



**NEPI  
ROCKCASTLE**



# CLIMATE CHANGE RISKS AND OPPORTUNITIES REPORT

2023



EXCELLENCE. INNOVATION. EXPERIENCE.



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# I. Introduction

NEPI Rockcastle is the premier owner and operator of shopping centres in Central and Eastern Europe ('CEE'), with a presence in nine countries and an investment portfolio of €6.8 billion as of December 31, 2023. The Group benefits from a highly skilled internal management team which combines expertise and geographically diverse skills allowing 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 retail properties, which attracted more than 3.37 million visitors in 2023. 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.

As a leader in the CEE Region, with presence in nine countries, developing, owning, and managing shopping centers, industrial and office buildings, the Group's sustainability strategy has established a sector-leading approach for creating resilience, positive impact, and meeting stakeholders' requirements, all while adhering to its core values. The Group has demonstrated its commitment to sustainability through addressing the most significant challenges and opportunities facing its business, industry and society.

NEPI Rockcastle operates in an environment where ESG concerns are increasingly recognized, and regulations are evolving to address sustainability and climate-related issues. The real estate industry, due to its significant carbon footprint and sustainability impacts, is particularly affected by these trends. In response, NEPI Rockcastle has defined its sustainability strategy and identified material issues aligned with international climate-related disclosure recommendations and standards.

One key aspect of NEPI Rockcastle's approach is its group-wide risk management framework, detailed in the Annual Report available on the company's website. This framework serves to protect stakeholders, the business itself, and the communities in which it operates, while also supporting the execution of the company's strategy and fostering sustainable growth.

Regarding climate-related reporting, NEPI Rockcastle compiled a Climate Report in 2023, grounded in the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). However, it is noted that the newly issued IFRS S2 Climate-related Disclosure Standard will replace the TCFD recommendations as the market

reference from 2024 onwards. This indicates the company's commitment to staying abreast of evolving standards and ensuring its reporting remains in line with industry best practices and regulatory requirements.

## Reporting Scope

Developing a climate change risks and opportunities report tailored to the Group's business model and sustainability strategy demonstrates a proactive approach to managing these risks. Adopting the structure recommended by the Task Force on Climate-related Financial Disclosures (TCFD) ensures that the report covers key areas necessary for effective climate risk management and disclosure. The report components based on the TCFD recommendations are highlighted below:

1. **Governance:** This section outlines the governance structure and processes related to climate change within the Group. It includes details on how climate-related issues are integrated into decision-making processes, the roles and responsibilities of relevant stakeholders, and any oversight mechanisms in place.
2. **Strategy and Risk Assessment:** This section describes the Group's approach to managing climate-related risks and opportunities within its overall business strategy. It outlines how the Group identifies and assesses climate-related risks, as well as any strategies or initiatives aimed at mitigating these risks and capitalizing on opportunities.
3. **Risk Management:** Building upon the previous section, this part of the report delves deeper into the specific climate-related risks identified by the Group. It provides an analysis of the potential financial impacts of these risks on the Group's operations and performance, as well as details on the measures taken to manage and mitigate them.
4. **Metrics and Targets:** Lastly, this section focuses on the metrics and targets used to monitor and track the Group's progress in managing climate-related risks and opportunities. It includes both qualitative and quantitative indicators related to climate performance, as well as activities set for reducing emissions, increasing resilience, or achieving other climate-related objectives.

By structuring the climate change risks and opportunities report in accordance with the TCFD recommendations, the Group demonstrates a commitment to transparency, accountability, and effective climate risk management. This approach not only helps the Group better understand



and address its exposure to climate-related risks but also provides valuable information for stakeholders, investors, and other interested parties.

The Group is aware that climate change risks may impact its operations and business strategy over a long period, therefore it analysed such risks within several climate scenarios. NEPI Rockcastle's understanding of the challenges associated with climate change is evolving

therefore the Group will continuously update the strategy and business activities accordingly, outlining its approach to mitigate potential impacts and ensure resilience.

The reporting scope includes the entire NEPI Rockcastle portfolio of 60 properties with a total value of approximately €6.8 billion and gross leasable area (GLA) of over 2.2 million m<sup>2</sup>.

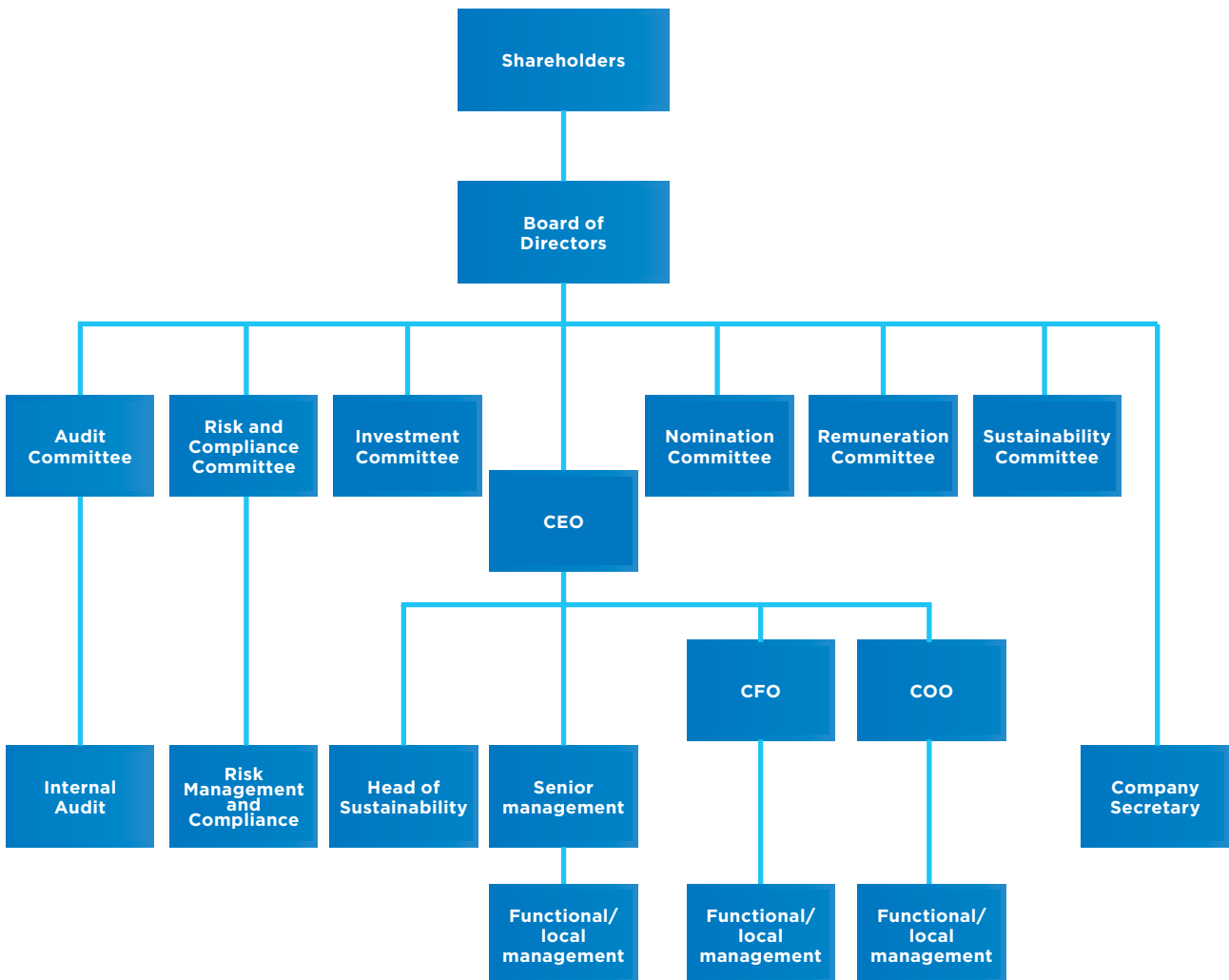
# II. Governance

## 2.1. ROLE AND RESPONSIBILITIES OF THE BOARD

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 accountability.

### The Group's governance structure (including Sustainability function)



## The Sustainability Committee

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 Committee oversees how the consequences of the Group's activities and outputs affect its status including climate change issues as a responsible corporate citizen.

The Sustainability Committee approves the sustainability strategy, covering climate related targets, 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 sustainability agenda in the Group, while the CEO is ultimately responsible at Group level to deliver the sustainability strategy.

## Overview of the Sustainability Committee

<b>Independent non-Executive Directors</b>	Minimum 2 meetings per year. Role:
Andreas Klingen (Chairman) Antoine Dijkstra Ana Maria Mihaescu	<ul style="list-style-type: none"> <li>overseeing the Group's activity and its impact on climate</li> </ul>
<b>Non-Independent non-Executive Directors</b>	
Steven Brown	
<b>Executive Directors</b>	<ul style="list-style-type: none"> <li>recommending climate related strategy and targets to the Board of Directors</li> <li>verifying progress towards the implementation of such climate-related strategy</li> </ul>
Eliza Predoiu	

Details of Sustainability Committee role, activity, members background and expertise, are described in the Corporate Governance section of the Group's Annual Report available on the Company's website.

## 2.2 ROLE AND RESPONSIBILITIES OF MANAGEMENT

### Executive Directors

The Executive Directors regularly engage in dialogue with the Board on key sustainability aspects, including climate risks and opportunities, 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, also covering climate related targets execution and progress, is 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.

### Sustainability Department

The Company appointed a Group Head of Sustainability to lead the execution, track progress of implementation of sustainable initiatives, and report the status. The Sustainability Data Analyst is responsible for data collection for the entire Group and data analysis, using a specialized data collection platform called Deepki. In 2023, a Sustainability Manager joined the sustainability team, coordinating the risk and opportunities assessment process, as well as implementation of development and operational processes and procedures across the Group.

The Sustainability Team members bring expertise to Group's sustainability approach with professional credentials and academic qualifications in STEM (science, technology, engineering, mathematics), including degrees in environmental engineering and sustainability management and leadership.

The Head of Sustainability reports to the CEO and works closely with CFO, COO and internal and external stakeholders. The Group Head of Sustainability has regular contact with the Sustainability Committee, being the primary responsible to advance the sustainability agenda and prioritize focused and concerted actions across the portfolio.

### Senior management & local/ functional management

The ESG strategy recognizes the responsibility on the management level and integration of physical and transition climate change risks into regular risk assessment and business operations.

Local or functional management refers to department-specific efforts to address sustainability issues in the assets. It involves integration of the sustainability considerations into the day-to-day operations and decision-making of center, property and asset management departments, with the goal of driving positive environmental, social, and economic outcomes across the organization. Local departments are empowered to play an active role in advancing the Group's sustainability agenda. By integrating sustainability into everyday practices and decision-making processes, these contribute to building a more resilient, responsible, and future-ready organization.

Specific KPIs have been defined and embedded in the annual performance assessment for key management levels, from the Executive Directors downwards to center management teams, to link environmental and climate performance to personal performance and remuneration, demonstrating commitment across the whole Company.

# III. Strategy and risk assessment

## 3.1 CLIMATE-RELATED HAZARDS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG TERM.

NEPI Rockcastle is aware that climate change can have negative effects on its operations, as well as on its tenants and value chain partners. These effects will range from physical impacts, directly related to more frequent extreme weather events and growing adaptation needs, to transition risks that may impact the organization as it transitions towards a low-carbon economy.

In 2023, the Company performed a comprehensive analysis of climate-related risks and opportunities for its portfolio. This was grounded in the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and considered the newly issued IFRS S2 Climate-related Disclosure Standard, that will replace TCFD recommendations as the market reference from 2024.

Climate-related risks refer to the potential negative effects of climate change on a company. These risks are categorised into physical risks and transition risks:

- Physical risks are risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climate patterns (chronic physical risk).
- Transition risks are risks that arise from efforts to transition to a low-carbon economy and include policy, legal, technological, market, and reputational risks.

The first step was a thorough screening and materiality assessment of a long list of climate-related risks included in the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021. The screening was based on international best practice, sector-relevant climate-related disclosures as well as Industry-based Guidance on Implementing IFRS S2 (Industry-based Guidance Volume 36 Real estate).

For the identified climate-related risks (except those for which risk assessment remained low for the whole timeframe of the analysis) the Company has specified the time horizon over which the effects of each risk could reasonably be expected to occur:

- short by 2030,
- medium by 2040,
- long-term by 2050.

In case of risks assessed as low until 2050, the information was indicated in the table as 'Low risk'. The time horizon definitions are reflecting the planning horizons used by the Company for strategic decision-making. The list of climate-related risks that could reasonably be expected to affect the Company's prospects is presented in the table below.





Physical climate-related hazards

Physical hazard	Description	Time horizon (or 'Low risk' if risk assessment remains low until 2050)
<b>Acute</b>		
Temperature-related	<p>Heat wave</p> <p>A period of abnormally hot weather often defined with reference to a relative temperature threshold, lasting from two days to months (<a href="#">IPCC, 2021</a>).</p> <p>Heat waves put burden on water, energy, and transportation, leading to power shortages or blackouts, affecting buildings' operations. (<a href="#">WHO, n.d.</a>). Heat can also damage materials (e.g. through deformation) and thus lead to the impairment of means of production and infrastructure.</p>	Short- to Long-term
	<p>Wildfire</p> <p>A large and destructive fire of vegetation including field, forest and bush fire. Increasing heat waves contribute to an expansion of fire (<a href="#">EEA, 2021</a>).</p> <p>Wildfires can damage buildings by direct damage, as well as by clogging ventilation and air filtration systems with smoke containing hazardous air pollutants, including PM2.5, NO2, ozone, aromatic hydrocarbons, or lead (<a href="#">WHO, n.d.</a>).</p>	Short- to Long-term
Wind-related	<p>Storm: wind speed from 75 to 88 km/h Heavy storm: wind speed from 89 to 102 km/h Hurricane storm: wind speed from 103 to 117 km/h (<a href="#">DWD Encyclopedia, n.d.</a>)</p> <p>A blizzard is qualified as moderate or heavy falling snow (continuous or in the form of frequent showers) with wind speeds above 48 km/h or more, with visibility reduced to 200 metres or less (<a href="#">Met Office, 2019</a>).</p> <p>A dust/sandstorm is a wall of dust and debris (or sand, in the case of sandstorm) that is blown into an area by strong winds from thunderstorms. The wall of dust or sand created by a dust/sandstorm can be miles long and several thousand feet high (<a href="#">NOAA Scijinks, n.d.</a>).</p> <p>A storm causes damage to infrastructure or buildings by impairing constructions caused by the strong wind or by objects displaced by it. In addition to this, a blizzard brings significant amount of snowfall in a short time.</p>	Short- to Long-term

# III. Strategy and risk assessment

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Physical hazard	Description	Time horizon (or 'Low risk' if risk assessment remains low until 2050)
Water-related	<p>An exceptional period of water shortage for existing ecosystems and the human population (due to low rainfall, high temperature, and/or wind) (<a href="#">IPCC, 2021</a>).</p> <p>Droughts can damage buildings by soil shrinkage and swelling, where water is drained from the soil causing it to shrink around buildings and other constructed structures, leading to uneven settling and possibly damaging a building's foundation, leaving it with no support (<a href="#">Cammalleri C et al., 2020</a>; <a href="#">Raizner Slania, 2021</a>).</p>	Medium- to Long-term
	<p>Precipitation significantly above the usual amount. Definitions per precipitation type:</p> <p>For rain: The precipitation amount exceeds 15 to 25 l/m<sup>2</sup> in 1 hour or 20 to 35 l/m<sup>2</sup> in 6 hours. (<a href="#">DWD, n.d.</a>).</p> <p>For hail: Storm with hailstones of at least 1.9 cm (0.75 inch) in diameter (<a href="#">US National Weather Service, n.d.</a>).</p> <p>For snow: Snowfall over 10 cm in 12 hours or over 15 cm in 24 hours (<a href="#">NOAA, n.d.</a>).</p> <p>Heavy precipitation can cause damage to buildings and infrastructure. Flooding triggered by heavy precipitation poses a risk to all economic activities connected to the area affected (<a href="#">DWD, n.d.</a>).</p>	Short- to Long-term
	<p>The overflowing of the normal confines of a stream or other body of water, or the accumulation of water over areas that are not normally submerged (<a href="#">IPCC, 2021</a>).</p> <p>Floods can damage infrastructure and buildings by excess water inflow. They can also cause power, water, and gas outages, pollute drinking water systems, clog sewage systems, and cause landslides and mudslides, all posing a threat to buildings operations (<a href="#">FEMA, n.d.</a>).</p>	Medium- to Long-term

Physical hazard	Description	Time horizon (or 'Low risk' if risk assessment remains low until 2050)
Solid mass-related	<p>Landslide</p> <p>Mass-movement landforms and processes involving the downslope transport, under gravitational influence of soil and rock material en masse (EEA, n.d.). Landslides are more widespread than any other geological event and may occur anywhere in the world. They can accompany heavy rains or be a result of droughts, earthquakes, or volcanic eruptions. Areas most vulnerable to landslides include steep terrain, land burned by wildfires, land modified by human activity, e.g. deforestation or construction, channels along a stream or river, or any area exposed to surface runoff, or with heavily saturated land (WHO, n.d.).</p> <p>Landslides can damage buildings by displacing grounds on which they are located if they are on a slope exposed to surface runoff, or by the moved landmass if the buildings are located directly under such slope.</p>	Low risk
<b>Chronic</b>		
Temperature-related	<p>Heat stress*</p> <p>Heat stress occurs when the body cannot get rid of excess heat (University of Iowa, n.d.). Heat impairs physical and mental performance - especially in non-airconditioned areas or when working outdoors. Buildings not adapted to heat will need more energy for cooling to ensure adequate working conditions for those working inside, whilst maintenance works conducted outside may be affected by lower productivity and potential disruption during periods of excessive heat.</p>	Short- to Long-term
Wind-related	<p>Changing wind patterns</p> <p>Wind patterns changing in intensity and distribution. Changing wind patterns cause changes in air masses movement, leading to temperature, precipitation, and storm risk, all posing a risk to buildings, as described above for the respective acute risks.</p>	Short- to Long-term
Water-related	<p>Water stress</p> <p>A situation where there is not enough water of sufficient quality to meet the demands of people and the environment (EEA, 2021). This may affect buildings by limiting access to water for drinking, sanitation, or to the sewage system. Buildings are among the most exposed to this risk. In Europe, the use of water for building construction and operation amounts to more than a fifth of total water abstracted (WGBC, 2019).</p>	Medium- to Long-term

\* It is difficult to distinguish between a heatwave and a heat stress in the medium term (up to 2050). Existing literature describes a heat stress purely as a consequence of a heatwave.

# III. Strategy and risk assessment

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## Transition climate-related hazards

Transition hazards	Description	Time horizon according to the < 1.5/2°C scenario (or 'Low risk' if risk assessment remains low until 2050)	Time horizon according to the 4+°C scenario (or 'Low risk' if risk assessment remains low until 2050)	
Policy and legal	Regulatory environment	Climate targets set by the EU implying more stringent regulations and measures to limit GHG emissions for buildings, which are among the largest emitters, responsible for around 36% of GHG emissions in Europe ( <a href="#">European Commission, 2020</a> ). The more stringent regulations may include a carbon tax, energy efficiency targets, or construction code changes.	Short- to long-term	Low risk
	Regulatory compliance regarding non-financial climate-related reporting	Risk of non-compliance with non-financial climate-related reporting regulations, which are being increasingly required by regulators. As buildings have a particularly high footprint (36% of GHG emissions, 40% of energy consumption, 50% of extracted materials and 21% of total water abstracted in Europe), they are expected to be specifically targeted by climate-related reporting requirements.	Short- to medium-term	Low risk
	Legal liability and management accountability	<p>The risk of the company being sued for:</p> <ul style="list-style-type: none"> <li>greenwashing (unsubstantiated claims of sustainable actions),</li> <li>damages for climate-related physical risks which could have been prevented, had the company taken appropriate measures,</li> <li>not transforming the business and not responding to changing business needs.</li> </ul> <p>Due to buildings' substantial climate and environmental footprint (as outlined above), as well as the high number of customers physically present on premises, building operators who do take appropriate action are expected to face increased risk of litigation in case of greenwashing, climate-related damage, or lack of suitable business transformation.</p>	Medium-term	Low risk

Transition hazards	Description	Time horizon according to the < 1.5/2°C scenario (or 'Low risk' if risk assessment remains low until 2050)	Time horizon according to the 4+°C scenario (or 'Low risk' if risk assessment remains low until 2050)	
Technology	Cost of transitioning to low-carbon technologies	Technology risk related to transitioning to low-carbon technologies (incl. adopting innovative building management systems, switching to renewable energy sources (RES)). Due to the high energy consumption in buildings, transitioning to low-carbon energy sources may require above-average efforts for building operators if proper measures are not implemented in due time.	Short- to long-term	Low risk
	Transition risk (older assets)	Stranded assets risk, uncertainties associated with availability of technology and transition viability in case of high carbon footprint assets and assets that have high negative impact on sustainability and are replaceable with low-or zero- emissions substitutes.	Short- to medium-term	Low risk
	Resource efficiency and circular economy	Pressure for more efficient resource and waste management and for adopting circular economy solutions, increasing pressure to manage tenant sustainability impacts.	Short- to long-term	Low risk
Market	Energy prices	The risk of rising energy prices and changes in relative prices of energy. This also includes a decrease in the availability of RES or an increase in RES prices as well as increased costs of the guarantees of origin necessary to achieve the decarbonization goals	Short- to long-term	Short- to long-term
	Market valuation	Changes in valuation of properties, uncertainty of investment decisions	Medium-term	Low risk
	Insurability	The risk of uninsurability or higher cost of insurance for assets exposed to significant physical climate-related risks	Medium- to long-term	Low risk

# III. Strategy and risk assessment

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Transition hazards	Description	Time horizon according to the < 1.5/2°C scenario (or 'Low risk' if risk assessment remains low until 2050)	Time horizon according to the 4+°C scenario (or 'Low risk' if risk assessment remains low until 2050)
Market	<p>Unpredictable consumption patterns and consumer behaviour; uncertainty in market signals and supply chains. Consumer sentiment, just like the associated market signals, is prone to shocks, making it difficult to predict. Overall, consumers are increasingly conscious of their sustainability impacts. Trends towards more responsible consumption are also reinforced by the unfolding cost of living crisis (due to higher energy prices, inflationary pressures and increasing interest rates). Supply chains are similarly prone to shocks, such as the COVID-19 pandemic, which has significantly hindered international trade, or Russia's invasion of Ukraine, which has resulted in sanctions and transport limitations.</p>	Medium-term	Low risk
Reputation	<p>Growing investor and tenant expectations in terms of climate risk management, incl. in the context of EU Taxonomy alignment. Shareholders and investors expect companies to identify, assess, prioritise and monitor climate-related risks and are increasingly embedding climate risks into their investment decisions.</p>	Short- to long-term	Low risk
	<p>Growing expectations about reporting associated with the general trend of increased environmental and climate awareness (as described with regard to consumer behaviour under market risks) driving regulatory pressure on climate-related reporting, also from shareholders and investors.</p>	Short- to long-term	Low risk

### 3.2 IMPACT OF CLIMATE-RELATED HAZARDS

For each of the relevant climate-related hazards the Company has identified potential effects on its operations, capital expenditure, acquisition or divestments, and access to capital. Geographical position and concentration have been factored in based on the risk scores for the Group's properties provided by Deepki, one of the leading providers of global ESG Data Intelligence. Potential effects in the table below will be used as a starting point to extend the

analysis and to disclose the impact of climate-related risks on the Company's financial position, financial performance and cash flows (for the reporting period and anticipated over the short, medium and long term), in line with IFRS S2 requirements.

Physical climate-related risks – potential effects and geographic concentration

Physical hazards	Potential effects	Geographical concentration*	
<b>Acute</b>			
Temperature-related	Heat wave	Increased cost of air-conditioning, heat-related blackouts, major disruption of tenants' operations, termination of contracts (factor in potential divestment decisions). Increased risk of buildings materials deterioration. Increased insurance costs or limited/no insurance available. Impact on credit rating and access to capital.	Romania, Bulgaria, Serbia, Croatia, Hungary
	Wildfire	Fire-related blackouts and disruption of operations, termination of tenants' contracts (factor in potential divestment decisions), reduced asset value. Increased insurance costs or limited/no insurance available. Ventilation and air filter systems clogged due to pollution from wildfire smoke. Impact on credit rating and access to capital.	Romania, Bulgaria
Wind-related	Storm (including blizzards, dust and sandstorms)	Cost of physical damage mitigation, blackouts and major disruption to tenants' operations, termination of contracts (factor in potential divestment decisions). Increased insurance costs or limited/no insurance available. Construction project delays due to extreme weather conditions or supply chain interruptions. Impact on credit rating and access to capital.	Poland
Water-related	Drought	Reduced water availability, non-standard cost of securing alternative water supplies. Increased insurance costs or limited/no insurance available. Construction project delays due to extreme weather conditions or supply chain interruptions. Increased risk of soil shrinkage and swelling, damaging building foundations. Impact on credit rating and access to capital.	Bulgaria, Romania

# III. Strategy and risk assessment

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Physical hazards		Potential effects	Geographical concentration*
Water-related	Heavy precipitation (rain, hail, snow/ice)	Flooding due to heavy rainfall causing damage to equipment, cost of physical damage mitigation and equipment repairs. Impact on credit rating.	The occurrence of concentration has not been demonstrated
	Flood (fluvial)	Cost of physical damage mitigation, cost of adaptation measures, assets in flood-prone areas (factor in potential divestment decisions), property devaluation in the affected regions. Increased insurance costs or limited/no insurance available. Construction project delays due to extreme weather conditions or supply chain interruptions. Impact on credit rating and access to capital.	Slovakia, Croatia
Solid mass-related	Landslide	Cost of physical damage mitigation, property devaluation in the affected regions. Increased insurance costs or limited/no insurance available. Construction project delays due to extreme weather conditions or supply chain interruptions. Impact on credit rating and access to capital.	The occurrence of concentration has not been demonstrated
Chronic			
Temperature-related	Heat stress	Systemic risk, less optimal conditions for outdoor teams, impact on workers' productivity, higher cost of cooling to ensure proper indoor temperature for working and shopping, working procedures may need to be adapted, cost of additional workers and measures to secure workers wellbeing; higher number of accidents at work. Impact on access to capital. Rising insurance cost or no insurance available for certain assets.	Romania, Bulgaria, Serbia, Croatia, Hungary
Wind-related	Changing wind patterns	Higher costs of adaptation measures (safety measures related to the external parking lots, masts). Impact on access to capital. Rising insurance cost or no insurance available for certain assets.	The occurrence of concentration has not been demonstrated
Water-related	Water stress	Reduced water availability, non-standard cost of securing alternative water supplies, possible factor in potential divestment decisions. Impact on access to capital. Rising insurance cost or no insurance available for certain assets.	Romania, Poland, Czech Republic

\* Based on the risk assessment scores for the Group's properties allocated Deepki. Countries where average risk assessment exceeds the average of the Group portfolio are indicated as those where geographical concentration will take place.



Transition climate-related risks – potential effects

Transition hazards		Potential effects
Policy and legal	Regulatory environment	<p>Increased operating costs (e.g. higher compliance costs, increased insurance premiums).</p> <p>Increased costs and/or reduced demand for products and services resulting from fines and penalties.</p> <p>Write-offs, asset impairment, and early retirement of existing assets due to policy changes.</p> <p>Potential impact on credit rating and access to capital.</p>
	Regulatory compliance regarding non-financial climate-related reporting	<p>Increased operating costs (e.g., more stringent need for data collection and compliance costs).</p> <p>Potential impact on credit rating and access to capital.</p>
	Legal liability and management accountability	<p>Increased costs and/or reduced demand for products and services resulting from fines and penalties.</p>
Technology	Cost of transitioning to low-carbon technologies	<p>Capital expenditures related to transitioning to low-carbon technologies (incl. adopting innovative building management systems, switching to renewable energy sources (RES)).</p> <p>Costs to adopt/deploy new practices and processes.</p> <p>Potential impact on credit rating and access to capital.</p>
	Transition risk (older assets)	<p>Write-offs and early retirement of existing assets.</p> <p>Potential deterioration of the company's financial position due to the burden of high carbon footprint assets and assets that have high impact on sustainable operations.</p> <p>Potential impact on credit rating and access to capital.</p>
	Resource efficiency and circular economy	<p>Capital expenditures to improve resource and waste management and adopt circular economy solutions (incl. adopting innovative building management systems, energy efficiency improvements, water management and conservation programmes, monitoring of tenant sustainability impacts).</p> <p>Costs to adopt/deploy new practices and processes.</p> <p>Increased operating costs of waste management.</p> <p>Potential impact on credit rating and access to capital.</p>
Market	Energy prices	<p>Increased operating costs due to rising energy prices (and uncertainty leading to changes in relative prices of energy from various sources). This includes decrease in the availability of RES or an increase in RES prices as well as increased costs of guarantees of origin necessary to achieve the decarbonization goals.</p>
	Market valuation	<p>Devaluation of high carbon footprint assets and assets that have high impact on sustainable operations.</p> <p>Deterioration of the company's financial position and credit rating, potential impact on access to capital.</p>

# III. Strategy and risk assessment

>>continued

Transition hazards		Potential effects
Market	Insurability	Increased insurance costs or limited/no insurance available.
	Unpredictable market, consumer trends and supply chain	Reduced demand for products and services due to: <ul style="list-style-type: none"> <li>• changing consumption patterns driven by growing sustainability and climate awareness as well as a shift towards responsible consumption.</li> <li>• deteriorating consumer sentiment and decreasing private consumption (demand shocks due to income losses, property damage affecting valuations, socio-economic changes and labour market frictions).</li> </ul>
Reputation	Expectations regarding climate risk management	Inadequate climate risk management and non-transparent communication of the results of these processes can reduce the confidence of financial and rating institutions and, consequently, reduce access to capital. There is also a risk of causing dissatisfaction among shareholders and the public leading to potential claims.
	Expectations regarding non-financial reporting	Increased costs due to more detailed data collection and reporting requirements to meet regulatory obligations as well as shareholders' and investors' expectations. Impact on credit rating and access to capital.

## 3.3 RESILIENCE OF THE STRATEGY TO DIFFERENT CLIMATE-RELATED SCENARIOS

### Scenario analysis

Taking into consideration the identified climate-related hazards, the Company has conducted climate-related scenario analysis. The risks were assessed over three-time horizons (2030, 2040, 2050), in line with the accepted practice in assessing climate risks – in two reference scenarios developed by the Intergovernmental Panel for Climate Change (IPCC)\*:

- the optimistic, Paris-alignment scenario of average temperature increase limited to 1.5/2°C (SSP1-2.6)
- pessimistic, business-as-usual scenario of average temperature increase above 4°C (SSP5-8.5).

The assessment of physical risks for locations where NEPI Rockcastle is operating from was derived from the Deepki platform, which builds on publicly available data in line with state-of-the-art climate research.

Physical climate risks identified as material for the Company's properties in the medium- to long-term are related to temperature (heat wave, heat stress and wildfire) and water (drought). In the short- and medium-term, more relevant to the Company's operations are transition risks: in particular related to regulatory environment and compliance, technology cost and availability, resource efficiency and energy market, as well as those related to investors and tenants' expectations with regard to climate risk management and reporting.

### Climate risk mitigation measures

As indicated above, the Company has already undertaken measures in response to climate-related risks. The Company is also committed to further refine its climate risk analysis to better assess climate resilience of its strategy. This will help to prepare climate-related disclosures to meet the requirements of the IFRS S2 standard in the area of strategy and business model resilience to climate-related changes, developments and uncertainties.

\* Used for climate modelling and research for the IPCC [Sixth Assessment Report](#).

Physical climate-related risks – adaptation and mitigation measures

Adaptation and mitigation measures*		
Acute risks		
Temperature-related	Heatwave	Climate target to achieve net zero carbon emissions by 2050, including energy efficiency improvements, renewable energy production and purchase. Adaptation measures such as: installation of cooling systems suitable for likely future needs, passive cooling measures, installation of green roofs/walls. Implementation of measures to reduce the heat island effect.
	Wildfire	Better adaptation of buildings (e.g. fire-resistant materials) and fire alarm systems. Adopting existing fire emergency action plan.
Wind-related	Storm (including blizzards, dust and sandstorms)	Improving buildings' resilience to extreme storms by making sure that all equipment and building parts are secured and extreme weather-proof. Insurance against damage caused by storm.
Water-related	Drought	Developing a water management plan. Achieving the water reduction target. Installation of water efficient equipment, considering the use of grey water and rainwater systems. Water effective irrigation systems.
	Heavy precipitation (rain, hail, snow/ice)	Improving rainwater sewage systems. Proper maintenance of sewage systems. Increase of green areas. Investing in green-blue infrastructure. Increased permeable surfaces and water retention schemes. Sustainable urban drainage systems.
	Flood (costal, fluvial, pluvial, ground water)	Flood risk assessment for each asset. Implementation of technology solutions such as design of raised first floors, use of flood-resistant materials, installation of technical equipment on roofs or higher floors.
Chronic risks		
Temperature-related	Heat stress	Climate target to achieve net zero carbon emissions by 2050, including energy efficiency improvements, renewable energy production and purchase. Adaptation measures such as: installation of cooling systems suitable for likely future needs, passive cooling measures, installation of green roofs/walls. Developing a protocol of action to reduce risks to shopping malls staff and customers during heatwaves. Implementation of measures to reduce the heat island effect.
Wind-related	Changing wind patterns	Insurance against damage caused by the wind.
Water-related	Water stress	Developing a protocol of action to reduce risks to shopping malls staff and customers during water stress. Securing alternative water supplies.

\* As part of the transaction process the Company conducts a general assessment that includes 1) technical due diligence which covers any issues related to utilities supply plus general building assessment which may have an impact from ESG perspective (foundations etc.), 2) service charge expenses and recoverability 3) assessment if typical risk is insurable or not.

# III. Strategy and risk assessment

>>continued

## Transition climate-related risks – adaptation and mitigation measures

Transition risks		Adaptation and mitigation measures*
Policy and legal	Regulatory environment	Regular monitoring of emerging regulations. Climate target to achieve net zero carbon emissions by 2050. The Head of Sustainability is actively participating in the ECSP (European Council of Shopping Places) and is closely informed of new legislation imposed to the Members of state by the EU.
	Regulatory compliance regarding non-financial climate-related reporting	Continuous improvement of data collection, capabilities, and tools to support analysis and disclosure. Continuous monitoring of the legal landscape and agile reporting adjustments.
	Legal liability and management accountability	Monitoring litigation trends and mitigating the risks of greenwashing and non-compliance with legal requirements.
Technology	Cost of transitioning to low-carbon technologies	Regular monitoring and assessment of new technologies. Introducing pilot projects to test feasibility and effectiveness of new solutions.
	Transition risk (older assets)	Support of experienced professionals.
	Resource efficiency and circular economy	
Market	Energy prices	Integration of energy and emission reduction technologies into operational assets and new developments
	Market valuation	Continuously improving sustainability ratings. CRREM analysis for each asset with improvement plan. Decarbonisation plan. Transparency and above-average reporting of ESG issues.
	Insurability	Developing and maintaining robust documentation of climate-related risk monitoring and warning systems. Climate change adaptation measures.
	Unpredictable market, consumer trends and supply chain	Regular and continuous engagement with tenants, clients, and the supply chain.
Reputation	Expectations regarding climate risk management	Regular and continuous engagement with tenants, lenders, and investors. Proactive action to improve the company's ESG scores. Transparency and above-average reporting of ESG issues.
	Expectations regarding non-financial reporting	Transparency and above-average reporting of ESG issues. Seeking best in class external advice / consultants. Keeping track of market trends and obligatory changes. Education and awareness building.

\* As part of the transaction process the Company conducts a general assessment that includes 1) technical due diligence which covers any issues related to utilities supply plus general building assessment which may have an impact from ESG perspective (foundations etc.). 2) service charge expenses and recoverability 3) assessment if typical risk are insurable or not.

## Climate-related opportunities

Acknowledging all climate-related challenges, we believe that transition to a low-carbon economy presents promising business opportunities. These are related to the use of low-emission energy sources, improved resource efficiency, development of low-carbon goods and services in response to shifting consumers' preferences, as well as access to attractive sources of green financing and transition-related supportive policy instruments. By building on these opportunities and improving its climate

resilience, the Company strengthens its competitiveness, growth prospects and long-term viability under warmer climate conditions and the climate-neutral economy of tomorrow. The table below provides an overview of areas of potential climate-related opportunities as well as projects and activities, already implemented and considered, in respective areas. Based on current knowledge, the identified climate-related opportunities could reasonably be expected to be realised in the short- to medium-term.

### Climate-related opportunities

Potential opportunities	Projects and activities	
	Implemented/ongoing	Under consideration
Improving operating efficiency: Energy efficiency	Reducing energy consumption (e.g. installing LED lighting in common areas, low-temperature water systems in restrooms).	Installing (by tenants) LED lighting in tenants' areas.
	Investment in smart systems (metering and BMS) - monitoring, identifying areas for improvement, adjusting equipment parameters in real time (Pilot project launched in 2022).	Redesigning lighting installation.
	Metering and monitoring the use of utilities at property level.	Conducting energy efficiency audits.
	BREEAM-certifications and assessments by independent specialists.	Improving BMS functions with AI analytics.
Improving operating efficiency: Energy efficiency	Conducting LCA (life-cycle assessment) during the construction stage.	Designing to net or nearly net zero standards (new construction and existing assets).
	Installation of special foil on the glass facades and roofs, preventing buildings from overheating and overusing cooling systems.	
Improving operating efficiency: Water management	Decreasing potable water consumption.	Improving rainwater retention on the site.
	Water conservation program - capturing rainwater for landscaping, installing automatic flush toilets and low-temperature water systems in restrooms, reducing at the same time energy consumption.	Improving irrigation systems. Plants greenery that need no/little watering.
		Extending water conservation program - reusing grey water.

# III. Strategy and risk assessment

>>continued

Potential opportunities	Projects and activities	
	Implemented/ongoing	Under consideration
Improving operating efficiency: Waste management	Segregated bins on common indoor and external areas.	Waste management audit.
	Implementing a pilot measuring system to better track and analyse waste generated by tenants and customers.	Waste management based on circular economy principles.
Management of tenant sustainability impacts	Introducing the 'Green Appendix' with tenants, aiming to align with circular economy principles (standard for new leases, negotiated with existing clients).	Extend educational and awareness campaigns.
Management of business partner sustainability impacts	Introducing a sustainable procurement approach with business partners, aiming to align with circular economy principles.	Introducing an online platform to monitor sustainability impacts in the supply chain (carbon footprint, water management, waste management).
	Awareness campaigns on ethics and sustainability standards.	
Shifting to low-emission energy sources	Investment in RES (on-site PV panels)	Extend on- an off-site RES facilities. Implement Power Purchase Agreements.
	Installing charging stations for electric cars and electric bikes.	Retrofitting HVAC systems: switching to electric heating (to be based on RES).
		Supporting electromobility, awareness building, promotion campaigns.
Shifting toward decentralized energy generation	Investment in RES (on-site PV panels)	Extend on-site RES facilities across the portfolio
Access to supportive policy incentives	Efforts to apply for co-financing EU or local government support	Extend use of EU or local government incentives
Development and/or expansion of low-emission goods and services		Extending the business model to become an energy producer (covering all own energy needs and selling energy to other consumers).
Responding to shifts in consumers' and tenants' preferences (improving the sustainability, energy efficiency and energy performance of buildings)	Using BREEAM methodology to evaluate and certify the sustainability of buildings.	Responding to tenants expectations.
	Dialogue with the main tenants, aligning approach to sustainability performance, exchanging ideas and experience / knowledge.	
	Introducing a sustainable procurement approach with business partners, aiming to align with circular economy principles.	Introducing an online platform to monitor sustainability impacts in the supply chain (carbon footprint, water management, waste management).

Potential opportunities	Projects and activities	
	Implemented/ongoing	Under consideration
Access to green financing	Advanced cooperation with financial institutions in the area of green financing.	Continue sustainable financing activities based on the two frameworks
	Green Finance Framework developed in 2020, updated in July 2023.	
	Implementing a sustainability-linked framework aligned with investors and lenders expectations.	
	Analysis and continuous improvement of ESG ratings.	
Reduce energy dependency		Expand energy production activities to cover own consumption as well as ensuring necessary capacity for selling to clients
Access to climate adaptation and insurance risk solutions		Considering additional climate adaptation measures and insurance solutions.
Climate competitiveness - strengthening growth prospects and long-term viability		Intensifying PR activities - market positioning and building a competitive advantage.

The Company plans to further strengthen its capacity and to refine its approach to identifying and managing climate risks and opportunities, as well as to continue with transparent and above-average climate-related disclosures. Our ambition is to comply with the requirements of the IFRS S2 disclosure standard. The planned work will cover similar areas as those developed for climate-related risks, and will focus on

1. the current and anticipated effects of climate-related opportunities on the Company's business model and value chain,

2. the effects of climate-related opportunities on the Company's strategy and decision-making,
3. the effects of climate-related opportunities on the Company's financial position, financial performance and cash flows (for the reporting period and anticipated over the short, medium and long term),
4. the resilience of the Company's strategy and business model taking into account identified climate-related opportunities (including the focus on strengthening the methodology for climate-related scenario analysis).

## IV. Risk management

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.

A Risk and Compliance Officer has been appointed at Group level to manage overall compliance and risk management function, while the Risk and Compliance Partner role has been defined per each area to act as risk ambassador throughout the Group, 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. The sustainability risk partner is actively involved in identification, addressing and periodical review of existing and emerging risks in all ESG relevant domains including climate change related.

Also, the group has defined and is very strict in keeping up with risk appetite limits in areas like health and safety (e.g. serious pollution), fraud and corruption, doing business with clients/partners not carrying out legal and legitimate activities or rejecting transparency, serious violation of the Code of Ethics, non-compliance with material regulatory requirements (e.g. sustainability, competition, data privacy), non-compliance with financial reporting standards, health and safety in the assets, etc.

The Group commits to a diligent and comprehensive approach to risk management, by implementing a robust risk assessment policy, stringent risk appetite limits, and a structured methodology, safeguarding its operations, stakeholders, and reputation from potential threats.

The establishment of a Risk Register and regular reporting mechanisms to the Risk and Compliance Committee reflects a culture of transparency and accountability within the organization. This ensures that relevant stakeholders are kept informed of emerging risks and mitigation efforts, enabling informed decision-making at all levels.

Moreover, the Group's proactive stance on fraud and criminal corporate liability risk assessment, covering also sustainability considerations, showcases its commitment to ethical conduct and responsible business practices.

By integrating sustainability priorities into its risk assessment processes, the Group not only mitigates potential risks but also aligns its operations with broader environmental, social, and governance objectives. The periodic sustainability-related risk assessment led by the Group Head of Sustainability underscores the organization's agility and foresight in adapting to evolving legal, regulatory, and environmental landscapes. This proactive approach ensures that the Group remains well-positioned to address emerging risks and capitalize on new opportunities, thereby enhancing its resilience and long-term sustainability.

Overall, by prioritizing risk mitigation, transparency, and sustainability, the Group sets a high standard for ethical leadership and demonstrates its commitment to creating long-term value for both shareholders and society as a whole.

Key risk triggers and focus areas for sustainability are:

- Climate change risk and compliance with emerging sustainability regulations, including external reporting requirements
- Risk of noncompliance with EU Taxonomy regulations

The wider sustainability framework and related risks are included in the periodical enterprise risk management, and climate change risk is under particular focus.

Opting for a prudent approach and having in mind the potentially material impact on Group's operations, reputation, and finances, while considering implemented mitigating factors meant to ensure compliance with increasingly demanding applicable legal and regulatory requirements, the overall net risk level remains high.

The overall Risk Management and Compliance Framework is presented briefly in the Corporate Governance section of Group's Annual Report, as a significant component of how the Group is governed, while a more comprehensive description of the compliance and risk management system and components is available in the Compliance & Risk Management section of the Group Annual Report.





# V. Metric and targets

## Climate-related targets

The Group's climate and environmental goals are detailed in the Sustainability Report section of the Group's Annual Report.

## Performance in sustainability metrics

Reflecting on the climate risk analysis, the Company measures its performance based on sustainability metrics. These were mapped to cross industry metrics and industry based metrics, in line with IFRS S2 upcoming requirements.

### IFRS S2 - cross industry metrics

Topic	Metric	Unit of Measure	Comment
Greenhouse gases	Scope 1 GHG emissions	Metric tonnes of CO2 equivalent	Please see Annual Report
	Scope 2 GHG emissions (for the consolidated accounting group)	Metric tonnes of CO2 equivalent	Please see Annual Report
	Scope 3 GHG emissions	Metric tonnes of CO2 equivalent	Please see Annual Report
Climate-related transition risks	The amount and percentage of assets or business activities vulnerable to climate-related transition risks	Number, Percentage (%)	To be included in the future annual reports
Climate-related physical risks	The amount and percentage of assets or business activities vulnerable to climate-related physical risks	Number, Percentage (%)	To be included in the future annual reports
Climate-related opportunities	The amount and percentage of assets or business activities aligned with climate-related opportunities	Number, Percentage (%)	To be included in the future annual reports
Capital deployment	The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Amount	To be included in the future annual reports
Internal carbon prices	The price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions	Amount	To be included in the future annual reports
Remuneration	The percentage of executive management remuneration recognized in the current period that is linked to climate-related considerations	Percentage (%)	To be included in the future annual reports

IFRS S2 - industry based metrics (Real estate)

Topic	Metric	Unit of Measure	Code	Reported
Energy Management	Energy consumption data coverage as a percentage of total floor area, by property sector	Percentage (%) by floor area	IF-RE-130a.1	Please see Annual Report
	(1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity and (3) percentage renewable, by property sector	Gigajoules (GJ), Percentage (%)	IF-RE-130a.2	Please see Annual Report
	Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property sector	Percentage (%)	IF-RE-130a.3	Please see Annual Report
Water Management	Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property sector	Percentage (%) by floor area	IF-RE-140a.1	Please see Annual Report
	(1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property sector	Thousand cubic metres (m <sup>3</sup> ), Percentage (%)	IF-RE-140a.2	Please see Annual Report
	Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property sector	Percentage (%)	IF-RE-140a.3	Please see Annual Report
Management of Tenant Sustainability Impacts	(1) Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements and (2) associated leased floor area, by property sector	Percentage (%) by floor area, Square metres (m <sup>2</sup> )	IF-RE-410a.1	To be included in the future annual reports
	Percentage of tenants that are separately metered or submetered for (1) grid electricity consumption and (2) water withdrawals, by property sector	Percentage (%) by floor area	IF-RE-410a.2	To be included in the future annual reports

Activity Metric	Unit of Measure	Code	Comment
Number of assets, by property sector	Number	IF-RE-000.A	Please see Annual Report
Leasable floor area, by property sector	Square metres (m <sup>2</sup> )	IF-RE-000.B	Please see Annual Report
Percentage of indirectly managed assets, by property sector	Percentage (%) by floor area	IF-RE-000.C	Please see Annual Report
Average occupancy rate, by property sector	Percentage (%)	IF-RE-000.D	Please see Annual Report

# VI. Reference to climate-related disclosure frameworks

TCFD Recommendations, Recommended Disclosures and Guidance	Reference
<b>GOVERNANCE</b>	
Disclose the organization's governance around climate-related risks and opportunities.	
a) Describe The board's oversight of climate-related risks and opportunities.	See "Role and responsibilities of the Board" page 6
b) Describe management's role in assessing and managing climate-related risks and opportunities.	See "Role and responsibilities of management" page 7
<b>STRATEGY</b>	
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term	See "Climate-related hazards identified over the short, medium, and long term" pages... and "Resilience of the strategy to different climate-related scenarios" pages 8-14
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	See "Impact of climate-related hazards." pages 15-18
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	See "Resilience of the strategy to different climate-related scenarios" pages 18-23
<b>RISK MANAGEMENT</b>	
Disclose how the organization identifies, assesses and manages climate-related risks.	
a) Describe the organization's processes for identifying and assessing climate related risks.	See "Risk management" page 24
b) Describe the organization's processes for managing climate related risks.	See "Risk management" page 24
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	See "Risk management" page 24
<b>METRICS &amp; TARGETS</b>	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	See "Metrics and targets" pages 26-27
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See "Metrics and targets" 26-27
c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	See "Metrics and targets" 26-27



