. The transaction is expected to be completed in 2023, subject to conditions precedent to be fulfilled by the Group.
In July 2021, the Group disposed of two Serbian retail properties for a transaction value of €60.8 million, with a net gain on disposal of €2 million.

At 31 December 2022, the assets held for sale included a plot of land located in Slovakia together with two non-core properties and a plot of land located in Romania. One of the Romanian non-core properties was sold at book value in January 2023.

The major classes of assets and liabilities of subsidiaries which are presented as held for sale at the end of the reporting period are as follows:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Non-current assets	18,666	1,752
Investment property at fair value	1,730	1,752
Investment property under development	16,936	-
Current assets	19	-
Cash and cash equivalents	19	-
Assets held for sale	18,685	1,752
Non-current liabilities	1,111	-
Deferred tax liabilities	1,111	-
Current liabilities	7	-
Liabilities held for sale	1,118	-
Net assets held for sale	17,567	1,752

15.1 INVESTMENT PROPERTY HELD FOR SALE

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Carrying value at beginning of year	1,752	1,752
Transfer from investment property in use (Note 9)	-	55,800
Transfer from investment property under development (Note 10)	20,318	2,550
Additions during the period	21	-
Fair value adjustments (Note 30)	(1,195)	485
Disposals	(2,230)	(58,835)
CARRYING VALUE	18,666	1,752

16. INVENTORY PROPERTY

The Group has a residential property development that it intends to sell on completion. The residential project is held as inventory property and is measured at the lower of cost and net realisable value (“NRV”)

The commencement of development with a plan or a prior agreement to sell represents a change in use and accordingly the project is transferred from investment property to inventory property.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Inventory property	20,694	9,522

17. SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares <i>in € thousand</i>	Number of shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2021	608,994,907	6,090	3,550,061
CARRIED FORWARD AS AT 31 DECEMBER 2021	608,994,907	6,090	3,550,061
— Repurchase of shares 1,994,907 ordinary shares representing 0.33% of the Company issued shared capital*	(1,994,907)	(20)	(9,326)
— Share premium reduction (<i>During 2022, €350,000 thousand were transferred from share premium to accumulated profit, to ensure positive retained earnings at stand-alone parent Company level</i>)	-	-	(350,000)
CARRIED FORWARD AS AT 31 DECEMBER 2022	607,000,000	6,070	3,190,735

*The shares were repurchased between 29 September and 12 October 2022 from available cash. Subsequently, the repurchased shares were cancelled. The shares were repurchased at an average share price of €4.68.

The Group had no issues of share capital or options to receive capital return granted to its shareholders during 2022. Ordinary shares carry the right to vote at general meetings, to distribution and to the surplus assets of the Group on winding-up.

The Group has granted dividends as summarized below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Earnings distribution	(241,223)	(210,222)

As of 8 March 2022, the Board has declared a dividend of 16.78 euro cents per share for the year ended 31 December 2021, corresponding to 100% of the distributable earnings per share for this period. The distribution amounting to €102,189 thousand was paid in cash during March 2022.

As of 20 September 2022, the Board has declared a dividend of 22.83 euro cents per share for the six months ended 30 June 2022, corresponding to 100% of the distributable earnings per share for this period. The distribution amounting to €139,034 thousand was paid in cash during October 2022.

18. SHARE-BASED PAYMENTS

The Group has implemented incentive plans to reward performance and align the interests of executive directors and key individuals with those of the shareholders.

The Group's current incentive plan (“Incentive Plan”) was approved by Company's shareholders at an EGM dated 16 November 2022. The Incentive Plan replaces the initial plan that was approved at the merger between NEPI and Rockcastle. The aim of the plan is to incentivise directors and employees to meet the Group's short-term and long-term objectives by giving such participants an opportunity to receive performance-based Awards (in cash or shares),

on short-term (immediate settlement in cash or shares) or long-term (shares with a vesting component). The Board determines which executive directors are eligible to participate in the Incentive Plan, and the allocation of incentives, based on key performance indicators. The executive directors determine which key employees are eligible to participate in the Incentive Plan, and the allocation of incentives is discretionary, based on key performance indicators and other considerations regarding the employees' performance.

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below:

a. Purchase Offers (“SPS”)

Under this program, loans were granted to participants in the share purchase schemes (the “Share Purchase Scheme” or “SPS”) to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares (the “NRP SPS”). Of the shares initially subscribed for, 20% vested annually. The Group offered each participant the immediate right to subscribe for the permitted number of shares at their market value, less a maximum discount of 5%, together with a loan to fund the purchase. Each loan carried interest at the weighted average rate that the Group can borrow money. Loans are payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. The Company has security interests that ensure the repayment of the principal and interest on the loan given to participants. The NRP SPS is a full recourse scheme (i.e., recourse in relation to loans granted is not limited to shares issued). Pending repayment of the loan, the distributions on such shares are used to repay loan interest. Any excess distribution after interest payment is used to repay the loan.

No shares were issued during 2022 and 2021 under the NRP SPS.

The number of shares outstanding and the loans to participants under the Share Purchase Scheme as at the year-end are summarised below:

NRP SPS	31 Dec 2022	31 Dec 2021
Number of shares outstanding, collateralising the Loans to participants under the Share Purchase Scheme	657,276	705,864
Loans to participants under the Share Purchase Scheme (in € thousand)	4,205	4,510

b. Debt free Long-Term Share Incentive Plan with a vesting component (“LTSIP”)

Under this incentive plan, shares are awarded by the Group to executive directors and other key employees for no cash consideration. For key employees, shares are awarded to participants on condition of employment in the Group for the next three years (vesting period), with shares being vested proportionally over each year of the corresponding vesting periods (tranche vesting). For executive directors, shares are awarded subject to a full vesting of them at the end of three years (cliff vesting) plus a further two-year lock-up period, during which the vested shares cannot be disposed of by the directors. Shares awarded under LTSIP cannot be disposed of or otherwise encumbered up to their respective vesting dates.

The number of shares granted but unvested at 31 December 2022 and their fair value at grant date are summarised below:

LTSIP	31 Dec 2022	31 Dec 2021
Number of shares granted but unvested at year-end	817,822	633,527
Fair value at the grant date (€ thousand)	4,734	3,731

The maximum number of shares which could be offered for subscription under the Incentive Plan is 5% of the issued share capital of the Company at the end of any financial year prior to each award, provided that such number shall not exceed 30,449,745 shares. The number of shares that remained available for issue in terms of the Incentive Plan were as follows:

	31 Dec 2022	31 Dec 2021
Number of shares that remain available for issue at year-end	28,226,835	25,809,921

19 BORROWINGS (BONDS AND BANK LOANS)

The Group is currently assigned a long-term corporate credit rating of BBB (stable outlook) from Standard & Poor’s Rating Services and BBB+ (stable outlook) from Fitch Ratings.

In 2022, NEPI Rockcastle extended the contractual maturities related to its unsecured committed revolving credit facilities, as follows:

- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for one year, until July 2025, with the maximum principal available maintained at €170 million;
- the revolving credit facility from ING Bank was extended for one year, until July 2025, with the maximum principal available maintained at €100 million; and
- the revolving credit facility from Raiffeisen Bank International was extended for one year, until January 2025, with the maximum principal available maintained at €150 million.

The above mentioned committed revolving credit facilities together with the revolving credit facility from a four-bank syndicate of a maximum limit of €200 million amount to a total of €620 million available unsecured committed revolving credit facilities, of which €420 million were undrawn as at 31 December 2022 (31 December 2021: €620 million).

In January 2022, the Group issued its second green €500 million unsecured 8-year Eurobond, carrying a 2% fixed coupon, with an issue price of 98.713%. The bond issue was used for liability management, to repay a €500 million bond maturing in 2023. The repurchase of 2023 bond was made at market price in January and February 2022, with the premium paid over its carrying value of €22 million, recognised in the Statement of comprehensive income.

The average interest rate of the Group’s debt, including hedging result, was approximately 2.3% during 2022 (31 December 2021: 2.4%). As at 31 December 2022, fixed-coupon bonds represented 78% of NEPI Rockcastle’s outstanding debt; out of the remaining long-term debt exposed to Euribor, 59% was hedged with interest rate caps and 21% with interest rate swaps. The unhedged portion represents less than 5% of the outstanding debt and relates to a proportion of the revolving credit facilities disbursed as of year-end.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of financial position, except for the bonds. For reference, as at 31 December 2022, the €499 million bonds issued in 2017 were trading on the market at 93.55% (31 December 2021: 102.81%), the €500 million bonds issued in 2019 were trading on the market at 84.13% (31 December 2021: 102.59%), the €500 million bonds issued in 2020 were trading on the market at 86.52% (31 December 2021: 110.65%) and the €500 million bonds issued in January 2022 were trading on the market at 69.04% (31 December 2021: n/a). However, the fair value of bonds presented above might not be relevant, as the liability towards bonds holders would not vary in line with the market price of its listed notes. The repayment profile for outstanding loans, excluding future interest, is detailed below. In addition to these loans, the Group had loans and borrowings related to its joint ventures presented in Note 36, which were repaid in the second half of 2022 following acquisition of the remaining 50% stake in the joint-venture.

Interest bearing borrowings 31 Dec 2022 <i>in € thousand</i>	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	-	1,498,980	500,000	1,998,980
Netherlands	Revolving facilities	-	200,000	-	200,000
Netherlands	Unsecured loan	-	-	73,521	73,521
Poland	Secured loans	1,520	74,100	-	75,620
Slovakia	Secured loans	6,475	23,200	82,137	111,812
Czech Republic	Secured loans	615	38,694	-	39,309
Romania	Secured loans	2,727	10,908	46,365	60,000
Accrued interest on loans and deferred loan costs		(180)	(2,181)	-	(2,361)
Accrued coupon on bonds		20,353	-	-	20,353
Deferred bond costs		(2,504)	(7,359)	(1,203)	(11,066)
Issue discount on bonds		(3,586)	(10,161)	(1,549)	(15,296)
Total		25,420	1,826,181	699,271	2,550,872

Interest bearing borrowings 31 Dec 2021 <i>in € thousand</i>	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	-	1,495,000	500,000	1,995,000
Netherlands	Unsecured loan	-	-	73,521	73,521
Poland	Secured loans	380	75,620	-	76,000
Slovakia	Secured loans	7,216	71,607	39,176	117,999
Czech Republic	Secured loans	564	39,309	-	39,873
Accrued interest on loans and deferred loan costs		(729)	(2,078)	-	(2,807)
Accrued coupon on bonds		18,856	-	-	18,856
Deferred bond costs		(2,772)	(6,846)	(430)	(10,048)
Issue discount on bonds		(5,036)	(9,909)	(624)	(15,569)
Total		18,479	1,662,703	611,643	2,292,825

Bonds and bank loans reconciliation

This section sets out an analysis of bonds and bank loans outstanding and the related movements for the periods presented.

<i>in € thousand</i>	Bank loans	Bonds	Total*, **
Debt as at 31 December 2021	304,586	1,988,239	2,292,825
Cash repayments of principal	(25,563)	(496,020)	(521,583)
Loan taken over from the acquisition of the remaining 50% stake in joint venture	18,432	-	18,432
Cash proceeds from bank loans or bonds	260,000	493,566	753,566
Cash payments of interest on bank loans or coupon on bonds	(5,972)	(44,024)	(49,996)
Interest expense	6,288	45,522	51,810
Amortisation of capitalised borrowing costs	916	2,595	3,511
Amortisation of bond discount	-	3,824	3,824
Additional capitalised borrowing costs in the period	(786)	(4,674)	(5,460)
Costs released following bonds buy-back prior maturity	-	3,943	3,943
Debt as at 31 December 2022	557,901	1,992,971	2,550,872

**The carrying value of the bond repurchased during January and February 2022 was €492,078 thousand, consisting of its nominal value of €496,020 thousand together with unamortised discount and capitalized borrowing costs of €3,943 thousand.*
***The table above does not contain interest bearing loans from third parties in amount of €50,107 thousand as at 31 December 2022 (Note 23). The above finance costs also do not include interest capitalized on developments of €3,513 thousand (refer to Note 10), and interest on lease liabilities related to the right-of-use assets of €577 thousand (Note 24).*

<i>in € thousand</i>	Bank loans	Bonds	Total*
Debt as at 31 December 2020	482,587	1,980,285	2,462,872
Cash repayments of principal	(250,458)	-	(250,458)
Cash proceeds from bank loans or bonds	73,521	-	73,521
Cash payments of interest on bank loans or coupon on bonds	(7,169)	(48,003)	(55,172)
Interest expense	7,168	48,003	55,171
Amortisation of capitalised borrowing costs	1,209	2,769	3,978
Amortisation of bond discount	-	5,185	5,185
Additional capitalised borrowing costs in the period	(1,876)	-	(1,876)
Other non-cash items	(396)	-	(396)
Debt as at 31 December 2021	304,586	1,988,239	2,292,825

**The table above does not contain interest bearing loans from third parties in amount of €8,746 thousand as at 31 December 2021 (included in Other long-term liabilities in Note 22 and in Trade and other payables in Note 21), and the associated finance cost. The above finance costs also do not include interest capitalized on developments of €3,193 thousand (refer to Note 10), and interest on lease liabilities related to the right-of-use assets of €582 thousand (Note 24).*

Further details for the Group's loans and bonds are presented below:

Secured term loans

The Group has secured term loans contracted by some of its subsidiaries in Poland, Slovakia, Czech Republic and Romania. In December 2022, a Romanian subsidiary concluded a €60 million secured loan which matures in March 2030.

Securities

- General security over the properties (fair values as at 31 December 2022), current assets, cash inflows from operating activities, accounts and receivables; and
- General security over the shares in the property-owning entities.

Covenants

- Debt service cover ratio of a minimum between 120% and 130%; and
- Loan to value ratio of a maximum between 60% and 70%.

Unsecured green term loan

In June 2021, the Group concluded a green unsecured financing agreement which matures in June 2028 in amount of €73.5 million. The loan was fully disbursed in July 2021.

Covenants

- Solvency Ratio of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

The loan is linked to the ESG performance of the Group through the sustainability rating provided by Sustainalytics.

Unsecured committed revolving facilities

At 31 December 2022, out of the €620 million revolving facilities, €420 million were available for drawdown following disbursement of €200 million in December 2022. The drawn amounts have the maturity of the revolving facilities from which they have been disbursed, in 2025, but they can be reimbursed earlier.

Covenants

- Solvency Ratio of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

All available revolving facilities are linked to the ESG performance of the Group through the sustainability rating provided by Sustainalytics.

Management considers that the above ESG related variability feature does not meet the definition of a derivative, as defined in Appendix A of IFRS 9, on the basis that the external rating is a non-financial variable specific to the Group.

Unsecured fixed coupon bonds

The Group successfully issued fixed coupon bonds as follows:

- November 2017: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051%;
- October 2019: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 9 October 2026 and carry a 1.875% fixed coupon, with an issue price of 98.927%;
- July 2020: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172%; and
- January 2022: €500 million of unsecured, 8-year Eurobonds. The bonds mature on 21 January 2030 and carry a 2.00% fixed coupon, with an issue price of 98.713%.

All the bonds include early redemption options. At each date of bond issue initial recognition management has performed an assessment whether those options are closely related to the host contract, considering the IFRS 9 clauses, which states that early repayment options are closely related to the host debt, if either:

- the option's exercise price is approximately equal on each exercise date to the host debt instrument's amortised cost; or
- the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract.

Based on management assessment in case of the exercise of any of the early redemption options either first or second criteria will be met, therefore those were considered as closely related to the bond and thus not separately valued and disclosed.

Covenants

- Solvency Ratio of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during 2022 and 2021. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 0.40 (31 December 2021: 0.39);
- Consolidated Coverage Ratio: 6.2* (31 December 2021: 4.06); and
- Unsecured Ratio: 251% (31 December 2021: 263%).

**The Consolidated Coverage Ratio as at 31 December 2022 is significantly higher compared to the previous year, due to the reversal of litigation provision following settlement of €21 million. Excluding the effect of the reversal, the Consolidated Coverage Ratio would have been 5.8 (2021: 4.6, excluding the effect of the expense with litigation claim).*

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group uses mainly derivative instruments to hedge variable interest rate (Euribor) exposure. Their fair value is summarised below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Derivative financial assets – long-term	25,585	4,542
Derivative financial assets – short-term	10,479	-
Derivative financial liabilities	-	3,211

The above financial assets and liabilities consist of interest rate caps and fixed interest rate swaps which are not designated as cash flow hedges.

At 31 December 2022, €330 million of long-term debt exposed to Euribor was hedged with interest rate caps, €115 million with interest rate swaps and another €115 million (a proportion of the revolving credit facilities disbursed at year-end) was exposed to floating interest rate at Euribor 3 months.

21. TRADE AND OTHER PAYABLES

<i>in € thousand</i>	31 Dec 202	31 Dec 2021
Property related payables	80,167	43,266
Advances from tenants	43,710	37,905
Payable for assets under construction	16,973	11,978
Borrowings from third parties – short-term (Note 22)	-	4,388
Accrued administrative expenses	5,246	3,783
Tenant security deposits	2,635	2,335
Deferred consideration on acquisitions of subsidiaries and asset deals	6,271	1,314
TOTAL	155,002	104,969

22. OTHER LONG-TERM LIABILITIES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Borrowings from third parties – long-term*	-	4,358
Tenant security deposits	32,990	29,034
Advances from residential customers	3,427	217
Other long-term payables	1,249	1,003
TOTAL	37,666	34,612

**Reconciliation of borrowings from third parties*

This section sets out the movements in borrowings from third parties for the periods presented.

<i>in € thousand</i>	Borrowings from third parties
Borrowings as at 31 December 2021	8,746
Out of which short-term	4,388
Cash repayments of principal	(8,580)
Cash payments of interest	(652)
Interest expense	486
Borrowings as at 31 December 2022	-
Out of which short-term (Note 21)	-

<i>in € thousand</i>	Borrowings from third parties
Borrowings as at 31 December 2020	8,653
Cash repayments of principal	-
Cash payments of interest	(991)
Interest expense	926
Other non-cash items	158
Borrowings as at 31 December 2021	8,746
Out of which short-term (Note 21)	4,388

23. LOANS FROM THIRD PARTY

As disclosed in Note 35, as part of the deal for the acquisition of Forum Gdansk Sp. z o.o., the Group obtained vendor financing in the form of a three-year unsecured loan from the seller, for part of the purchase price amounting to €50,000 thousand, bearing an interest rate of 6.5%. One third of the loan principal is repayable at each anniversary of the loan until maturity, however the loan can be repaid by the Group at any time at its own discretion. The fair value of the loan is substantially in line with its carrying amount.

24. LEASE LIABILITIES

The Group recognises the right-of-use assets from leases of land plots on which its Polish properties are located, commissioned from the local authorities. The correspondent lease liabilities are recognised by discounting the contractual lease payments using the interest rate implicit in the lease, representing the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic

environment with similar terms, security and conditions. The contractual lease agreements are signed for the period of 99 years with extension option by the lessee. The agreements include fixed payment terms subject to adjustment due to revaluation of land, such revaluation can be done by the lessor not more often than every three years.

Reconciliation of lease liabilities

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Carrying value of the lease liabilities	33,611	33,862
Out of which short-term	832	832
Additions to lease liabilities from acquired assets	3,843	-
Interest expense (Note 31)	577	581
Lease liability payment	(832)	(832)
Lease liabilities	37,200	33,611
Out of which short-term	832	832

25. CORPORATE TAX CHARGE AND DEFERRED TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent they relate to business combination or items recognised directly to equity. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which temporary differences can be utilised.

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Current tax expense	23,068	10,274
Deferred tax expense	43,266	16,643
INCOME TAX EXPENSE	66,334	26,917
Deferred tax brought forward	322,697	306,646
Other adjustments (deferred tax liability released further to sale of one Serbian entity in 2022 and two Serbian entities in 2021 included in the disposal proceeds)-no P&L effect	23	(592)
Deferred tax balance transferred to Held for sale assets-no P&L effect	(1,111)	-
Deferred tax expense	43,266	16,643
Net deferred tax liability carried forward, out of which:	364,875	322,697
Deferred tax asset (*)	(54,679)	(48,669)
Deferred tax liability (*)	419,554	371,366

() Deferred tax assets and liabilities presented in this table, in net amount of €40,978 thousand (2021: €36,900 thousand), have been offset at the level of the Group entities.*

Net deferred tax liability results from the following types of differences:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Fiscal losses	249,282	284,304
Other deductible temporary differences (*)	241,514	149,562
Deferred tax asset	95,657	85,568
Temporary differences between accounting and fiscal value of investment property	(2,983,715)	(2,683,068)
Other taxable temporary differences (*)	(22,649)	(885)
Deferred tax liability	(460,532)	(408,265)
Net deferred tax liability	(364,875)	(322,697)

() Other deductible and taxable temporary differences include mainly prepayments and accruals, deferred income and allowances for doubtful debts.*

The deferred tax balance as at 31 December 2022 is the net effect of deferred tax assets resulted mainly from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, mainly investment property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

Deferred tax liabilities, which are a non-cash item, result directly from the fair value revaluation of the investment property and other local tax adjustments (e.g., local tax depreciation charges, non-capitalisation of certain items, foreign exchange impact given that tax value is recorded in local currency, etc.) which diminishes the tax value of the investment property.

<i>in € thousand</i>	<i>Consolidated Statement of financial position</i>		<i>Consolidated Statement of comprehensive income</i>	
Deferred tax liability (net)	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Valuation of investment property at fair value	(456,232)	(408,096)	(49,221)	(33,649)
Recognised unused tax losses	49,934	57,271	(7,338)	16,074
Deductible/Taxable temporary differences	41,423	28,128	13,293	932
TOTAL	(364,875)	(322,697)	(43,266)	(16,643)

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	31 Dec 2022	31 Dec 2021
Isle of Man	0%	0%
Netherlands	25.8%	25.8%
Mauritius	15%	15%
Romania	16%	16%
Poland	19%	19%
Slovakia	21%	21%
Serbia	15%	15%
Czech Republic	19%	19%
Croatia	18%	18%
Bulgaria	10%	10%
Hungary	9%	9%
Lithuania	15%	15%
Malta	35%	35%

A reconciliation between the current year income tax charge (current and deferred tax) and the Group consolidated profit/(loss) before tax for the years 2022 and 2021 is presented below:

Profit Before Tax Reconciliation	31 Dec 2022	31 Dec 2021
<i>in € thousand</i>		
Consolidated Profit Before Tax	501,607	261,986
Weighted tax rate on consolidated Profit Before Tax	14.91%	16.53%
Group income tax charge based on Group weighted tax rate	(74,771)	(43,346)
Effect in corporate income tax resulting from the following items:		
Group share in earnings from companies accounted for under equity method	489	304
Effect of gains/(losses) at Holding level without tax impact (including release of provision for litigation claim)	6,583	(7,603)
Tax expense in Holdings (inter-companies) not included in Profit before tax of the Group for consolidation	(3,862)	(2,804)
Tax value adjustments in local jurisdictions related to previous years (including foreign exchange impact on non-financial tax base and statutory adjustments)	12,114	4,692
Refund of minimum tax for Polish entities related to previous years	342	1,330
Deferred tax assets released due to fiscal losses expired and/or not utilised in the current year or expected to expire without being utilised in future periods (release of DTA not related to current year)	(2,821)	(1,832)
Release of deferred tax asset recognised for prior year tax losses	(4,550)	19,182
Deferred tax asset recognised for additional fiscal losses incurred in the current year and derived from tax deductions in relation to statutory expenses eliminated for IFRS	-	1,845
Others	142	1,315
TOTAL Group tax expense	(66,334)	(26,917)
Effective tax rate (Group consolidated Profit Before Tax)	13 %	10%

The Group accounts for deferred taxes assuming the theoretical future disposals of properties in the form of asset deals, triggering the full corporate income tax rate in each jurisdiction in which the Group owns property. In practice, if the Group would be in the position to dispose of certain assets, these disposals will most probably be conducted via share deals, as assets are held in separate SPVs, significantly reducing the effective tax rate on potential capital gains.

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €249,282 thousand (31 December 2021: €284,304 thousand), which are mainly available for up to seven years to offset against any future taxable profits of the companies in which the losses arose. The notable exception is the Netherlands where, starting 1 January 2022 tax losses available as at 31 December 2021 may be used for an indefinite amount of time to offset against 50% of the future taxable profits of the Dutch companies. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine recognisable deferred tax assets, based on the likely timing and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €40,754 thousand (31 December 2021: €39,597 thousand) as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will either generate sufficient taxable profit in the future.

The expiry dates for these losses are as follows:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
2022	-	6,026
2023	5,619	7,339
2024	4,271	12,011
2025	2,457	733
2026	6,906	11,701
2027	1,347	1,787
2028	2,712	-
2029 and later	17,442	
Total	40,754	39,597

The Group does not withhold taxes on distribution paid.

26. NET ASSET VALUE PER SHARE

<i>in € thousand, unless otherwise stated</i>	31 Dec 2022	31 Dec 2021
Net Asset Value (per the Statement of financial position)	3,898,721	3,714,922
Deferred tax liabilities for controlled subsidiaries	420,665	371,366
Deferred tax assets for controlled subsidiaries	(54,679)	(48,669)
Goodwill	(76,804)	(76,804)
Derivative financial assets at fair value through profit or loss	(36,064)	(4,542)
Derivative financial liabilities at fair value through profit or loss	-	3,211
Deferred tax liabilities for joint ventures	-	5,547
Derivatives at fair value through profit or loss for joint ventures	-	399
EPRA Net Reinstatement Value	4,151,839	3,965,430
Net Asset Value per share (euro)	6.42	6.10
EPRA Net Reinstatement Value per share (euro)	6.84	6.51
Number of shares for Net Asset Value/EPRA Net Reinstatement Value (Note 33)	607,000,000	608,994,907

27. NET RENTAL AND RELATED INCOME

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Gross rental income	422,051	369,395
Service charge income	199,812	167,324
Gross rental and service charge income	621,863	536,719
Property management fees, tax, insurance and utilities	(138,651)	(102,605)
Property maintenance cost	(80,077)	(70,752)
Net expected credit (losses)/gains	(660)	1,294
Property operating expenses	(219,388)	(172,063)
Partial forgiveness of receivables (Covid-19 forgiveness)	2,090	(17,765)
TOTAL NET RENTAL AND RELATED INCOME	404,565	346,891

Property management fees, tax, insurance and utility costs presented above are split as follows:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Utility expenses^	(86,183)	(57,292)
Property related taxes	(25,433)	(23,236)
Property management fees	(24,973)	(20,276)
Property insurance expenses	(2,062)	(1,801)
Property management fees, tax, insurance and utilities	(138,651)	(102,605)

^The Group acts as principal in relation to the provision of utilities to its tenants. Thus, utility expenses and the corresponding utility recoveries are recognised, on a gross basis, in the Property operating expenses and Service charge income respectively.

Property maintenance cost presented above comprises of:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Cleaning and security	(32,862)	(29,685)
Maintenance and repairs	(23,545)	(21,462)
Marketing	(17,426)	(13,952)
Services and related costs	(2,688)	(3,077)
Other	(3,556)	(2,576)
Property maintenance cost	(80,077)	(70,752)

The Group rents its investment property under operating leases of various expiry terms. The standard terms of the leases comprise information relating to leased space, rent, rights and obligations of the landlord and tenant, including notice periods, renewal options and service charge arrangements. For most of the leases, the rent is indexed annually, over the term of the leases. Most retail leases have turnover rent clauses, which imply that if the agreed percentage of turnover from the retail unit under lease exceeds the base rent, the tenant will pay the difference to the Group.

A proportion of 4.4% (€18,758 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 31 December 2022 (31 December 2021: 3.1% (€11,491 thousand)).

Lease incentives represent the non-recurring amount granted (in cash or as fit-out works) by the Group, to a new or an existing tenant, in connection with a new or renewed lease. Lease incentives are straight-lined over the lease term. The lease term corresponds to the contractual duration for the majority of the leases, except for the anchor tenants, for which the lease duration is assessed by the Group based on past experience and taking into account factors such as: GLA of the property where the anchor tenant is located, catchment area, dominance/competition in the catchment area or purchasing power.

The future minimum lease payments receivable under non-cancellable operating leases are detailed below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
No later than 1 year	397,217	359,971
Between 1-2 years	307,032	294,789
Between 2-3 years	221,625	225,156
Between 3-4 years	150,927	154,503
Between 4-5 years	93,167	97,318
Later than 5 years	147,887	165,611
TOTAL	1,317,855	1,297,348

The breakdown of the net rental and related income by country is disclosed in Note 37.

28. ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Staff costs*	(10,671)	(8,135)
Directors' remuneration (Note 40)	(4,744)	(2,356)
Advisory services	(7,683)	(4,007)
Audit and other assurance services	(1,740)	(1,138)
Companies' administration	(2,459)	(2,297)
Travel and accommodation	(1,015)	(311)
Stock exchange expenses	(597)	(482)
Share based payment expense	(1,472)	(5,050)
Transaction fees	-	(889)
TOTAL	(30,381)	(24,665)

**Staff costs capitalised on investment property under development and inventory property in 2022 amount to €1,947 thousand (2021: €1,805 thousand).*

Staff costs

The staff costs of the period have been revised and adjusted for inflation, increases in minimum and average wages in CEE, in order for the Company to remain competitive in the market. Moreover, for better managing the business, the Company strengthened its internal Group's organisational structure, in the area of environmental, social and corporate governance (ESG) function and the newly created procurement function. As a result of the relocation to Netherlands, the Company terminated its labour relationship with its employees in the Isle of Man.

Starting the last quarter of 2021, the Group embarked on a partial internalisation of property management and selected accounting activities in countries such as Poland, Lithuania, Czech Republic and Hungary, leading to a net increase in the staff costs for the period of €320 thousand. These expenses overcompensated for the fees with third parties included in the Net Operating Income. The full internalisation of property management activities and accounting in the above-mentioned countries is planned to be completed by mid- 2024, with envisaged improvement of the overall Group performance.

Advisory services

In the year ended 31 December 2022, the Group incurred advisory fees of €2 million with companies which are related parties of former management.

Relocation costs

During 2022, the relocation of the parent Company from the Isle of Man to Netherlands via Luxembourg as steppingstone was approved by shareholders, with the majority of the implementation already in place. The relocation costs for the period amounted to €1.6 million (included in the Advisory services).

Out of the above administrative expenses, fees related to EY, as the Group's current auditors and PwC, as the Group's previous auditor, are summarised below:

31 Dec 2022 <i>in € thousand</i>	Ernst & Young Accountants LLP	Other EY network	Non-EY network
Audit of financial statements	(300)	(1,143)	(96)
Other assurance procedures	-	(177)	(24)
TOTAL	(300)	(1,320)	(120)

<i>in € thousand</i>	31 Dec 2021
Audit fees	(1,138)
Other assurance services	(180)
TOTAL	(1,318)

29. EXPENSES WITH LITIGATION CLAIM

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Gain from reversal of/ (expenses) with litigation claim	21,304	(37,304)

In October 2017, one of the Group's subsidiaries entered into an agreement in relation to the conditional acquisition of an operating shopping centre and a related development, Serenada and Krokus Shopping Centres in Poland. On 1 January 2019, upon the lapse of the respective transaction's long stop date, the subsidiary notified the counterparty that it had exercised its right to terminate the transaction as the long stop date had passed and certain conditions precedent had not been met. The counterparty consequently initiated arbitration proceedings against the Group, claiming a contractual penalty in the amount of €30 million.

On 31 January 2022, the Group was informed by the Arbitral Tribunal that the arbitrators ordered that the Group is liable to pay the contractual penalty of €30 million plus accumulated interest and arbitration expenses. A litigation provision expense was previously recognised as a result in the 2021 financial statements for the amount of €37,304 thousand.

Following negotiations between the Company and the counterparty to the initial transaction, the parties agreed on 23 November 2022 on an amicable settlement. Pursuant to the settlement, the Group paid to the counterparty an amount of €16 million and the parties have reciprocally waived, definitely and irrevocably, all and any present and potential rights and claims arising out of or in connection with the initial purchase transaction and Arbitral Tribunal award. As a result, a gain from the reversal of the difference between the initially provided amount and the settled amount of €21,304 thousand was recognised in the 2022 financial statements.

30. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Fair value adjustments of investment property in use (Note 9)	134,234	30,306
Fair value adjustments of investment property under development (Note 10)	8,917	4,110
Fair value adjustments of investment property held for sale (Note 15.1)	(1,195)	485
Fair value adjustments of right-of-use assets (Note 9)	(255)	(251)
TOTAL	141,701	34,650

31 NET FINANCE COSTS

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Interest income on loans granted to joint ventures	889	1,282
Interest on Loan to participants under Share Purchase Scheme	100	115
Interest on bank deposits	2,522	26
Finance income	3,511	1,423
Bonds borrowing costs*	(51,941)	(55,957)
Interest expense on bank borrowings	(7,204)	(8,377)
Interest expense on borrowings from third parties (Note 22, 23)	(593)	(926)
Interest expense on lease liabilities (Note 24)	(577)	(582)
Interest expense capitalised on developments and inventory property	3,513	3,193
Finance costs	(56,802)	(62,649)
Bank charges, commissions, and fees	(4,298)	(4,496)
TOTAL	(57,589)	(65,722)

* Bonds borrowing costs include coupon, amortisation of borrowing costs and debt discount, using the effective interest approach.

32. FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND LOSSES ON EXTINGUISHMENT OF FINANCIAL INSTRUMENTS

The fair value adjustments of derivatives include the fair value gain of €37,946 thousand (31 December 2021: €5,174 thousand) from existing interest rate caps and swaps. These include a fair value gain of €4.1 million from pre-hedging €250 million of the bond issued in January 2022.

At 31 December 2022, losses on extinguishment of financial instruments include the premium paid on repurchase of bond notes due in 2023 of €21,925 thousand (31 December 2021: nil) (refer to Note 19).

33. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2022 was based on the profit attributable to equity holders of €435,167 thousand (31 December 2021: €235,004 thousand) and the weighted average number of shares.

<i>€ thousand, unless otherwise stated</i>	31 Dec 2022	31 Dec 2021
Profit for the year attributable to equity holders	435,167	235,004
Basic weighted average number of shares	607,756,809	608,994,907
Diluted weighted average number of shares	608,529,063	608,994,907
Basic earnings per share (euro cents) attributable to equity holders	71.60	38.59
Diluted earnings per share (euro cents) attributable to equity holders	71.51	38.59

Weighted and diluted weighted average number of shares for basic and diluted earnings per share purposes are detailed below:

2022	Event	Number of shares	Cumulative number of shares after equity-related transactions	% of period	Weighted average
01/01/2022	Opening balance	608,994,907	608,994,907	77%	466,784,558
07/10/2022	Repurchase of shares**	(1,994,907)	607,000,000	23%	141,744,505
31/12/2022	Diluted weighted average number of shares				608,529,063
	Effect of unvested shares under LTSIP				(772,254)
	Basic weighted average number of shares				607,756,809

**The shares were repurchased between 29 September and 12 October 2022 from the cash available within the Company. Subsequently, the repurchased shares were cancelled.

In 2021, there have been no movement in the number of shares of the Company.

34. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The starting point is for headline earnings per share calculation are earnings as determined in IAS 33, excluding “separately identifiable re-measurements”, net of related tax (both current and deferred) and minority interest, other than re-measurements specifically included in headline earnings (referred to as included re-measurements), in terms of Circular 1/2021 issued by South African Institute of Chartered Accountants (SAICA). The calculation of headline earnings per share for the year ended 31 December 2022 was based on headline earnings of €313,186 thousand (31 December 2021: of €204,177 thousand) and the weighted average number of shares.

Reconciliation of profit for the year to headline earnings <i>€ thousand, unless otherwise stated</i>	31 Dec 2022	31 Dec 2021
Profit for the year attributable to equity holders	435,167	235,004
Fair value adjustments of investment property (Note 30)	(141,701)	(34,650)
Gain on disposal of assets held for sale (Note 15)	(1,121)	(1,995)
Tax effects of adjustments for controlled subsidiaries	22,212	5,204
Fair value adjustment of investment property for joint ventures	(1,632)	731
Tax effects of adjustments for joint ventures	261	(117)
HEADLINE EARNINGS	313,186	204,177
Basic weighted average number of shares	607 756 809	608,994,907
Diluted weighted average number of shares	608,529,063	608,994,907
Headline earnings per share (euro cents)	51.53	33.53
Diluted headline earnings per share (euro cents)	51.47	33.53

35. SIGNIFICANT ASSET DEALS

Acquisition of land for development

In February 2022, NEPI Rockcastle acquired a land plot in Galati, Romania for a cash consideration €18,201 thousand, for a mixed-use real estate project. As part of the medium and long-term local expansion strategy, the envisaged development will consolidate the Group’s position in Galati and in the region.

Acquisition of supplementary units in Mammut Shopping Center

During 2022, the Group acquired supplementary units (asset deal) in Mammut Shopping Center (Budapest, Hungary), for a consideration paid of €1.3 million (2021: €12.5 million).

Acquisition of non-controlling interest

In March 2022, the Group acquired the remaining non-controlling stakes in ACE3 Sp.zo.o. and Monarda Sp. z o.o. of 15% in 10% respectively, for a cash consideration of €9.4 million, thus obtaining 100% control in the two Polish entities.

Ploiesti Shopping City

On 1 September 2022, the Group completed the acquisition of joint-venture partner’s remaining 50% stake in Ploiesti Shopping City SRL, the owner of Ploiesti Shopping City mall. The acquisition was recognized as a property asset acquisition as the Company does not represent a business as defined by IFRS 3.

The Group followed the ‘accumulated cost approach’ for recognition of the previously held interest, whereby the carrying amount of the joint venture is considered the relevant cost in accounting for the acquisition of the subsidiary. Accordingly, no gain or loss was recorded on the acquisition of the subsidiary. The deemed cost of the previously held interest was €50,297 thousand. The consideration for the acquisition was allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax was recognised.

The carrying amount of the identifiable assets and liabilities at the date of acquisition was as follows, in € thousand:

Investment property in use	104,287
Investment property under development	1,700
Trade and other receivables	3,595
Cash and cash equivalents	16,747
Identifiable acquired assets	126,329
Current financial debt	(18,432)
Other long-term liabilities	(552)
Trade and other payables	(1,746)
Identifiable acquired liabilities	(20,730)
Net identifiable assets	105,599

The net cash outflow connected with the acquisition (cash outflow adjusted for working capital items, less cash and cash equivalents acquired) amounted to €36,980 thousand for the purchase of the remaining 50% stake in the property. No acquisition costs were incurred.

Copernicus Shopping Centre

On 19 December 2022, the Group acquired Atrium Copernicus Sp. Zo.o., the legal entity that owns Copernicus Shopping Centre in Torun, Poland. The acquisition was recognised as a property asset acquisition as the Company does not represent a business as defined by IFRS 3.

The carrying value of the identifiable assets and liabilities at the date of acquisition was as follows, in € thousand:

Investment property in use	122,841
Investment property under development	1,030
Trade and other receivables	853
Cash and cash equivalents	1,689
Identifiable acquired assets	126,413
Other long-term liabilities	(482)
Trade and other payables	(1,227)
Identifiable acquired liabilities	(1,709)
Net identifiable assets	124,704

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to €124,704 thousand. The net cash outflow connected with the acquisition (cash outflow adjusted for working capital items, less cash and cash equivalents acquired) amounted to €121,645 thousand, the remaining difference to the net asset value being an accrued payable adjustment to the purchase price paid. Acquisition costs of €1,434 thousand were capitalised on the value of investment property.

The investment property reflected above does not include the right-of-use assets and related lease liability, of €3,843 thousand, connected to the land under concession of Copernicus Shopping Centre.

Forum Gdansk Shopping Center

On 19 December 2022, the Group acquired Forum Gdansk Sp. Zo.o., the legal entity that owns Forum Gdansk Shopping Centre in Poland. The acquisition was recognized as a property asset acquisition as the Company does not represent a business as defined by IFRS 3.

The carrying amount of the identifiable assets and liabilities at the date of acquisition was as follows, in € thousand:

Investment property	243,646
Trade and other receivables	2,653
Cash and cash equivalents	7,815
Identifiable acquired assets	254,114
Other long-term liabilities	(1,176)
Trade and other payables	(3,308)
Identifiable acquired liabilities	(4,484)
Net identifiable assets	249,630

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to €249,630 thousand. The net cash outflow connected with the acquisition (cash outflow adjusted for working capital items, less cash and cash equivalents acquired) amounted to €195,101 thousand. In addition to the cash paid, the Group obtained vendor financing on the transaction in the form of a three-year unsecured loan from the seller, for part of the purchase price amounting to €50,000 thousand. Accrued receivable from the seller of €3,286 thousand was recognised as adjustment to the purchase price paid. Acquisition costs of €1,995 thousand were capitalised on the value of investment property.

36. JOINT VENTURES

The Group had an investment of 50% together with its joint venture partner, Carrefour Romania S.A., in Ploiesti Shopping City, a shopping centre located in Ploiesti, Romania. In September 2022 the Group completed the acquisition of the remaining 50% stake in Ploiesti Shopping City to become the sole owner of the property.

The summarised financial statements of the joint ventures are presented below at 100%. The “Investments in joint ventures” line on the Consolidated Statement of financial position represents 50% of the line “Equity attributable to equity holders”, as shown below. The “Share of profit of joint ventures” line on the Consolidated Statement of comprehensive income represents 50% of the line “Profit for the period attributable to equity holders”, as presented below for the period in 2022 where Ploiesti Shopping City was a joint venture (up to 1 September 2022).

Statement of financial position

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2022	Ploiesti Shopping City 31 Dec 2021
Non-current assets	-	109,130
Current assets	-	16,439
Total Assets	-	125,569
Non-current liabilities	-	(74,548)
Current liabilities	-	(3,703)
Total Liabilities	-	(78,251)
Equity attributable to equity holders	-	(47,318)
TOTAL EQUITY AND LIABILITIES	-	(125,569)
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)	-	23,659

Statement of comprehensive income

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2022	Ploiesti Shopping City 31 Dec 2021
Revenue from rent and recoveries	8,648	12,971
Property operating expenses	(2,689)	(3,369)
Partial forgiveness of receivables (Covid-19 forgiveness)	48	(254)
Administrative expenses	(176)	(320)
Fair value adjustment investment property	3,264	(1,462)
Foreign exchange (loss)/gain	(122)	1
Profit before net finance costs and other items	8,973	7,567
Finance income	85	16
Finance costs	(2,452)	(3,695)
Bank charges, commissions, and fees	6	(7)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	814	577
Profit before tax	7,426	4,458
Income tax expense	(866)	(654)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	6,560	3,804
Share of profit of joint venture (50% of the Profit of the period)	3,280	1,902

Shareholder loans to Ploiesti Shopping City were granted by NE Property B.V. Interest income from joint ventures in 2022 (period until Ploiesti Shopping City was still a joint venture) amounted to €889 thousand (2021: €1,282 thousand).

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2022	Ploiesti Shopping City 31 Dec 2021
Long-term loans granted to joint ventures	-	22,466

Included within the balances above from the Statement of financial position are the following:

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2022	Ploiesti Shopping City 31 Dec 2021
Cash and cash equivalents	-	13,297
Bank loans (non-current liabilities)	-	(17,316)
Bank loans (current liabilities)	-	(2,144)

The joint venture Ploiesti Shopping City had a secured term loan, which was repaid in full in September 2022.

37. SEGMENT REPORTING

Reporting segments are retail, office, residential, industrial and corporate, and the Group primarily manages operations in accordance with this classification.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The measure of segment performance is Profit before net finance costs and other items, as disclosed in the following tables.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported on a segmental basis.

Segment results 31 Dec 2022 <i>in € thousand</i>	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
Gross rental income	414,712	5,375	1,964	-	-	422,051
Service charge income	197,396	2,060	356	-	-	199,812
Property operating expenses	(216,326)	(2,460)	(602)	-	-	(219,388)
Partial forgiveness of receivables (Covid-19 forgiveness)	2,097	(7)	-	-	-	2,090
Net rental and related income	397,879	4,968	1,718	-	-	404,565
Administrative expenses	(14,857)	(363)	(77)	(212)	(14,872)	(30,381)
Reversal of/(expenses) with litigation claim	-	-	-	-	21,304	21,304
EBIT*	383,022	4,605	1,641	(212)	6,432	395,488
Fair value adjustments of investment property	142,975	(1,421)	147	-	-	141,701
Foreign exchange (loss)/gain	1,722	(1)	3	27	(166)	1,585
Gain on disposal of assets held for sale	-	-	-	-	1,121	1,121
Profit before net finance costs and other items	527,719	3,183	1,791	(185)	7,387	539,895
Finance income					3,511	3,511
Finance costs					(56,802)	(56,802)
Bank charges, commissions and fees					(4,298)	(4,298)
Fair value adjustments of derivatives					37,946	37,946
Losses on extinguishment of financial instruments					(21,925)	(21,925)
Share of profit of Joint Ventures					3,280	3,280
Profit/(Loss) before tax					(30,901)	501,607

*EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses)

Segment results 31 Dec 2021 <i>€ thousand</i>	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
Gross rental income	362,321	5,310	1,764	-	-	369,395
Service charge income	165,129	1,853	342	-	-	167,324
Property operating expenses	(169,649)	(1,963)	(451)	-	-	(172,063)
Partial forgiveness of receivables (Covid-19 forgiveness)	(17,753)	(12)	-	-	-	(17,765)
Net rental and related income**	340,048	5,188	1,655	-	-	346,891
Administrative expenses	(12,939)	(328)	(60)	(153)	(11,185)	(24,665)
Expenses with litigation claim	-	-	-	-	(37,304)	(37,304)
EBIT*	327,109	4,860	1,595	(153)	(48,489)	284,922
Fair value adjustments of investment property	36,592	(3,299)	1,321	36	-	34,650
Foreign exchange (loss)/gain	(1,008)	(12)	(26)	(3)	114	(935)
Gain on disposal of assets held for sale	-	-	-	-	1,995	1,995
Profit/(Loss) before net finance costs and other items	362,693	1,549	2,890	(120)	(46,380)	320,632
Finance income					1,423	1,423
Finance costs					(62,649)	(62,649)
Bank charges, commissions and fees					(4,496)	(4,496)
Fair value adjustments of derivatives					5,174	5,174
Share of profit of Joint Ventures					1,902	1,902
Profit/(Loss) before tax					(105,026)	261,986

*EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses).

**Out of the total Net rental and related income associated to the Retail segment, €2.5 million relates to the two Serbian properties disposed of on 12 July 2021.

Segment assets and liabilities 31 Dec 2022 € thousand	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
SEGMENT ASSETS						
Non-current assets	6,613,203	71,406	18,540	18	61,088	6,764,255
Investment property	6,507,805	69,800	18,532	-	-	6,596,137
— Investment property in use	6,243,497	69,800	18,496			6,331,793
— Investment property under development	264,308	-	36	-	-	264,344
Goodwill	70,922	-	-	-	5,882	76,804
Deferred tax assets	26,779	1,573	-	-	26,327	54,679
Other long-term assets	5,183	33	8	18	5,808	11,050
Derivative financial assets at fair value through profit or loss	2,514	-	-	-	23,071	25,585
Current assets	217,333	3,195	1,668	25,063	120,041	367,300
Trade and other receivables	75,583	947	143	4,000	4,823	85,496
Inventory property	-	-	-	20,694	-	20,694
Derivative financial assets at fair value through profit or loss through profit or loss ST	3,075	-	-	-	7,404	10,479
Cash and cash equivalents	138,675	2,248	1,525	369	107,814	250,631
Assets held for sale	18,055	630	-	-	-	18,685
TOTAL ASSETS	6,848,591	75,231	20,208	25,081	181,129	7,150,240

Segment assets and liabilities 31 Dec 2022 € thousand	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
SEGMENT LIABILITIES						
Non-current liabilities	760,126	2,230	1,927	3,427	2,284,663	3,052,373
Loans from third party	-	-	-	-	33,333	33,333
Bank loans	274,122	-	-	-	272,622	546,744
Bonds	-	-	-	-	1,978,708	1,978,708
Deferred tax liabilities	416,529	1,438	1,587	-	-	419,554
Lease liabilities	36,368	-	-	-	-	36,368
Other long-term liabilities	33,107	792	340	3,427	-	37,666
Current liabilities	143,981	1,464	462	1,118	51,003	198,028
Trade and other payables	132,381	1,464	462	1,118	19,577	155,002
Loans from third party	-	-	-	-	16,774	16,774
Bank loans	10,768	-	-	-	389	11,157
Bonds	-	-	-	-	14,263	14,263
Lease liabilities	832	-	-	-	-	832
Liabilities associated with assets held for sale	1,118	-	-	-	-	1,118
TOTAL LIABILITIES	905,225	3,694	2,389	4,545	2,335,666	3,251,519

Segment assets and liabilities 31 Dec 2021 € thousand	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
SEGMENT ASSETS						
Non-current assets	5,889,465	72,168	17,985	-	47,653	6,027,271
Investment property	5,752,991	70,700	17,985	-	-	5,841,676
— Investment property in use	5,582,091	70,700	17,985	-	-	5,670,776
— Investment property under development	170,900	-	-	-	-	170,900
Goodwill	70,922	-	-	-	5,882	76,804
Deferred tax assets	16,335	1,457	-	-	30,877	48,669
Investments in joint ventures	23,659	-	-	-	-	23,659
Long-term loans granted to joint ventures	22,466	-	-	-	-	22,466
Other long-term assets	3,092	11	-	-	6,352	9,455
Derivative financial assets at fair value through profit or loss	-	-	-	-	4,542	4,542
Current assets	228,760	2,555	1,600	10,868	325,334	569,117
Trade and other receivables	56,858	782	101	1,109	2,122	60,972
Inventory property	-	-	-	9,522	-	9,522
Cash and cash equivalents	171,902	1,773	1,499	237	323,212	498,623
Assets held for sale	1,138	614	-	-	-	1,752
TOTAL ASSETS	6,119,363	75,337	19,585	10,868	372,987	6,598,140

Segment assets and liabilities 31 Dec 2021 € thousand	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
SEGMENT LIABILITIES						
Non-current liabilities	663,259	1,847	1,748	217	2,049,243	2,716,314
Bank loans	225,247	-	-	-	71,908	297,155
Bonds	-	-	-	-	1,977,191	1,977,191
Deferred tax liabilities	368,832	1,097	1,437	-	-	371,366
Lease liabilities	32,779	-	-	-	-	32,779
Other long-term liabilities	33,332	750	311	217	2	34,612
Derivative financial liabilities at fair value through profit or loss	3,069	-	-	-	142	3,211
Current liabilities	100,313	859	253	32	60,127	161,584
Trade and other payables	92,050	859	253	32	11,775	104,969
Provisions for litigations	-	-	-	-	37,304	37,304
Bank loans	7,431	-	-	-	-	7,431
Bonds	-	-	-	-	11,048	11,048
Lease liabilities	832	-	-	-	-	832
TOTAL LIABILITIES	763,572	2,706	2,001	249	2,109,370	2,877,898

The Group's geographical breakdowns per country are detailed below:

Country results 31 Dec 2022 € thousand	Net rental and related income	Profit/(Loss) before tax	Investment property
Romania**	158,182	305,661	2,441,758
Poland	80,371	59,623	1,802,833
Slovakia**	35,064	32,496	523,283
Hungary	35,101	25,086	585,900
Bulgaria	40,525	49,465	505,543
Croatia	20,978	28,733	272,490
Serbia	12,138	16,530	137,100
Lithuania	10,762	17,388	152,030
Czech Republic	11,444	11,909	175,200
Corporate*	-	(45,284)	-
Total	404,565	501,607	6,596,137

*The Corporate segment represents head office and administrative offices

**Investment property excludes held for sale portfolio.

Country results 31 Dec 2021 € thousand	Net rental and related income	Profit/(Loss) before tax	Investment property
Romania**	140,186	173,326	2,081,853
Poland	62,728	40,071	1,426,810
Slovakia	32,075	35,490	531,485
Hungary	30,823	27,663	590,200
Bulgaria	30,220	35,991	493,765
Croatia	19,238	20,615	264,190
Serbia^	12,723	13,824	134,778
Lithuania	9,740	10,483	144,095
Czech Republic	9,158	9,823	174,500
Corporate*	-	(105,300)	-
Total	346,891	261,986	5,841,676

*The Corporate segment represents head office, administrative offices, and listed securities entity disposed of in May 2021

** Investment property excludes held for sale portfolio

^ Out of the total Net rental and related income for 2021, €2.5 million relates to the two Serbian properties (disposed of on 12 July 2021).

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS € thousand, unless otherwise stated	31 Dec 2022	31 Dec 2021
Profit per IFRS Statement of comprehensive income attributable to equity holders	435,167	235,004
Accounting specific adjustments	(118,112)	(25,391)
Fair value adjustments of investment property for controlled subsidiaries	(141,701)	(34,650)
Depreciation and amortisation expense (in relation to property, plant and equipment of an administrative nature)	1,469	643
Fair value adjustments of derivatives	(37,946)	(5,174)
Losses on extinguishment of financial instruments	21,925	-
Amortisation of financial assets	(1,940)	(1,189)
Deferred tax expense for controlled subsidiaries	43,266	16,643
Gain on disposal of assets held for sale	(1,121)	(1,995)
Adjustments related to joint ventures:	(1,727)	502
Fair value adjustment investment property for joint ventures	(1,632)	731
Fair value adjustments of derivatives for joint ventures	(407)	(289)
Depreciation in relation to property, plant and equipment of an administrative nature for joint venture	(32)	-
Deferred tax expense for joint ventures	344	60
Adjustments related to non-controlling interest:	7	(171)

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS € thousand, unless otherwise stated	31 Dec 2022	31 Dec 2021
Fair value adjustment investment property for non-controlling interest	(1)	(120)
Deferred tax income/(expense) for non-controlling interest	8	(51)
Antecedent earnings	(344)	-
Distributable earnings	317,055	209,613
Interim distributable earnings	(139,058)	(107,409)
Final distributable earnings	(177,997)	(102,204)
Distributable earnings per share (euro cents)	52.15	34.42
Interim distributable earnings per share (euro cents)	22.83	17.64
Final distributable earnings per share (euro cents)	29.32	16.78
Distribution declared	308,155	209,613
Interim distribution	139,058	107,409
Final distribution	169,097	102,204
Distribution declared per share (euro cents)	50.68	34.42
Interim distribution per share (euro cents)	22.83	17.64
Final distribution per share (euro cents)	27.85	16.78
Earnings not distributed	8,900	-
Earnings not distributed per share (euro cents)	1.47	-
Number of shares entitled to interim distribution	608,994,907	608,994,907
Number of shares entitled to final distribution	607,000,000	608,994,907

Distributable earnings per share is prepared on a basis that is consistent with SA REIT funds from operations (SA REIT FFO) as set out in the SA REIT Association's Best Practice Recommendations Second Edition.

38. CASH FLOW FROM OPERATIONS

€ thousand	Note	31 Dec 2022	31 Dec 2021
OPERATING ACTIVITIES			
Profit after tax		435,273	235,069
Adjustments		(56,340)	89,702
Fair value adjustments of investment property	30	(141,701)	(34,650)
Foreign exchange (gain)/loss		(1,585)	935
Gain on disposal of assets held for sale	15	(1,121)	(1,995)
Net finance costs	31	57,589	65,722
Fair value adjustments of derivatives	32	(37,946)	(5,174)
Losses on extinguishment of financial instruments		21,925	-
Deferred tax expense	25	43,266	16,643
Current tax expense	25	23,068	10,274
Depreciation expense for property, plant and equipment		1,469	643
(Reversal of)/ Expense with litigation claim	29	(21,304)	37,304
Changes in working capital		(3,571)	(740)
(Increase) in trade and other receivables		(12,484)	(6,063)
Increase in trade and other payables		20,085	11,545
(Increase) in Inventory property		(11,172)	(6,222)
Net cash flow from operations		375,362	324,031

39. GUARANTEES HELD AND COMMITMENTS

Guarantees

As at 31 December 2022, the Group had received letters of guarantee from tenants worth €108,406 thousand (31 December 2021: €107,078 thousand) and from suppliers worth €62,692 thousand (31 December 2021: €16,351 thousand) related to ongoing developments.

Commitments

In 2023, the Group estimates to invest €223 million in development and capital expenditure related to its ongoing projects or new development opportunities, out of which only a portion is already contracted at reporting date.

40. RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The Directors and jointly controlled entities are related parties for the Group.

Material related party transactions

Fees paid to Directors, together with the performance bonus, during the current and previous year are detailed below. No other payments were made to Directors by NEPI Rockcastle, except reimbursements for travel and accommodation.

Transactions with joint ventures are presented in Note 36.

in € thousand	31 Dec 2022				31 Dec 2021	
	Directors' fees	2022 performance related remuneration	2021 performance related remuneration	Interim period related remuneration (one off)	Directors' fees	2020 performance related remuneration
Rüdiger Dany ¹	517	870	200	200	202	-
Eliza Predoiu ²	253	490	-	150	-	-
Marek Noetzel ³	329	518	225	-	300	30
Alex Morar ⁴	188	-	-	-	600	60
Mirela Covasa ⁵	147	-	-	-	400	40
Robert Emslie ^{6*}	-	-	-	-	78	-
George Aase ^{7*}	102	-	-	-	113	-
Antoine Dijkstra*	88	-	-	-	104	-
Andre van der Veer*	98	-	-	-	116	-
Andreas Klingen*	89	-	-	-	103	-
Steven Brown	75	-	-	-	84	-
Andries de Lange	63	-	-	-	74	-
Jonathan Lurie ⁸	68	-	-	-	25	-
Ana Maria Mihaescu ⁹	74	-	-	-	27	-
TOTAL	2,091	1,878	425	350	2,226	130

¹Mr. Rüdiger Dany was appointed as Executive Director and Chief Operating Officer of the Group with effect from 18 August 2021. From 1 February 2022 he was appointed as interim CEO and from 1 June 2022 he was confirmed in his role on a permanent basis.

²Ms. Eliza Predoiu was appointed as interim CFO of the Group with effect from 1 February 2022 and from 1 June 2022 she was confirmed in her role on a permanent basis.

³Mr. Marek Noetzel, an Executive Director of the Group, was appointed as Chief Operating Officer effective from 1 June 2022.

⁴Mr. Alex Morar resigned from his position of Chief Operating Officer effective from 1 February 2022. The fees for 2022 include a non-compete compensation of €120 thousand.

⁵Ms Mirela Covasa resigned from her position of Chief Financial Officer effective from 1 February 2022. The fees for 2022 include a non-compete compensation of €100 thousand.

⁶Mr Robert Emslie has retired from his position as non-Executive Director and Chairman of the Board of Directors effective 18 August 2021.

⁷Mr. George Aase was appointed as Chairman of the Board of Directors effective 18 August 2021.

⁸Mr. Jonathan Lurie was appointed as an Independent non-Executive Director with effect from 18 August 2021.

⁹Ms. Ana Maria Mihaescu was appointed as an Independent non-Executive Director with effect from 18 August 2021.

*The remuneration of the non-Executive Directors for the year includes a cumulative amount of €nil thousand (2021: €107 thousand) paid for one-off services performed during the previous year.

a. Shares held under the Share Purchase Schemes^:

Name of Director	Number of shares held as at 31 Dec 2022	Number of shares held as at 31 Dec 2021
Marek Noetzel	88,358	88,358
TOTAL	88,358	88,358

^Shares presented in the table above are pledged as security for the loan under Share Purchase Scheme.

b. Shares unvested under the LTSIP

Name of Director	Number of shares unvested at 31 Dec 2022	Number of shares unvested at 31 Dec 2021
Rüdiger Dany	137,945	-
Eliza Predoiu	22,000	16,966
Marek Noetzel	78,394	93,995
TOTAL	238,339	110,961

As a result of the exit arrangements signed with the former CEO and CFO during 2021, the Company transferred to them 299,587 shares and 214,053 shares respectively, representing the total number of unvested shares as at exit date from the previous 2017 – 2021 awards. The shares have an associated selling restriction correlated with the initial vesting of each tranche. The Group accounted for the related expense associated with this transfer in the 2021 financial statements.

The share based payment expense related to the directors of the Group amounted to €262 thousand in 2022 (31 December 2021: €4,325 thousand).

The directors of the Group hold 739,612 shares as at 31 December 2022 (31 December 2021: 2,356,717 shares), which represents 0.12% of the outstanding shares (31 December 2021: 0.38% of the outstanding shares). Out of the above-mentioned shareholding, 283,397 shares (31 December 2021: 130,297 shares) which represent 0.05% of the outstanding shares (31 December 2021: 0.02% of the outstanding shares) are held by the non-executive directors. There were no changes to the Director’s interests from 31 December 2022 to the approval of the annual audited Consolidated Financial Statements. Other than as set out in note 40(a) above, none of the shares of the Director are subject to security, guarantee, collateral and they are not encumbered in any way.

c. Advisory services

As mentioned in note 28, “Administrative expenses”, in 2022 the Group incurred advisory fees of €2 million with companies which are related parties of former management.

41. SUBSEQUENT EVENTS

Subsequent to the year-end, the Group signed a secured green portfolio financing of €200 million for a 5-year term. The disbursement of the loan, subject to conditions precedent, is expected to occur by the end of April 2023. The funding has been secured for a competitive pricing, in the current market conditions, by reference to Euribor rates. The proceeds will be used for debt repayment (revolving credit facilities) and general corporate purposes.

The Directors are not aware of any other subsequent events from 31 December 2022 and up to the date of signing these Consolidated Financial Statements which are likely to have a material effect on the financial information contained in this report.

Separate Statement of financial position

<i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets		3,274,758	3,278,132
Investments in subsidiaries	46	3,270,553	3,269,080
Other long-term assets	47	4,205	4,510
Derivatives at fair value through profit or loss	51	-	4,542
Current assets		10,517	332,966
Trade and other receivables	48	8,028	25,152
Loans granted to subsidiaries	46	-	298,468
Cash and cash equivalents	49	2,489	9,346
TOTAL ASSETS		3,285,275	3,611,098
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		3,280,497	3,501,666
Share capital	17	6,070	6,090
Share premium	17	3,190,735	3,550,061
Merger reserve		25,188	25,188
Other reserves	50	(4,656)	(3,384)
Accumulated profit/(loss)		63,160	(76,289)
Total liabilities		4,778	109,432
Non-current liabilities		-	142
Derivatives at fair value through profit or loss	51	-	142
Current liabilities		4,778	109,290
Trade and other payables	52	4,778	1,479
Loans from subsidiaries	53	-	107,811
TOTAL EQUITY AND LIABILITIES		3,285,275	3,611,098

Separate Statement of comprehensive income

<i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
Interest income	55	1,803	31,340
Guarantee fee income	55	21,535	20,898
Dividend income		5,000	-
Strategic asset management income		4,008	4,850
Administrative expenses	54	(10,416)	(11,366)
Foreign exchange gain/(loss)		(32)	11
Fair value adjustment of derivatives		12,715	3,523
Interest expense	55	(1,256)	(1,211)
Other finance expense	55	(37)	(159)
Reversal of impairment for loans granted to subsidiaries		82	769
Profit before tax		33,402	48,655
Income tax expense		(2,730)	-
Profit after tax		30,672	48,655
Total comprehensive income for the year		30,672	48,655

Separate Statement of changes in equity

<i>in € thousand</i>	Share capital	Share premium	Other reserves	Merger reserve	Accumulated profit/(deficit)	Total
Balance at 1 January 2021	6,090	3,550,061	(6,456)	25,188	85,278	3,660,161
Transactions with owners	-	-	3,072	-	(210,222)	(207,150)
— Share premium reduction [^]	-	(1,500,000)	-	-	1,500,000	-
— Share premium increase [^]	-	1,500,000	-	-	(1,500,000)	-
— Shares purchased for LTSIP*	-	-	(1,978)	-	-	(1,978)
— Shares vested in LTSIP	-	-	5,050	-	-	5,050
— Earnings distribution	-	-	-	-	(210,222)	(210,222)
Total comprehensive income	-	-	-	-	48,655	48,655
— Profit for the year	-	-	-	-	48,655	48,655
Balance at 31 December 2021	6,090	3,550,061	(3,384)	25,188	(76,289)	3,501,666
Transactions with owners	(20)	(359,326)	(1,272)	-	108,777	(251,841)
— Share premium reduction ^{^^}	-	(350,000)	-	-	350,000	-
— Repurchase of shares (Note 17)	(20)	(9,326)	-	-	-	(9,346)
— Shares purchased for LTSIP*	-	-	(2,744)	-	-	(2,744)
— Shares vested in LTSIP	-	-	1,472	-	-	1,472
— Earnings distribution (Note 17)	-	-	-	-	(241,223)	(241,223)
Total comprehensive income	-	-	-	-	30,672	30,672
— Profit for the year	-	-	-	-	30,672	30,672
Balance at 31 December 2022	6,070	3,190,735	(4,656)	25,188	63,160	3,280,497

*LTSIP = Debt free long-term share incentive plan with a vesting component.

[^] Share premium movement – In June 2021, the Group transferred €1,500,000 thousand from share premium to accumulated profit. After a thorough reassessment, the Company decided to maintain the reserves as they were accounted for previously to the transfer from June, and thus, unwound the respective transfer in December 2021.

^{^^} During 2022, €350,000 thousand were transferred from share premium to accumulated profit, to ensure positive retained earnings at stand-alone parent Company level.

Separate Statement of cash flows

<i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
OPERATING ACTIVITIES			
Profit after tax		30,672	48,655
Adjustments		(15,545)	(60,021)
Dividend income		(5,000)	-
Income tax expense		2,730	-
Foreign exchange (gain)/ loss		32	(11)
Other operating income		-	(4,850)
Reversal of impairment of loans to subsidiaries		(82)	(769)
Net finance income	55	(510)	(50,868)
Fair value adjustment of interest rate derivative financial assets and liabilities		(12,715)	(3,523)
Changes in working capital			
Decrease in trade and other receivables		17,496	6,970
Increase/ (decrease) in trade and other payables		390	(217)
Premium paid on acquisitions of derivatives		-	(568)
Cash received from pre-hedge instrument		4,075	-
Proceeds from sale of derivatives	51	13,182	-
Interest received		10	115
Dividend received		5,000	-
Interest paid		(43)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		55,237	(5,066)
INVESTING ACTIVITIES			
Proceeds from disposal of participations in subsidiaries	46	91,219	-
Loans repaid by subsidiaries		-	40,711
NET CASH FLOWS FROM INVESTING ACTIVITIES		91,219	40,711
FINANCING ACTIVITIES			
Repurchase of shares	17	(9,346)	-
Payment to acquire shares for LTSIP *	50	(2,744)	(1,978)
Proceeds from Loans from subsidiaries	53	100,000	106,600
Earnings distribution	17	(241,223)	(210,222)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(153,313)	(105,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,857)	(69,955)
Cash and cash equivalents brought forward	49	9,346	79,301
CASH AND CASH EQUIVALENTS CARRIED FORWARD		2,489	9,346

*LTSIP = Debt free long-term share incentive plan with a vesting component.

Notes to the Separate Financial Statements

42. BASIS OF PREPARATION

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the Consolidated Financial Statements. For an appropriate interpretation, the Company financial statements of NEPI Rockcastle N.V. should be read in conjunction with the Consolidated Financial Statements.

The separate financial statements are presented in Euro ("€", "EUR") thousands unless otherwise stated, which is the Company's functional and presentation currency.

The Company's separate financial statements include intra-group balances and transactions, investments in subsidiaries and any gains and losses or income and expenses arising from intra-group transactions. The Company's investments in subsidiaries are subject to impairment testing annually, if indicators of impairment exist.

Management has prepared the financial statements on a going concern basis. Having considered the potential impact of the conflict in Ukraine and the overall macroeconomic environment on the Company's and the wider NEPI Rockcastle Group revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by these circumstances during 2022 and subsequent to the year-end, there are no material uncertainties relating to the Company's ability to continue as a going concern.

43. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies set out below have been consistently applied to all periods presented. The following accounting policies presented in the Consolidated Financial Statements are relevant for the Company only financial statements:

- 4.10. Financial assets
- 4.13. Offsetting financial instruments
- 4.14. Cash and cash equivalents
- 4.19. Accumulated profit
- 4.23. Earnings distribution
- 4.28. Standards issued but not yet effective and not early adopted

43.1 Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified and subsequently measured at amortised cost, except for financial liabilities at FVTPL: this classification is applied to interest rate derivatives and other financial liabilities designated as such at initial recognition.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Guarantee fee income represent the premium received for the guarantee granted by the Company to its subsidiary and is recognised in the income statement in Guarantee fee income line on a straight line basis over the life of the guarantee.

43.2 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting period investments in subsidiaries are

assessed subject to any indicators of impairment. The impairment test itself is carried when such indicators exist. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

43.3 Trade receivables

Trade receivables are recognised initially at fair value, generally at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

43.4 Administrative expenses

Administrative expenses are recognised on an accrual basis.

43.5 Dividend income

Dividends are recognised as income in the Statement of comprehensive income when the Company's right to receive payment is established.

43.6 Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method.

43.7 Taxation

Current income tax and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Output Value Added Tax (VAT) related to sales is payable to tax authorities on either the collection of receivables from customers or the delivery of services to customers depending on which occurs first. Input VAT is generally recoverable against output VAT upon receipt of the invoice. VAT relating to sales and purchases is recognised in the Statement of financial position on a net basis and is disclosed separately as an asset or liability, as the case may be. Where provision has been made for impairment of receivables, the loss is recorded for the gross amount of the debt, including VAT.

43.8 Share-based payments

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below:

a. Purchase Offers with a vesting component – Share Purchase Scheme ("NRP SPS")

This program was put in place before the 2017 merger of the former groups New Europe Property Investments plc ("NEPI") and Rockcastle Global Real Estate Company Ltd ("Rockcastle"). Under this program, participants were granted loans to acquire shares in the Company at fair value at the grant date. These loans were classified as "loan to participants in the incentive plan" and included in Other long-term assets (Note 46). The loans are carried at amortised cost and the accrued interest is recognised as finance income in the Statement of comprehensive income. The costs under this program are nil.

b. Debt free Long-Term Share Incentive Plan with a vesting component ("LTSIP")

This program was put in place after the 2017 merger of the former groups NEPI and Rockcastle. Under this incentive plan, shares may be issued by the Company to executive directors and other key personnel for no cash consideration. Awards under this plan are at the discretion of the Board of Directors and are based on the performance of the Group and the employees. The costs related to the LTSIP are measured based on the fair value of the shares at the grant date and are recognized in the Company's financial statements over the vesting period as an increase in the investment in

the subsidiaries, as the employees receiving the awards are providing services to the subsidiaries of the Company. The correspondent credit is recognised in Other reserves in the Statement of changes in equity. In the accounts of the subsidiaries, an expense for the grant date fair value of the award is recognised over the vesting period, with the credit recognised in equity. The credit to equity is treated as a capital contribution, because the Company is compensating the subsidiaries’ employees with no recharge to the subsidiaries.

44. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The estimates and associated assumptions are based on historical experience and various other factors which are considered reasonable under the circumstances. These are used to make judgements about the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both. Judgements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below.

Impairment of investments in subsidiaries

The Company has an investment in a Nepiom Limited that acts as intermediary holding and financing vehicle. That entity has an investment in NE Property BV which holds investments in all the operating subsidiaries of the Group. Its consolidated net assets value consists mainly of investment properties at fair value, as well as other items for which the carrying amount is considered to approximate fair value (loans, working capital items), therefore it is used as a recoverable amount in the impairment calculation. When the investments in subsidiaries are lower than the subsidiaries net assets value, the carrying value of that investment is reduced.

45. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has exposure to the following risks due to its use of financial instruments: credit, liquidity, and market, including currency and interest rate. This note presents information about the Company’s exposure to each, as well as its objectives, policies and processes for measuring and managing risk.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of financial position.

45.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s loans granted to subsidiaries, other group receivables, cash and cash equivalents, and financial guarantees.

The exposure to credit risk at the reporting date is set out below:

Credit exposure on financial instruments excluding exposure to guarantees granted <i>in € thousand</i>	Note	31 Dec 2022	31 Dec 2021
Loans granted to subsidiaries	46	-	298,468
Loans to participants in Share Purchase Scheme (including accrued interest)	50	4,205	4,510
Derivatives at fair value through profit or loss	51	-	4,542
Trade and other receivables	48	8,028	25,026
Cash and cash equivalents	49	2,489	9,346
TOTAL		14,722	341,892

Included in the “Trade and other receivables” above, there is an annual guarantee fee that the Company charges to one of its indirect subsidiaries, NE Property BV (“NEBV”), for its role as a guarantor under the external financing agreements concluded by NEBV, namely issued fixed coupon bonds and unsecured revolving credit facilities. At 31 December 2022, the balance of guarantee fee receivable from NEBV was of €5,445 thousand (31 December 2021: €20,898 thousand). The Company has assessed the liability for financial guarantees as at 31 December 2022 in accordance with the accounting policy and concluded that the amount is immaterial.

In accordance with the Group’s external unsecured financing agreements, the Company has guaranteed the due and punctual payment of all sums from time to time payable by NEBV under those agreements in case of non-payment by the latter. The value of NEBV liabilities towards its creditors under above mentioned financing agreements at 31 December 2022 was of €2,198,980 thousand (31 December 2021: €2,062,213 thousand).

The Company has assessed the fair value of the liability for financial guarantee at inception being immaterial, as an arms’ length guarantee premium is receivable over the life of the guarantee. As at 31 December 2022 the respective financial

liability has been measured in accordance with the accounting policy at the higher of Expected Credit Loss allowance and amount initially recognized. The ECL allowance amount was determined to be immaterial considering the total exposure for amounts guaranteed and NEBV’s credit risk.

For cash and cash equivalents, the banks’ credit ratings, as well as exposure per each bank are constantly monitored at the level of the Group. At 31 December 2022, 78% of the Company’s cash was held with investment-grade rated banks (31 December 2021: 63%):

Cash and cash equivalents	31 Dec 2022	31 Dec 2021
Held with investment-grade rated banks (rated by Moody’s)		
A2	40%	63%
Aa3	38%	-
Held with not rated banks	22%	37%
Total	100%	100%

The balance of loans to participants in the Share Purchase Scheme is not considered to present credit risk as these are guaranteed with shares (see details in Note 50). The exposure to credit risk of loans to subsidiaries is assessed by reference to the loans provided by the Company’s direct subsidiary, Nepiom Limited (“Nepiom”) further down the group structure, to property owning companies, which ultimately generate the cash flows received by the Company as repayment of its loans to subsidiaries. The property-owning companies are located in 9 different jurisdictions with different credit ratings, thus there is no concentration of credit risk with respect to loans to subsidiaries. The expected loss rates are calculated based on probabilities of default that take account of the credit risk of countries where property-owning companies are located, weighted by the equity (net assets) value of those subsidiaries located in those specific countries. A loss given default of 15% is used, which is the benchmark recommended by Basel III IRB and the exposure of default is the total amount of loans granted to subsidiaries. The Company’s loans to subsidiaries are considered to have low credit risk, and the impairment assessment was therefore limited to 12 months’ expected losses.

As disclosed in Note 44, the loans receivable was fully settled during 2022, the balance at 31 December 2022 being reduced to nil. The existing credit losses have been therefore reversed.

Reconciliation of impairment provisions is set out below:

<i>in € thousand</i>	
Expected credit losses at beginning of year	(81)
Impairment reversal (following full extinguishment of loans receivable)	81
EXPECTED CREDIT LOSSES AT YEAR END	-

45.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when due. The Company’s approach to managing this risk ensures, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. To ensure this occurs, the Company prepares budgets, cash flow analyses and forecasts, which enable the Directors to assess the level of financing required for future periods. Budgets and projections are used to assess any future potential investments and are compared to existing funds to evaluate the nature, and extent of any future funding requirements. All financial liabilities are due within 12 months. As disclosed in Note 53, all existing loans payable to the Company’s subsidiaries were settled before the 31 December 2022.

Ability to meet financial obligation when due is influenced by the fact that the Company has guaranteed the due and punctual payment of all sums from time to time payable by NEBV under those agreements in case of non-payment by the latter, as described in Note 45.1. The undiscounted cash flows which the Company is exposed to amounts to €2,505,727 thousand (2021: €2,187,154* thousand) which becomes payable on demand only upon default by NEBV.

**During the current year, management identified that the disclosure of a quantitative analysis of the liquidity risk to which the Company is exposed, as required by IFRS 7 Financial Instruments: Disclosures, was excluded in the prior year.*

45.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices will affect the Company’s fair value or future cash flows of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. The carrying value of financial assets and liabilities approximates their fair value.

45.3.1 Currency risk

Company’s current assets and liabilities are exposed to foreign currency risk on purchases and receivables denominated in South African rand (ZAR). Cash inflows received in other currencies than Euro are converted to Euro using the spot rate available on the collection date. The amount converted to Euro is the net amount of cash inflow in a foreign currency and the estimated cash outflow in the same currency. The Company applies this policy to control its exposures in respect of monetary assets and liabilities denominated in currencies other than the one cash inflows are received in.

45.3.2 Interest rate risk

The NEPI Rockcastle Group is exposed to interest rate risk on loans and cash balances held. Company policy is to hedge this risk through the use of derivative financial instruments. Several derivatives contracts are signed at the level of the Company but refer to the Group exposure to external loans and borrowings. No third-party loans are taken out at the level of the Company.

Sensitivity analysis for interest bearing financial instruments

A change of 100 basis points (bps) in interest rates would have increased/(decreased) equity and profit for the years presented below. Calculations are based on the cash and loans balances outstanding at the respective balance sheet dates. Cash and loans balances are subject to change over the year. This analysis assumes that all other variables, particularly foreign currency rates, remain constant. All sensitivity analysis calculations presented below are before tax.

Loans granted to subsidiaries have fixed interest rates and thus are not affected by market changes in interest rates.

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Loans to participants in the Share Purchase Scheme (including accrued interest)	4,205	4,510
TOTAL	4,205	4,510

<i>31 Dec 2022 in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	42	(42)	42	(42)
TOTAL	42	(42)	42	(42)

<i>31 Dec 2021 in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	45	(45)	45	(45)
TOTAL	45	(45)	45	(45)

46. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

At 31 December 2022, the Company held 100% ownership in Nepiom Limited, a company incorporated in Malta. At 31 December 2021, the Company had 100% ownership in two other entities, Rockcastle UK Property SPV Limited and Nepi Holdings Ltd, which were valued to nil due to their under liquidation status. These entities were liquidated during 2022. Investments in subsidiaries are stated at cost less accumulated impairment losses.

As described below, during 2022, as a result of the offset between the existing loan receivable from and loan payable to Nepiom, a portion of the remaining loan receivable was assigned and transferred to NEBV, a wholly owned subsidiary of Nepiom, partly through a loan note from NEBV (€100.5 million) and partly through an increase in equity of NEBV in form of a B-share (€91.2 million). The resulting participation in NEBV was subsequently extinguished by repayment of the B-share in cash by NEBV.

The movements in investment in subsidiaries are presented below:

<i>in € thousand</i>	2022	2021
Balance as at the beginning of the year	3,269,080	692,316
Investment in NEBV B-share (non-cash)	91,219	-
Repayment of existing participation in NEBV (B-share)	(91,219)	-
Additions from LTSIP*	1,473	-
Additions from loans capitalised (non-cash)	-	2,912,943
Reduction of cost due to in kind distributions (non-cash)	-	(336,179)
Balance as at the end of the year	3,270,553	3,269,080

* The costs related to the LTSIP recognised in the Company's financial statements as an increase in the investment in the subsidiaries, as disclosed in in Note 43.8.

There were no indicators of impairment in investment in subsidiary as at 31 December 2022.

The Company has given loans to subsidiaries which were fully repaid during 2022.

Movements in the loan granted to subsidiary are presented below:

<i>in € thousand</i>	2022	2021
Balance as at the beginning of the year	298,468	2,883,959
Non-cash increase	-	295,458
Accrued interest	1,695	31,225
Non-cash repayment (settlement with loan payable) (Note 53)	(209,025)	-
Loan capitalised to investment in subsidiary (non-cash)	(91,219)	(2,912,943)
Impairment reversal/ (expense)	81	769
Balance as at the end of the year	-	298,468

During 2022, the loan receivable from Nepiom was reduced by way of an offset with the outstanding amount of the loan payable to Nepiom disclosed in note 53. Following the offset, the remaining portion of the loan was assigned and transferred to NEBV, partly through a loan note from NEBV (€100.5 million) and partly through an increase in equity of NEBV in form of a B-share (€91.2 million). The loan note receivable from NEBV was subsequently fully extinguished by way of an offset against the loan payable to NEBV, disclosed in Note 53.

During 2021, the Company capitalized loans of €2,912,943 thousand owned by Nepiom to the cost of investment in this subsidiary. Also, the Company started a reorganization process for its subsidiaries, with the final aim of liquidating two of its other subsidiaries, Rockcastle UK Property SPV Limited and Nepi Holdings Ltd (liquidation was completed in 2022). As part of this reorganization process, NEBV, which was a direct subsidiary of Nepi Holdings Ltd as at 31 December 2020, was sold to Nepiom for an amount of €942 million. The receivable arising from this transaction was partially offset against existing loans payable of Nepi Holdings to Nepiom. Receivables of Nepi Holdings from NEBV and Nepiom of €336,179 thousand were treated as in kind distributions to the Company.

No securities or guarantees have been granted for loans to subsidiaries. Interest rates on the loan granted to subsidiaries was 2.03% per annum during 2022 and 2021.

47. OTHER LONG-TERM ASSETS

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Loans to participants in the Share Purchase Scheme (Note 50)	4,205	4,510

48. TRADE AND OTHER RECEIVABLES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
VAT receivable	231	113
Guarantee fee receivables from subsidiaries	5,443	20,898
Strategic asset management fee receivable from subsidiaries	-	3,385
Withholding Tax receivable	2,284	-
Other receivables from subsidiaries	32	630
Other prepaid fees	38	126
TOTAL	8,028	25,152

49. CASH AND CASH EQUIVALENTS

<i>Cash and cash equivalents by currency in € thousand</i>	31 Dec 2022	31 Dec 2021
EUR	1,875	8,694
ZAR	614	572
GBP	-	80
TOTAL	2,489	9,346

<i>Cash and cash equivalents by type in € thousand</i>	31 Dec 2022	31 Dec 2021
Current accounts	2,489	9,346

50. SHARE-BASED PAYMENTS

The NEPI Rockcastle Group has incentive plans to reward performance and align the interests of executive directors and key individuals with those of the shareholders.

NEPI Rockcastle Group's current incentive plan ("Incentive Plan") was approved by Company's shareholders at an EGM dated 16 November 2022. The Incentive Plan replaces the initial plan that was approved at the merger between NEPI and Rockcastle. The aim of the plan is to incentivise directors and employees to meet the Group's short-term and long-term objectives by giving such participants an opportunity to receive performance-based Awards (in cash or shares), on short-term (immediate settlement in cash or shares) or long-term (shares with a vesting component). The Board determines which executive directors are eligible to participate in the Incentive Plan, and the allocation of incentives, based on key performance indicators. The executive directors determine which key employees are eligible to participate in the Incentive Plan, and the allocation of incentives is discretionary, based on key performance indicators and other considerations regarding the employees' performance.

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below:

a. Purchase Offers ("SPS")

Under this program, loans were granted to participants in the share purchase schemes (the "Share Purchase Scheme" or "SPS") to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares (the "NRP SPS"). Of the shares initially subscribed for, 20% vested annually. The Group offered each participant the immediate right to subscribe for the permitted number of shares at their market value, less a maximum discount of 5%, together with a loan to fund the purchase. Each loan carried interest at the weighted average rate that the Group can borrow money. Loans are payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. The Company has security interests that ensure the repayment of the principal and interest on the loan given to participants. The NRP SPS is a full recourse scheme (i.e., recourse in relation to loans granted is not limited to shares issued). Pending repayment of the loan, the distributions on such shares are used to repay loan interest. Any excess distribution after interest payment is used to repay the loan.

No shares were issued during 2022 and 2021 under the NRP SPS.

The number of shares outstanding and the loans to participants under the Share Purchase Scheme as at the year-end are summarised below:

NRP SPS	31 Dec 2022	31 Dec 2021
Number of shares outstanding, collateralising the Loans to participants under the Share Purchase Scheme	657,276	705,864
Loans to participants under the Share Purchase Scheme (in € thousand)	4,205	4,510

b. Debt free Long-Term Share Incentive Plan with a vesting component ("LTSIP")

Under this incentive plan, shares are awarded by the Group to executive directors and other key employees for no cash consideration. For key employees, shares are awarded to participants on condition of employment in the Group for the next three years (vesting period), with shares being vested proportionally over each year of the corresponding vesting periods (tranche vesting). For executive directors, shares are awarded subject to a full vesting of them at the end of three years (cliff vesting) plus a further two-year lock-up period, during which the vested shares cannot be disposed of by the directors. Shares awarded under LTSIP cannot be disposed of or otherwise encumbered up to their respective vesting dates.

The number of shares granted but unvested at 31 December 2022 and their fair value at grant date are summarised below:

LTSIP	31 Dec 2022	31 Dec 2021
Number of shares granted but unvested at year-end	817,822	633,527
Fair value at the grant date (€ thousand)	4,734	3,731

The maximum number of shares which could be offered for subscription under the Incentive Plan is 5% of the issued share capital of the Company at the end of any financial year prior to each award, provided that such number shall not exceed 30,449,745 shares. The number of shares that remained available for issue in terms of the Incentive Plan were as follows:

	31 Dec 2022	31 Dec 2021
Number of shares that remain available for issue at year-end	28,226,835	25,809,921

The costs related to the LTSIP are measured based on the fair value of the shares at the grant date and are recognized in the Company's financial statements over the vesting period as an increase in the investment in the subsidiaries, as the employees receiving the awards are providing services to the subsidiaries of the Company. The correspondent credit is recognised in Other reserves in the Statement of changes in equity.

In the accounts of the subsidiaries, an expense for the grant date fair value of the award is recognised over the vesting period, with the credit recognised in equity. The credit to equity is treated as a capital contribution, because the Company is compensating the subsidiaries' employees with no recharge to the subsidiaries.

51. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company uses derivative instruments to hedge variable interest rate (Euribor) exposure at Group level. Their fair value is summarised below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Interest rate derivative financial assets	-	4,542
Interest rate derivative financial liabilities	-	142

On 29 July 2022, the Company concluded a sale and purchase agreement with NEBV to sell the economic ownership of all its outstanding interest rate caps for a €13,182 thousand representing the fair value of those caps. The Company remains the legal counterparty under the interest rate caps in relation to the contacting banks until the expiration of the instruments. Any amount received from the banks under the sold hedge instruments is to be transferred immediately to NEBV and respectively, any amount due to the banks under the instruments is to be recovered by the Company from NEBV, according to the sale agreement.

These interest rate caps and fixed interest rate swaps are not designated as cash flow hedges. The fair value was categorised in Level 2 of the fair value hierarchy.

The derivative financial assets and liabilities classification to non-current or current sections of the Statement of financial position is driven by the contractual maturities of the instruments.

52. TRADE AND OTHER PAYABLES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Accrued administrative expenses	2,048	1,479
Income tax payable	2,730	-
TOTAL	4,778	1,479

53. LOANS FROM SUBSIDIARIES

During 2022, the entire outstanding amount of the loan payable to Nepiom was offset against the outstanding amount of the loan receivable from Nepiom.

In March 2022, the Company received a loan from its indirect subsidiary, NEBV, in amount of €100,000 thousand, which was subsequently extinguished through a setoff against the existing loan note from NEBV disclosed in Note 46. The interest rate on the loans from Nepiom and NEBV was 3.8% per annum.

Movements in loan payables during the year are presented below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Opening balance	107,811	-
Cash proceeds	100,000	106,600
Interest expense	1,214	1,211
Set off against existing loans receivable (non-cash) (Note 46)	(209,025)	-
Closing balance	-	107,811

54. ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Staff costs	(124)	(198)
Directors' remuneration (Note 57)	(1,852)	(2,154)
Share based payment expense	-	(5,050)
Audit and other assurance services	(688)	(250)
Advisory services	(4,092)	(879)
Travel and accommodation	(526)	(42)
Companies' administration	(2,537)	(2,317)
Stock exchange expenses	(597)	(476)
TOTAL	(10,416)	(11,366)

Out of the above administrative expenses, fees related to EY, as the Company's auditors, are summarised below:

31 Dec 2022 <i>in € thousand</i>	Ernst & Young Accountants LLP	Other EY network	Non-EY network
Audit of financial statements	(240)	(243)	(4)
Other assurance procedures	-	(177)	(24)
TOTAL	(240)	(420)	(28)

<i>in € thousand</i>	31 Dec 2021
Audit fees	(163)
Other assurance services	(86)
TOTAL	(250)

During 2022, prior to the relocation from the Isle of Man, the Company had eleven directors and three employees. After the relocation, the Company had eleven directors and no employees. In 2021, the Company had twelve directors and three employees.

55. INTEREST AND OTHER FINANCE INCOME/(EXPENSE)

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Interest on Share Purchase Scheme	99	115
Interest on bank deposits	10	-
Interest income from subsidiaries	1,694	31,225
Guarantee fee income	21,535	20,898
Finance income	23,338	52,238
Bank charges	(37)	(159)
Interest expense on loans from subsidiaries	(1,256)	(1,211)
Finance costs	(1,293)	(1,370)
TOTAL	22,045	50,868

56. RECONCILIATION BETWEEN COMPANY AND CONSOLIDATED INFORMATION

In accordance with article 2:389 of Dutch Civil Code, the reconciliation of equity is as follows:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Total Company equity	3,280,497	3,501,666
Accumulated profit of subsidiaries	618,224	213,256
Non controlling interest	-	5,320
Total consolidated Group equity	3,898,721	3,720,242

The reconciliation of net result is presented below:

<i>in € thousand</i>	31 Dec 2022	31 Dec 2021
Company net profit	30,672	48,655
Eliminated intercompany transactions	(29,449)	(55,159)
Results of subsidiaries, net of intercompany transactions	433,944	241,508
Consolidated profit after tax attributable to equity holders	435,167	235,004

57. RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and Directors are related parties for the Company.

Material related party transactions

Details of loans to/ from, and investments in, subsidiaries are set out in Note 46 and Note 53. Other related party transactions include guarantee fee income and strategic asset management fees charged by the Company to its indirect subsidiary, NEBV, and are detailed in Note 45.1, Note 48 and Note 55.

Fees paid to Directors, together with the performance bonus, during the current and previous year are presented below. No other payments were made to Directors by NEPI Rockcastle, except reimbursements for travel and accommodation.

<i>in € thousand</i>	31 Dec 2022				31 Dec 2021	
	Directors' fees	2022 performance related remuneration	2021 performance related remuneration	Interim period related remuneration (one off)	Directors' fees	2020 performance related remuneration
Rüdiger Dany ¹	343	-	200	200	202	-
Eliza Predoiu ²	63	-	-	-	-	-
Marek Noetzel ³	137	-	225	-	253	30
Alex Morar ⁴	15	-	-	-	542	60
Mirela Covasa ⁵	12	-	-	-	303	40
Robert Emslie ^{6*}	-	-	-	-	78	-
George Aase ^{7*}	102	-	-	-	113	-
Antoine Dijkstra*	88	-	-	-	104	-
Andre van der Veer*	98	-	-	-	116	-
Andreas Klingen*	89	-	-	-	103	-
Steven Brown	75	-	-	-	84	-
Andries de Lange	63	-	-	-	74	-
Jonathan Lurie ⁸	68	-	-	-	25	-
Ana Maria Mihaescu ⁹	74	-	-	-	27	-
TOTAL	1,227	-	425	200	2,024	130

¹Mr. Rüdiger Dany was appointed as Executive Director and Chief Operating Officer of the Group with effect from 18 August 2021. From 1 February 2022 he was appointed as interim CEO and from 1 June 2022 he was confirmed in his role on a permanent basis.
²Ms. Eliza Predoiu was appointed as interim CFO of the Group with effect from 1 February 2022 and from 1 June 2022 she was confirmed in her role on a permanent basis.
³Mr. Marek Noetzel, an Executive Director of the Group, was appointed as Chief Operating Officer effective from 1 June 2022.
⁴Mr. Alex Morar resigned from his position of Chief Operating Officer effective from 1 February 2022.
⁵Ms Mirela Covasa resigned from her position of Chief Financial Officer effective from 1 February 2022.
⁶Mr Robert Emslie has retired from his position as non-Executive Director and Chairman of the Board of Directors effective 18 August 2021.
⁷Mr. George Aase was appointed as Chairman of the Board of Directors effective 18 August 2021.
⁸Mr. Jonathan Lurie was appointed as an Independent non-Executive Director with effect from 18 August 2021.
⁹Ms. Ana Maria Mihaescu was appointed as an Independent non-Executive Director with effect from 18 August 2021.
*The remuneration of the non-Executive Directors for the year includes a cumulative amount of €nil thousand (2021: €107 thousand) paid for one-off services performed during the previous year.

Information on shares held by the Directors in the Group SPS and LTSIP is disclosed in note 37.

58. SUBSEQUENT EVENTS

The Board proposes to add the Profit after tax to Accumulated profit.

The Board has declared a dividend of 27.85 euro cents per share for H2 2022, corresponding to a 95% dividend pay-out ratio, to be settled as capital repayment (default option). The shareholders can also elect for the settlement of the same dividend amount as ordinary cash distribution out of distributable profits. As an alternative, shareholders may elect to receive a dividend of 29.32 euro cents per share, corresponding to a 100% pay-out ratio, as a return of capital by way of an issue of new shares, each credited as fully paid up ('scrip dividend'), based on the ratio that 29.32 euro cents per share bears to the scrip reference price. The scrip reference price will be calculated based on a 3% discount to the five-day volume-weighted average traded price of NEPI Rockcastle share price on JSE, less dividend declared of 27.85 euro cents per share.

In line with the Dutch legislation, the capital repayment will be paid to shareholders unless they elect to receive either the scrip dividend or the ordinary cash distribution options described above.

The Directors are not aware of any other subsequent events from 31 December 2022 and up to the date of signing these financial statements which are likely to have a material effect on the financial information contained in this report.

OTHER INFORMATION

Provisions in the Articles of Association relating to profit

Pursuant to article 26 of the Articles of Association of the Company, the Board may appropriate the profits realised during a financial year to form reserves or distribute them to shareholders, subject to applicable law. To the extent permitted by applicable law all sums standing to reserves may be applied from time to time, at the discretion of the Board, for any other purpose to which the profits of the Company may properly be applied. Pending such application, the reserves may either be employed in the business of the Company or be invested in such investments as the Board thinks fit so that it shall not be necessary to keep any investment

constituting the reserve separate or distinct from any other investment of the Company. A proposal to pay a distribution will be dealt with as a separate agenda item at the General Meeting. Distributions from the Company's distributable reserves are made pursuant to a resolution of the Board and will not require a resolution from the General Meeting. The Company's policy on reserves and dividends shall be determined and can be amended by the Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting under a separate agenda item.



PHOTO: BONARKA CITY CENTER

Independent Auditors' reports

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF NEPI ROCKCASTLE N.V.
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2022 of NEPI Rockcastle N.V. based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of NEPI Rockcastle N.V. as at 31 December 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and separate statement of financial position as at 31 December 2022
- the following statements for 2022: the consolidated and separate statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of NEPI Rockcastle N.V. (the “Company”) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act) , the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

NEPI Rockcastle NV is a multinational owner and operator of shopping centers in Central and Eastern Europe, with presence in nine countries and an investment portfolio of €6.6 billion. The group is structured in components, and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group, as set out in our Key Audit Matter, and in our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€60 million
Benchmark applied	1.6% of total equity (rounded)
Explanation	We determined materiality based on our understanding of the Company's business and our perception of the financial information needs of users of the financial statements. We consider total equity an important metric for the activities of the Company in 2022.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of €3 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NEPI Rockcastle N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

- Our group audit mainly focused on significant group entities. Following our assessment of the risk of material misstatement to NEPI Rockcastle N.V.'s group financial statements, we have selected 22 components which required an audit of the complete financial information (Full Scope components). Additionally, we selected 29 components requiring audit procedures on specific account balances or specified audit procedures on significant accounts that we considered had the potential for the greatest impact on the group financial statements (Specific or Specified Scope components). Furthermore, we performed centralized review procedures on an additional 9 components. For the remaining components, we performed selected other procedures, including analytical review to respond to potential risks of material misstatements to the financial statements that we identified.

Together, the full, specific, and review scope procedures represent 99% of the group’s investment properties, and 91% of total rental revenues.

INVESTMENT PROPERTIES



RENTAL INCOME



Full scope Specific scope Review scope Other procedures

Independent Auditors' reports

» continued

By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the real estate industry. We included specialists in the areas of IT audit, sustainability, and income tax and have made use of our own experts in the area of valuations of real estate in the various countries of operations.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda, and climate-related risks can impact financial reporting. Management summarized the Company's commitments and obligations in relation to climate change and reported in section 1 'Directors' Report' and section 2 'Sustainability Report' of the management report how the Company is addressing climate-related and environmental risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the Company's commitments and (constructive) obligations, are taken into account in estimates and significant assumptions. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 1 'Directors' Report' and section 2 'Sustainability Report' and the financial statements. Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgments, estimates or significant assumptions as of 31 December 2022 and as such we have not identified a key audit matter.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Board of Directors exercises oversight, as well as the outcomes.

We refer to the risk management & compliance section of section 2 of the management report for management's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets, and bribery and corruption, in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and critical accounting estimates as disclosed in Note 5 to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

We evaluated the nature of the Company's revenue recognition process and noted that the primary income stream is gross rental income and service charge income. These revenue streams are contractual in nature and are highly predictable and consistent. Furthermore, given the volume and tenants, there are no material collection risks. As such, we did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, human resources and regional directors, and the Board of Directors.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Statement of compliance' in Note 2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism.

We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Based on our procedures performed, we did not identify material uncertainties about going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated our key audit matter to Board of Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

Independent Auditors' reports

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Valuation of investment property in use	
Risk	<p><i>The investment property in use of NEPI Rockcastle N.V. comprise of income generating assets in Central and Eastern Europe ("CEE"). The total investment property as at 31 December 2022 amounts to €6.3 billion (2021: €5.7 billion) representing 89% (2021: 86%) of total assets. The portfolio consists mainly of retail properties.</i></p> <p><i>The fair value of investment property in use is determined by management's external appraisers using the discounted cash flow ("DCF") method. The DCF method involves assumptions of the following inputs to the valuation: estimated rental value from the properties, including an exit, or terminal value, discount rate and capitalisation rate for these cash flows.</i></p> <p><i>We identified the valuation of investment property in use to be a key audit matter as the aforementioned assumptions used in these valuations are inherently judgmental. Valuation of investment property requires specialist expertise and the use of significant judgements relating to the assumptions.</i></p> <p><i>In the current year, the recovery from the COVID-19 pandemic and the Ukraine conflict impacted the current economic environment. This resulted in increased judgement being applied by management relating to the assumptions used in the valuation of investment properties and thus required significant audit attention.</i></p> <p><i>The disclosures are set out in the consolidated financial statements in note 9 in accordance with IAS 40 Investment Property and IFRS 13 Fair Value Measurement.</i></p>
Our audit approach	<p><i>Our audit procedures included, among others, the following:</i></p> <ul style="list-style-type: none"><i>We obtained an understanding and evaluated management's internal process for determining the fair value of investment property in use;</i><i>We assessed whether the valuation technique used by management's external appraisers is consistent with generally accepted property valuation techniques in the real estate market and International Financial Reporting Standards;</i><i>We evaluated the competence, capability and objectivity of management's external appraisers with reference to their qualifications, industry experience and certification by the Royal Institution of Chartered Surveyors ("RICS");</i><i>We involved internal valuation specialists, based on their specific experience and knowledge in the local markets, to evaluate the reasonability of the valuation of the investment property in use which included an assessment of the assumptions applied by management in determining the discount rate and capitalisation rate, especially given the impact of the recovery from the COVID-19 pandemic and the Ukraine conflict on the market related assumptions. This included assessing the reasonability of the assumptions by, and where possible, testing it to available independent market data;</i><i>We assessed the reasonability of the estimated rental value used by management's external appraisers by agreeing a sample of the inputs used by the external appraisers to contractual documentation and rent roll data;</i><i>We assessed the appropriateness of the disclosures in terms of the requirements of IAS 40, Investment Property and IFRS 13, Fair Value Measurement which includes evaluating the sensitivity of the assumptions on the fair value of the investment property in use.</i>
Key observations	<p><i>We consider management's assumptions and estimates used to determine the valuation of investment property in use to be reasonable.</i></p> <p><i>In addition, we evaluated that the valuation of investment property in use disclosures are adequate.</i></p>

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and The Board of Directors are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the Audit Committee as auditor of NEPI Rockcastle N.V. on 6 September 2022, as of the audit for the year 2022 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

NEPI Rockcastle N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by NEPI Rockcastle N.V. complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Independent Auditors' reports

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We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the Company's financial reporting process, including the preparation of the reporting package
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
 - » obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
 - » examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, the Netherlands, 22 March 2023

Ernst & Young Accountants LLP

Signed by J.H.A. de Jong

Independent Auditors' reports

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TO THE SHAREHOLDERS OF NEPI ROCKCASTLE N.V.
REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of NEPI Rockcastle N.V. and its subsidiaries (“the group”) set out on pages 240 to 291 and company set out on page 292 to 305, which comprise of the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies solely to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of investment property in use</p> <p>The investment property in use of NEPI Rockcastle N.V. comprise of income generating assets in Central and Eastern Europe (“CEE”). The total investment property as at 31 December 2022 amounts to €6.3 billion (2021: €5.7 billion) representing 89% (2021: 86%) of total assets. The portfolio consists mainly of retail properties.</p> <p>The fair value of investment property in use is determined by management’s external appraisers using the discounted cash flow (“DCF”) method. The DCF method involves assumptions of the following inputs to the valuation: estimated rental value from the properties, including an exit, or terminal value, discount rate and capitalisation rate for these cash flows.</p> <p>We identified the valuation of investment property in use to be a key audit matter as the aforementioned assumptions used in these valuations are inherently judgmental. Valuation of investment property requires specialist expertise and the use of significant judgements relating to the assumptions.</p> <p>In the current year, the recovery from the COVID-19 pandemic and the Ukraine conflict impacted the current economic environment. This resulted in increased judgement being applied by management relating to the assumptions used in the valuation of investment properties and thus required significant audit attention.</p> <p>The disclosures are set out in the consolidated financial statements in note 9 in accordance with IAS 40 Investment Property and IFRS 13 Fair Value Measurement.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none">• We obtained an understanding and evaluated management’s internal process for determining the fair value of investment property in use;• We assessed whether the valuation technique used by management’s external appraisers is consistent with generally accepted property valuation techniques in the real estate market and International Financial Reporting Standards;• We evaluated the competence, capability and objectivity of management’s external appraisers with reference to their qualifications, industry experience and certification by the Royal Institution of Chartered Surveyors (“RICS”);• We involved internal valuation specialists, based on their specific experience and knowledge in the local markets, to evaluate the reasonability of the valuation of the investment property in use which included an assessment of the assumptions applied by management in determining the discount rate and capitalisation rate, especially given the impact of the recovery from the COVID-19 pandemic and the Ukraine conflict on the market related assumptions. This included assessing the reasonability of the assumptions by, and where possible, testing it to available independent market data;• We assessed the reasonability of the estimated rental value used by management’s external appraisers by agreeing a sample of the inputs used by the external appraisers to contractual documentation and rent roll data;• We assessed the appropriateness of the disclosures in terms of the requirements of IAS 40, Investment Property and IFRS 13, Fair Value Measurement which includes evaluating the sensitivity of the assumptions on the fair value of the investment property in use.

Independent Auditors' reports

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Other matter

The consolidated and separate financial statements of NEPI Rockcastle N.V. for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 23 February 2022 and 27 April 2022 respectively.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 324-page document titled "NEPI Rockcastle Annual Report 2022", which includes the Directors' report and Statement of Directors' responsibilities. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of NEPI Rockcastle N.V. one year.

Ernst & Young Inc.
Director – Gerhard Jacobus van Deventer
Registered Auditor
22 March 2023
102 Rivonia Road
Sandton
South Africa

Schedule of properties

Properties located in Hungary, Lithuania and Poland have been fair valued by Cushman & Wakefield. Properties located in Bulgaria, Croatia, Czech Republic, Hungary, Serbia and Slovakia have been fair valued by Jones Lang La Salle. All properties located in Romania have been fair valued by Colliers International.

	Property name	Year opened/ acquired	Extension/ Refurbishment	Type	Location	Ownership	GLA m²	Valuation/ Cost to date €m	Annualised Passing Rent* €m	Average rental €/ m²/ month	EPRA Occupancy**
	INCOME PRODUCING PROPERTIES						2,168,700	6,294.6	453.6	18.0	97.3%
	RETAIL						2,100,100	6,206.3	446.2	18.2	97.5%
1	Bonarka City Center ^	2009/2016	2020/2021/2022	Super-Regional Mall	Poland	100%	74,700	399.5	22.3	25.6	96.9%
2	Arena Mall	2007/2017		Super-Regional Mall	Hungary	100%	65,900	304.0	19.2	24.7	97.1%
3	Mega Mall	2015	2019	Super-Regional Mall	Romania	100%	75,900	301.6	20.1	22.5	98.2%
4	Mammut Shopping Centre^^	1998-2001/2018		Regional Mall	Hungary	100%	57,400	276.6	15.3	24.1	92.5%
5	Forum Gdansk Shopping Center	2018/2022		Lifestyle Centre	Poland	100%	63,500	268.0	17.2	23.6	96.4%
6	Paradise Center	2013/2017	2019/2020/2021	Super-Regional Mall	Bulgaria	100%	80,400	265.8	21.3	23.0	96.1%
7	Arena Centar And Retail Park	2010/2016/2019	2019	Super-Regional Mall	Croatia	100%	75,300	264.7	19.7	23.1	97.8%
8	City Park	2008/2013	2015/2016	Regional Mall	Romania	100%	51,900	207.0	14.9	24.0	99.6%
9	Promenada Mall	2013/2014	2022	Lifestyle Centre	Romania	100%	39,300	189.7	13.8	29.6	98.6%
10	Aupark Kosice Mall	2011/2014		Regional Mall	Slovakia	100%	33,100	168.6	10.6	28.1	95.5%
11	Focus Mall Zielona Gora	2008/2016	2021	Regional Mall	Poland	100%	44,100	168.0	9.7	20.0	91.8%
12	Galeria Warminska	2014/2016		Regional Mall	Poland	100%	42,900	162.5	10.0	19.6	98.8%
13	Serdika Center	2010/2017		Regional Mall	Bulgaria	100%	51,700	162.3	13.8	22.3	99.6%
14	Karolinka Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	67,500	156.3	10.2	12.6	99.6%
15	Ozas Shopping and Entertainment Centre	2009/2018	2020	Regional Mall	Lithuania	100%	67,800	151.7	12.7	15.6	100.0%
16	Shopping City Sibiu	2006/2016	2019	Super-Regional Mall	Romania	100%	83,700	147.5	12.2	12.3	97.5%
17	Shopping City Timisoara	2015-2016		Regional Mall	Romania	100%	57,000	135.9	10.7	15.8	98.3%
18	Shopping City Galati	2013	2017	Regional Mall	Romania	100%	49,200	130.4	10.1	17.2	99.3%
19	Promenada Novi Sad	2018		Regional Mall	Serbia	100%	49,200	129.4	11.2	19.7	97.9%
20	Aupark Zilina	2010/2013		Regional Mall	Slovakia	100%	25,100	127.1	8.9	31.3	98.6%
21	Galeria Mlyn	2009/2018		Regional Mall	Slovakia	100%	32,500	125.4	8.6	24.1	92.7%
22	Copernicus Shopping Centre	2005/2015/2022		Regional Mall	Poland	100%	48,000	125.4	9.1	16.0	98.4%
23	Ploiesti Shopping City	2012/2022		Regional Mall	Romania	100%	46,800	120.6	9.0	16.0	100.0%
24	Promenada Sibiu	2019		Regional Mall	Romania	100%	42,500	106.6	8.6	17.3	97.5%
25	Iris Titan Shopping Center	2008/2015		Community Centre	Romania	100%	43,100	105.4	8.9	17.2	100.0%
26	Shopping City Targu Mures	2020		Regional Mall	Romania	100%	40,200	96.8	7.5	15.7	98.7%
27	Shopping City Deva	2007/2013	2015	Regional Mall	Romania	100%	50,700	92.9	7.6	12.5	100.0%
28	Braila Mall	2008/2009	2011/2012/2016/2019	Regional Mall	Romania	100%	52,900	90.6	7.5	11.9	99.3%
29	Forum Ústí nad Labem	2009/2016	2019	Regional Mall	Czech Republic	100%	27,800	89.0	5.7	17.5	97.0%
30	Alfa Centrum Bialystok	2008/2017		Regional Mall	Poland	100%	37,200	88.3	7.0	16.9	94.8%
31	Forum Liberec Shopping Centre	2009/2016	2019/2020	Regional Mall	Czech Republic	100%	46,400	86.2	5.3	10.9	91.8%
32	Solaris Shopping Centre	2009/2015	2019	Regional Mall	Poland	100%	26,400	77.5	6.2	20.0	97.0%
33	Vulcan Value Centre	2014	2020	Community Centre	Romania	100%	25,000	72.4	5.3	17.7	100.0%
34	Pogoria Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	37,700	68.3	5.3	11.8	99.5%
35	Platan Shopping Centre	2003/2015	2018	Regional Mall	Poland	100%	39,900	65.5	4.9	10.8	91.8%
36	Aura Centrum	2005/2018		Regional Mall	Poland	100%	25,400	63.0	5.3	18.4	94.3%
37	Shopping City Buzau	2008/2014	2019/2020	Regional Mall	Romania	100%	23,700	62.6	4.8	17.0	99.0%
38	Shopping City Satu Mare	2018		Regional Mall	Romania	100%	29,400	62.5	4.9	13.9	100.0%
39	Shopping City Piatra Neamt	2016		Regional Mall	Romania	100%	28,000	59.0	4.6	13.7	100.0%
40	Shopping City Targu Jiu	2014		Regional Mall	Romania	100%	27,200	58.5	4.5	13.8	100.0%
41	Shopping City Ramnicu Valcea	2017		Regional Mall	Romania	100%	28,200	56.8	4.5	13.4	99.2%
42	Galeria Wolomin	2016	2017/2022	Regional Mall	Poland	100%	30,700	52.4	4.2	11.7	96.8%
43	Focus Mall Piotrkow Trybunalski	2009/2016		Regional Mall	Poland	100%	35,100	42.2	4.7	11.3	97.8%
44	Aupark Shopping Center Piestany	2010/2016		Community Centre	Slovakia	100%	10,300	41.9	2.6	24.0	95.4%
45	Severin Shopping Center	2009/2013	2015/2016	Regional Mall	Romania	100%	23,200	41.0	3.3	11.9	99.5%
46	Korzo Shopping Centrum	2010-2011/2016		Community Centre	Slovakia	100%	16,300	39.6	3.3	17.1	98.0%
47	Galeria Tomaszow	2016		Regional Mall	Poland	100%	18,200	26.8	2.8	12.9	99.2%
48	Pitesti Retail Park	2007/2010	2011	Community Centre	Romania	100%	21,500	26.0	2.5	9.9	94.8%
49-55	Regional strip centres	2007-2014	2018/2019	Strip Centres	Romania	100%	30,200	46.5	3.8	10.5	99.5%
	OFFICE						41,300	69.8	5.4	13.6	82.8%
56	Serdika Office	2011/2017		Office	Bulgaria	100%	28,500	50.1	3.8	14.2	81.8%
57	Aupark Kosice Tower	2012/2014		Office	Slovakia	100%	12,800	19.7	1.6	12.5	85.2%
	INDUSTRIAL						27,300	18.5	2.0	6.2	98.0%
58	Rasnov Industrial Facility	2007		Industrial	Romania	100%	23,000	13.2	1.4	5.2	97.4%
59	Otopeni Warehouse	2010		Industrial	Romania	100%	4,300	5.3	0.6	11.7	99.6%

The Schedule of properties excludes non-core properties held for sale with a market value of €1.7 million and a passing rent of €0.2 million..
The right-of-use assets of €37.2 million, representing long-term land concessions associated to part of the Group's properties located in Poland are not included in the above fair values.
* Annualised passing rent was computed based on the contractual rents effective as of 31 December 2022.
** Occupancy ratio = 1 - EPRA Vacancy ratio
^ Auchan, a major tenant, owns their premises of 20,600m². Total GLA of the property including this premises is 95,000m².
^^ The centre offers 61,200m² of total GLA, out of which 57,400m² owned by the Group.

Type	Location	Ownership	GLA of existing property m²	GLA of development m²	Valuation/Cost to date €m
TOTAL DEVELOPMENTS AND LAND BANK					
RETAIL DEVELOPMENTS UNDER CONSTRUCTION					
9	Promenada Mall	Extension	100%	39,300	58,400
60	Promenada Craiova	New development	100%	-	63,700
1	Bonarka City Center	Refurbishment	100%	74,700	4,700
42	Galeria Wolomin	Extension	100%	-	2,900
	Photovoltaic plants	Green energy project	100%	-	-
DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING*					
61	Promenada Plovdiv	New development	100%	-	57,700
62	Galati Retail Park	New development	100%	-	33,200
Land held for developments**					
					39
RESIDENTIAL DEVELOPMENTS UNDER CONSTRUCTION (INVENTORY PROPERTY)					
				GSA^ of development m²	21
Vulcan Residential				18,300	21
				18,300^^	21

* Amounts included in this schedule are estimates and may vary according to permitting, pre-leasing and final configuration of the completed development projects.
** Land held for developments excludes land held for sale with a market value of €17 million.
^ GSA - Gross sellable area
^^ GSA of 18,300m² represent 254 apartments (parking bays not included).

GLOSSARY

Collection rate: operational performance indicator computed as cash collected relative to the Gross rental income and Service charge income as recognized in the Consolidated Financial Statements (adjusted for accruals and concessions granted in the year)

Committed projects: projects currently under construction, for which the Group owns the land or building rights and has obtained all necessary authorizations and permits

Like-for-like: operational measure computed based on the investment property excluding acquisitions, divestments, transfers to and from investment property under development and all other changes resulting in significant change to the square meters of a property

Loan-to-value (LTV): $(\text{Interest bearing debt} - \text{Lease liabilities} - \text{Cash}) / (\text{Investment property (including investment property held for sale)} - \text{right-of-use assets})$

Occupancy cost ratio (Effort ratio): Annual Base rent, overage rent, service charge and marketing contribution, divided by tenant sales; excludes sales reported by hypermarkets

(Weighted) average cost of debt: a mathematical measure of the finance expense divided by the periodical average outstanding debt

EPRA MEASURES

EPRA Cost ratio: The purpose of the EPRA Cost ratio is to reflect the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administration expenses (excluding exceptional items) as a percentage of Gross rental income

EPRA Earnings: Profit after tax attributable to the equity holders of the Company, excluding non-controlling interest, fair value adjustments of investment property, profits or losses on investment property disposals and related tax adjustment for losses on disposals, gains on acquisition of subsidiaries, acquisition costs, fair value and net result on sale of financial investments at fair value through profit or loss and deferred tax expense

EPRA Earnings Per Share: EPRA Earnings divided by the number of shares outstanding at the period or year-end

EPRA NAV METRICS:

EPRA Net Reinstatement Value (“EPRA NRV”): Highlights the value of net assets on a long-term basis. It is computed as the net assets per the Statement of financial position, excluding the goodwill, deferred taxation net balance and mark-to-market of interest rate derivatives (which represents assets and liabilities not expected to crystallise in normal course of business)

EPRA Net Tangible Assets (“EPRA NTA”): Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax

EPRA Net Disposal Value (“EPRA NDV”): Represents the shareholders’ value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax

EPRA Net Initial Yield: Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the portfolio

EPRA “topped-up” Yield: EPRA Net Initial Yield adjusted in respect of the annualised rent-free at the balance sheet date

EPRA Vacancy Rate: Vacancy rate computed based on estimated rental value of vacant space compared to the estimated rental value of the entire property

EPRA loan-to-value (“EPRA LTV”): A key (shareholder-gearing) metric to determine the percentage of debt comparing to the appraised value of the properties

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