



ANNUAL REPORT

2021

Integrated report and financial statements



EXCELLENCE. INNOVATION. EXPERIENCE.

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PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

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This copy of the Annual Report is the PDF/printed version of the Annual Report 2021 of NEPI Rockcastle plc. This version has been prepared for ease of use and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815).

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 plc and, as applicable, its subsidiaries and/or interests in joint ventures and associates.



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 €5.8 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 52 retail properties (excluding joint venture) which attracted 244 million visits in 2021. 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. NEPI Rockcastle is investment grade rated by Standard & Poor's (BBB, stable outlook) and Fitch (BBB, positive outlook).

NEPI Rockcastle's shares are listed on the Johannesburg Stock Exchange ('JSE'), Euronext Amsterdam ('Euronext') and A2X. The Group aims to distribute at least 90% of its distributable earnings on a semi-annual basis. Given the nature of its business, and as it is considered a more relevant performance measure than earnings or headline earnings per share, NEPI Rockcastle uses distribution per share as its key performance measure for trading statement purposes, in accordance with the JSE Listings Requirements.



BBB investment grade rating:
Standard & Poor's: stable outlook
Fitch: positive outlook



EPRA BPR Gold Award



EPRA sBPR Bronze Award



Top 10 Sustainalytics rated Real Estate Management companies (**low risk - 11.4/100**)



AA ESG rating leader

PROPERTY PORTFOLIO BY COUNTRY
(by market value)

2 million
m² GLA of
income-producing properties

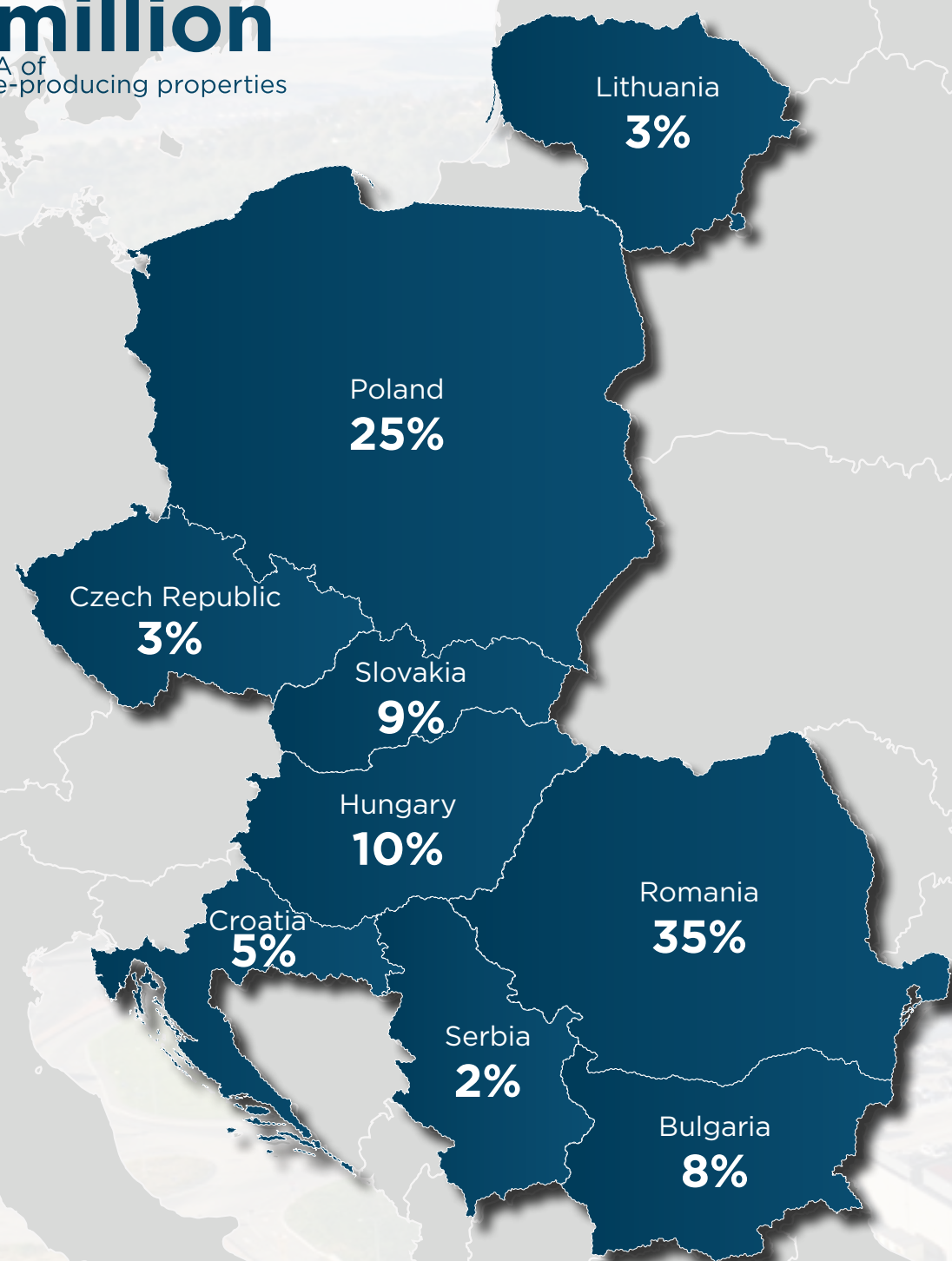


PHOTO: MEGA MALL, ROMANIA

€5.8 billion
investment property portfolio*

244 million
visits in 2021

172,900
m² GLA of
ongoing developments, extensions
and refurbishments

94%
collection rate**

96.0%
EPRA occupancy rate

over
430
professionals

* Including investment property held for sale and excluding immaterial impact of right-of-use assets
** Collection rate increased to 96% as at mid-February 2022



CEO's statement

In 2021, the Covid-19 pandemic continued to affect businesses and livelihoods, sometimes in unexpected and novel ways. However, the world learnt to cope better with the disruptions. Vaccinations and other medical breakthroughs reduced the burden on health systems, which allowed governments to reopen economies and people to largely return to a normal way of life. The impact on shopping and entertainment centres was still massive, especially in the first half of the year, when authorities in most Central and Eastern European countries introduced trading restrictions comparable with those of 2020. In the second half of the year, we have seen a robust recovery in trading numbers, indicating that the appetite for traditional shopping and leisure, of the kind offered by our Group's properties, continues to be very strong.

For the Group, 2021 was a transitional year, from the defensive mode of 2020 to repositioning for sustainable growth. Ensuring the safe operation of our properties, offering support to tenants and preserving high levels of liquidity and capital, remained key management themes. At the same time, we made the switch to a growth supporting mindset. Construction works have started on the extension of Promenada Mall in Bucharest and the greenfield development of Promenada Craiova. Our team signed over 1,000 new leases and renewals, more than in 2019. We continued to invest in our properties, to make them even more attractive for customers and retailers. Occupancy and collection rates were strong, proving the quality of our tenant mix and the strong appeal of our properties. Most encouragingly, we have seen turnovers return to, and even exceeding, pre-pandemic levels in all the months free from trading restrictions.

On the financial side, we resumed paying dividends in line with our policy of distributing at least 90% of earnings to shareholders. Our balance sheet is stronger than ever,

with a loan-to-value ratio of 30.9% and available liquidity (including undrawn committed credit facilities) of €1.1 billion. A new eight-year green bond issue in January 2022 with 2% coupon was used to restructure the debt maturity profile, and now our Company has no material debt repayments due before 2024.

There are challenges ahead, for sure. The pandemic is not over, and the emergence of new variants is still a threat. Some unwanted economic side effects are now becoming clear, such as higher inflation (brought about by fiscal and monetary stimulus, among other factors) and disrupted supply chains, which may lead to a tightening purchasing power and financial conditions in the near future. Internally, our Group has recently gone through important personnel changes, both at executive management and Board level, and is planning a corporate relocation of its holding company. These changes will have to be carefully managed to ensure strategic and operational continuity. I am confident that we will be able to successfully steer through these challenges and deliver strong results for our shareholders.

Since the publication of our 2021 results on 23 February, a war started between Russia and Ukraine, two countries in the immediate proximity of the CEE region, followed by many countries announcing sanctions against the Russian economy. NEPI Rockcastle has no properties in either Russia or Ukraine and insignificant exposure to Russian or Ukrainian tenants. Among the Group's larger tenants, some are also operating in Russia and/or Ukraine, but we do not expect any of them to be in existential danger. We are thus confident that NEPI Rockcastle will not be immediately and directly affected by the events currently unfolding. Having said that, these events can have significant indirect effects on the economies where the Group is operating, which are difficult to predict with any accuracy at this stage.

24 March 2022

RÜDIGER DANY
Chief Executive Officer

Chairman's statement

The Covid-19 pandemic continued to be a main theme in 2021, having a significant impact on our results for the year. It has played out, however, in a very different way compared to 2020. Throughout the first several months most governments in CEE introduced stringent lockdowns to combat what proved to be the peak wave of the pandemic. From May onwards, the situation improved substantially on the back of several positive developments. Economies grew, helped by fiscal and monetary support, but mostly as a result of people's natural impulse to regain their quality of life. We have seen this in our tenants' sales rebounding to at least 2019 levels, as soon as restrictions were lifted or relaxed. For the moment, it seems that Covid-19 will become less of a factor in our Group's future results.

NEPI Rockcastle's operations have reflected this transition, with the health and safety of our visitors and staff remaining a key priority. The Group continued to support its tenants throughout the more difficult parts of the year, at a cost of €40.8 million in rent concessions (down from €69.5 million in 2020). The support paid off, and our partnership with our tenants is as strong as ever, as indicated by the receivables collection rate (more than 96% as of mid-February 2022), the robust EPRA occupancy (96%) and the retailers' continuing commitment to our properties. Many of them have expansion plans and our asset management team is busy finding the right solutions to accommodate more successful concepts in our properties. Retail NOI increased by 12% versus 2020 and is expected to continue growing in 2022, as the Group completes the shift from crisis management mode to a growth mindset.

Throughout 2021, NEPI Rockcastle continued its prudent capital allocation policy. New financing arrangements were contracted with a view to increasing average debt maturity (5.1 years after the latest bond issue completed in January 2022), reducing interest costs and ensuring adequate liquidity reserves. The Group is very well capitalised and positioned for financing future growth. The priority will be funding the existing development pipeline, which includes a balanced mix of standing asset redevelopments and greenfield projects. I strongly believe that our team is uniquely placed to identify and execute on opportunities that are not only directly accretive to our bottom line, but

will also increase the quality and long-term sustainability of the property portfolio. NEPI Rockcastle will also selectively consider acquisitions of individual assets or portfolios that fit its strict quality, dominance and sustainability criteria. At the same time, the Group is determined to continue its policy of distributing substantially all earnings to its shareholders as dividends.

In August 2021, I assumed the role of Chairman of the Board from Robert Emslie, who had previously announced his retirement from the Board of Directors. I thank Robert on behalf of the Board for his significant contribution to the Group and wish him all the best in his other endeavors. Also in August, the Board appointed two new non-Executive Directors, Ana Maria Mihaescu and Jonathan Lurie. The addition of Ana Maria and Jonathan enhances the Board's expertise and strengthens its decision-making abilities.

In July, Alex Morar (CEO) and Mirela Covasa (CFO) announced their decision to leave NEPI Rockcastle and approached the Board to implement a succession plan. The Board worked together with Alex and Mirela and appointed Rüdiger Dany (previously COO) and Eliza Predoiu (previously Deputy CFO) as interim CEO and CFO, respectively, effective from 1 February 2022. The Board would like to thank Alex and Mirela for their great service during their long tenure with the Company, and welcome Rüdiger and Eliza into their new roles. NEPI Rockcastle will continue under the new executive management to implement its strategy and deliver value to shareholders through sustainable growth.

We are living through challenging times. Although the Covid-19 pandemic shows signs of abating, the war in Ukraine has now taken center stage as a major threat. The macroeconomic environment is also clouded by risks of significant inflation and rising interest rates. No organisation can fully predict and defend against the potential fallout from all of the events now unfolding. However, I sincerely believe that NEPI Rockcastle is strongly positioned to continue delivering on its objectives and creating value for our shareholders. Our keys to success remain our superior portfolio quality, solid financial footing and, last but certainly not least, its top-class executive team and staff.

24 March 2022

GEORGE AASE
Chairman

George Elling Aase



Directors' report

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

HIGHLIGHTS

- Distributable earnings per share ('DEPS') for the second half ('H2') of 2021 were 16.78 euro cents, which, combined with the interim DEPS of 17.64 euro cents, produces an annual DEPS of 34.42 euro cents, 10.4% lower than 2020 (38.42 euro cents). DEPS has been affected by the non-recurring negative impact of 6.13 euro cents from the expenses with litigation claim related to the discontinued acquisition of Serenada and Krokus Shopping Centres in Poland. Excluding the expenses with the litigation claim, the recurring DEPS was 40.55 euro cents, 5.5% higher than in 2020.
- The Board has declared a dividend of 16.78 euro cents per share for H2 2021, corresponding to 100% of the DEPS for this period. The distribution will be paid in cash during March 2022.
- Net rental and related income (referred to as 'Net Operating Income' or 'NOI') was €347 million, 7.4% higher than in 2020. The NOI has been affected by the Group's disposals during the last two years: the Romanian office portfolio sold in August 2020 (impact of NOI loss for 2021 of approximately €14.2 million), and two Serbian retail properties sold in July 2021 (impact of NOI loss of approximately €2 million). Excluding the impact of the disposals, NOI was 13% higher in 2021 compared to 2020.
- Retail NOI increased by 11.9% vs 2020. The key drivers were the reduction in temporary rent concessions granted to tenants as Covid-19 support (€40.8 million recognised in 2021, compared to €69.5 million recognised in 2020) and the increase in variable (turnover and overage) rent from €26.6 million (2020) to €28.3 million (2021).
- There were 244 million visits in 2021, a 10.4% increase compared to 2020. On a like-for-like ('LFL') basis, footfall increased by 9.5% vs 2020 and decreased by 27.3% vs 2019.
- Tenant turnover increased by 25.0% (excluding hypermarkets) compared to 2020 and was 15.1% lower than in the benchmark year of 2019, on a LFL basis. The superior dynamic of turnovers compared to footfall reflects the increase in average basket size by 15.4% compared to 2020 (18.1% compared to 2019).
- Occupancy cost ratio ('OCR') impacted by the effect of concessions decreased from 14.5% in 2020 to 13% in 2021 (excluding hypermarkets), only slightly higher than the benchmark of 2019 (11.9%).
- The collection rate remained high (94% of 2021 reported revenues were collected as of 31 December 2021, increasing to 96% by mid-February 2022), despite significantly lower rent concessions granted to tenants in 2021 compared to 2020.



PHOTO: SHOPPING CITY RAMNICU VALCEA, ROMANIA

- Throughout 2021, non-essential stores were closed for 46 days on average (weighted by asset value), approximately 12% of the year, with trading restrictions for certain businesses, such as restaurants and cinemas, lasting much longer. By year end, most restrictions were lifted and nearly 100% of Gross Lettable Area ('GLA') was operational.
- Rental concessions of €40.8 million were recognised in the Statement of comprehensive income for the period, mainly as a reduction of gross rental income or expense with partial forgiveness of receivables.
- Investment property as of 31 December 2021 was valued at €5.84 billion, compared to €5.80 billion at the end of 2020. This increase reflects a fair value gain of €34.7 million on the previous year.
- European Public Real Estate Association ('EPRA') occupancy increased slightly to 96.0%, compared to 95.7% in 2020.
- EPRA Net Reinstatement Value ('NRV') per share was €6.51 as of 31 December 2021, a 0.9% increase compared to €6.45 as of 31 December 2020, mostly due to the revaluation of the property portfolio.
- Liquidity position as of 31 December 2021 was very strong: €1.1 billion, including €499 million in cash and €620 million in undrawn committed credit facilities.
- Loan-to-value ('LTV') was 30.9% as of 31 December 2021, significantly below the 35% strategic threshold and comfortably within debt covenants.
- The average debt maturity decreased from 4.1 years as of 31 December 2020 to 3.7 years as of 31 December 2021. As a result of the eight-year unsecured green bond issue completed in January 2022 and the early redemption of the bond notes maturing in May 2023, both in amount of €500 million, the average debt maturity increased to 5.1 years at the end of January 2022.
- The average interest rate, including hedging, was 2.4% for 2021, slightly higher than 2.3% in 2020.
- Investment grade credit ratings reaffirmed at BBB by Fitch Ratings (positive outlook) and S&P Global Ratings (stable outlook).
- Environmental, Social and Corporate Governance ('ESG') Risk Rating from Sustainalytics improved to 11.4/100 (end 2021) from 12.5/100 (end 2020).
- Throughout the year NEPI Rockcastle invested €75 million in developments and capital expenditures.
- In July 2021, the Group sold two Serbian retail properties, Kragujevac Plaza and Krusevac Shopping Park, for a transaction value of €60.8 million.

Directors' report

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OPERATING PERFORMANCE

Trading summary

Between January and May, retail trading was disrupted by restrictions introduced to combat the Covid-19 waves that hit all Central and Eastern European countries during that period. Restrictions were generally less severe than in 2020. On a monthly basis, the minimum percentage of GLA open for business was reached in January (65%), still a far higher proportion compared to the worst months of 2020, when all non-essential stores had been closed. From May to October, there were no further lockdowns, which allowed trading to reach, and even exceed, the levels of 2019. The waves of infections starting in November, fuelled by the new Omicron variant, led to further restrictions. Due to the high levels of immunisation within the population, governments refrained from fully closing stores this time round, and stores remained open almost everywhere.

On average, throughout 2021, non-essential stores were closed for 46 days (weighted by asset value), or approximately 12% of the year. The longest cumulative lockdowns were in the Czech Republic (130 days), Slovakia (123 days) and Lithuania (109 days), while Romania and Croatia had no full lockdowns in 2021. Additionally, further restrictions were imposed on specific businesses (food service and entertainment), including limitations on capacity and opening hours.

Overall, in 2021 footfall and tenant sales were higher than in 2020 on a LFL basis (by 9.5% and 25.0%, respectively), and lower by 27.0% and 15.1%, respectively, as compared to 2019. This yearly comparison hides significant month by month differences, reflecting the various stages in the evolution of the pandemic. January and February were pandemic months in 2021 but not in 2020, which led to a negative year-over-year ('YoY') variation. Performance in March and April was marred by restrictions in 2021 (tenant sales were 40% lower than in 2019), but less so than in 2020 (+146.5% in sales). The period from May to September saw a full recovery (sales were 4% higher than in the same period in 2019), which is very encouraging and proves that customers are willing to resume shopping in the Company's properties when restrictions are lifted. During the last quarter, when restrictions were reintroduced, sales dropped below 2019 levels (by 12%) but were still 28% above 2020 levels.

The average basket continued to increase in 2021, as customers tended to reduce the number of visits to shopping centres, but buy more products during a visit. This trend started in 2020, when the average basket was 2.7% higher than in 2019, and accelerated in 2021 (+15.4% vs 2020; +18.1% vs 2019). The tenant OCR dropped from 14.5% in 2020 to 13.0% in 2021, just above the 2019 level (11.9%), even as it reduced rent concessions by 41% between 2020 and 2021, which shows that NEPI Rockcastle calibrated the level of support granted to tenants properly. No major tenants went bankrupt and insolvencies were very limited, even among smaller tenants, further proving that the Group's support was adequate.

Performance variations between countries are due to differences in length and severity of restrictions, prevalent property types and government policies regarding retail support. Top performers include Romania, where there were no full lockdowns in 2021 and the NOI returned to 2019 levels, Croatia and Serbia (both with 2021 NOI higher than the 2019 NOI on a LFL basis). Slovakia, Lithuania and the Czech Republic were the only countries where 2021 NOI was lower than in 2020, due to the long periods of lockdown during the first half ('H1') of 2021. Compared to 2019, Poland has the worst NOI variation, as it was the only country in the Company's portfolio where landlords were forced by law to waive rents during lockdown.

By retail category, the segments that recovered the most in 2021 were the ones most affected by restrictions in 2020 that benefited from a relative relaxation: Entertainment (+39% in tenant sales in 2021 vs 2020 LFL), Services (+59%) and Food Services (+40%). This proves that entertainment and leisure offerings will continue to provide significant appeal once restrictions are lifted. Compared to the 2019 benchmark, the best performing segments were Fashion Accessories (-5.2%), Sporting Goods (-2.0%), Health and Beauty (-2.5%) and Electronics (-9.3%). These segments benefitted from changes in consumer habits, which adapted to new circumstances and routines. The fashion segment, the largest by sales, was up by 26% vs 2020 and down by 18.7% vs 2019.

Trading restrictions and government measures

At mid-February 2022, 100% of the Group's GLA was operational. Throughout 2021, governments in Central and Eastern Europe ('CEE') became increasingly reluctant to impose hard trading restrictions of the kind favoured in 2020, such as closing non-essential stores. Instead, they resorted to more nuanced measures to slow contagion, like capacity limits or attendance only permitted for people with green certificates. The appearance of the milder Omicron variant, and the progress made with vaccinations, consolidated this trend. At present, the Company does not expect any further lockdowns in any of the countries where it is operating.

Since the start of the pandemic, governments in CEE have adopted various measures to support businesses affected by lockdowns, including tax relief (such as deferral of liabilities and exemptions/discounts for property tax), employment support (such as subsidised furloughs and flexible working hours) and liquidity-enhancing measures (such as guaranteed loans and suspension of loan payments). These measures were gradually rolled back in 2021. In terms of specific legislation affecting NEPI Rockcastle's business, Poland introduced the most intrusive rules, suspending lease agreements and waiving the payment of rents and service charges for certain periods. Recently these measures had no effect as new lockdowns were avoided, a situation the Group expects to continue.



PHOTO: MEGA MALL, ROMANIA

ADAPTING TO THE CHANGING RETAIL ENVIRONMENT

Active asset management

In 2021, the focus in asset management was on positioning the portfolio for a return to growth. Several extension and refurbishment projects were initiated or continued. The key objectives were reducing vacancy and optimising the tenant mix, particularly by expanding successful tenants, rightsising and upgrading units and bringing in retailers with no prior presence in the region. Another objective was the introduction of new digital services, communication tools and platforms, aimed at making the shopping experience more convenient and increasing loyalty.

At the same time, the measures taken in 2020 in response to the pandemic were reinforced and updated. These included the protection of customers and safe operation of properties by implementing the strictest health and safety standards, supporting tenants affected by restrictions, reacting to changes in consumer behaviour and managing the cost of maintaining and operating properties.

Specific asset management measures initiated, continued or finalised in 2021 include:

- CCC group's new concept, Half Price, opened stores in four Polish properties: Galeria Warminska, Focus Mall Zielona Gora, Solaris Shopping Centre and Platan Shopping Centre.
- A new TK Maxx (2,000m²) was opened in Focus Mall Zielona Gora.
- The redevelopment of Ozas Shopping and Entertainment Centre (Lithuania) continued with the opening of a swimming pool (1,600m²) and several new stores and food service units, including Pet City, Vapiano, Gastrobar +++, Olive Kitchen and Grill London.
- A new cinema (1,500m²) operated by Cinema City opened in Shopping City Buzau (Romania).
- Several new stores were opened in Forum Liberec Shopping Centre (Czech Republic), including three LPP brands (Sinsay, Cropp and Mohito), Gap and the city's first Under Armour.
- The redevelopment of Bonarka City Center (Poland) continued with the opening of several stores, including Eobuwie (1,000m²), CCC (800m²), Deichmann (800m²), Pepco (500m²) and the first S'portofino in the Group's portfolio (300m²). Primark will open a store by the end of the year.
- Three Inditex brands opened stores in Shopping City Targu Mures (Romania): Bershka (800m²), Pull & Bear (700m²) and Stradivarius (600m²).

Directors' report

» continued

- The extension and refurbishment of Paradise Center (Bulgaria) was completed in 2021, with the opening of several stores with a total area of 4,200m², including Pepco and eMag.

Property operating expenses increased in 2021 compared to 2020 due to higher energy costs (utility expenses increased by 17%). The higher minimum wages had an impact on security and cleaning expenses (+5%) and maintenance expenses (+14%). These cost pressures are expected to continue in 2022.

Tenant support

The Group continued to apply a fair and balanced approach to tenant support across its entire portfolio, along the same principles as in 2020. It focused on providing support to small and medium local and national retailers, for whom such assistance was critical. Negotiations for support provided to international anchors and large local chains also included lease improvements (such as extension of terms, higher sales-based rents with more frequent reconciliation and removal of tenant unilateral extension or termination options) or agreements for new store openings. Where longer-term deals were agreed, clawback mechanisms were implemented (in the form of conditional concession reversals or step rents). In addition to, or instead of, temporary rent reductions, NEPI Rockcastle supported tenants through the deferral of rent payments, marketing contribution relief and the reduction of non-critical operating expenses included in service charges.

During 2021, due to fewer trading restrictions on average and stronger tenant performance, the total amount provided as income concessions related to Covid-19 (including rent, service charges and marketing) decreased from €72.0 million in 2020 on a cash basis (€69.5 million recognised in the profit or loss of 2020) to €40.9 million on a cash basis in 2021 (€40.8 million recognised in the profit or loss of 2021). The balance of concessions from 2020 and 2021 subject to straight-lining amounts to €2.6 million (2020: €2.5 million).

Rent concessions represented on aggregate approximately 8% of total retail income (contractual base rent plus service charge contributions and marketing fees), and 12% of retail NOI, on a grossed-up basis (before concessions).

As a result of negotiation efforts and improvements in performance, the collection rate for reported revenues, adjusted for concessions, in 2021 was 94% at portfolio level as of 31 December 2021 and increased to 96% by mid-February 2022.

Leasing

Leasing activity picked up significantly during 2021 as tenants started focusing on expansion. During the year, 447 new leases (for 90,000m² of GLA) and 714 renewals (for 140,000m² of GLA) were signed. International tenants accounted for 46.5% of new leases signed in terms of



GLA. Many other leases were extended via the addenda signed in relation to the pandemic concessions. More GLA was leased in 2021 than covered by lease agreements expiring in the year, which led to a decrease in vacancy by one percentage point (from 5% to 4%). Lease terms are typically very similar to pre-pandemic times (Euro-based, minimum five years, base rent plus service charges, marketing fees and additional turnover rent and annual indexation). Weighted average unexpired lease term ('WAULT') was 3.6 years on 31 December 2021. The decrease from 31 December 2020 (4.1 years) is partly due to the expiration of break options with some large tenants, which reclassifies the lease to short-term for the purpose of calculating WAULT, irrespective of its actual term.

Some of the major new leases signed in 2021 are set out below (some stores with opening dates after 31 December 2021):

- **Bonarka City Center, Krakow, Poland:** Primark (the first in the Group's portfolio, 5,800m²), Half Price (2,900m²) and Pepco (500m²).
- **Alfa Centrum Bialystok, Bialystok, Poland:** Half Price (2,100m²), Biedronka (1,400m²) and Home & You (500m²).
- **Mega Mall, Bucharest, Romania:** Sinsay (1,300m²).
- **Shopping City Ramnicu Valcea, Ramnicu Valcea, Romania:** Decathlon (1,000m²).
- **City Park, Constanta, Romania:** Sinsay (900m²) and JD (500m²).
- **Shopping City Sibiu, Sibiu, Romania:** Sportisimo (700m²).
- **Mammut Shopping Centre, Budapest, Hungary:** Gravity (700m²) and Pepco (400m²).
- **Braila Mall, Braila, Romania:** Cropp (700m²).

Digital transformation

The Group continued to adapt its business to the digital transformation accelerated by the pandemic. The efforts were focused on creating an omnichannel experience for customers and on digitising business processes and operations.

The key omnichannel projects are:

Launch and rollout of the customer loyalty app – Spot, in Romania and Bulgaria. For 2022, the plan is to rollout the app across the portfolio.

Pilot project for an online marketplace launched in Bulgaria in January 2022. Customers will access shopping centers' products online and offline.

A unified customer data structure was implemented enhancing future customer interactions across all channels of communication.

Directors' report

» continued

DEVELOPMENT UPDATE

NEPI Rockcastle maintains a flexible approach to developments, enabling it to revise pipeline expenditure and to focus on committed ongoing projects.

The main projects envisaged by the development plan are detailed below.

EXTENSION OF PROMENADA MALL 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.

DEVELOPMENT OF PROMENADA CRAIOVA 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 52,300m² of retail GLA. Site preparation works have been completed.

DEVELOPMENT OF PROMENADA PLOVDIV Plovdiv, Bulgaria

The Group plans to develop a new shopping centre in Plovdiv, Bulgaria's second largest city, by the end of 2024. The new mall will have 57,700m² of retail GLA. The project is currently under permitting.



PHOTO: BONARKA CITY CENTER, POLAND

EXTENSION AND REDEVELOPMENT OF BONARKA CITY CENTER Krakow, Poland

A redevelopment of Bonarka, which includes the extension by 4,500m² of GLA and the accommodation of a Primark unit, is ongoing. The estimated completion date is in the fourth quarter of 2024.

DEVELOPMENT OF VULCAN RESIDENCE Bucharest, Romania

The construction of the Group's first residential project has started. The project will deliver 18,300m² of residential space (252 apartments) and additional 270 parking bays for sale and is expected to be completed in the first quarter of 2023.

During 2021, the Group spent €75 million on developments and capital expenditures.

In February 2022, NEPI Rockcastle acquired a land plot in Galati, Romania 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.

NEPI Rockcastle will continue to invest in developments contributing to growth and improving long-term portfolio prospects, continuously monitoring and revising the development pipeline in line with its evolving objectives and constraints. During 2022, the Group estimates to invest €173 million in development and capital expenditure related to its ongoing projects and will consider new development opportunities depending on how market circumstances evolve.

Directors' report

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DISPOSAL OF TWO SERBIAN PROPERTIES

As previously announced, 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. The sale agreement was signed in June and completed in July. The transaction value was €60.8 million, at a €2 million premium to book value.

ESG FOCUS

Environmental and social initiatives

NEPI Rockcastle continued to consistently rollout its sustainability strategy in 2021 as follows:

- 72% of the Group's assets have "Very good" or "Excellent" BREEAM certifications.
- A plan to extend the electric cars charging network, based on partnerships with Tesla and Enel, continued to be implemented.
- Progress was made with key initiatives, such as in-vessel waste compost equipment and LED lighting fixtures replacement, in line with the zero waste to landfill and zero carbon emissions targets.
- The Company continued its green financing strategy started in 2020:
 - » all the revolving credit facility ('RCF') agreements were linked to ESG performance;
 - » a green loan agreement was concluded with the International Finance Corporation ('IFC'), undertaking that all proceeds will be allocated as per the Green Finance Framework; and
 - » a successful €500 million green bond issuance was completed in early 2022.

NEPI Rockcastle's focus on sustainability and social responsibility over the past years led to the Group receiving its first EPRA sBPR Award in 2021.

Changes to the Board of Directors and management team

As announced on 23 July 2021, George Aase has taken over from Robert Emslie as Chairman of the Board, effective 18 August 2021. Mr Emslie had previously announced his intention to retire from the Board as of that same date. Mr Aase has been an Independent non-Executive Director of NEPI Rockcastle since 2018 and has served as Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

The Group also announced the appointment of two new Independent non-Executive Directors, Ana Maria Mihaescu and Jonathan Lurie, effective 18 August 2021.

Further to the announcement dated 23 July 2021 that Alexandru Morar (CEO) and Mirela Covasa (CFO) have decided to leave NEPI Rockcastle, the Company announced on 4 January 2022 the appointment of Rüdiger Dany (previously Chief Operating Officer (COO)) and Eliza Predoiu (previously Deputy Chief Financial Officer) as interim Chief Executive Officer (CEO) and interim Chief Financial Officer (CFO) respectively. The appointments are effective from 1 February 2022 and last for an initial period leading up to the announcement of the Company's 2022 interim results for the six months ending 30 June 2022.

Mr Dany joined the Company on 6 July 2021 and was appointed as COO effective on 18 August 2021. Mr Dany has over thirty years of extensive professional experience in retail, commercial real estate, leasing and asset management. He has worked in international environments across Europe (including Germany, Poland, Slovakia, Czech Republic, Greece, Turkey, Lithuania, Serbia and Romania) for some of the largest international retail and real estate companies, including ECE, Atrium and Multi Corporation. Mr Dany held various senior management positions, such as executive member and COO of Atrium Group and Multi Corporation, Senior Managing Director Poland, Czech Republic and Slovakia and Managing Director Czech Republic, Slovakia and Romania for ECE Projektmanagement. He was responsible for strategy, business transformation, asset development, greenfield projects, optimising operating assets, supporting mergers and acquisitions and team leadership for country and regional organisations.



PHOTO: SHOPPING CITY TIMISOARA, ROMANIA

Mrs Predoiu has over 14 years of finance and real estate expertise, including seven years with the Group. She joined NEPI Rockcastle in 2014 as Financial Controller and was promoted to Deputy CFO in December 2018. She has proven expertise in multi-million funding projects, complex business transactions and integration processes of mergers, systems and controls. Prior to joining the Company, Mrs Predoiu was Deputy Manager at PricewaterhouseCoopers ('PwC'), where she spent six years handling local and cross-border audit assignments and advisory projects in the Romanian and Cypriot offices.

The Board of Directors thank the former CEO and CFO, Alex Morar and Mirela Covasa, for their hard work and significant achievements, leading NEPI Rockcastle to become the largest retail real estate group in the CEE region and wish them success in their future endeavours.

Relocation of parent company

On 29 November 2021, NEPI Rockcastle announced that its Board of Directors has approved the migration of the Company's seat of incorporation from the Isle of Man to the Netherlands. As Dutch law does not currently permit companies incorporated outside of the European Union ('EU') to migrate directly to the Netherlands, it is envisaged that the migration be performed in two inter-conditional stages: an initial migration to Luxembourg (an EU jurisdiction), followed by a subsequent migration to the Netherlands. Structured in this way, the migration of the Company to the Netherlands is not anticipated to impact either the corporate continuity of NEPI Rockcastle or the trading in Group shares, which would remain available to be traded on the JSE, Euronext Amsterdam and A2X.

The migration is subject to shareholder approval and is envisaged to be completed by the end of 2022, with updates on the matter to be provided in due course.

Directors' report

» continued

ACCOUNTING, AUDIT AND VALUATION MATTERS

Accounting of Covid-19 impact on 2021 results

Rent discounts

During 2021, the Group results reflected rent concessions worth €40.8 million, as illustrated in following table.

Covid-19 discounts, by type	2021 (€ million)	2020 (€ million)
Rent and service charge reliefs (including marketing fees) imposed by governments (Poland)	16.0	16.3
Discounts granted as partial forgiveness of receivables	17.8	47
Variable discounts contingent upon tenants' performance (negative variable rent)	5.0	5.1
Discounts granted as lease incentives, subject to straight-lining	2.1	3.6
Total Covid-19 discounts for the period (on a cash basis, straight-lining effects excluded)	40.9	72.0
Straight-lining net effect of the discounts granted after signing of the addenda	(0.1)	(2.5)
Statement of comprehensive income impact	40.8	69.5

Tenant receivables

As of 31 December 2021, tenant receivables amounted to €46.9 million (VAT included, net of provisions), of which €14.6 million were overdue. This balance is adjusted for provisions and rent reliefs and concessions, either imposed by law or negotiated. The collection rate for 2021, adjusted for concessions granted, was 94% as of 31 December 2021, increasing to 96% by mid-February 2022. The Group expects to fully collect the outstanding tenant receivable balance.

External Independent audit opinion

The audit report on the NEPI Rockcastle's Consolidated Financial Statements has been issued by PwC Isle of Man, after having audited and obtained the necessary documentation from PwC local offices in jurisdictions where the Group operates through subsidiaries. The local PwC offices audit the separate financial statements of the respective subsidiaries and issue their interoffice audit reports to PwC Isle of Man. The audit opinion is unmodified.

Valuation

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	35%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	32%
Cushman & Wakefield	Hungary, Lithuania, Poland	33%

As of 31 December 2021, the entire property portfolio had been independently valued by external appraisers. The property appraisals continued to be performed within the context of the Covid-19 pandemic and the related restrictions implemented to contain the virus. However, property markets remain functional, with transactional volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base valuation opinions. The external appraisers substantially preserved the exit yields unchanged from the December 2020 valuation, adjusting the short-term cash flows to factor in each property performance.

For the year ended 31 December 2021, the Group recognised a fair value gain in relation to investment property portfolio of €34.7 million.

EPRA INDICATORS

EPRA indicators	31 Dec 2021	31 Dec 2020
EPRA Earnings (€ thousand)	210,159	240,770
EPRA Earnings per share (€ cents per share)	34.51	39.81
EPRA Net Initial Yield ('NIY')*	6.75%	6.70%
EPRA topped-up NIY*	6.79%	6.75%
EPRA vacancy rate	4.0%	4.3%
EPRA Net Reinstatement Value ('NRV') (€ per share)**	6.51	6.45
EPRA Net Tangible Assets ('NTA') (€ per share)**	6.48	6.42
EPRA Net Disposal Value ('NDV') (€ per share)**	5.82	5.79
EPRA Cost ratio (including direct vacancy cost)	8.3%	10.5%
EPRA Cost ratio (excluding direct vacancy cost)	8.2%	10.3%

* Does not include investment property held for sale (€1.8 million).
** NRV, NTA and NDV measures implemented effective from 1 January 2020. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.

The Group joined EPRA in 2018, and won the Silver Award for Best Practices Recommendations ('BPR') for financial reporting in 2019, as a recognition of its commitment to transparency in reporting and compliance with industry best practices. The Group has further improved its financial reporting and BPR compliance, achievements which were recognised by EPRA in 2020 and 2021 through the Gold Award, the highest standard for transparency of financial performance measures.

Directors' report

» continued

CASH MANAGEMENT AND DEBT

The Group had strong liquidity as of 31 December 2021, with €499 million in cash and €620 million in undrawn committed credit facilities.

NEPI Rockcastle's gearing ratio* (interest bearing debt less cash, divided by investment property) was 30.9% as of 31 December 2021, below the strategic threshold of 35%. As of 31 December 2021, ratios for unsecured loans and bonds showed ample headroom compared to covenant thresholds.

- Solvency Ratio: 39%, compared to a maximum covenant threshold of 60%.
- Consolidated Coverage Ratio: 4.06, compared to a minimum covenant threshold of 2.
- Unencumbered consolidated total assets/unsecured consolidated total debt: 263% actual, compared to a minimum covenant threshold of 150%.

**The reported gearing ratio (LTV) excludes the €33.6 million right-of-use assets and associated lease liabilities as of 31 December 2021.*

Liability management and bond issue

In June 2021, the Group concluded a green unsecured financing agreement with the IFC which matures in June 2028 in amount of €73.5 million. The loan was disbursed in July 2021. Also in June 2021, the Company repaid five of its secured bank loans from Slovakia and Poland totalling €242 million.

In 2021, NEPI Rockcastle renegotiated the contractual terms related to its unsecured committed revolving credit facilities, as follows:

- the RCF from Raiffeisen Bank International was extended for one year, until January 2024, with the maximum principal available maintained at €150 million;
- the RCF from BRD-Groupe Société Générale and Garanti Bank was extended for three years, until July 2024, with the maximum principal available increased to €170 million;
- the RCF from ING Bank was extended for three years, until July 2024, with the maximum principal available maintained at €100 million; and
- the Group also changed the contractual terms of the RCF from a four-bank syndicate by extending the maturity with one year, until December 2024, and by increasing the available principal to €200 million.

Subsequent to the year-end, 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 issue was used for liability management, to repay the €500 million bond maturing in 2023.

Cost of debt

The average interest rate of the Group's debt, including hedging costs, was approximately 2.4% during 2021, slightly higher than 2.3% in 2020.

As of 31 December 2021, fixed-coupon bonds represented 87% of NEPI Rockcastle's outstanding debt. Of the remaining long-term debt exposed to Euribor, 62% was hedged with interest rate caps and 38% with interest rate swaps.

The Company continually evaluates its financing options, while keeping in mind the strategic objective to broaden its investor base and maintain an optimal capital structure.

2021 EARNINGS DISTRIBUTION

The Board has declared a dividend of 16.78 euro cents per share for the second half of 2021, corresponding to 100% of the distributable earnings per share for this period. The distribution will be paid in cash during March 2022.

PROSPECTS AND EARNINGS GUIDANCE

Distributable earnings per share for 2022 expected to be at least 24% higher relative to the 2021 distributable earnings per share of 34.42 euro cents per share. This guidance does not consider the impact of potential political instability in the region or major disruptions (such as broad lockdowns, trading restrictions or other measures impacting purchasing power) and assumes a continuation of the trading trends observed to date. This estimate is highly dependent on potential future measures which could be taken by governments of the CEE countries where the Group operates, such as further restrictions on trading or state support to tenants and/or landlords. This guidance can be modified or withdrawn in the future if material changes unfold.

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

21 February 2021



PHOTO: MEGA MALL, ROMANIA

Strong strategic positioning

NEPI Rockcastle's strategy is based on a sustainable business model which combines the high-quality of assets with the success of the tenants and prudent financial management, enabling the Group to deliver sustainable income growth over the long-term.

INVESTMENT APPROACH

The Group is committed to invest selectively in assets that meet its rigorous investment criteria. **Retail assets must be or have the potential to be dominant. Size is critical to achieve a comprehensive offering and an optimum tenant mix**, including a large proportion of food and fashion anchors with a substantial leisure and entertainment area. **Good location, access, visibility, design and technical specifications, and potential for extension** reduce the threat of significant future competition.

Professional active management of such properties creates significant and valuable growth opportunities.

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, following the achievement of pre-leasing targets agreed by the Board and are limited to the availability of internal sources of financing.

OPERATIONAL EXCELLENCE

The Group's **strong corporate culture** is focused on planning, quality of execution, sustainability, ethics and early risk assessment.

The Group has great **in-house expertise in all key functions**, combining investment, development, asset and property management, leasing, accounting and finance skills, in an integrated approach.

Outstanding knowledge and expertise in the CEE retail markets is illustrated by best-in-class indicators, such as consistently high collection and occupancy rates, low occupancy cost for tenants, increase in tenant sales and footfall and strong organic growth despite operating in low inflation environments. Preventative maintenance decreases long-term capital expenditure, service charge levels and non-recoverable expenses.

With a broad platform across **nine CEE countries and 244 million visits**, the Group is focused on adapting its business model to the changing consumer preferences and building strong, trust-based relationships with leading retailers across CEE, sharing both a long-term vision and the capacity for innovation.

PRUDENT FINANCIAL STRATEGY

Growth is funded through a **combination of equity issues and debt**.

The debt strategy focuses on a **targeted 35% loan-to-value**, maintaining high interest coverage ratios and diversifying financing sources to optimise cost of debt. Debt funding is biased towards Group level unsecured bonds and revolving facilities, adding secured bank debt only when it decreases the overall cost of funding. **As at 31 December 2021, the LTV ratio was 30.9%, while 91% of total assets were unencumbered.**



PHOTO: OZAS SHOPPING AND ENTERTAINMENT CENTRE, LITHUANIA

Value creation through the six capitals

CAPITAL INPUTS

Financial capital

- €2.3 billion debt
- €3.6 billion equity (share capital and share premium)

Human capital

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

Intellectual capital

- Strong 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



OUTCOMES

- Loan-to-value ratio of 30.9%, below the strategic threshold of 35%
- Average cost of funding of 2.4% (2020: 2.3%)
- Repaid €242 million bank loans in Slovakia and Poland
- Concluded the first bilateral agreement with IFC for €73.5 million green funding
- Increased the existing revolving credit facilities by €45 million up to €620 million
- BBB investment grade credit rating by S&P and Fitch reaffirmed in the year, outlook changed to stable and positive, respectively

- Sector specific specialists across asset management, finance and deal making
- Best in class operational and financial performance ratios

- Access to CEE acquisition pipeline
- Strong partnership with CEE retailers
- 94% collection rate (despite Covid-19 context)

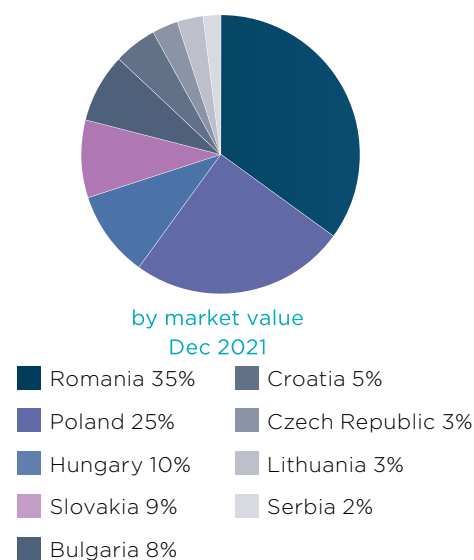
- Dedicated resources to stakeholder relations
- **EPRA Gold Award and EPRA Bronze Award** for compliance with Best Practices Recommendations for financial reporting and for sustainability reporting, respectively
- In the **Top 10** Sustainalytics rated companies in Real Estate Management (**low risk - 11.4/100**)
- **MSCI AA ESG rating leader** among 79 companies in the real estate management and services industry

- €5.8 billion investment property portfolio
- Modern, high-quality assets (over 96% of the properties are less than 15 years)
- Dominant regional malls with city centre location
- Social destinations, located in densely populated areas with good macrodynamics

- Green Finance Framework implemented in 2020
- 66% of the Group's energy consumption comes from renewable energy sources

Portfolio at a glance

GEOGRAPHICAL PROPERTY PORTFOLIO PROFILE



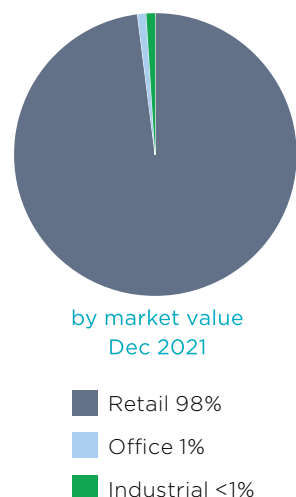
Geographical property portfolio profile by gross rentals:

Romania - 38%, Poland - 22%, Bulgaria - 9%, Slovakia - 9%, Hungary - 9%, Croatia - 5%, Serbia - 2%, Czech Republic - 3% and Lithuania 3%.

Geographical property portfolio profile by rentable area:

Romania - 42%, Poland - 24%, Bulgaria - 8%, Slovakia - 7%, Hungary - 6%, Croatia - 4%, Czech Republic - 4%, Lithuania 3% and Serbia - 2%.

SECTORAL PROPERTY PORTFOLIO PROFILE



Sectoral property portfolio profile by gross rentals:

Retail - 98%, Office - 2% and Industrial - <1%.

Sectoral property portfolio profile by rentable area:

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

KEY PROPERTY INFORMATION*

	Group 31 Dec 2021	Group 31 Dec 2020
Total number of properties	58	60
Income-producing properties	56	58
Greenfield developments	2	2
Extensions to existing properties	2	3
Property portfolio value (€ million)	5 842	5 802 [^]
Annualised property yield (by passing rent)	6.9%	7.0%
Lettable area (thousand m²)	2 187	2 227
Income-producing properties	2 014	2 030
Greenfield developments and extensions (estimated)	173	197
Weighted average unexpired lease term	3.6	4.1
Weighted average rent (€/m²/month)	16.8	16.0

* Excludes non-core properties held for sale and joint ventures.

[^] Including two Serbian entities held for sale that were sold in July 2021.

Detailed property schedule is included in this report at pages 274 to 275.

OVERVIEW OF VALUATION YIELDS

Appraiser	Country	Segment	Number of properties	Prime Yield 31 Dec 2021*	Capitalisation rate 31 Dec 2021**
Colliers International	Romania	Retail	26	6.75%	7.25%
Colliers International	Romania	Industrial	2	7.50%	9.25%
Cushman & Wakefield	Poland	Retail	12	5.35%	6.25%
Jones Lang LaSalle	Slovakia	Retail	5	6.25%	6.50%
Jones Lang LaSalle	Slovakia	Office	1	5.50%	7.50%
Jones Lang LaSalle	Czech Republic	Retail	2	5.25%	6.50%
Jones Lang LaSalle	Bulgaria	Retail	2	7.50%	7.50%
Jones Lang LaSalle	Bulgaria	Office	1	8.00%	8.00%
Jones Lang LaSalle	Serbia	Retail	1	8.00%	8.25%
Cushman & Wakefield/ Jones Lang LaSalle	Hungary	Retail	2	6.00%	6.50%
Jones Lang LaSalle	Croatia	Retail	1	7.25%	7.75%
Cushman & Wakefield	Lithuania	Retail	1	7.10%	7.50%

* Source: Colliers International, Cushman & Wakefield, Jones Lang LaSalle, Q4 2021

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

RENTAL ESCALATIONS

The annual rise in rental income projected is partially due to increase in leases index-linked to the European Consumer Price Index ('CPI') and partially due to contractual gradual rental lease increase as per existing contracts as at 31 December 2021. Out of the total operational GLA as at the year end, the weighted average rental escalation by rentable area is presented below:

TOTAL	3.2%
Retail	3.2%
Office	4.6%
Industrial	2.2%

The majority of the leases are indexed with the average EU CPI. The annual average inflation for 2021 was 2.9%.

VACANCY PROFILE

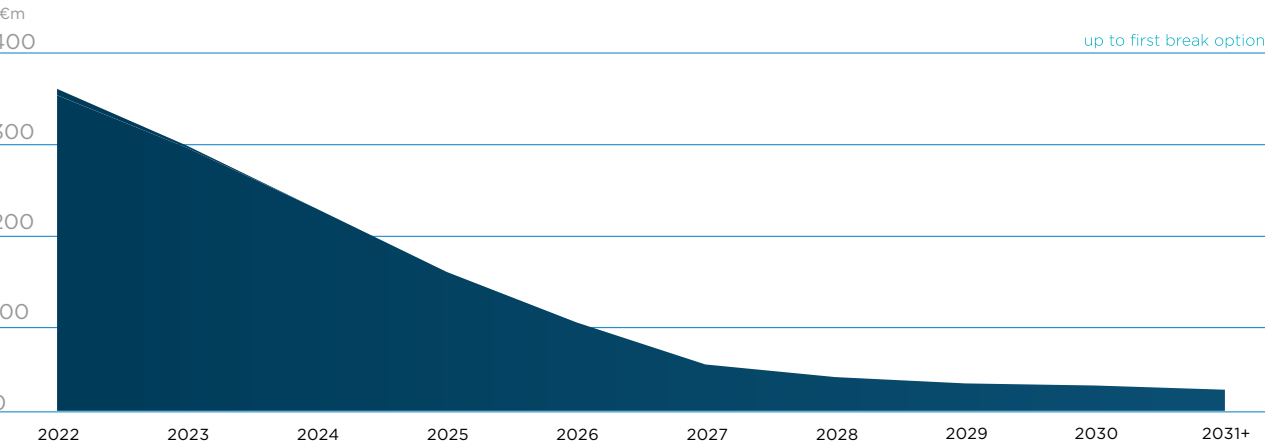
EPRA vacancy rate is calculated by dividing the estimated rental value of vacant space (€/annum) by estimated rental value of the property (€/annum).

The EPRA vacancy rate for income-producing properties at the end of 2021 was 4.0% (excluding non-core properties), split as follows: retail 3.8%, office 15.2% and industrial 3%.

Portfolio at a glance

» continued

CONTRACTUAL GROSS RENTALS



EXPIRY PROFILE

Year	% of expiry by gross rentals	% of expiry by rentable area
2022	7.4%	5.5%
2023	16.8%	15.3%
2024	17.9%	16.6%
2025	18.1%	17.2%
2026	14.7%	15.3%
2027	12.1%	10.6%
2028	3.6%	5.4%
2029	1.6%	2.7%
2030	1.0%	1.8%
>=2031	6.8%	9.6%
Total	100%	100%



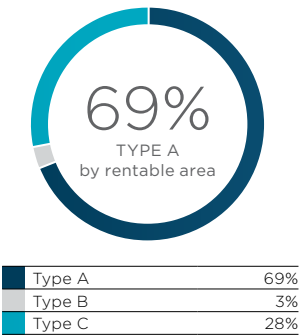
PHOTO: BONARKA CITY CENTER, POLAND

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).

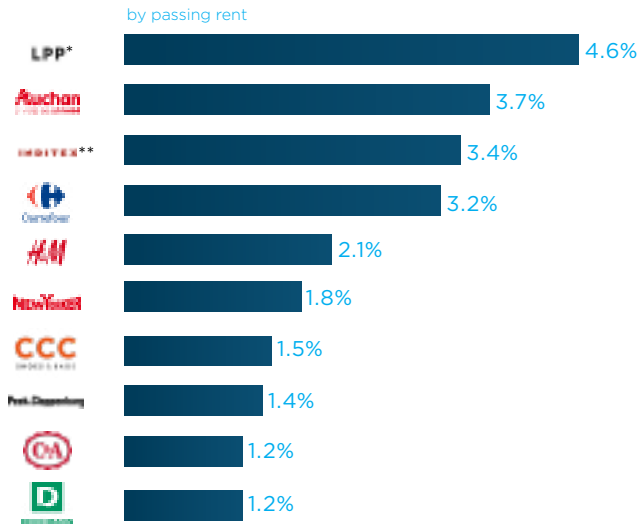
Type B: Smaller international and national tenants, smaller listed tenants and medium to large professional firms (companies with assets and/or turnovers ranging from €100 to €200 million).

Type C: Other tenants (2,389 total number)



TOP 10 RETAIL TENANTS

The top 10 retail tenants accounted for 24.1% of the annualised passing rent of the Group as at 31 December 2021. 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.

Romania

Retail

With a total of 26 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 52,300m² GLA, with opening in the third quarter of 2023. 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 first quarter of 2023.

826,100

m² GLA of retail
income-producing
properties

€1,957m

property value

97.9%

EPRA occupancy rate

€147m

passing rent



PHOTO: PROMENADA MALL



Mega Mall

Bucharest

Ownership	100%
GLA	75,900m ²
Valuation	€287.3 million
Passing rent	€17.8 million
EPRA Occupancy	94.4%



City Park

Constanta

Ownership	100%
GLA	51,900m ²
Valuation	€189.3 million
Passing rent	€13.0 million
EPRA Occupancy	96.2%



Promenada Mall

Bucharest

Ownership	100%
GLA	39,300m ²
Valuation	€179.1 million
Passing rent	€12.6 million
EPRA Occupancy	98.4%



Shopping City Sibiu

Sibiu

Ownership	100%
GLA	83,700m ²
Valuation	€143.4 million
Passing rent	€11.7 million
EPRA Occupancy	97.7%



Shopping City Timisoara

Timisoara

Ownership	100%
GLA	57,000m ²
Valuation	€129.8 million
Passing rent	€9.7 million
EPRA Occupancy	98.6%



Shopping City Galati

Galati

Ownership	100%
GLA	49,200m ²
Valuation	€115.3 million
Passing rent	€8.9 million
EPRA Occupancy	99.2%



Iris Titan Shopping Center

Bucharest

Ownership	100%
GLA	43,100m ²
Valuation	€103.6 million
Passing rent	€8.8 million
EPRA Occupancy	99.6%



Promenada Sibiu

Sibiu

Ownership	100%
GLA	42,500m ²
Valuation	€99.7 million
Passing rent	€8.0 million
EPRA Occupancy	96.3%



Shopping City Targu Mures

Targu Mures

Ownership	100%
GLA	40,200m ²
Valuation	€90.4 million
Passing rent	€6.9 million
EPRA Occupancy	99.1%



Shopping City Deva

Deva

Ownership	100%
GLA	50,700m ²
Valuation	€86.1 million
Passing rent	€7.0 million
EPRA Occupancy	100%



Braila Mall

Braila

Ownership	100%
GLA	52,900m ²
Valuation	€85.6 million
Passing rent	€6.8 million
EPRA Occupancy	97.5%



Vulcan Value Centre

Bucharest

Ownership	100%
GLA	25,000m ²
Valuation	€72.5 million
Passing rent	€4.7 million
EPRA Occupancy	100%



Shopping City Buzau

Buzau

Ownership	100%
GLA	23,700m ²
Valuation	€58.1 million
Passing rent	€4.3 million
EPRA Occupancy	98.4%



Shopping City Satu Mare

Satu Mare

Ownership	100%
GLA	29,400m ²
Valuation	€54.4 million
Passing rent	€4.5 million
EPRA Occupancy	100%



Shopping City Piatra Neamt

Piatra Neamt

Ownership	100%
GLA	28,000m ²
Valuation	€53.9 million
Passing rent	€4.0 million
EPRA Occupancy	97.1%



Shopping City Targu Jiu

Targu Jiu

Ownership	100%
GLA	27,200m ²
Valuation	€52.9 million
Passing rent	€3.9 million
EPRA Occupancy	99.3%



Shopping City Ramnicu Valcea

Ownership	100%
GLA	28,200m ²
Valuation	€49.3 million
Passing rent	€4.2 million
EPRA Occupancy	99.5%



Severin Shopping Center

Ownership	100%
GLA	23,200m ²
Valuation	€36.7 million
Passing rent	€2.8 million
EPRA Occupancy	98.5%



Pitesti Retail Park

Ownership	100%
GLA	24,800m ²
Valuation	€25.0 million
Passing rent	€4.1 million
EPRA Occupancy	100%



Regional strip centres

Alba-Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Sighisoara, Vaslui	
Ownership	100%
GLA	30,200m ²
Valuation	€44.7 million
Passing rent	€3.2 million
EPRA Occupancy	100%



Ploiesti Shopping City (joint venture)

Ploiesti	
Ownership	50%
GLA	23,200m ²
Valuation	€53.6 million
Passing rent	€4.1 million
EPRA Occupancy	98.1%



Poland

Retail

The Group has built a dominant portfolio in Poland, the largest and most liquid real estate market in the CEE region, currently including 12 regional malls. In 2021, NEPI Rockcastle completed major construction of the 15,000m² GLA extension of Focus Mall Zielona Gora, hosting local and international retailers. New tenants include TK Maxx, Half Price, Kappahl, Intersport, eObuwie/Modivo, 4F, Diverse, Sephora and the first S'portofino in the Group's portfolio.

The redevelopment of Bonarka City Center continued with the opening of several stores, including eObuwie, CCC, Deichmann, Pepco. Leases with Primark (the first in the Group's portfolio) and Half Price were signed in 2021 and expected to open in 2022.

479,800

m² GLA of retail
income-producing
properties

€1,392m

property value*

94.7%

EPRA occupancy rate

€87m

passing rent

* Excludes impact of €33.6 million related to right-of-use assets



PHOTO: BONARKA CITY CENTER



Bonarka City Center

Krakow

Ownership	100%
GLA	74,700m ²
Valuation	€393.2 million
Passing rent	€20.3 million
EPRA Occupancy	97.2%



Focus Mall Zielona Gora

Zielona Gora

Ownership	100%
GLA	44,100m ²
Valuation	€174.8 million
Passing rent	€7.7 million
EPRA Occupancy	81.0%



Galeria Warminska

Olsztyn

Ownership	100%
GLA	42,900m ²
Valuation	€160.8 million
Passing rent	€10.0 million
EPRA Occupancy	98.2%



Karolinka Shopping Centre

Opole

Ownership	100%
GLA	67,500m ²
Valuation	€152.7 million
Passing rent	€10.0 million
EPRA Occupancy	96.2%



Alfa Centrum Bialystok

Bialystok

Ownership	100%
GLA	37,200m ²
Valuation	€92.8 million
Passing rent	€6.3 million
EPRA Occupancy	94.6%



Solaris Shopping Centre

Opole

Ownership	100%
GLA	26,400m ²
Valuation	€81.8 million
Passing rent	€5.8 million
EPRA Occupancy	95.3%



Pogoria Shopping Centre

Dabrowa Gornicza

Ownership	100%
GLA	37,700m ²
Valuation	€70.9 million
Passing rent	€5.3 million
EPRA Occupancy	99.5%



Platan Shopping Centre

Zabrze

Ownership	100%
GLA	39,900m ²
Valuation	€70.8 million
Passing rent	€5.0 million
EPRA Occupancy	95.0%



Aura Centrum

Olsztyn

Ownership	100%
GLA	25,400m ²
Valuation	€66.1 million
Passing rent	€5.4 million
EPRA Occupancy	95.5%



Galeria Wolomin

Wolomin

Ownership	90%
GLA	30,700m ²
Valuation	€56.0 million
Passing rent	€4.2 million
EPRA Occupancy	97.0%



Focus Mall Piotrkow Trybunalski

Piotrkow Trybunalski

Ownership	100%
GLA	35,100m ²
Valuation	€44.3 million
Passing rent	€4.4 million
EPRA Occupancy	94.9%



Galeria Tomaszow

Tomaszow Mazowiecki

Ownership	85%
GLA	18,200m ²
Valuation	€28.1 million
Passing rent	€2.7 million
EPRA Occupancy	97.9%



PHOTO: GALERIA TOMASZOW

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 2021, the Group acquired supplementary units in Mammut Shopping Center, for a consideration paid of €12.5 million.

Some of the major new leases signed in 2021 include Gravity (700m²) and Pepco (400m²).

123,300
m² GLA of retail
income-producing
properties

€585m
property value

91.7%
EPRA occupancy rate

€34m
passing rent



Arena Mall
Budapest

Ownership	100%
GLA	65,900m²
Valuation	€300.6 million
Passing rent	€19.2 million
EPRA Occupancy	98.4%



Mammut Shopping Centre
Budapest

Ownership	100%
GLA	57,400m²
Valuation	€284.3 million
Passing rent	€14.4 million
EPRA Occupancy	84.5%

Slovakia

Retail

The acquisition of Galeria Mlyny in 2018 strengthens the Company's competitive position in Slovakia with NEPI Rockcastle becoming the largest retail landlord in the country, owning 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

€499m

property value

94.5%

EPRA occupancy rate

€33m

passing rent



PHOTO: AUPARK KOSICE MALL



Aupark Kosice Mall

Kosice

Ownership	100%
GLA	33,100m ²
Valuation	€164.1 million
Passing rent	€10.4 million
EPRA Occupancy	93.6%



Korzo Shopping Centrum

Prievidza

Ownership	100%
GLA	16,300m ²
Valuation	€39.0 million
Passing rent	€3.1 million
EPRA Occupancy	98.4%



Aupark Zilina

Zilina

Ownership	100%
GLA	25,100m ²
Valuation	€128.2 million
Passing rent	€8.6 million
EPRA Occupancy	98.9%



Galeria Mlyny

Nitra

Ownership	100%
GLA	32,500m ²
Valuation	€126.3 million
Passing rent	€8.3 million
EPRA Occupancy	94.3%



Aupark Shopping Center Piestany

Piestany

Ownership	100%
GLA	10,300m ²
Valuation	€41.6 million
Passing rent	€2.7 million
EPRA Occupancy	94.8%



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, were completed during 2020/2021 further strengthening the center's position as the largest one in Sofia.

132,100
m² GLA of retail
income-producing
properties

€415m
property value

95.7%
EPRA occupancy rate

€31m
passing rent



PHOTO: PARADISE CENTER



Paradise Center
Sofia

Ownership	100%
GLA	80,400m ²
Valuation	€258.4 million
Passing rent	€18.9 million
EPRA Occupancy	94.9%



Serdika Center
Sofia

Ownership	100%
GLA	51,700m ²
Valuation	€156.9 million
Passing rent	€12.3 million
EPRA Occupancy	98.9%

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, opened in Q3, 2019. An adjacent land of 4.4ha is available for future development opportunities.

75,300

m² GLA of retail
income-producing
properties

€257m

property value

98.2%

EPRA occupancy rate

€19m

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. The refurbishment for Forum Liberec Shopping Centre started in 2019 and was completed in 2020. Several new stores were opened in Forum Liberec Shopping Centre, including three LPP brands (Sinsay, Cropp and Mohito), Gap and the city's first Under Armour, significantly improving the tenant mix.

74,200
m² GLA of retail
income-producing
properties

€175m
property value

93.1%
EPRA occupancy rate

€10m
passing rent



PHOTO: FORUM LIBEREC SHOPPING CENTRE



Forum Usti nad Labem
Usti nad Labem

Ownership	100%
GLA	27,800m ²
Valuation	€88.9 million
Passing rent	€5.5 million
EPRA Occupancy	98.9%



Forum Liberec Shopping Centre
Liberec

Ownership	100%
GLA	46,400m ²
Valuation	€85.6 million
Passing rent	€4.8 million
EPRA Occupancy	87.3%

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) and several new stores and food service units, including Pet City, Vapiano, Gastrobar +++, Olive Kitchen and Grill London.

67,800

m² GLA of retail
income-producing
properties

€144m

property value

99.8%

EPRA occupancy rate

€11m

passing rent



Serbia

Retail

The Group owns Promenada Novi Sad, a shopping center of 49,200m², in a prime location in the city, the country's second largest. 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

€125m

property value

97.5%

EPRA occupancy rate

€10m

passing rent



Office

In August 2020, NEPI Rockcastle disposed of four of its office properties, located in Romania. The remaining offices Serdika Office and Aupark Kosice Tower are both integrated with the shopping malls creating synergies with the retail component.

41,300
m² GLA of office
income-producing
properties

€71m
property value

84.8%
EPRA occupancy rate

€5m
passing rent



Serdika Office
Sofia, Bulgaria

Ownership	100%
GLA	28,500m ²
Valuation	€52.2 million
Passing rent	€4.1 million
EPRA Occupancy	89.9%



Aupark Kosice Tower
Kosice, Slovakia

Ownership	100%
GLA	12,800m ²
Valuation	€18.5 million
Passing rent	€1.3 million
EPRA Occupancy	72.4%

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

€18m
property value

97.0%
EPRA occupancy rate

€1.9m
passing rent



Rasnov Industrial Facility
Rasnov, Romania

Ownership	100%
GLA	23,000m ²
Valuation	€13.0 million
Passing rent	€1.4 million
EPRA Occupancy	97.4%



Otopeni Warehouse
Otopeni, Romania

Ownership	100%
GLA	4,300m ²
Valuation	€5.0 million
Passing rent	€0.5 million
EPRA Occupancy	95.8%

Development and extensions pipeline

NEPI Rockcastle will continue to invest in developments contributing to growth and improving long-term portfolio prospects, continuously monitoring and revising the development pipeline in line with its evolving objectives and constraints. During 2022, the Group estimates to invest €173 million in development and capital expenditure

related to its ongoing projects and will consider new development opportunities depending on how market circumstances evolve. The development strategy going forward will target diversification through a focus on mixed-use and residential projects.

DEVELOPMENTS AND EXTENSIONS MAP



	GLA/GSA of development m ²
Developments under construction	133,500
Promenada Mall	58,400
Promenada Craiova	52,300
Bonarka City Center	4,500
Vulcan Residence	18,300
Developments under permitting and pre-leasing	90,900*
Promenada Plovdiv	57,700
Galati Retail Park**	33,200

* GLA depends on permitting.
** In February 2022, NEPI Rockcastle acquired a land plot in Galati, Romania 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.



RENDER: PROMENADA MALL, ROMANIA

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	Q3 2025

UNDER CONSTRUCTION



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 (252 apartments) and additional 270 parking bays for sale and is expected to be completed in the first quarter of 2023.

Ownership	100%
Estimated sellable area	18,300m ²
Target opening	Q1 2023

UNDER CONSTRUCTION



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 52,300m² of retail GLA. Site preparation works have been completed.

Ownership	100%
Estimated lettable area	52,300m ²
Target opening	Q3 2023

UNDER PERMITTING AND PRE-LEASING



Promenada Plovdiv
Plovdiv, Bulgaria

The Group plans to develop a new shopping centre in Plovdiv, Bulgaria's second largest city, by the end of 2024. The new mall will have 57,700m² of retail GLA. The project is currently under permitting.

Development

Ownership	100%
Lettable area - property in use	57,700m ²

UNDER CONSTRUCTION



Bonarka City Center - redevelopment
Krakow, Poland

A redevelopment which includes the extension by 4,500m² 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	4,500m ²
Target opening	Q4 2024



EPRA Performance measures

amounts in € thousand

In 2018, NEPI Rockcastle joined the European Public Real Estate Association (“EPRA”), the representative organisation of the publicly listed real estate industry in Europe. EPRA 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 won the Silver Award for BPR for financial reporting in 2019, as a recognition of its commitment to transparency in reporting and compliance with industry best practices. The Group has further improved its financial reporting and BPR compliance, achievements which were recognised by EPRA in 2020 and 2021 through the Gold Award, the highest standard for transparency of financial performance measures.

EPRA performance measures reported by NEPI Rockcastle are set out below:

EPRA indicators	31 December 2021	31 December 2020
EPRA Earnings (€ thousand)	210,159	240,770
EPRA Earnings per share (€ cents per share)	34.51	39.81
EPRA Net Initial Yield (NIY)	6.75%	6.70%
EPRA topped-up NIY	6.79%	6.75%
EPRA Vacancy Rate	4.00%	4.30%
EPRA Net Reinstatement Value (NRV) (€ per share)*	6.51	6.45
EPRA Net Tangible Assets (NTA) (€ per share)*	6.48	6.42
EPRA Net Disposal Value (NDV) (€ per share)*	5.82	5.79
EPRA Cost ratio (including direct vacancy cost)	8.3%	10.5%
EPRA Cost ratio (excluding direct vacancy cost)	8.2%	10.3%

*NRV, NTA and NDV measures implemented effective from 1 January 2020. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNAV.



PHOTO: AUPARK SHOPPING CENTER PIESTANY, SLOVAKIA

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 December 2021	31 December 2020
Earnings in IFRS Consolidated Statement of comprehensive income	235,004	(174,921)
Fair value adjustments of investment property for controlled subsidiaries	(34,650)	345,253
Fair value loss and net result on sale of financial investments at fair value through profit or loss	–	93,767
Gain on disposal of assets held for sale	(1,995)	(2,310)
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	(5,174)	10,539
Deferred tax expense/(income) for controlled subsidiaries	16,643	(32,440)
Adjustments above in respect of joint ventures	502	1,946
Non-controlling interest	(171)	(1,064)
EPRA Earnings (interim)	107,187	123,710
EPRA Earnings (final)	102,972	117,060
EPRA Earnings (total)	210,159	240,770
Number of shares for interim distribution	608,994,907	600,921,133
Number of shares for final distribution	608,994,907	608,994,907
EPRA Earnings per Share (EPS interim)	17.60	20.59
EPRA Earnings per Share (EPS final)	16.91	19.22
EPRA Earnings per Share (EPS)*	34.51	39.81
Company specific adjustments:		
Amortisation of financial assets	(1,189)	(759)
Depreciation expense for property, plant and equipment	643	580
Reverse income from financial investments at fair value through profit or loss	–	(5,517)
Antecedent earnings	–	(2,659)
Distributable Earnings (interim)	107,409	118,168
Distributable Earnings (final)	102,204	114,247
Distributable Earnings (total)	209,613	232,415
Distributable Earnings per Share (interim) (euro cents)	17.64	19.66
Distributable Earnings per Share (final) (euro cents)	16.78	18.76
Distributable Earnings per Share (total) (euro cents)	34.42	38.42

*Adjusted for interim and final number of shares.

**Dividends from financial investments are recognised on IFRS when the company's right to receive payment is established and the amount of the dividend can be measured reliably. For distribution purposes, whose computation is in line with the Best Practice Recommendations of the South African REIT Association, the dividends recognised under IFRS are reversed and an adjustment matching the income to the period for which the investment is held is made under "accrued income from financial investments at fair value through profit or loss".

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.

In replacement of the EPRA NAV and EPRA NNNAV, new reporting standards introduced three new measures of net asset value: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV). As recommended by EPRA, these new standards have been applied with effect from these 2020 first-half results.

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)

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 (euro)	6.51	6.48	5.82

EPRA Net Asset Values as of 31 December 2020	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	3,687,068	3,687,068	3,687,068
Exclude:			
Net deferred tax liabilities	312,133	296,526	—
Derivative financial liabilities at fair value through profit or loss	5,099	5,099	—
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	—	—	(81,464)
NAV	3,927,496	3,911,889	3,528,800
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share (euro)	6.45	6.42	5.79

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

The EPRA NIY is calculated as the annualized rental income based on passing cash rents, less nonrecoverable 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 2021	31 December 2020
Investment property as per Consolidated Financial Statements	5,841,676	5,802,398
Investment property under joint ventures (on a pro-rata basis)	53,616	53,482
Less investment property under development	(170,900)	(210,935)
Total investment property in use, including joint ventures (on a pro-rata basis)	5,724,392	5,644,945
Estimated purchasers' costs	28,622	28,225
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	5,753,014	5,673,170
Annualised cash passing rental income*	393,390	394,560
Non-recoverable property operating expenses	(4,866)	(14,696)
Annualised net rents	388,524	379,864
Notional rent expiration of rent-free periods or other lease incentives	2,292	2,909
Topped-up net annualised rent	390,816	382,773
EPRA Net Initial Yield (EPRA NIY)	6.75%	6.70%
EPRA "topped-up" NIY	6.79%	6.75%

*Does not include investment property held for sale (€1.8 million).

*Annualised passing rent as at 31 December 2021 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 2021	31 December 2020
Estimated rental value of vacant space	17,274,062	18,659,370
Estimated rental value of the whole portfolio	437,113,717	433,740,263
EPRA Vacancy Rate*	4.0%	4.3%

* Excludes non-core properties

The EPRA vacancy rate decreased to 4.0% as at 31 December 2021 (from 4.3% as at 31 December 2020) influenced by the leasing activity increased during 2021, as tenants started focusing on expansion.

The impact on vacancy rate in all the countries is still influenced by the pandemic conditions. Despite the economic slowdown linked to the Covid-19 health crisis, the Group maintained high occupancy rate during 2021, above 95%, except for Hungary (92%) and Czech Republic (93%).

Country	EPRA Vacancy Rate December 2021	EPRA Vacancy Rate December 2020
Romania	2.1%	2.6%
Poland	5.3%	6.0%
Hungary	8.3%	9.1%
Slovakia	5.5%	3.1%
Bulgaria	4.3%	4.8%
Croatia	1.8%	2.3%
Czech Republic	6.9%	10.7%
Lithuania	0.2%	0.5%
Serbia	2.5%	2.3%
EPRA Vacancy Rate	4.0%	4.3%

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 December 2021	31 December 2020
Administrative expenses (line per IFRS Consolidated Financial Statements)	24,665	20,838
Net service charge costs*	5,367	14,364
Share of joint ventures expenses	(340)	466
EPRA Costs (including direct vacancy costs)	29,692	35,668
Direct vacancy costs	423	618
EPRA Costs (excluding direct vacancy costs)	29,269	35,050
Gross rental income*	351,630	337,328
Add: share of joint ventures (Gross rental income less ground rents)	4,173	3,390
Gross rental income	355,803	340,718
EPRA Cost ratio (including direct vacancy costs)	8.3%	10.5%
EPRA Cost ratio (excluding direct vacancy costs)	8.2%	10.3%

*Out of €17.8 million Partial forgiveness of receivables, approximately €0.6 million corresponded to service charge income; this amount was considered into the computation of net service charge costs. The remaining amount of Partial forgiveness of receivables corresponding to Gross rental income has been deducted from the respective line as at 31 December 2021.

In 2021, the decrease in the EPRA Cost ratio was mainly attributable to lower temporary rent concessions granted to tenants as Covid-19 support (€40.8 million recognised in 2021, compared to €69.5 million recognised in 2020). The EPRA Costs decreased mainly from the improvement in Net Service Charge recoveries.



2 Corporate Insights

Executive Board of Directors



RÜDIGER DANY (59)
Interim 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 centers, developments and extensions of existing shopping centers. 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.



ELIZA PREDOIU (37)
Interim Chief Financial Officer

BCom, ACCA

Eliza Predoiu has diverse finance and real estate expertise, including seven 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.



MAREK NOETZEL (43)
Executive Director

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, is currently responsible for asset management of the Western portfolio and he supports the acquisition of properties in Poland, Hungary, Slovakia, Czech Republic and Lithuania.



PHOTO: SERDIKA OFFICE, BULGARIA



Corporate governance

The Board governs the Group based on sound principles of ethical leadership, business, social and environmental sustainability and equitable stakeholder engagement. In its governance process, the Board monitors compliance with the King IV Report on Corporate Governance in South Africa, Johannesburg Stock Exchange Limited Listings Requirements, Euronext Amsterdam and A2X guidelines. Based on material compliance with King IV principles, the Group voluntarily aligned its Governance Framework to relevant provisions in the UK and Dutch corporate governance codes, following the proportionality principle and considering the one tier board governance structure it has in place. The Group is

following COSO (Committee of Sponsoring Organisations of the Treadway Commissions) principles in defining its internal controls system and enterprise risk management framework. The Group has complied with the Isle of Man Companies Act, particularly with reference to the incorporation provisions as set out in the Isle of Man Companies Act, and has operated in conformity with NEPI Rockcastle's Articles of Association during the year under review.

As a result of the information included herein, the Board is satisfied with the corporate governance arrangements implemented at Group level.

Corporate governance

» continued

CORPORATE GOVERNANCE FRAMEWORK

Based on King IV principles and further aligned to the UK and Dutch governance codes, where applicable, the Group governance framework comprehensively covers key governance areas, such as:

- leadership, ethics, corporate citizenship
- strategy, performance and reporting
- governing and delegation structure
- functional areas governance
- stakeholders relationship management.

PHOTO: SHOPPING CITY, TARGU MURES, ROMANIA



Leadership, ethics and corporate citizenship

- The governing body leads ethically and effectively
- The governing body supports an ethical culture throughout the Group
- The governing body ensures that the organisation is, and is seen to be, as a responsible corporate citizen

Strategy, performance and reporting

- The governing body ensures that the organisation's purpose, strategy, business model, performance, risk management and sustainable development are all aligned and contributing to the value-creation process
- The governing body ensures that reports issued by the organisation are truthful and enable stakeholders to assess the organisation's performance and its short-, medium- and long-term prospects

Governing structures and delegation

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

Governance functional areas

- The governing body governs risk management in order to support the organisation in setting and achieving its strategic objectives
- The governing body oversees technology and information arrangements to ensure they support the organisation in achieving its strategic objectives
- The governing body supervises compliance with applicable laws, regulations and internal rules
- The governing body 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 governing body 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

- The governing body adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders, in the best interests of the organisation over time

Corporate governance

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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 shareholders and other stakeholders, and to 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 cases where a conflict cannot be avoided, it should be disclosed to the Board and proactively managed as determined by the Board, while 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 that they have sufficient knowledge of the organisation, industry and the funds it uses and affects, as well as the key laws, rules, codes and standards applicable to the organisation.
- Directors must act with due care, skill and diligence, and take reasonable steps to become informed about matters requiring their decision.
- Directors should continuously develop their competence 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 the way they exercise their governance role and responsibilities.
- Directors shall respect the confidentiality of information acquired in their capacity as members of the Board 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 acquired as a result of professional and business relationships shall not be used to the personal advantage of the Directors or any third parties.

Strategic oversight

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

The Group has a robust strategic framework for long-term value creation, which 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 the mere existence of the Company in the long run.

The Group's strategy is designed and proposed by the management team and adopted in the Board. It is structured around five 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 ensuring that the organisation is a responsible corporate citizen. Furthermore, the Board acts as a link between the stakeholders and the Group and ensures that there is transparent and effective communication with stakeholders on both positive and negative aspects of the business.

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, 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 process.

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. 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.

There are no external advisers who regularly attend or are invited to attend Board meetings.

The Board's role consists of two fundamental dimensions: **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 selected management decisions, monitoring operational performance, monitoring the adequacy of systems and internal controls, supervising the implementation of aligned policies across the Group.

The Board makes major policy decisions, participates in strategic planning, delegates to management the authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.

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

- appoints the CEO, CFO and any other Executive Director;
- establishes a framework for the delegation of authority to Executive Directors and further to the next lines of management;
- makes strategic decisions with respect to significant financing transactions in which the Group may engage, following the recommendation received from CFO;
- oversees equity management process, according to the Articles of Association;
- makes strategic decisions with respect to acquisitions, disposals and CAPEX, when these exceed the Investment Committee's or the CEO's authority;
- adopts the Group's strategy and budget based on management's proposal;
- steers the Group in achieving its core targets and monitors operational performance compared to budget and forecasts, including the execution of the investment and development strategy;
- 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 Annual Report;

- facilitates effective communication with the stakeholders and provides a commentary on the financial results, enabling investors to assess the Group's economic value;
- ensures that the Group's IT systems are integrated and support the business strategy and internal processes;
- ensures that management fosters a culture of ethical conduct;
- 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; and
- cannot be appointed as Chief Executive Officer or any other Executive Director.

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

- set the ethical tone;
- foster proper corporate governance;
- oversee the formal succession plan for Board members;

Corporate governance

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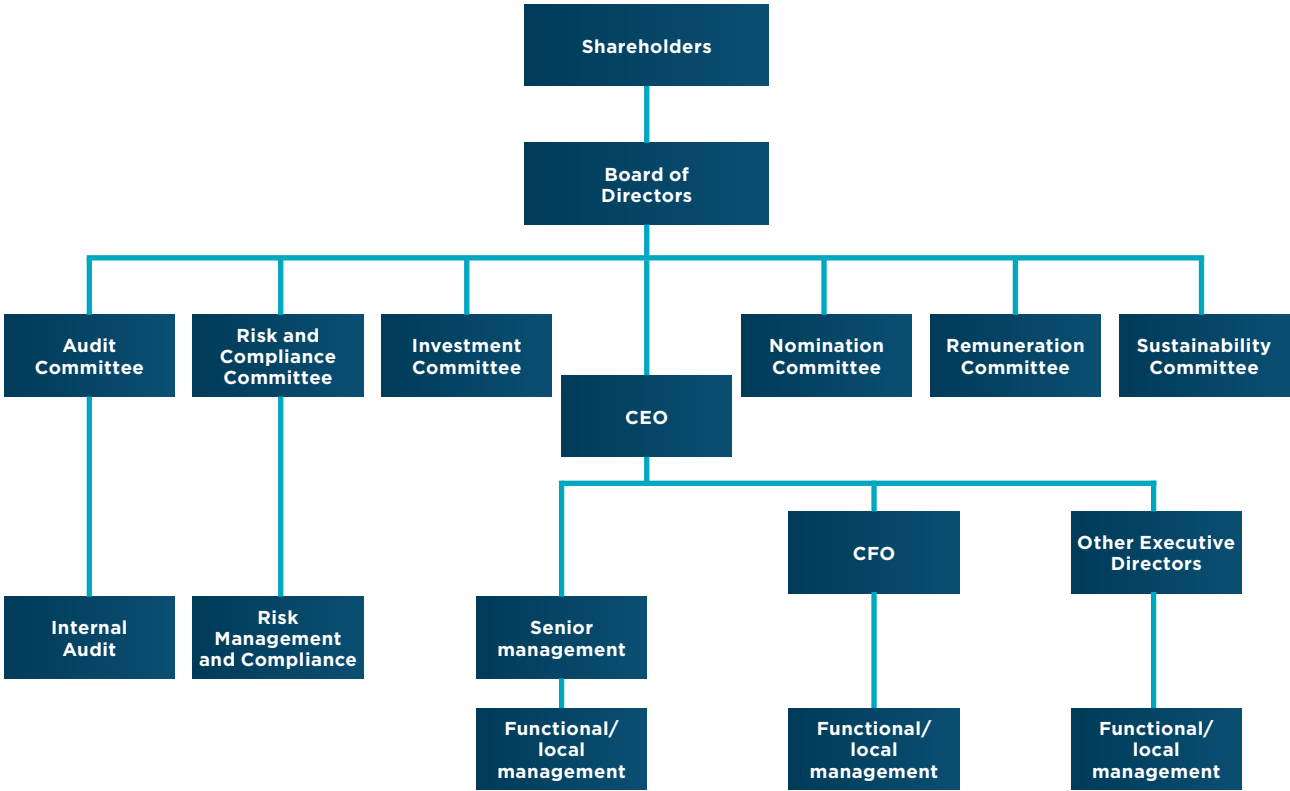
- oversee the performance evaluation process, the onboarding of new Directors and the continuous development of Board members;
- take a lead role in removing non-performing Directors;
- ensure that any material misconduct amongst the members of the Board is investigated and responded to properly and in a timely manner;
- ensure that Directors are mindful of their duties and responsibilities and foster proper functioning of the Board and Committees;
- see that a Lead Independent Director is nominated in order to ensure back-up; and
- ensure that amicable relationships are maintained with major shareholders and other stakeholders.

Lead Independent Director

- lead in the absence of the Chairman;
- serve as a sounding board and trusted adviser of the Chairman;
- act as an intermediary between the Chairman and other members of the Board, if necessary;
- chair discussions and decision-making by the Board on matters where the Chairman may have a conflict of interest; and
- lead the performance appraisal of the Chairman.

Group governance structure

The Group's governance structure establishes the fundamental relationships among the Board, its 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 management teams. 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** on the Board are the Chief Executive Officer ('CEO'), the Chief Financial Officer ('CFO'), other Executive Directors (including the Chief Operating Officer - 'COO'). Subject to the provisions of the applicable regulations, the Board may appoint Executive Directors, specify their duties and delegate powers to them. The CEO and the CFO have the following roles:

CEO

- ensure that a long-term strategy, in line with the Group's mission and vision, is developed, advanced to the Board for approval and then deployed;
- steer the development of the Group, establish performance goals and allocate resources to ensure growth, achievement of strategy, compliance with applicable laws and regulations and responsible citizenship;
- ensure that a positive and ethical working environment exists and that the ethics policies approved by the Board are implemented;
- act as chief spokesman for the Group;
- foster communication between the Executive Directors/Management and non-Executive Directors; and
- maintain investor relations.

The CEO does not have other professional commitments and is not a member of governing bodies outside the Group, except for private companies managing personal investments.

CFO

- establish and manage the accounting and financial functions of the Group, including establishing policies and practices for effective accounting and financial performance monitoring;
- take responsibility for financial and fiscal compliance, as well as general reporting of business performance;
- oversee the compilation of realistic budgets and their implementation, including limiting expenses and managing variations between projected and actual performance indicators;
- identify funding requirements and ensure that these are met in a cost-effective manner;
- supervise fiscal research, projections, analysis and optimisation;
- interact and maintain relationships with external auditors, regulators, analysts, rating agencies; and
- maintain investor relations.

The CFO does not have other professional commitments and is not a member of governing bodies outside the Group, except for private companies managing personal investments.

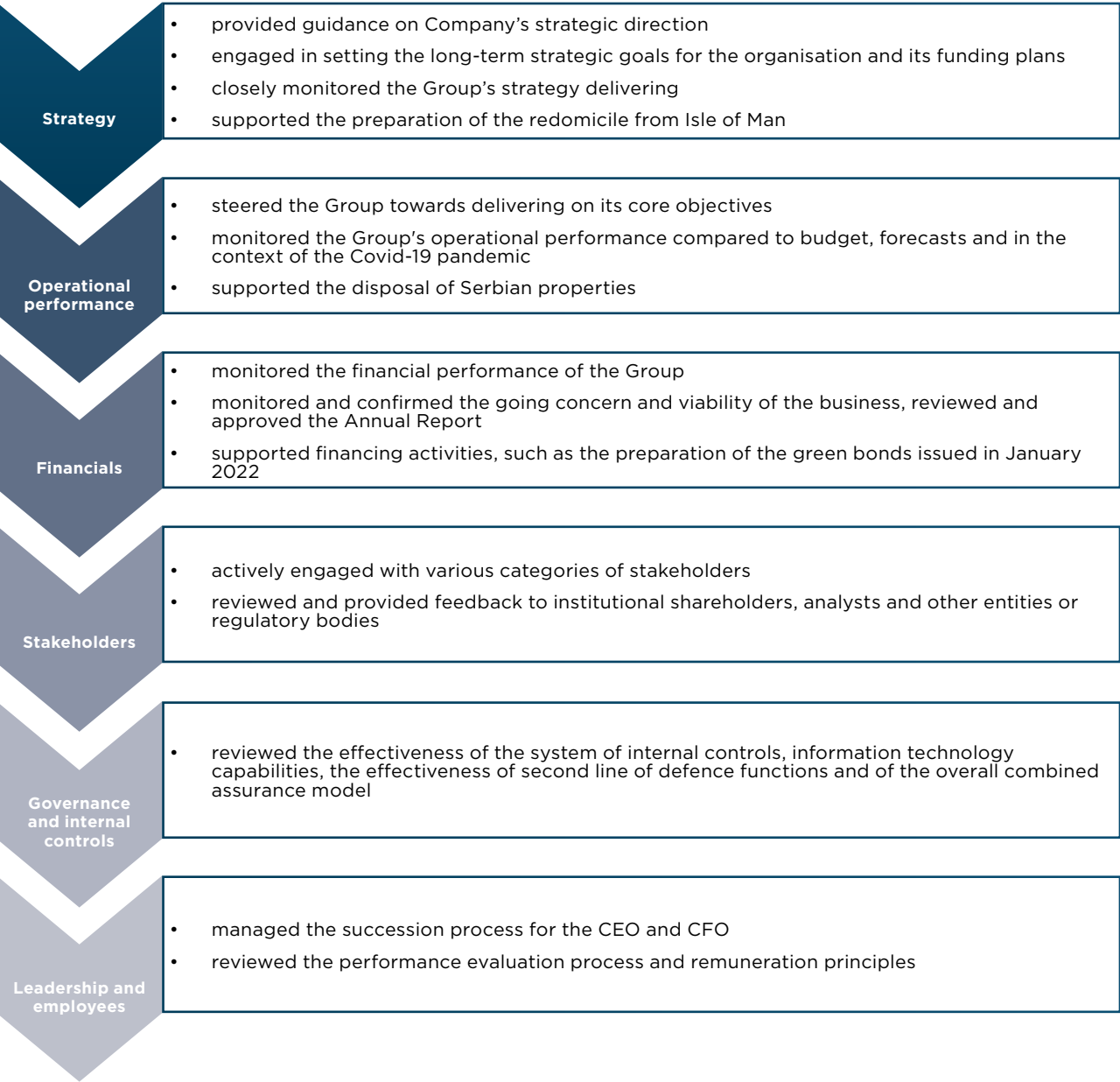


PHOTO: BONARKA CITY CENTER, POLAND

Corporate governance

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In 2021, the Board, directly or through its sub-Committees:



Board appointments

Directors are appointed by the Board or by shareholders, as per the provisions of the Articles of Association. Board appointed Directors need to be re-appointed by the shareholders at the next Annual General Meeting ('AGM').

In addition to the power of shareholders to remove Directors, the Board is entitled to remove any Director without shareholders approval, in accordance with the provisions of the Articles of Association.

The Group has a strict retiring-by-rotation policy, i.e., each year, one third of the Directors retire by rotation and may stand for re-appointment by the shareholders, except for the first AGM when all Directors must retire and stand for re-appointment.

The Board appointments are conducted in a formal and transparent manner following recommendations made by the Nomination Committee to the Board. The candidates' profiles are carefully analysed and new appointments

always take into account the necessary mix of background, experience, competencies, independence requirements and diversity principles, as set out in the Board Profile Paper. 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 background and references of the candidates are carefully checked and multiple information sources are used.

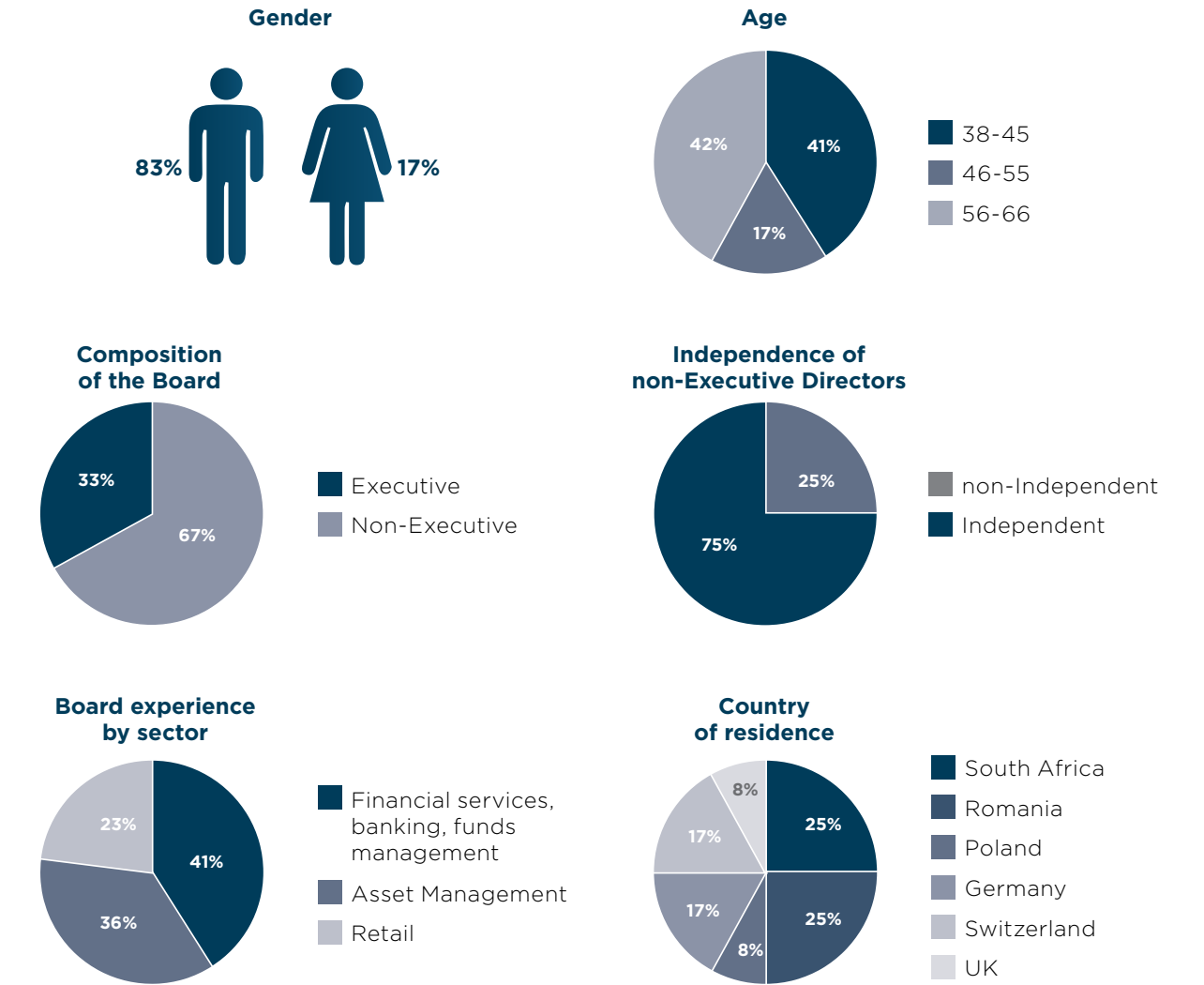
The independence of each newly proposed Director is assessed by the Nomination Committee and presented to the Board, as well as reassessed annually, based on clear criteria defined in the Corporate Governance Framework. Director's independence is reassessed formally on an annual basis by the Nomination Committee for all the Directors, and any changes are discussed by the Board and disclosed in the Annual Report.

A formal onboarding programme is in place for newly appointed Directors, under the close coordination of the Chairman of the Board and with support from the CEO. 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 Board's and the Committees' operational approach. The programme covers general financial, social and legal affairs, financial reporting, as well as aspects that are specific to the Company 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, objectives and action plans, 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 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 Board, based on an annual self-assessment of the Group's current set-up and needs, is satisfied with the skill set, mix of knowledge, diversity of cultures and background of its Directors as of 31 December 2021.



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 is provided by King IV and has been followed by the Group in establishing criteria for

evaluating the independence of its Directors on an annual basis.

The following criteria, in line with the Corporate Governance Framework, have been used by the Nomination Committee to assess the independence of the Board's non-Executive Directors for 2021:

Criteria 1: Is not a significant provider of funds

Criteria 2: Is not an officer, employee or representative of a significant funding provider

Criteria 3: Is not a participant in the share incentive scheme

Criteria 4: Does not own shares in NEPI Rockcastle, which are material to personal wealth

Criteria 5: Has not been an executive of NEPI Rockcastle during the preceding 3 years

Criteria 6: Has not been an external auditor or a member of the external audit team during the preceding 3 years

Criteria 7: Is not part of the executive management of another organisation which is a related party of the Group

Criteria 8: Is not entitled to remuneration contingent on the performance of the Group

Independent Director

Director	Criteria 1	Criteria 2	Criteria 3	Criteria 4	Criteria 5	Criteria 6	Criteria 7	Criteria 8	Assessment
Robert Emslie*	✓	✓	✓	✓	✓	✓	✓	✓	Independent
George Aase	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Andre van der Veer	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Antoine Dijkstra	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Andreas Klingen	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Ana Maria Marinescu	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Jonathan Lurie	✓	✓	✓	✓	✓	✓	✓	✓	Independent
Andries de Lange	✓	X	✓	✓	✓	✓	✓	✓	non-Independent*
Steven Brown**	✓	X	✓	X	✓	✓	X	✓	non-Independent
Sipho Vuso Majija (alternate to Steven Brown)	✓	X	✓	✓	✓	✓	X	✓	non-Independent (alternate)

* the Director left the Board on 18 August 2021, therefore the last independence assessment was performed in January 2021

** shares in NEPI Rockcastle's shareholders, material for the Director's wealth, were considered for marking criteria 4

^ the Director's independence was re-categorised in March 2022 and the Board considered that he will act in an independent capacity going further

A non-Executive member of the Board may continue to serve in an independent capacity for longer than nine years if, upon Board's assessment, conducted annually, it is concluded that the member exercises objective judgement and there is no interest, position, association

or relationship which, from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. No Director currently exceeds the nine years threshold.

Directors in the Board as of 31 December 2021	Years of service in the Board*
Alex Morar	8.3
Andre van der Veer	7.6
Mirela Covasa	6.9
Marek Noetzel	6.0
Antoine Dijkstra	5.6
George Aase	3.3
Andreas Klingen	2.7
Steven Brown	1.7
Andries de Lange**	1.6
Ana Maria Mihaescu	0.3
Jonathan Lurie	0.3
Rüdiger Dany	0.3

* length of service to both NEPI and Rockcastle, before the merger, has been considered.

** since August 2016, 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 plc, from August 2017 until September 2019. The related length of service is not considered.

Board membership in 2021

With effect from 18 August 2021, Ms Ana Maria Mihaescu and Mr Jonathan Lurie were appointed as Independent non-Executive Directors. At the same date, Mr Rüdiger Dany was appointed as Chief Operating Officer and Executive Director.

Further to the announcement of 18 May 2021 in respect of Mr Robert Emslie's retirement from his role of Chairman of the Board, Mr Emslie left the Board effective 18 August 2021, after more than 5 years with the Company.

The following Directors were re-elected by shareholders at the Annual General Meeting held on 18 August 2021:

- Andreas Klingen, as Independent non-Executive Director with 98.53% of the votes; and
- Alex Morar, as Executive Director and CEO with 99.56% of the votes.

As of December 31, 2021, the Board comprised 12 members, 8 non-Executive Directors and 4 Executive Directors.

The members of the Audit Committee were re-appointed at the AGM as follows:

- Andreas Klingen, member and Chairman, with 98.07% of the votes;
- Andre van der Veer, member, with 94.63% of the votes;
- Antoine Dijkstra, member, with 98.47% of the votes; and
- Ana Maria Mihaescu, member, with 99.96% of the votes.

Corporate governance

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Details of the non-Executive Directors background and expertise as of December 2021, are set out below:



GEORGE AASE (59)
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.

Appointments at 31 December 2021

NEPI Rockcastle

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

Other listed companies

-



ANTOINE DIJKSTRA (58)
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.

Appointments at 31 December 2021

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

-



ANDREAS KLINGEN (57)
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..

Appointments at 31 December 2021

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 the Supervisory Board of Credit Bank of Moscow PJSC*
 - Member of Board of Directors Kyrgyz Investment and Credit Bank
- * Effective 14 March 2022, Mr Klingen is no longer a Director in Credit Bank of Moscow*



ANDRE VAN DER VEER (54)
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.

Appointments at 31 December 2021

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

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Corporate governance

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ANDRIES DE LANGE (48)
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. Mr de Lange was appointed as non-Independent non-Executive Director of NEPI Rockcastle on 27 May 2020 and was re-categorised as as Independent Director as of March 2022.

Appointments at 31 December 2021

NEPI Rockcastle

Member of Remuneration Committee
Member of Nomination Committee

Other listed companies

-



STEVEN BROWN (41)
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.

Appointments at 31 December 2021

NEPI Rockcastle

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

Other listed companies

CEO Fortress REIT Limited



ANA MARIA MIHAESCU (66)
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 alumnus 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.

Appointments at 31 December 2021

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 (45)
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, Logicor, Blackstone Property Management, GSW AG (now Deutsche Wohnen AG), Songbird Estates plc (owner of Canary Whart 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.

Appointments at 31 December 2021

NEPI Rockcastle

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

Other listed companies

-

Corporate governance

» continued

2021 was a year with intense activity for the Company and for its Board, in the context of managing the Covid-19 pandemic as well as multiple projects at Group level, including the succession planning for the CEO and the CFO. The schedule of meetings is detailed in the table below. The participation rate in the Board and Committees meetings in 2021 was 100% for all Directors (members of the Board or Committee at the respective date).

Date	Board of Directors	Investment Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
Meetings	11	4	6	4	6	4	3
13-Jan-21						x	
27-Jan-21	x						
28-Jan-21	x						
10-Feb-21						x	
11-Feb-21				x			
17-Feb-21		x					
22-Feb-21					x		
23-Feb-21			x				
24-Feb-21	x						
4-Mar-21					x		
12-Mar-21					x		
17-Mar-21							x
16-Apr-21	x						
23-Apr-21						x	
7-May-21	x						
7-May-21				x			
13-May-21		x					
14-May-21					x		
18-May-21			x				
19-May-21	x						
15-Jun-21			x				
17-Jun-21							x
9-Jul-21					x		
9-Jul-21	x						
16-Jul-21	x						
5-Aug-21				x			
13-Aug-21		x					
17-Aug-21			x				
18-Aug-21	x						
30-Aug-21					x		
15-Oct-21	x						
4-Nov-21				x			
12-Nov-21		x					
16-Nov-21			x				
17-Nov-21	x						
25-Nov-21			x				
25-Nov-21						x	
26-Nov-21							x



PHOTO: FOCUS MALL ZIELONA GÓRA, POLAND

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.

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 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 particular, compliance with the JSE, A2X and Euronext listing requirements, and with the statutory obligations in the various jurisdictions where the Group operates.

Following the announcement of 23 July 2021, when the CEO and the CFO published their intention to pursue opportunities outside the Group, the Board, through its Nomination Committee, triggered the succession process, for identification of suitable replacements. The process was extensive and run in a transparent and objective manner, with the support of professional international recruitment agencies, and it considered both internal and external candidates.

On 4 January 2022, the Board announced the appointment of Rüdiger Dany (the Chief Operating Officer) and Eliza Predoiu (the Deputy Chief Financial Officer) as interim Chief Executive Officer and interim Chief Financial Officer, respectively. The appointments are effective from 1 February 2022 for an initial period leading to the announcement of the Company's 2022 interim results for the six months ending 30 June 2022.

Directors' dealings and related parties' 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. Through its Dealing Code, the Group prohibits all Directors and employees from using confidential information, not generally known or available to the public, for personal benefit.

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, as well as when sensitive information not yet available publicly is known by the Company's employees or Directors. The Group announces closed 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).

All Directors' and Directors' related parties' interests are disclosed according to the Declaration of Interests Policy. All Directors' direct and indirect securities holdings as of year-end are also published in the Annual Report.

According to the Group Code of Ethical Conduct, 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 his position as Director to earn profit for him/herself; and
- making personal use or advantage of an opportunity obtained through the Group.

Potential conflicts of interest related to topics on the agenda are checked at each Board meeting. Any potential conflict of interest would be declared and discussed in the Board meeting. The Board would decide on the measures to be implemented and the degree of further involvement of the respective Director in the matter at hand. Any 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.

Company Secretary function

The Company Secretary function assists the Board in ensuring that the Group complies with statutory and regulatory requirements. The Company Secretary function also ensures that the Board members are informed of their legal responsibilities.

Company Secretary function covers the following main responsibilities:

- 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 relating to the Board is properly stored;
- 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;



PHOTO: PARADISE CENTER, BULGARIA

- ensures that rules regarding conflict of interest management applicable to the Board, as defined in the Declaration of Interests Policy and Code of Ethical Conduct, are observed, and keeps evidence thereof;
- provides corporate governance advice to the Board members on all governance matters and issues;
- 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;

- generally supports the Chairman of the Board in the organisation of the affairs of the Board;
- prepares communications for Group entities and stakeholders, as instructed by the Board; and
- coordinates and guides the activity of the persons appointed as Secretary of Board Committees.

The Board is satisfied with the competence, qualifications and experience of the Company Secretary Function.

Corporate governance

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Delegation to Committees

Without abdicating accountability, the Board delegates certain functions to well-structured committees. The following requirements are considered when setting up Committees, 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 will not be a member of the Remuneration, Audit or Nomination Committees, but may attend by invitation.

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

Risk and Compliance Committee/4 meetings/100% attendance rate
Independent non-Executive Directors Antoine Dijkstra (Chairman) Andre van der Veer Jonathan Lurie
Non-Independent non-Executive Directors Steven Brown

The Risk and Compliance Committee is established to assist the Board in:

- exercising oversight over enterprise risk and compliance management processes; and
- ensuring the Group has implemented an effective approach for risk management that will enhance its ability to achieve its strategy and business objectives.

The Risk and Compliance Committee ensures that the enterprise risk management and compliance processes are widely disseminated throughout the Group, are integrated into its day-to-day activities, and that risk assessments are performed on a continuous basis.

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 Mirela Covasa

The Sustainability Committee oversees and reports on the Group's organisational ethics, responsible corporate citizenship (including the environment, health and public safety, the impact of the Group's activities and of its products or 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; and
- 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 a 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.

Committees' activity in 2021

Audit Committee/6 meetings/100% 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;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;nurture and improve communication and contact between relevant stakeholders in the Company;monitor control framework implemented to ensure compliance with legal requirements;satisfy itself of the expertise, resources and experience of the Group's Finance function;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; andassist the Board in carrying out its IT governance role, by obtaining the relevant assurances that IT risks are adequately addressed by the controls in place and by providing oversight over the entire IT management framework.

Corporate governance

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Remuneration Committee/6 meetings/100% attendance rate
Independent non-Executive Directors Andre van der Veer (Chairman) George Aase Ana Maria Mihaescu
Non-Independent non-Executive Directors Andries de Lange
<p>The role of the Remuneration Committee is to support the Board in discharging its responsibilities related to the Group Remuneration Policy and remuneration approach. The Remuneration Committee is responsible to:</p> <ul style="list-style-type: none">• review and approve the Group's Remuneration Policy, while ensuring that the policy, practices and performance indicators are aligned to the Board's vision, values and overall business objectives, and are designed to motivate Directors and employees to pursue the Group's growth and success;• monitor implementation and administration of the Remuneration Policy;• annually review and recommend to the Board the remuneration to be paid to the non-Executive Board members;• annually 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 Kligen
Non-Independent non-Executive Directors Andries de Lange
<ul style="list-style-type: none">• identify suitable Board candidates in order to fill vacancies, based on the criteria defined in the Board Profile Paper, to ensure the appropriate mix and diversity;• 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 evaluation of the performance of the Board members on an annual basis; and• arrange for an appropriate training and development programme for the Board members, as well as an induction programme for the newly appointed Directors.
Investment Committee/4 meetings/100% attendance rate
Independent non-Executive Directors Andre van der Veer (Chairman) George Aase Jonathan Lurie
Non-Independent non-Executive Directors Steven Brown
Executive Directors Alex Morar 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.



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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 has the following responsibilities:

A. In relation to **external audit**:

- nominate for appointment the external auditor;
- review the auditor's fees and terms of engagement, and ensure that the appointment complies with relevant legislation;
- assess the external auditor's 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 auditor;
- evaluate the performance of the external auditor 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 processes**:

- evaluate the Group Annual Report for reasonableness, completeness, consistency and accuracy prior to issuance and 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 financial and sustainability disclosures;
- oversee compliance with all applicable 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 external auditor's opinion about the

quality and appropriateness of the Company's accounting policies;

- determine whether and how the external auditor 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' by communicating the importance of internal control and the management of risk and by overseeing that all employees understand their roles and responsibilities;
- review the effectiveness and efficiency of the internal controls system;
- review and assess the reports and recommendations on internal controls issued by the internal and external auditors;
- consider how management is held accountable for the security of computer systems and applications, and the contingency plans for processing financial information in the event of 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 the relevant rules 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 investigations results;
- review internal audit reports concerning any 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 of the Group has been defined;
- oversee that information technology management processes are formalised and that an effective control environment for managing related risks and achieving objectives, as well as preserving information privacy and security, has been designed and implemented effectively;
- ensure that proper policies and processes have been implemented to ensure ethical and responsible use and disposal of technology and information, both hardware and software;
- oversee that effective mechanisms have been implemented to identify and respond to security incidents;
- oversee that monitoring of developments 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.

The Audit Committee, following the mandate received at the Annual General Meeting, approved the 2021 external auditor's terms of engagement, fees and scope of work at Group level. Based on interactions with the external auditor and the quality of the external auditor's reports, the Audit Committee considered the expertise and independence of the external auditor, 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 and are operating in respect of all Group entities. 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 Audit 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 2021:

- a. With respect to risk management framework:
 - oversee the annual review of the risk management policies, and recommend them for Board's approval;
 - monitor implementation 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

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- widely disseminated throughout the Group and integrated into day-to-day activities;
 - ensure that risk is managed on a continuous basis;
 - acknowledge the mitigating action plans committed by the business functions, and review risk response and implementation status for major risks at Group level;
 - ensure that a framework is in place to anticipate unpredictable risks and to ensure emerging risks are identified and addressed in due time;
 - review risk reporting; and
 - assess compliance with all relevant legislation and regulations, including regulations concerning risk reporting.
- b. With respect to the compliance management system:
- oversee the compliance management framework;
 - oversee the development and annual review of the compliance policies, and recommend updates for Board's approval;
 - monitor 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; and
 - monitor labour and employment relationships.

Sustainability Committee

The Sustainability Committee consists of a diverse mix of Independent and non-Independent Directors, to ensure sufficient knowledge and expertise.

The Sustainability Committee supports the Board in discharging its responsibilities in the following areas:

- ensure that the Group is a good corporate citizen and monitor progress in achievement of the sustainability targets at Group level;
- monitor the Groups' effects on the environment, health and public safety based on reports provided by management;
- ensure comprehensive, timely and relevant sustainability reporting;
- oversee Code of Ethical Conduct and related policies implementation and report on the Group's organisational ethics; and
- assess regularly the Group's culture, the tone from the top and whether these are in accordance with the Group's mission, vision, values and strategy.

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 Directors serving on the Remuneration Committee have diverse, complementary backgrounds and are independent of the management and the Company.

The Remuneration Committee assumed the following responsibilities during 2021:

- 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;
- 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 for the Group; and
- recommend the fees 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 existing Directors who are due for re-election by rotation at AGM;
- 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 and nominate them for Board approval;
- propose extensions 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 and analyse and recommend to the Board those transactions that fall outside its mandate; and
- evaluate and monitor investments performance over time.

The Board and the Committees considered their activity during 2021 and confirmed that they are satisfied that they have fulfilled their responsibilities in accordance with their charters and the Corporate Governance Framework.

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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 Group's Corporate Governance Framework is in full alignment with the relevant governance codes of reference and fosters equal treatment and open dialogue with stakeholders, based on an aligned understanding of objectives. 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 interests. No information is shared preferentially only to some stakeholders, unless it is available to all.

The Group's non-Executive and Executive 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 and the Dealing Code has strict provisions designed inclusively to ensure such protection.

The Group actively manages its relationship with all categories of stakeholders using the means considered most appropriate for each category, and communicates formally in a number of ways:

- news, announcements or press releases are issued in response to events or routine reporting obligations;
- business updates are published regularly, depicting Company's performance;
- the reviewed Interim Financial Statements and 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 conference calls. The presentation and the reports are posted on the Group's website;
- the Audited Consolidated Financial Statements and Condensed Consolidated Financial Results are published in February each year, for the year ended 31 December, including detailed management commentary. These are also followed by Results Presentations announced publicly on the corporate website, which any stakeholder may attend; and
- the Annual Report is published in March each year, comprising reporting on all relevant matters.

In compliance with the JSE Listings Requirements, the Company announces publicly all dealings of its Executive and non-Executive Directors in the Company's securities through SENS, as well as any changes to its Directors or Committees structure.

In relation to the Covid-19 pandemic, the Group continued to keep stakeholders regularly informed of how it has affected its portfolio, operations and financial position. The Group has published on its website regular updates and has transparently disclosed the issues it faced, as well as the safeguards it has implemented to manage its operations, while protecting its viability and going concern.

Key investor relations calendar in 2021	
February	Audited Consolidated Annual Financial Statements
	Results presentations and investors meetings
March	Publication of 2020 Annual Report
May	Business update Q1 2021
	Potential redomicile from Isle of Man
June	Disposal of Serbian properties
July	Changes to the Board and succession planning for executive management
August	Trading statement
	Annual General Meeting of shareholders
	Publication of Interim Condensed Consolidated Financial statements for the six months ended 30 June 2021
	Results presentation webcast
	S&P affirms credit rating at BBB and revises outlook from negative to stable
September	EPRA BPR Gold Award and SBPR Bronze Award
November	Business update Q3 2021
	Fitch affirms rating at BBB and revises outlook from stable to positive
	Update on the redomicile from Isle of Man
December	Pre-closing update



PHOTO: FORUM LIBREC SHOPPING CENTRE, CZECH REPUBLIC

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The Board is required through King IV 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 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.

MAJOR STAKEHOLDERS

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 and other topics falling outside of the usual financial topics.</p>
Financing partners	<p>The Group has a wide range of relationships with banks, financial institutions and bondholders and maintains 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.</p>
Analysts	<p>NEPI Rockcastle holds semi-annual results presentations and participates in conferences. Information is provided through analyst presentations, road shows, annual reports and interim reporting. In 2021, the Company continued to adapt its interactions due to Covid-19 travel, quarantine and social distancing restrictions.</p> <p>NEPI Rockcastle openly addresses analysts’ questions concerning all aspects of the business and communicates frequently during the year to answer queries.</p>
Tenants	<p>NEPI Rockcastle maintained a high occupancy rate and stable rent levels across the portfolio, while adopting a fair and equitable approach with tenants, aimed at ensuring the long-term success of the retail ecosystem. Leasing activity continued, with commercial terms mostly unchanged compared to 2019, while more focus was put into the receivables collection process.</p>
Suppliers	<p>NEPI Rockcastle maintains professional relationships with all its suppliers and ensures they understand performance standards and requirements. Where possible, NEPI Rockcastle will have service level agreements or terms of reference for its relationships with suppliers, which include performance expectations.</p>
Government and local authorities	<p>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.</p>
Employees	<p>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. Despite the Covid-19 pandemic, the Group did not change its approach towards employees, while implementing the necessary safety and distancing measures to ensure they are protected.</p>
Communities and environment	<p>NEPI Rockcastle, as a good corporate citizen, always considers the impact of its projects and operations on society, the community and the environment.</p> <p>Details on communities engagement during 2021 are included in the Sustainability Report, pages 172-177 of this Annual Report.</p>

INTERNAL CONTROLS AND COMPLIANCE MANAGEMENT SYSTEM

The Group 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:

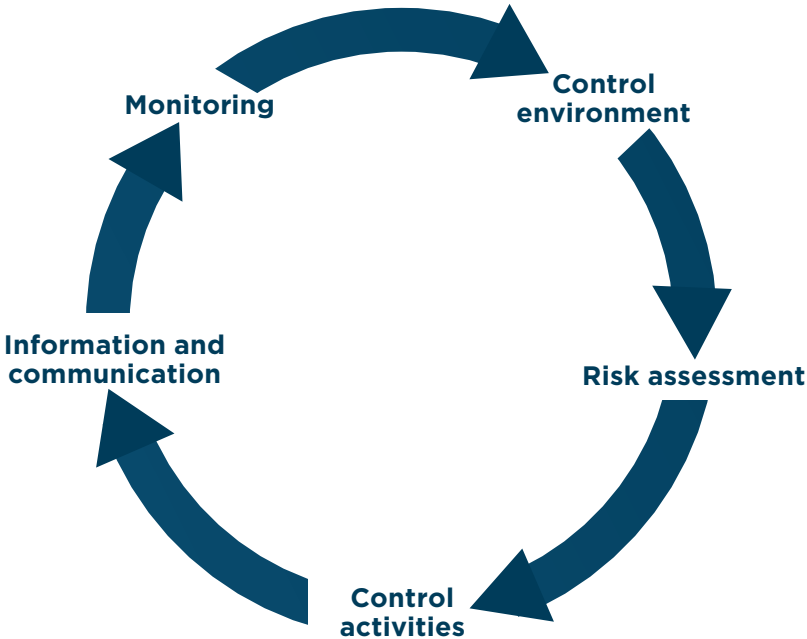
- the first line of defense, line management (senior management, local management) is the function that owns risks and is responsible for operational processes within the Group. Line management is in charge of defining guidelines, implementing and executing internal controls, embedding risk management in the day-to-day operations, comparing performance against targets, monitoring achievement;
- the second line of defense 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-related information. In the consideration of their monitoring role, they recommend new controls or risk mitigating measures to be embedded in current processes and practices; and

- the third line of defense, 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.

The Group is committed to preventing and deterring significant risks, such as, but not limited to:

- potential conflicts of interest;
- related party transactions which may not be transparent or at an arm’s length;
- confidentiality and observance of professional secrecy;
- incomplete or misleading 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;
- non-adequate adherence to anti-corruption and anti-fraud rules; and
- inefficient delegation of authority required to keep the right balance between flexibility, speed and span of control.

The internal control system was developed based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) components:



Corporate governance

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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 ensured 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 contracts to ensure that the same principles are applied by outsourced property managers;
- design of a detailed supplier risk assessment and due diligence when onboarding suppliers and periodical revisions afterwards; and
- win-win partnerships with some Group's 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 financial objectives. A risk assessment and due diligence process is 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 securely 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 2021 its cybersecurity programme, focused on awareness, prevention and security by design. The Group implemented and communicated a clear escalation mechanism where any suspected attack can be reported and analysed. The Group was the target of cybersecurity attacks during the year, while none of which had serious consequences due to the safeguards implemented. None of these attacks led to either a significant leakage, loss of personal data and business secrets, or to unavailability of technology and business interruptions.

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 where the Group operates), 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.

The Compliance function covers the following responsibilities for the entire Group:

- advisory: counsels all management levels and personnel on compliance with laws, rules and

standards, including keeping them informed on legislative developments and emerging exposure;

- guidance and education: assists senior management in educating staff on compliance issues and acts as a contact point for compliance queries;
- identification, measurement and assessment of compliance risks: documents and 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 of processes and practices and monitors risks associated with various jurisdictions and emerging legislation.

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

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 oversight 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;
- oversee enterprise risk management ownership within the respective lines of accountability;
- 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 significant data breach resulting in a major leakage, loss or unavailability of personal data occurred in 2021.

The Group's policies and procedures are available to all employees in a shared location. Training and awareness programmes were organised on various compliance-related topics.

Operational compliance is monitored for all companies in the Group, in all jurisdictions 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 124-129.

Corporate governance

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EXTERNAL AUDIT

PwC's 2021 appointment was proposed by the Audit Committee, approved by the Board, and endorsed by the shareholders at the Annual General Meeting, with 100% of the total number of present votes. The external auditor's scope of work includes:

- the audit of the annual consolidated and standalone financial statements of NEPI Rockcastle plc, prepared in accordance with IFRS; and
- the audit of the financial statements of selected NEPI Rockcastle's subsidiaries, prepared in accordance with local accounting principles.

The fees incurred in relation to PwC, for audit and non-audit services, are disclosed in the notes to the financial statements.

PwC was appointed in 2018, following a tender where top audit firms (Big 4) were invited and evaluated based on their knowledge, experience, capacity to carry out multinational audit and compliance engagements with strict reporting deadlines.

The Group's audit rotation policy is to organise tenders for audit services regularly, to ensure auditors' independence, as well as verify that audit fees are in line with the market. In 2021, given major projects at Company level, such as the Company's redomicile, the CEO and CFO succession planning, the Board decided to postpone the retendering.

The Audit Committee and the external auditor have communicated on all matters required by 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 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 auditor, the Audit Committee was provided with an independent report including significant auditing matters and auditor's observations relating to the internal control environment of the Group and management's response. The Audit Committee reviewed the report and discussed directly with the external auditor the findings, and both have confirmed that all matters have been satisfactorily addressed by management. The external auditors also held private meetings with the Audit Committee, without any member of the management team present and had unrestricted access to communicate privately to the Audit Committee any issue they may consider necessary.

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

The Committee is satisfied with the information received based on which it concluded that PricewaterhouseCoopers LLC, the signing external audit firm and Mr Nicholas Mark Halsall, the audit partner in charge, are independent of the Company and of the Group.

INTERNAL AUDIT

The Group has an insourced 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 carries out independent risk-based audits, under the guidance of the Audit Committee. The Audit Committee therefore:

- defines the mandate of Internal Audit through the Audit Charter 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 direct reporting line and direct unrestricted access.

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.

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.

During 2021, based on the scope of work performed, Internal Audit concluded that the system of internal controls has further matured. In line with Audit's recommendations, management priorities in 2022 will be to further standardise and align internal procedures, digitalise processes and automate controls, increase efficiency and effectiveness of internal controls and optimise operations.



PHOTO: MAMMUT SHOPPING CENTRE, HUNGARY

Risk management

RISK OVERVIEW

In the context of increasing volatility, complexity and ambiguity of the political, environmental and economic context, organisations need to enhance their approach to managing risk. 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.

As part of the second line of defence functions, under the three lines of defence approach, the Risk Management function supports the strengthening of the internal control system and is primarily charged with the oversight of the risk management framework and processes. Risk management function encourages and assists the risk owners in reporting adequate risk related information, ensures monitoring of emerging risks and recommends new controls or mitigating measures to be embedded, to facilitate the implementation of effective risk management by operational management.

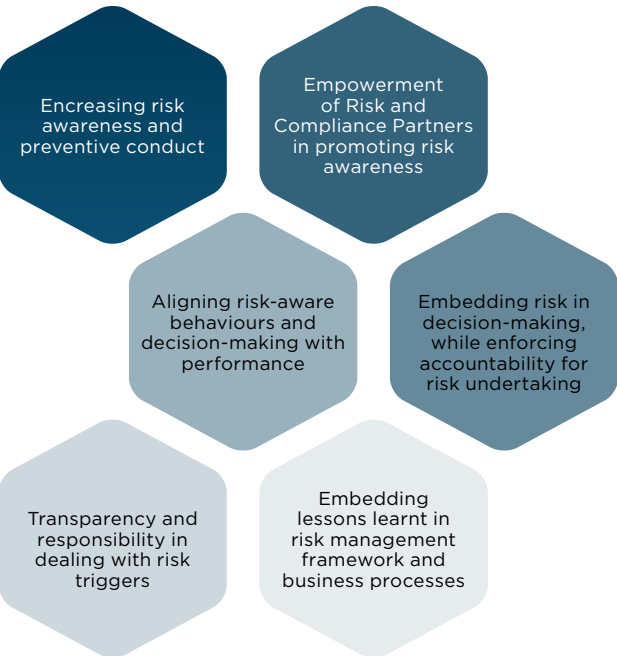
The Group developed a comprehensive framework for the management of risks, to increase overall awareness among its personnel and to enable the management functions responsible for managing the risks to better identify, assess and control risks within their areas, as to:

- align and integrate risk management with strategy and business objectives setting;
- create a culture of risk management and periodically increase awareness;
- ensure that all the current and future material risk exposures are identified, assessed, quantified, appropriately managed;
- enable compliance with relevant laws and regulations, wherever applicable, through the adoption of best practices;
- enable financial stability and sustainable business growth;

- foster an educated approach towards risks and provide a Group-level risk assessment methodology and tools; and
- integrate the best practice principles set forth under COSO framework and ISO 31000.

RISK MANAGEMENT STRATEGY AND RISK GOVERNANCE

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



In implementing an efficient and sound risk management practice, information is key, therefore the Group ensures that it is shared and escalated within the Group, in a transparent manner. To support this, management provides the Risk and Compliance Officer, the Risk and Compliance Committee and Board of Directors with an appropriate level of risk relevant information, to assess whether current enterprise risk management practices are appropriate, so that to facilitate the exercise of their risk oversight role.

Ensuring the Group's Board of Directors provides oversight of risk management, as well as alignment and embedding of risk management in strategy and objectives setting are of paramount importance for the Group's risk

management. Risks are identified and mapped to one or more of the strategic goals, such mapping being revisited annually, once the strategy for the next year has been set, in order to ensure better assessment of risks, as well as early impact assessments.

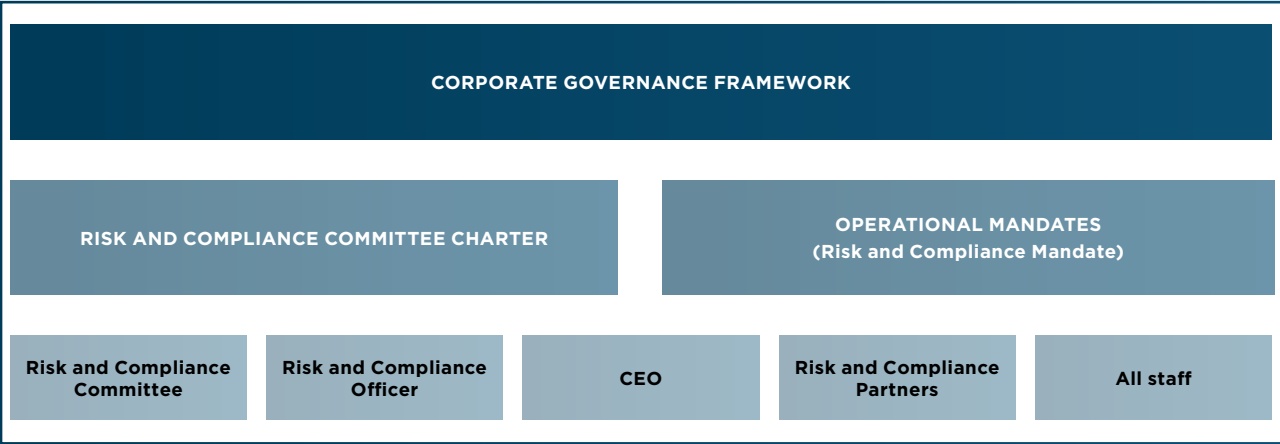
The responsibility for managing risk is shared between management and the Board of Directors assisted by the Risk and Compliance Committee. The Committee was established to support the Board in exercising its oversight role over enterprise risk and compliance management processes, in order to ensure 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 of Directors and of the Risk and Compliance Committee is enhanced by the directors' independence and mix of skills, expertise and business knowledge. This role includes scrutinising management's decisions when necessary, presenting alternative views, offering sound judgement, challenging organisational biases, and acting in the face of wrongdoing. In fulfilling its role of providing risk oversight, the Board challenges management without assuming the operational role of management. The detailed responsibilities and duties of the Board

of Directors and the Risk and Compliance Committee are defined in their respective charters and the Group's Corporate Governance Framework, and are presented in the Corporate Governance section of this Annual Report.

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



Risk management

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The Board of Directors shall ensure that risk management policies and procedures designed and implemented by the Risk and Compliance Officer with the endorsement of the Risk and Compliance Committee are (i) consistent with the Group’s strategy and risk appetite and (ii) relying on an enterprise-wide culture that supports appropriate risk awareness, behaviours and judgments.

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

Management embeds risk management practices into the 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, (iv) identify and report incidents, changed circumstances or emerging risks. Also, management is entitled to decide whether to proceed with mitigation strategies and implement contingency actions, within the Risk Appetite approved by the Board of Directors, while the Board of Directors directly and through the Risk and Compliance Committee shall exercise overall risk management oversight.

Risk and Compliance Partners have been assigned per each area of expertise within the Group, for the purpose of supporting the Risk and Compliance Officer in its efforts of identifying and addressing risk triggers. The Risk

and Compliance Partners act like risk culture ambassadors throughout the Group, being the front office for risk triggers identification. They share their knowledge and expertise, supporting the Risk and Compliance Officer in assessing impact and probability of risk triggers, as well as in recommending appropriate mitigation measures to address such risk triggers.

Each employee individually has responsibilities in dealing with risk management: (i) to understand and implement the risk management processes, (ii) to report inefficient, unnecessary or unworkable risk management measures, (iii) to report loss events and near-miss incidents and (iv) to co-operate with management on incidents investigation.

As the Group operates in multiple jurisdictions and has a complex structure comprising a holding and financing entity, operational subsidiaries and management company subsidiaries, the Risk and Compliance Officer, in consultation with both management and the Risk and Compliance Committee has defined a structure of roles and responsibilities at Group’s management level, so that 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 Risk and Compliance Committee, the Board of Directors may decide to request independent assurance on the effectiveness of risk management processes.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT POLICY	<ul style="list-style-type: none">increased overall awareness of risk throughout the Grouprisk strategy, risk culturespecific responsibilities in the risk management processguidance for the management functions to identify, assess and control risks within their areas
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 valuerules and principles to be considered in risks undertaking, so that to maintain alignment to risk appetite
CRISIS MANAGEMENT AND BUSINESS CONTINUITY FRAMEWORK	<ul style="list-style-type: none">guidance for incidents management, so that to minimize risks and ensure health and safety of personnel, integrity of assets and availability of data within information systemsrules to handle incidents that interrupt normal operating procedures, so that to avoid escalation to crisis threatening to have a severe negative impact on Group financial results, brand, reputation or relation with employees, customers or suppliers
BUSINESS COTINUITY PLAN	<ul style="list-style-type: none">clear responsibilities and specific workflow in the case of a crisis, to timely resume or restore business operations following a disruptive eventpriorities and solutions to address disruptive threatsdeveloped based on the results of the threat and risks analysis, business impact analysis study and continuity requirements

RISK APPETITE

NEPI Rockcastle closely monitors significant risks with a potential impact on the strategic goals, assessed in accordance with its risk evaluation methodology. The Group considers in its periodical assessments, risk triggers like 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 a set of criteria defining its risk appetite in respect of the critical activities undertaken in the process of creating, preserving and realising value. Such critical activities, processes and topics include: asset management, leasing, investments, tax structure management, treasury operations, tenants 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 moment in time;
 - at least 70% of the property portfolio should be kept unencumbered; and
 - LTV ratio below 35% (max 40% in the short-term).

- The Group has zero tolerance towards risks related to:
- health and safety (e.g., risks related to structural integrity of the 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 its employees, collabourators or Directors;
 - damage to its reputation materially affecting its ability to attract funding, personnel or its relations with business partners;
 - non-compliance with material regulatory requirements (e.g. competition, data privacy);
 - exposing the Group and its employees, collabourators or Directors to any criminal liability;
 - incompliance with financial reporting standards; and
 - any practices presenting a risk of market abuse as defined by the rules and regulations of the markets where the Groups’ shares are trading.

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

Probability and impact of each risk against the cost of mitigation, as well as the Group’s risk appetite shall be considered when assessing a risk, before implementing adequate mitigation measures. For significant risks, a contingency plan and/or a series of activities that should take place prior to, or when the event occurs, shall be designed. Both mitigation and contingency plans support proper monitoring of risk treatment progress, as well as evaluation of residual risk.





PHOTO: ARENA MALL HUNGARY

Risk management

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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, thus enabling risk identification. Management identifies and documents known risks in a Risk Register, while

risk factors or events are raised to the attention of the Risk and Compliance Officer, the Risk and Compliance Committee and Board of Directors, where the case.

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 are 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 by the means of the Risk Register, as well as reported on a quarterly basis to the Risk and Compliance Committee.

Group staff is trained to report incidents of malfunction, suspicious activities, threats, or weaknesses potentially affecting health, 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 practices proved that personnel are more likely to co-operate willingly with the extra demands placed on them in 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 the continuity of business processes;
- maintain a strong brand reputation;

- make decisions and take actions that are consistent to 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 therewith, in a timely manner.

Executive management is 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 to a crisis, depends on the scope and nature of the crisis and its (potential) impact. The CMT is authorised to mobilize all internal and external resources that it deems necessary to manage a crisis. External resources are, but 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 its staff and key stakeholders, e.g., Group's leadership, investors, key customers and suppliers and government officials.

RISK MANAGEMENT IN 2021

KEY ACTIVITIES PERFORMED IN 2021 TO ENHANCE RISK MANAGEMENT

During 2021, the Group undertook an internal review of its **enterprise risk management**, as a periodical exercise and amended its risk management framework, in line with Group efforts to ensure one-fits-all approach when it comes to risks assessment and mitigation, focusing on the following:

- automation of existing processes and tools used in risk management area;
- testing of business continuity arrangements and reviewing the incident and crisis management framework;
- training an awareness program for all staff, as well as particularly for Risk and Compliance Partners;
- definition of specific controls and segregation of duties rules to be embedded in business processes;
- implementation of a Group level end-to-end Know Your Client/Partner Process and monitoring mechanism; and
- increase efficiency of the partnership between Risk and Compliance Officer and Risk and Compliance Partners for the purpose to optimise risk triggers collection and proper mitigation.

The Group **business impact assessment** methodology developed between 2019-2020 has been improved in 2021 on the annual testing of the **business continuity arrangements**. The analysis covered all processes and

subprocess in the Group, 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.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF RISK MANAGEMENT

Under the coordination of the Risk and Compliance Officer, the Group implemented a group-wide fraud and criminal corporate liability risk assessment exercise. The assessment is performed and updated at least annually, based on considering 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 implementation of mitigation measures. 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 periodical update, revision of employees' job descriptions are derived and prioritised.

The risk triggers prioritised for 2021 were:

BUSINESS CONDUCT	OPERATIONS AND PROCESSES	PROPERTY
<ul style="list-style-type: none">Unethical conductFinancial statements and reporting fraudSponsorships and donationsCompetitionWhistleblowing	<ul style="list-style-type: none">Inadequate/insufficient controlsInadequate data storageMoney laundry & terrorism financingEnvironmentInformation security/ cybersecurityOutsourcingProcurement process managementEmploymentTax evasionLicensing, copyright and trademark lawPrivacy law	<ul style="list-style-type: none">Physical deteriorationOverpayment at purchase

Risk management

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In addition to ad-hoc meetings that are held whenever needed to consider special matters, for the purpose to enhance the effectiveness of the risk management process, the **Risk and Compliance Committee** changed in 2020 its convening occurrence from twice a year to quarterly. 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 Risk and Compliance Committee. Ultimately, the Internal Audit function, as the third line of defence in the internal controls system, assesses and investigates the effectiveness of the 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 Group's Risk Appetite or ineffective processes or controls have been addressed through appropriate measures, such as revisions of existing or implementation of additional policies or procedures.

Training and awareness programs have been organised for new joiners and all staff during 2021, 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 culture among Group personnel. Special compliance and risk awareness workshops have been organised for senior management and Directors, aiming to encourage the tone-from-the-top and enable speak-up culture among Group personnel. Awareness campaigns on ethics and anti-corruption practices have been organised to cover also Group partners, clients and suppliers.

For the purpose to ensure transparent communication as an efficient risk management process, **periodical alignment workshops** continued in 2021 between functions responsible for second line of defence (Risk and Compliance) and third line of defence (Internal Audit), targeting an aligned Group-wide approach in preventing risk exposure and increased efficiency of overall risk management practices. Also, in order to consider strategy and business goals in setting and adjusting the risk management system, as well as to enhance tone-from-the-top as regards risk culture, **periodical working sessions** comprising the Risk and Compliance Officer, the CEO, the CFO, Internal Audit Director and Group Legal Counsel continued. These covered projects and initiatives, processes optimisation, potential risk costs and mitigation factors, especially in the context of the changing social-economic environment requiring fast strategic reorientation and an adaptable risk management approach.

The **Business Continuity Plan** has been successfully tested in 2021, 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.

The Group framework has been extended to address new potential risk triggers and concerns. In this context, some new Group level regulations have been approved and implemented in 2021, while others have been versioned, such as:

- *Declaration of Interests Policy* (rules, templates and a process to support potential conflict of interests handling for all staff and directors, while the collected information are to be used in the conflict of interests' assessment periodical exercise, as well as for the directors' annual independence assessment exercises, following corporate governance rules in this respect);
- *Group Investment Procedure* (new controls have been embedded in the development process);
- *Cash Guidelines* (a standard approach in cash handling across the Group, a minimum set of internal controls to ensure cash is properly safeguarded, handled and reflected in local records);
- *Know Your Client/Partner Procedure* (updated to reflect the new automated process, covering compliance risk advice and financial risk advice, as well as the monitoring process);
- *Corporate Travel Procedure* (new controls have been applied in the handling of business cards for Group staff); and
- *Lost and Found Procedure* (a unitary approach to handle the multitude of situations commercial centres are facing daily and that might expose the Group to financial and reputational loss).

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 build. Risk management, compliance and internal audit, are involved in Group optimisation and digitalisation projects so that they may recommend needed controls to be embedded. Furthermore, the compliance function is a validator of all policies and procedures, and ensures coordination of the internal methodological process, so that to be able to recommend needed controls and raise potential concerns to the approver, in a timely manner.

Management assessed the risks of material misstatements of 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 financial statements misrepresentation is achieved by the following:

- Implementation of a financial closing calendar, as well as relevant internal controls, routines, checks and balances in the closing process;
- Ensuring availability of an appropriately sized and experienced finance and reporting team;
- Budget and forecast versus actual monthly reconciliation by finance teams and quarterly review by the Audit Committee;
- Review by the Audit Committee of significant management estimates and accounting policies;
- Launched 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 breakthrough digital capability for end-to-end business management; this would greatly enhance automation, require less human input, hence less potential for fraud risk exposure; and
- Periodic internal and external auditors' review.

PLANNED AREAS OF FUTURE FOCUS

On an annual basis, the Risk and Compliance Officer runs a risk assessment process, to determine the focus areas for the following year and whether there is a need to update the Group internal regulatory framework.

Following the Group-wide fraud and criminal corporate liability risk assessment exercise applied in 2021, the Group decided to concentrate in 2022, on the following key areas of interest: cybersecurity, fraud and unethical practices mitigation, core processes group-wide uniformisation, segregated responsibilities and adequate controls, anti-money laundering and counter-terrorism financing, sponsorships and donations.

Embedding risk management in strategy and business objectives setting as well as in the execution process, is key to a 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, as well as segregated roles and action rules will be a priority in 2022.

Another focus topic for 2022 will be the recently launched Data Governance Project aiming to improve the overall data management, i.e., data ownership responsibilities, storage and archiving rules, adequate labelling and access controls embedded in business processes, monitoring and continuous data governance improvement. Such implementation, requiring significant financial and human resources efforts, aims to prevent risk exposure of the

Risk management

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

Information technology and cybersecurity have undergone material mitigation in 2021, managing to address efficiently and significantly most of the relevant concerns and vulnerabilities. Proper controls and validations have been embedded in the business process so that to enable centralised decision making in digital area for IT software and hardware projects, create 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 2022, given the associated risk exposure to financial and reputational losses triggered by potential incidents, data breaches, impact on Group confidential information, individuals data.

Increasing risk awareness and encouraging a more proactive instead of reactive risk culture among Group personnel will remain of utmost importance and will be included on the agenda of the Risk and Compliance Officer, the Risk and Compliance Committee and the management team for the next years, as a critical success factor in achieving Group's strategy and business objectives.

One area of attention in terms of risks and opportunities remains online commerce, with evolution closely monitored by the Group, especially considering the recent pandemic, which created the opportunity for some market players to rethink their business model. The Group is aiming to enhance customer experience through an omnichannel approach, enabling tenants' sales via loyalty programs and acting as an enabler for their online sales. Potential risk triggers associated to a new business approach have been and will continue to be extensively weighted against commercial opportunities and returns.






Training and awareness programs remain also a focus point for 2022. Onboarding and annual campaigns are organised for all staff and directors. Periodical awareness campaigns will continue to be dedicated to staff and third-party partners (suppliers and tenants), encouraging them to speak up and express their legitimate concerns regarding the way Group personnel performs its duties and approaches partners.

KEY RISK AREAS

Unexpected evolution in the political, economic, financial, currency, regulatory, geopolitical, social or health environments of the jurisdictions the Group operates in, may have an impact on Group's valuation of assets, financial results, distribution policy, extension initiatives and/or investment/divestment activities.
















Key strategic directions decided by the Group are considered for periodical assessment, 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 opportunity for the Group.

Key strategic directions

	Maximise earnings per share and capital value
	Evolve towards omnichannel in a consumer centric approach
	Long-term tenant relationship management
	Preserve a superior portfolio quality
	Foster sustainable growth considering a portfolio diversification approach











The Group expresses its openness in disclosing relevant information and events that would significantly challenge its risk management framework and/or the set key mitigation actions, while reasonably preserving information sensitivity and observing confidentiality principle.

The key risk areas listed 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 risk factors inventory, but rather the ones that are considered the most relevant to the Group's ecosystem. Additional risk factors have not been reflected, despite being monitored by the Group, as their occurrence is not considered likely or their impact significant.

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Strategy cluster				
Strategic risks arise mainly from the fundamental decisions that executive management makes in implementing business strategy, while keeping up with the dynamic 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 rating downgrade and/or unavailability of capital, inability to fund property investments or development program, increased cost of finance.	Cash flow management is performed on a daily basis and forecasts for the next year are updated several times a year. 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.	Shareholders Financing partners Employees
Changing retail consumers' behaviour, including rapid growth in online retail with a negative impact on traditional brick and mortar retail	  	The recent pandemic is still expected to impact this trend. Potential impact on tenants' sales and the financial good standing of those with limited online/multichannel capabilities might affect rental income.	Penetration of e-commerce relative to population in the Group's region has accelerated during the pandemic but remained on average lower in CEE as compared to the Western European ('WE') markets or the US, with an offline market growth projection remaining positive and above WE/US levels. The Company continues to invest in developing its shopping centers as entertainment hubs and preferred shopping destinations and defined a customer-centric omnichannel strategy to maximise the potential of our most loyal shoppers, enable online sales for our tenants and continue to host in our stores digital players looking for a physical interaction with their customers.	Shareholders Tenants
Reputational risk	    	Reputation is key to the Group, as a reputation crisis may have a rolling effect on other top risks, such as the ability of the Company to raise capital, the volatility of its share price, the trust of the investors, the Company's rating and consequently its cost of debt. As regards evolution, there was initially a decreased impact due to mitigation measures in place and overall environment (only notable negative evolution being the general sentiment towards the retail sector). Unfortunately, as a result of Covid-19 pandemic starting mid-March 2020 the reputation risk has increased due to depreciation of the economic environment and uncertainty in respect of the evolution of Covid-19 pandemic and its impact on physical retail.	The Company has assigned roles in managing reputational crisis. Strengthening internal PR team - an internal PR manager has joined the team together with another PR senior person. An operational crisis communication procedure with clear responsibilities matrix and recommended actionable steps have been defined. Reputable external support is engaged for operational and corporate PR, while stakeholders' relationship management is conducted proactively by senior management (investor roadshow, presentations etc.).	Shareholders Tenants Suppliers Employees Local authorities Financing partners
Finance cluster				
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 the financial instruments it uses.				
Also, the Group is subject to various taxes in the countries in which 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.				
Investors demand decrease	 	Decrease in demand by investors for real estate, impacting the NAV and putting pressure on bank covenants.	Adapting the Group investment strategy to the Covid-19 context - maximum prudence towards new investment. Having a portfolio of prime properties and 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

Risk management

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Liquidity risk	    	The impact of Covid-19 on the Group's rental income creates the risk that the Group will not be able to meet its financial obligations as they fall due. The risk depends highly on the duration and evolution of the Covid-19 pandemic, authorities and market regulators' response as well as subsequent recovery.	<p>In addition to its usual sound financial management approach, in the context of the Covid-19 pandemic, NEPI Rockcastle is committed to maintaining its conservative gearing level and robust liquidity. NEPI Rockcastle has undertaken various measures focused on achieving the most suitable allocation of capital, including:</p> <ul style="list-style-type: none"> reducing non-critical operating expenses; deferring non-committed development projects and non-essential capital expenditure; utilising any relevant facilities provided by national authorities to assist companies in the current context; and drawing on and extending revolving credit facilities. <p>The Group assures its stakeholders and partners that it estimates strict compliance with all debt-related obligations, without any need to obtain deferrals or waivers for any of its unsecured or secured debt.</p>	<p>Shareholders</p> <p>Tenants</p> <p>Suppliers</p> <p>Employees</p> <p>Local authorities</p> <p>Financing partners</p>
Stock markets volatility	 	The Covid-19 pandemic had a rapid impact on stock markets. Due to uncertainty caused by the evolution of Covid-19 and its impact, the future of retail sector markets remains reserved. This is an external risk, largely not under the control of the Group, however it can influence the share price.	<p>Continuous assessment of exposures, assessment of 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, market research and raise potential risk triggers to the Executive Committee, while the decision on mitigation measures stays with the Executive Committee and the Board of Directors.</p>	<p>Shareholders</p> <p>Financing partners</p> <p>Employees</p>
Operational cluster				
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 not properly managed, budgets overrun, improper tenant relationship management, overreliance on a single third party.				
Information security/ cybersecurity risk	  	<p>Internal organisation: risk of consumer data loss via a cyber-attack, risk of data privacy legislation non-compliance due to scattered systems, increasing number of security threats and active attacks from various sources (e.g., phishing, malware, zero-day attack).</p> <p>Commercial centers - third party risk</p>	<p>Centralised decision making in Digital area for IT software and hardware projects, dedicated legal partner for IT related contractual arrangements, PMI methodology consistently applied for projects and start of ITIL introduction, redesign of entire NEPI Rockcastle Enterprise Architecture.</p> <p>Started Consumer Data Platform project to centralise consumer data storage and management, including historical data.</p> <p>Pentests applied to existing and new platforms/systems/apps based on a predefined risk matrix considering the type and volume of personal and confidential data processed.</p> <p>Mandatory training programs and phishing simulations.</p>	<p>Shareholders</p> <p>Tenants</p> <p>Employees</p>

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Information security/ cybersecurity risk (continued)			<p>Tools and measures to reduce the likelihood of a successful attack on NEPI Rockcastle infrastructure and speed of recovery in case of incidents:</p> <ul style="list-style-type: none"> proactive monitoring tool (Azure Sentinel) to identify and respond to cyber-security incidents; "Disaster Recovery Plan" extended to include diverse failure scenarios and successfully tested; VPN infrastructure redesigned to support remote work from home access and multifactor authentication when accessing Company resources; 3rd party vendors access to the Company environment is secured, audited and recorded; Single Sign-On and Azure Provisioning (access to all applications and apps is managed in one place); and Microsoft Secure Score has improved from 52% to above 88%. <p>Upgrade and Secure Shopping Mall Network infrastructure new project: changing/redesigning the entire network infrastructure for the whole portfolio, a new Wi-Fi system with additional benefits for consumers, analytics, and potentially tenants, securing technical equipment and enrolling in VPN, securing vendor/ service provider access to NEPI Rockcastle systems, standardisation of network equipment and centralised management, updates and antivirus.</p>	
Risk of tenants' default	 	<p>Closing of non-essential shops (i.e., all shops except hypermarket and pharmacies, and in some countries cleaning stores) during Covid-19 lockdown measures as well as expected decreased footfall following reopening and higher operating expenses due to prevention and sanitation measures has and is further anticipated to impact materially our tenants' operations and their financial standing. Tenants with weak online presence/multichannel capabilities are most vulnerable. Tenants' default would lead to bad debts, high vacancy, depreciation of rental income and portfolio value and in the end a reduction in distributable earnings.</p> <p>In the context of the pandemic, litigation with tenants over rent reductions and reliefs might trigger:</p> <ul style="list-style-type: none"> alteration of the relationship 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>The Group granted support to tenants for both the lockdown periods and afterward, following the reopening of shopping centers. Various measures were considered for the preparation and implementation of a strategy in this respect (which includes criteria based on which tenants are rated and managed accordingly). In some jurisdictions, the governments decided in the past (and might reiterate if lockdowns are imposed again) significant discounts for lease rents for tenants in need.</p> <p>Detailed creditworthiness reviews are performed before signing lease agreements with the tenants. 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. 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

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Risk of tenants' default <i>(continued)</i>		<ul style="list-style-type: none"> financial impact – unpaid rents, litigation related costs, administrative penalties or fines imposed by authorities; operational risk – high vacancy, bad debts; and negative media and reputational risk. 	Where the collection is insourced, the Group has an experienced cash collection team that follows standardised procedures. Where property management services are outsourced, the property managers' fees are depending on the collected receivables.	
Pandemic/epidemic episodes might impact activity in commercial centers and/or cause business interruptions. Visitors number might decrease, impacting tenants' sales volume	    	<p>Pandemic/epidemic episodes might impact activity in commercial centers and/or cause business interruptions.</p> <p>Visitors number might decrease, impacting tenants' sales volume. Operational costs increase and problems in logistics are triggered by pandemics.</p> <p>Evolution and continuing impact of Covid-19 remains uncertain.</p> <p>Tenants might be forced to reduce or even close their business in the Group's locations or move partially/ totally to online.</p> <p>Authorities might decide temporary closure of malls.</p> <p>Suppliers of critical services might suffer activity disruption, lack of materials and/or human resources, thus being unable to honour partially/ fully their contractual obligations.</p>	<p>The Group focuses on business continuity planning and periodically reviews the business impact analysis. Such exercises are aimed at identifying critical processes, both internal and external, dependencies, mitigation measures, to ensure business continuity and prompt activity recovery.</p> <p>Adequate crisis management covers efficient internal and external communication strategy, relationship with authorities and legislators, suppliers and tenants' relationship management.</p> <p>Hygienic measures and information campaigns are ensured in the Group's physical locations, to prevent spread of infectious disease.</p>	<p>Shareholders</p> <p>Tenants</p> <p>Suppliers</p> <p>Employees</p> <p>Local authorities</p>
Legal, Regulatory and Compliance cluster				
As an owner and manager of real estate assets, the Group must comply with various 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.				
Non-compliance with laws, regulations and non-adherence to good governance practices.	 	Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage.	The Group engages experienced and reputable in-house and external legal and specialised advisors.	Shareholders
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.			<p>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.</p> <p>The Company conducts a centralised quarterly review of the operational compliance status at Group level.</p>	<p>Financing partners</p> <p>Employees</p> <p>Tenants</p> <p>Suppliers</p> <p>Local authorities</p>

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
			<p>Appropriate policies and procedures set the tone from the top for ethical culture within the Group.</p> <p>Know Your Customer/Partner Policies and procedures aim to mitigate the money laundry/terrorism financing and prevent corruption.</p> <p>A Group Risk and Compliance Officer, as well as Risk and Compliance Partners have been assigned, while the Compliance risk management status is reported regularly to the Risk and Compliance Committee.</p>	
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.	<p>The Group has set up a structure and has employed an experienced Data Privacy Officer ('DPO') to coordinate data privacy compliance.</p> <p>The Group implemented Data Privacy policies and procedures, as well as periodical training and awareness campaigns dedicated to all staff.</p> <p>Responsibilities for data privacy have been assigned in each jurisdiction.</p> <p>Relevant processes have been scrutinised and as a result the Group implemented a set of measures across all relevant processes 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, meant to also cover privacy related risks.</p>	<p>Tenants</p> <p>Shareholders</p> <p>Employees</p> <p>Local authorities</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.

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 policies, practices and performance indicators are aligned with the Board's vision, the Group's values and overall business objectives. The Group's remuneration policies and implementation are of strategic importance to the human capital, as they serve to align the objectives and targets of the business with the objectives and strategic priorities of individual 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 our business, is aspirational for our staff and is the result of both personal and business outcomes. Hence, remuneration is critical in driving the achievement of results and in attracting, engaging and retaining the best professionals. It is a joint commitment of the Remuneration Committee and the Groups' management that remuneration strategy:

- supports (by being fully integrated with) the corporate and people strategy;
- is clear, flexible, transparent and fair and its implementation is a priority for management; and
- is market competitive and provides a healthy balance between pressure on 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.

Considering the Group's leading market position in CEE, it has become increasingly important that its team of professionals remains motivated and incentivised over the long-term.

The Group's Remuneration Policy and implementation serves as a differentiator in our market and industry.

The key remuneration principles set out by the Group remain unchanged from the previous year, 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 of setting measurable goals, both short- and long-term. This methodology was upgraded during 2021 with 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; these are measured progressively throughout the year, with an expectation of at least one 'check-in' mid-year to ensure proper monitoring; and
- Professional behaviour, management skills, adherence to the Group's values and expected management competencies.

Competitive pay – the Group is committed to offering competitive packages to its employees and Executive Directors and is constantly observing the relevant market benchmarks. The Company aims to ensure that its remuneration components are aligned to the market and positioned at least at the market median, and approaching the market 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 approved by shareholders in 2017; 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, pre-set 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. The Group's objective is that the annual review process considers the business and individual results achieved and the market circumstances and benchmarks, as external factors. Connecting the annual pay review to performance reviews enhances a process that is well adapted to internal and external factors, business driven and objective.

2. Internal and external factors influencing remuneration related decisions

The Remuneration Committee and executive management are committed to continually monitoring internal and external factors that might influence the context in which the Group operates, and may result in a need to re-assess and adapt the policy so that it remains relevant and achieves set objectives.

Wider external factors – materially influenced by the Covid-19 during 2021

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.

Prior to 2020 and 2021, CEE was increasingly affected by the **migration of skilled professionals** to Western Europe or other more developed regions. While at the beginning of the pandemic in 2020 this trend appeared to have diminished, during 2021, as the market started being more dynamic in workforce movements, the trend reappeared. This trend is also increasing because of the accelerating move towards hybrid or remote working adopted by large, international companies that employ significant numbers of people, and whose labour market has extended significantly with the introduction of such practices.

From a human capital point of view, the CEE market faced an increased **mobility of workforce**, as companies and important players have adapted to the new ways of working hybrid or remote and redesigned value propositions for potential hires. This led to an **increased turnover** across most industries, especially commercial real estate, mainly due to the perceived challenges faced by these industries and limited visibility over how offline retail and traditional shopping centres would navigate the pandemic. NEPI Rockcastle has also experienced an increased voluntary turnover of up to 11.2%, and more pressures and difficulties in its hiring processes. The Group was able to successfully manage such challenges by adapting its value proposition and increasing transparency over its operations and strategic medium- and long-term priorities.

The main elements that continued to affect the workforce in CEE during 2021 are similar to the ones affecting 2020, and are presented in more detail below:

- Legislation related to organising work and employees' safety continued to change in line with pandemic waves, with an impact on managing teams and operations, business travels and interactions;
- To enforce social distancing and prevent the spread of Covid-19, local authorities in all jurisdictions regulated the organisation of work in line with Covid-19 statistics;
- In all jurisdictions where the Group operates, special working conditions continued to be enforced or recommended by authorities, allowing employees to support their children while childcare and education institutions were closed (further reducing the available workforce);

Remuneration review

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- Although during 2021, as people got used to the restrictions, new ways of working and new healthcare standards, the level of immediate anxiety and stress seemed to be reduced, the market subsequently faced a new challenge, returning teams to office working and acclimatising them to increased physical proximity and interaction (the Group acknowledged these developments and worked closely with team leaders, organised meetings and Return from Hybrid workshops to facilitate employees' transition); and
- Mobility of workforce increased mainly based on the new possibilities of remote working and hybrid arrangements.

The **fiscal environment** did not lead to any significant remuneration related changes during 2021.

Significant changes in employment legislation and income tax have been announced and will be enforced as of January 2022 in Poland. The changes in taxation will impact the net amounts received by employees and freelancers. This will lead to a chain reaction regarding levels of gross income and organisation of work. Signs have already been seen as of January and February 2022, and the Group will assess during the salary review of 2022 how to address employment and resource challenges, should it be the case.

Across CEE, special fiscal or employment benefits related to Covid-19 support schemes continued to be allocated to companies or directly to employees – to support the sustainability of businesses throughout the pandemic. These included, but were not limited to: state support for employees in childcare (due to home-schooling or closure of childcare institutions), partially-paid unemployment, furlough, simplified access to medical leave, extended deadlines for employees-related reporting, and remote and teleworking regulations.

Levels of pay showed a tendency to increase across industries and experience levels in CEE. The highest variances were seen in technology industry, digitalisation, project management, logistics, retail and FMCG. Consulting and reward expert firms in the market have investigated the market to provide as accurate trends as possible of such changes; however, during 2021, the levels of pay varied widely in a very unpredictable way. This has led to difficult recruitment processes, and may, going forward, lead to internal fairness challenges in levels of pay. The Group is currently analysing the impact of such changes and, where needed, will apply market adjustments in order to respect its philosophy and principles of pay.

Inflation - the annual average inflation for 2021 for EU27 was 2.9%. However, inflation increased significantly throughout the second half of the year to 5.3% as of 31 December 2021.

Inflation rates in the CEE countries where NEPI Rockcastle owns assets and teams has also increased significantly:

- annual average between 2.7% - 5.2%; and
- as of 31 December 2021 between 5.1% and 10.7%.

Inflation forecasts announced for 2022 for the NEPI Rockcastle's countries of operation are in similar ranges, with some jurisdictions announcing a double-digit inflation.

Foreign exchange rates between EUR and local currencies varied substantially in some of the Group's countries of operations – Poland, Hungary and Romania. Stepping into 2022, this trend continues and as of January and February, significant variances were noticed (Poland experienced a depreciation of PLN to EUR of more than 10% during February 2022).

Internal priorities and factors related to workforce

The people related priorities of the Human Resources ('HR') function and the management team were to ensure that the Group's employees remain safe, they are offered work conditions that support health preservation and prevent infections. All legislative requirements across the Group's jurisdictions were enforced, including restrictions in mobility, strict rules relating to social distancing, planning of hybrid work and labour documentation.

Intensive efforts were made to maintain engagement, motivation and interaction amongst teams at optimal levels – through a set of actions taken in:

- focusing the efforts on acquiring the needed competencies to support key organisational projects – digitalisation, project management, consumer – centric marketing;
- further growing the strength of the core management team, through both recruiting key members of management and through developing and rolling-out a Leadership Development Programme at Group level;
- developing new skills such as learning to manage remote teams, conduct negotiations in difficult market conditions, or increase productivity and focus in remote or hybrid working environments. Special attention was given to developing project management skills, marketing and digital, social media and consumer-centricity approach, management and analysis of data keeping staff informed more regularly in remote discussions with management and through a dedicated internal communication platform launched in 2020;
- preserving all working positions, with no restructuring or layoffs in any teams or jurisdictions; all pay, benefits and rights were entirely respected in the legal timeframes, which ensured an increased level of trust of our staff in the sustainability and stability of our business long-term;
- all legal requirements were implemented; and

- additional medical support and informative sessions were available to internal teams to manage their health care and proper prevention during 2021, and we continue to do all this in 2022.

The Remuneration Committee response to internal and external factors

Although the above external factors affected the environment and the Group's business directly, NEPI Rockcastle managed to mitigate the impact on its results. Overall, all business results and KPIs have improved in 2021 versus the prior year, especially in the areas of operational management, financing and liquidity.

The results delivered by NEPI Rockcastle led management to take specific and contextualised decisions in relation to remuneration. Jointly, the Remuneration Committee and the Group's management team have appreciated that achievement of the 2021 performance was the result of intensive efforts, hardship, strategic decision and immense pressure to minimise the impact of Covid-19 market dynamics on the Group's operations.

Adjustments and updates have been intensively discussed during 2021 within the Remuneration Committee, in the context of all the relevant changes in the market and in the structure of management team. The process of succession for the CEO and CFO positions has been a great source of insights into how the Group can better align its practices to the relevant market in both WE and CEE and in the wider international context, including South African environment.

The commitment of the Remuneration Committee is to review and implement specific changes during 2022. Some of these anticipated optimisations of remuneration will address:

- long-term incentivisation structures, vesting, tailoring in line with the complexity of roles and business results; and
- scaling the performance in a more adaptive manner, to reflect crisis conditions – such as Covid-19 pandemic, geo-political crisis as a result of the Russia - Ukraine war, scarcity of top management talent to replicate and lead operations in CEE in commercial real estate.

Changes to remuneration during 2021

Executive and staff remuneration

The majority of the changes made during 2019 remained in place and applied in 2021 including:

- sliding scales and specific ranges for KPIs achievement on Executive Directors' pay;
- sliding scales align in a more direct manner performance delivered to reward, while ensuring that

- shareholders' return is preserved; and
- more differentiation of significant KPIs weighted to reflect different roles and areas of responsibility for Executive Directors.

One of the changes agreed by Remuneration Committee this year was to discontinue the assessment of results by geographies. This was driven by the increased efforts of aligning the leadership, the processes and projects at Group level, which implied a Group-approach and impact of our executives over the Group's results, not only over specific regions.

Details on the outcome of the described policy relevant to 2021 results and performance reviewed are described in Implementation Report.

Non-Executive Directors Remuneration

The non-Executive Directors remuneration has been updated in line with the market benchmarks as of 1 January 2020. Although the process of determining the new levels of pay for non-Executive Directors had been finalised during 2019-2020, the Board agreed to postpone any implementation during 2020 (considering the challenges of the business) and to apply them starting 2021.

Engagement with stakeholders and implementing feedback

A key priority for the Remuneration Committee and executive management is to remain open to shareholders' feedback and understand their expectations or concerns in relation to the Group's policies and practices. The Board is committed to providing feedback and ensuring that the Group maintains transparency in this process.

During the 2021 Annual General Meeting, the Remuneration Policy obtained a 66.09% vote of support and the Implementation Report received a 67.51% vote of support. Although these votes are non-binding, the Directors are committed to continuing to seek and respond to direct feedback on the Remuneration Policy.

	2019	2020	2021
Remuneration policy	81%	66%	66%
Implementation report	85%	67%	68%

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.

Remuneration review

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Additionally, all shareholders have been publicly invited to provide their feedback as per the announcements issued on 18 August 2021 and 1 October 2021. Moreover, as a consideration of the 2021 feedback and increased interaction with the Board, the Chairman of the Board (representing the Board and the Remuneration Committee) has engaged in a remuneration road-show in February 2022, alongside the results presentation in South Africa, to:

- discuss directly with shareholders;
- present the principles of the remuneration framework;
- bring clarity over any questions or concerns; and
- listen the feedback of the investors.

The Remuneration Committee is also actively engaging with the external advisors and reward consultants to gather intelligence on:

- the market overall (the Chairman or the Remuneration Committee participates in dedicated Executive/Board Reward workshops and cross-industry meetings)
- the Group's business (NEPI Rockcastle is analysing the reports issued by external advisors about the Group's remuneration regularly and plan optimisations).

Main areas of feedback received from those shareholders that have decided to engage with the Group on the matter as well as items pointed out by Institutional Shareholder Services (ISS) Proxy Analysis & Benchmark Policy Voting Recommendations are presented below:

Feedback theme	NEPI Rockcastle response to feedback
Transparency and disclosure Shareholders expressed expectations to understand in more detail the mechanisms for determining the variable awards, including the maximum levels of pay for both STIP and LTIP. Specifically for the Total Shareholder Return ('TSR') measure used for LTIP determination, an expectation of presenting the peers list was raised.	<p>The 2021 annual implementation of Remuneration Report includes, as response to shareholders' feedback, the required level of transparency:</p> <ul style="list-style-type: none">• award determination mechanism and details• maximum levels of pay for STIP and LTIP (where applicable)
LTIP vesting conditions ISS report recommended aligning vesting conditions to market practices of three years vesting	<p>Vesting of shares for Executive Directors is under review and a change from five years to three - four years vesting period, plus a condition on withholding shares for an additional of one - two years (malus) is being considered.</p> <p>This would help align with the Dutch code requirements of ensuring a minimum of five years of total vesting plus restrictions over shares awarded as part of executive remuneration.</p>
Market benchmark Levels of pay to be benchmarked to the relevant market	<p>During 2022, as the market is expected to stabilise, NEPI Rockcastle will run a benchmark analysis against the WE and CEE market and South African and international markets.</p>
Remuneration Committee priorities During 2021, the Remuneration Committee's priorities were set around:	<ul style="list-style-type: none">• engaging with the shareholders to better understand their feedback and optimise the existing Remuneration Policy; and• further driving changes to the Remuneration Policy, as initiated in the previous year. <p>The Remuneration Committee has decided and advised the HR Director and the CEO that during 2022 a thorough market benchmark will be executed for Board level positions, top management and wider teams across the Group's jurisdictions. The results will be further analysed and any required implementation of measures will be executed in the coming financial year.</p>



PHOTO: SHOPPING CITY RAMNICU VALCEA, ROMANIA

Remuneration review

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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	2021 process
1. Group's Remuneration related priorities		
Ensure remuneration motivates people for performance while managing the increased business pressures of 2021	The Group reviews both variable and fixed remuneration on an annual basis. Performance of the business and individual professionals is being assessed.	The Group’s performance is connected to individual and Group’s performance. In the context of the intense challenges that business faced during 2021, reduced budgets, in line with business results, have been set at business function level. Allocation of bonuses at team and asset level was agreed based on meritocracy, hardship, complexity of projects and strategic decisions that were managed within a specific business function. Emphasis is placed on determining performance fairly, as this links into variable pay.
	Variable pay is linked to KPIs and overall annual individual performance, while the fixed pay is linked to the complexity of the role.	Decisions upon specific level of bonuses is taken at top management level (i.e., Directors of business functions), while every team leader is encouraged to assess performance and make relevant recommendations to reflect the contribution of individual team members. Variable remuneration for Executive Directors has been maintained fully in line with the Remuneration Policy, KPIs and computation algorithm. Executive Director’s KPIs have not been adjusted for the impact of Covid-19: the structure and target KPIs have been maintained at their level, pre-set before the commencement of Covid-19 pandemic.
Ensure 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 specific roles, department, countries and pay levels, reward reports and market data were inquired. The decision was to use external benchmarks on the Polish market and on those industries where the fluctuation of salaries according to the market was higher, such as technology, project management, digital, marketing, reporting and finance.
Ensure transparency of Group's remuneration policy, pay structures, pay levels, objectives and link between pay and business performance	The principles and details of Group's remuneration policies, including any changes made or anticipated are publicly presented in the Annual Report.	The 2021 Annual Report presents all details of remuneration for both Executive and non-Executive Directors, as well as principles of remuneration across the staff.
	Meetings with management teams are held annually within the remuneration and performance review process to outline, explain and clarify aspects of the Group's remuneration review decisions and rationale.	Allocation of reduced staff cost budgets was done at business function level, allowing the 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 for budget allocation, as well as for the start of the performance management process, to discuss principles of remuneration, reward review and link to performance of teams and individuals.

Remuneration Committee's priorities	Approach	2021 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 centralised 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 Company, 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 discriminating considerations: 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. There is no consideration given in the hiring or reward review process to any other element 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 put forward to the Board upon voting at the AGM. All shareholders have been publicly invited to provide their feedback as per the announcements issues on 18 August 2021 and 1 October 2021. The Remuneration Committee Chairman has engaged in detailed discussions and consultations on remuneration related matters with major shareholders during February 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 its alignment to relevant corporate governance frameworks.	

Remuneration review

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4. Key decisions in 2021

Area	2021 changes
Staff remuneration	
Fixed pay	Fixed pay across the Group was maintained at similar levels to 2020, and changes have been made to staff pay only based on changes in roles or where significant gaps versus market existed (0.8%).
	The reward review of 2021 has been finalised and the decision made was that, considering the market circumstances affecting the business, for 2022 salaries will be adjusted on a discretionary basis to align to market levels and conditions as presented in section 2 (Internal and external factors influencing remuneration related decisions), internal fairness and ensure adequate level of motivation, engagement and retention in the current market circumstances.
Salary and bonus pool	Staff cost budgets have been set at the level of business function to allow for more flexibility and accountability over remuneration related decisions.
	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.
Executive Directors' Remuneration	
Fixed pay	No changes were made during 2021 to the fixed pay of the Executive Directors.
Variable pay – Short-Term Incentive ('STI')	KPI structure, composition and weighting align the impact over business and are aimed to reward and reflect specificity of the role: <ul style="list-style-type: none">differentiate between roles – different KPIs for different roles; anddifferent weighting for same KPIs for different roles.
	Specific adjustments have been made to the weights of KPIs at the beginning of 2021, to accommodate for an increasing Board discretion of 25%; such adjustments were aimed at allowing the Remuneration Committee to reflect the market circumstances in the overall assessment of STIP awards.

Area	2021 changes							
Variable pay – Short-Term Incentive Weights and structure 2020 - 2021	Performance measures STIP	2021 vs 2020	CEO		CFO		COO/Executive Director	
			2020	2021	2020	2021	2020	2021
	Financial performance		40.0%	30.0%	75.0%	60.0%	30.0%	25.0%
	Growth in distributable earnings per share*	maintained	40.0%	30.0%	50.0%	40.0%	30.0%	25.0%
	Maintaining Investment Grade rating	maintained	0.0%	0.0%	25.0%	20.0%	0.0%	0.0%
	Operational performance		50.0%	45.0%	0.0%	0.0%	60.0%	50.0%
	NOI organic growth*	maintained	10.0%	15.0%	0.0%	0.0%	15.0%	20.0%
	Increase in retail trading densities over CPI	maintained	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
	Maximum accepted vacancies*	maintained	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
	Maximum tenant arrears written off	maintained	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
	Maximum net property expenses to cost ratio	excluded	10.0%	0.0%	0.0%	0.0%	15.0%	0.0%
	Debt risk management		0.0%	0.0%	7.5%	7.5%	0.0%	0.0%
	Debt maturity (remaining years, excluding RCF)	maintained	0.0%	0.0%	7.5%	7.5%	0.0%	0.0%
	Qualitative factors		10.0%	25.0%	17.5%	32.5%	10.0%	25.0%
	Timing (weeks) of financial results publication (from the end of financial period)	maintained	0.0%	0.0%	7.5%	7.5%	0.0%	0.0%
	Discretion of the Board		10.0%	25.0%	10.0%	25.0%	10.0%	25.0%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
<i>*For specific KPIs, sliding scales and metrics were set for minimum/target/maximum level of achievement.</i>								
<i>* 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 ('LTI')	No changes have been made to the LTI determination mechanism during 2021.							
	TSR versus peers, which is Group based, applies similarly to all executive positions.							
	The list of peers has been reviewed by the Remuneration Committee.							
Determination of quantum of LTI	For 2021 awards computation, an overall equivalent of 25% of the annual fixed package resulted from only the TSR peers comparison (top of the second quartile) will be delivered in shares. (Quartile formula has been used to determine the Group Quartile).							
	No loans were granted to either Executive Directors or staff.							

Remuneration review

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

Specifically, NEPI Rockcastle will:

- benchmark executive pay against relevant markets every two years; exceptions were made during 2021, as the markets were highly unstable due to Covid-19 that affected workforce dynamics, movements, work arrangements and pay practices. During 2022, the Group will encourage management to use benchmark data for employees’ remuneration decisions for each annual review;
- monitor the alignment of the Remuneration Policy with King IV principles, as well as the Dutch and UK codes’ best practice;
- ensure that performance measures are defined in a manner that supports the delivery of added value for stakeholders;
- engage with stakeholders in a transparent manner; and
- consulting the shareholders on important remuneration optimisations expected during 2022 in the context of the market changes and overall workforce dynamic.

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

In line with King IV and the JSE Listings Requirements, shareholders will have the opportunity to vote on the Group’s Remuneration Policy and the Remuneration Implementation Report. NEPI Rockcastle invites the shareholders to engage with executive management and the Remuneration Committee prior to the 2021 Annual General Meeting on any concerns that the Remuneration Policy and Implementation Report could raise, 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 during the year and believes it has achieved the 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



REMUNERATION POLICY

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 motivating and retaining key professionals.

To support this strategy, the 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 is observing specific fundamentals of implementation, that are detailed below:

Clarity – the Groups’ Remuneration Policy, frameworks and mechanics are transparent and clear; they allow for effective engagement with shareholders and human capital. Since 2018, the Group increased transparency, improved disclosures and clarity on remuneration, and will continue going forward.

Simplicity – the pillars of the Group’s remuneration structure are straightforward and clear – fixed pay, benefits, variable pay on short- and long-term. Determination of variable pay is always linked to individual performance (further to the annual performance review process) and Groups’ performance (made public, with shareholders engaging in detailed discussions on 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 or underpay is identified and acted upon. The key controls in identifying and addressing such risks are:

- Remuneration Policy (on review or hiring) is being validated by HR and a remuneration specialist, considering internal equity and market data;
- all variable pay determination is linked to performance review. As a process, remuneration review is done only upon completion of performance review process to avoid misalignment between awarded pay and delivered performance;

- results of performance management are calibrated at Group level, so as 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’s principles and outcomes are presented and discussed within Remuneration Committee, with HR Director and CEO;
- 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;
- KPIs and strategic objectives are sufficiently wide (and ensure there is a combination of aspects that one needs to maintain focus on). The Group’s embedded target is that performance on one area is not achieved by compromising on other areas or on ethical aspects of the business; and
- performance reviews of employees comprise a component of 360 degrees feedback, focused on behaviours, values and ethics. Any possible unethical behaviour would be signaled and acted upon before awarding any component of variable pay.

Predictability – the Group has developed the Remuneration Policy and implementation mechanisms so that total awards for human capital to be predictable – by market moves, by internal decisions on pay, and, most importantly, by the link to Group’s 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 partially meeting expectations and below expectations is not rewarded, and consequence management is enforced.

Remuneration review

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Alignment to culture – When developing the remuneration philosophy and policies, 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, but 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	<p>Remuneration is driven by the employees' role and performance review, and the overall performance of the Group.</p> <p>Clear, measurable goals are set for the Group, teams and individual employees.</p>	Remuneration is defined as a total annual package, consisting of fixed pay, variable pay (which can be delivered in cash and 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).	<p>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.</p> <p>Annual inflation and foreign exchange rate reviews ensure salary levels remain competitive.</p>	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 DESIGN

Pillar	Description	Purpose and link to strategy
Fixed pay All staff	<p>Guaranteed and fixed pay, determined by the 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>	The Group aims to remain the dominant commercial real estate investor and operator in CEE. Hence, its teams should comprise top professionals: qualified, experienced, competent and motivated. 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.
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 employees' role. The more senior an employee is, the more he can impact the Group's results; hence the higher proportion of variable pay in his 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 business targets and budgets.</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.
Long-term incentive plan ('LTIP') Executive Directors and selected members of staff Shares awards	<p>Annual 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 five years for Executive Directors and three years for staff.</p> <p>Awards are typically settled in shares.</p>	NEPI Rockcastle aims to drive achievement of ambitious strategic priorities and keep senior management and Executive Directors focused on long-term value creation. The Group's long-term interests should be aligned with those of senior management and Executive Directors. A medium to long-term retention of key professionals is essential to the business.
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>Access to sports facilities – cost of subscription partially covered by the Group.</p> <p>Other wellbeing benefits.</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.

Fixed pay

The strategy is to position the fixed pay 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.

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 the budgets and must be aligned with the overall performance of the Group.

Variable pay – STIP

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

- Company's performance;
- **The 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;
- operational performance;
- debt risk management; and
- qualitative factors.

Structure of specific KPIs within the above categories, and weights of KPIs in the total scheme is adjusted and different to reflect the specific roles of the executives.

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

Variable pay – LTIP

LTIP awards to 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 equally over three years for staff and five years for Executive Directors. For employees, the quantum of allocation is determined based on the employee's fixed pay and STIP.

The LTIP allocation of 2021 for staff will be finalised in March - April 2022, upon completion of the performance review for 2021.

Executive Directors' LTIP is based on achievement of internal KPIs, as well as benchmarking against peers.

The internal measure is the three-year compound annual growth rate (based on NEPI's history pre-merger and NEPI Rockcastle subsequently) of distributable earnings per share relative to an inflation-linked benchmark and the yield on cost for the Executive Director. The result, as a percentage, is multiplied with an internal hurdle factor.

The external measure is determined as total shareholder return compared to peers, with the respective KPI being considered:

- fully met if the Group performed in the top quartile;
- 50% of the full achievement if the Group performed in the second quartile; and
- not met if the Group performed in the bottom two quartiles.

The resulting factors are multiplied with internally determined multiplier coefficients and annual fixed salary.

LTIP determination for Executive Directors' performance of 2021 has been calculated and approved by Remuneration Committee and will be settled through share awards without attached loans.

Termination of employment

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

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

Incentive	Fault terminations-resignation, early retirement, dismissal	No-fault terminations – dismissal, retrenchment, retirement, restructuring, disability, death
Fixed pay	Paid over the notice period.	Paid over the notice period and ceased at the date of the termination of the contract.
	Notice period for staff does not exceed six months in any of the jurisdictions.	Notice period for staff does not exceed six months in any of the jurisdictions.
	Termination notice for Executive Directors is three months.	Termination notice for Executive Directors is three months.
	Termination notice for non-Executive Directors is not set specifically in the appointment letter – however, according to the Constitutive Act, a third of the NEDs resign and are put forward for re-election every year.	Termination notice for NEDs is not set specifically in the appointment letter, however, according to the Constitutive Act, a third of the NEDs resign and are put forward for re-election every year.
Benefits	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.	Benefits are discontinued when collaboration ceases. Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis.
Short-term Incentive	Entitlement to incentive will lapse. No payments will be made.	Although entitlement to further incentives will lapse, the Board's (for Executive Directors) or management's (for staff) assessment of the situation may lead to full or partial payment of the incentive.
Long-term incentives	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination. Exceptions are at Board's discretion.	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination. Exceptions are at Board's discretion.

All Executive Directors have appointment agreements which entitle them to participation in the Group's incentive plan.

Non-Executive Directors' fees

The Group's non-Executive Directors are paid based on their role. Increases in NED pay are proposed by the Board, based on relevant market benchmarks, and approved at the AGM. The Company engaged an external reward consultant (Korn Ferry) to conduct an independent market benchmark for NED salaries in December 2019. A proposal to amend the NED remuneration was discussed during 2020. Considering the business environment and results, the Remuneration Committee agreed to postpone the decision until 2021. In 2021 the changes approved by the Remuneration Committee have entered into force on 18 August and applied effective of 1 January 2021.

The changes include:

- upgrades of the levels of pay for membership and chair roles;
- elimination of the additional daily fee for any meetings or activities outside of the announced Board calendar;
- pay related only to role – member, chairman (Board or specific committees); and
- travel, accommodation and logistics costs incurred by NEDs in relation to performance of their duties are to remain covered or reimbursed by the Group.

Non-binding advisory vote

The Remuneration Policy is subject to an advisory vote by shareholders at the 2022 AGM.

Remuneration review

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IMPLEMENTATION REPORT

Executive Directors’ remuneration

In 2021 the variable pay components (STIP and LTIP) were determined based on performance criteria and overall business results and were approved by Remuneration Committee on 8 March 2022.

1. 2021 STIP AWARD DETERMINATION

Assessment of the STIP KPI’s resulted in an overall achievement rate of 95%.

Performance measures STIP	Target			Result	Weight	Achieved
	min	tgt	max		Executive Director	Executive Director**
Financial performance					25%	
Growth in distributable earnings per share*	4%	5%	6%	<0%	25%	0%
Operational performance					50%	
NOI organic growth*	8%	10%	12%	13%	20%	40%
Increase in retail trading densities over CPI	-	1%	-	2.7%	10%	10%
Maximum accepted vacancies*	5%	4%	3%	4%	10%	10%
Maximum tenant arrears written of	-	2%	-	0.2%	10%	10%
Discretion of the Board**					25%	25%
%Total achievement					100%	95%
Annual fixed salary (€ thousand)						300
TOTAL 2021 STIP to be settled during 2022 (€ thousand)						225 (cash) 60 (free shares)

*For specific KPIs, sliding scales and metrics were set for minimum/target/maximum level of achievement.

** Discretion of the Board split as follows:

- 20% STIP awarded in cash
- 5% STIP awarded in free shares (€60 thousand)

2021 STIP	All amounts in € thousand
Rüdiger Dany*	200
Marek Noetzel	settled in cash: 225 settled in free shares: 60

* The quantum of STIP allocation for the COO who joined the Company in July 2021 was agreed at sign-on and awarded in March 2022 for the respective period in 2021.

2. 2021 LTIP AWARD DETERMINATION

Assessment of LTIP-related KPIs resulted in an overall achievement of 25% (applied to the annual fixed pay):

- 25% external measure: TSR comparison
- 0% internal measure: three-years CAGR in distribution per share

External measure: TSR determination

On the TSR comparison, the Group ranked in the second quartile compared to selected peers (selected and aproved by the Remuneration Committee).

Selected Peers list	TSR 2021
Atrium	53.4%
Immofinanz	37.7%
Growthpoint	31.8%
S Immo	31.4%
Carmila	26.6%
Mercialys	23.5%
NEPI Rockcastle	19.4%
Klepierre	18.4%
CA Immo	16.2%
EPP	12.2%
URW	-4.6%
Citycon	-5.3%
Globalworth	-13.6%
Deutsche Euroshop	-20.5%
Min	0
Third Quartile Marker	1
Second Quartile Marker	2
First Quartile Marker	3
Max	4

Internal measure: CAGR in distribution per share determination

The internal measure is the three-year compound annual growth rate (based on NEPI’s history pre-merger and NEPI Rockcastle subsequently) of distributable earnings per share relative to an inflation-linked benchmark and the yield on cost for the Executive Director. The result, as a percentage, is multiplied with an internal hurdle factor that is 20.

Determination formula results in 0% award:

[3yrs CAGR in distribution per share - (Inflation+1pp)] * internal factor

- 3yrs CAGR in distribution per share (as of 2021): below 0 (negative)*
- Inflation: 5.3%+ 1pp = 6.3%
- Internal hurdle factor is 20

* The distribution per share growths in 2020 and 2021 were both negative (-31.8% in 2020 and -10.4% in 2021).

€ thousand	All amounts in number of shares	All amounts in € thousand
Rüdiger Dany	137,945*	800*
Marek Noetzel	12,932	75

* The quantum of allocation of shares to the COO was agreed at sing-on as an extraordinary one-off award of 137,945 shares (the equivalent of €800 thousand) to be implemented in March-April 2022.

Remuneration review

» continued

3. MIN AND MAX VARIABLE PAY OPPORTUNITY

Min and Max STIP opportunity (0-170% of annual fixed pay)		Min and Max LTIP opportunity (0-270% of annual fixed pay)
<p>The minimum STIP award is zero if overall cumulative achievement of KPIs is below 75%</p> <p>The maximum STIP award can be up to 170% should all KPIs be achieved at max as per the sliding scales and the Board discretion granted</p>		<p>The minimum LTIP allocation is zero if:</p> <ul style="list-style-type: none">• three-years CAGR in distribution per share is negative or lower than inflation + 1pp• the Group falls in 3rd of 4th Quartile in TSR comparison to peers. <p>The maximum LTIP allocation could be up to 270% (internal limit set, as theoretically the determination algorithm can lead to unlimited % should the three-years CAGR in distribution per share be very high) of annual fixed pay, driven by high three-years CAGR in distribution per share and the Group being ranked in the 1st Quartile in TSR comparison to peers.</p> <p>Considering the negative growth in distribution in 2020 (-31.8%) and respectively 2021 (-10.4%), plus the increase in inflation in the same period, the three-years CAGR in distribution per share is expected to remain negative over the short- and medium-term and hence lead to an LTIP opportunity of up to 50% of annual fix pay, derived exclusively from the Group TSR positioning versus peers.</p>
Fixed annual salary	STIP	LTIP
100%	150% - 170%	270%

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 2021:

Names	Number of shares unvested or subject to a share scheme loan	Shares subject to selling restrictions	Freehold shares	Total
Alex Morar*	-	299,587	1,113,608	1,413,195
Mirela Covasa*	-	214,053	345,578	559,631
Marek Noetzel	182,353	-	71,241	253,594

*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.

Single figure remuneration

The total remuneration and detail for Executive Directors for 2021 and 2020 is reflected in the table below. This disclosure is aligned to the King IV recommended total single figure disclosures of remuneration.

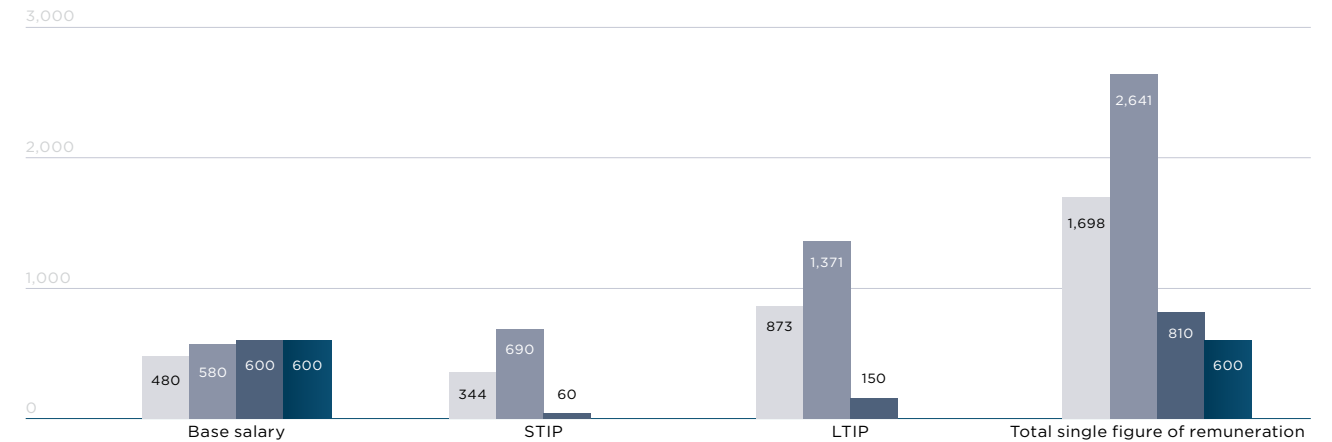
All amounts in € thousand

Executive Directors	Year	Base salary	STIP	LTIP - no of shares	LTIP	Total single figure of remuneration*
Alex Morar	2021	600				600
	2020	600	60	29,896	150	810
	2019	580	690	185,634	1,371	2,641
	2018	480	344	111,701	873	1,698
Mirela Covasa	2021	400				400
	2020	400	40	19,264	100	540
	2019	395	475	123,756	914	1,784
	2018	370	266	89,310	698	1,334
Marek Noetzel	2021**	300	225	12,932	75	600
	2020	300	30	14,448	75	405
	2019	293	313	49,286	364	970
	2018	247	169	42,736	334	769
Rudiger Dany	2021**	400	200	137,945	800	1,400

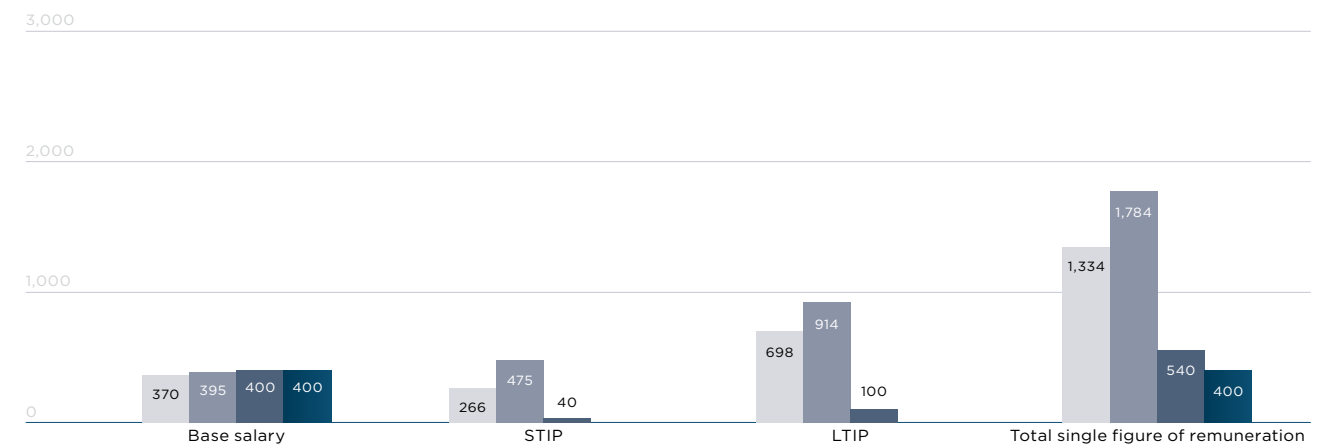
* All figures represent total cost to Company and any taxes and social contributions due either by the Group or the Directors are included in the respective amounts.

** The share price for the LTIP of 2021 is €5.7994 and has been determined as 90-days VWAP from 8 March 2022 (date of the approval by the Remuneration Committee).

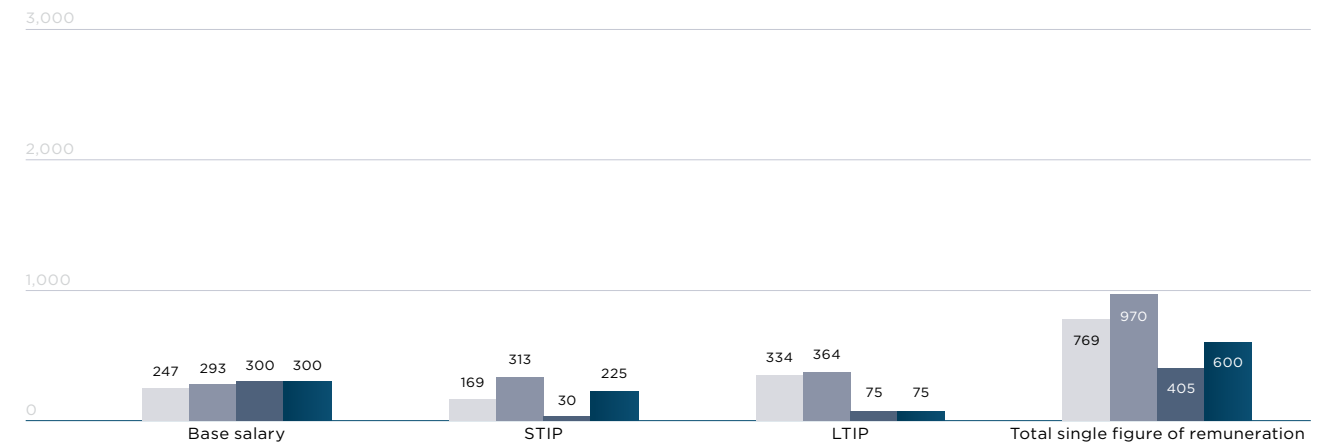
CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



COO/EXECUTIVE DIRECTOR



2018 2019 2020 2021

Remuneration review

» continued

Non-Executive Directors' fees

Non-Executive Directors' remuneration for 2021 have changed effective 1 January 2021, based on external international market benchmark analysis. Changes have been approved by Remuneration Committee and the Board and approved at AGM. The level of remuneration is presented below:

All amounts in €

Participation	Member/ Chairman	Annual remuneration	Andre van der Veer	Andries de Lange	Antoine Dijkstra	Robert Emslie ¹	Steven Brown	George Aase ²	Andreas Klingen ³	Ana Maria Mihaescu ⁴	Jonathan Lurie ⁴	Total
Board of Directors	Member	48,000	48,000	48,000	48,000	-	48,000	30,194	53,000	17,806	17,806	310,806
Board of Directors	Chairman	72,000	-	-	-	42,091	-	26,710	-	-	-	68,801
Audit Committee	Member	11,000	11,000	-	11,000	-	-	-	6,919	4,081	-	33,000
Audit Committee	Chairman	18,000	-	-	-	-	-	11,323	6,677	-	-	18,000
Risk and Compliance Committee	Member	9,000	9,000	-	-	-	9,000	5,661	5,661	-	3,339	32,661
Risk and Compliance Committee	Chairman	15,000	-	-	15,000	-	-	-	-	-	-	15,000
Investment Committee	Member	11,000	-	-	-	6,462	11,000	4,081	-	-	4,081	25,624
Investment Committee	Chairman	18,000	18,000	-	-	-	-	-	-	-	-	18,000
Remuneration Committee	Member	8,000	-	8,000	-	4,735	-	8,000	-	2,968	-	23,703
Remuneration Committee	Chairman	12,000	12,000	-	-	-	-	-	-	-	-	12,000
Nomination Committee	Member	7,000	-	2,597	7,000	-	-	4,403	7,000	-	-	21,000
Nomination Committee	Chairman	11,000	-	-	-	6,554	-	4,081	-	-	-	10,634
Sustainability Committee	Member	7,000	-	-	7,000	-	7,000	-	-	2,597	-	16,597
Sustainability Committee	Chairman	11,000	-	-	-	-	-	-	11,000	-	-	11,000
Effective fees paid as at 31 December 2021		258,000	98,000	58,597	88,000	59,843	75,000	94,452	90,258	27,452	25,226	616,827
Effective fees paid as at 31 December 2020												536,435
Additional fees paid in 2021 for 2020			18,000	15,000	16,000	18,000	9,000	18,000	13,000	-	-	107,000
TOTAL			116,000	73,597	104,000	77,843	84,000	112,452	103,258	27,452	25,226	723,827

(1) Robert Emslie retired effective 18 August 2021.
(2) George Aase became Chairman of the Board of Directors effective 18 August 2021.
(3) Andreas Klingen becomes Lead Independent effective 1 January 2021
(4) Ana Maria Mihaescu and Jonathan Lurie became Independent non-Executive Directors effective 18 August 2021.

Comparison of 2021 fees versus 2020 fees

The change in non-Executive remuneration fees was driven by considering:

- No changes and review had been made since 2017;
- The market (European, South African and International) benchmark report undertaken by the Group with international top tier consulting firm in 2019 positioned the remuneration level below the median of the market; and
- As per the market benchmark the additional fees for Board meetings and other activities were not considered a best practice - hence all additional fees have been removed from the remuneration structure. The new framework of remuneration was build only on membership/chairman level.

Actual	Member/Chairman	Annual remuneration	Annual remuneration approved on 18 August 2021*
Board of Directors	Member	35,000	48,000
Board of Directors	Chairman	70,000	72,000
Audit Committee	Member	10,000	11,000
Audit Committee	Chairman	16,000	18,000
Risk and Compliance Committee	Member	7,000	9,000
Risk and Compliance Committee	Chairman	10,000	15,000
Investment Committee	Member	10,000	11,000
Investment Committee	Chairman	16,000	18,000
Remuneration Committee	Member	6,500	8,000
Remuneration Committee	Chairman	10,000	12,000
Nomination Committee	Member	5,000	7,000
Nomination Committee	Chairman	8,000	11,000
Sustainability Committee	Member	4,000	7,000
Sustainability Committee	Chairman	5,000	11,000

*applicable as of 1 January 2021



PHOTO: ARENA MALL, HUNGARY

Sustainability report

STATEMENT FROM THE CEO

Whilst 2021 was still a challenging year for the world and the real estate industry made no exception, the Group found its way through the pandemic, managing to preserve the value of its portfolio, and at the same time supporting the business, environment and communities connected to its assets.

The Company is a firm supporter of the idea that real estate (and retail more specifically) should contribute to a better environment and community, as well as provide the necessary set-up for healthy social interaction. Emerging threats, such as climate change, are actively managed by NEPI Rockcastle, while opportunities, such as ensuring all locations are accessible by public transportation and electric vehicle friendly, or differentiating our portfolio based on green and healthy assets, are seized. The Group is committed to continuous improvement based on a vision of long-term sustainability structured on four key pillars:

- 1. Responsibly together for sustainable resource management
- 2. Sustainability through green and healthy buildings
- 3. Community engagement
- 4. People and business integrity

Sustainability remained a top priority for the organisation during 2021, with the Board of Directors steering the sustainability efforts, and the executive management team actively managing them on a regular basis.




The progress achieved over the last years enabled the Group to establish a strong Green Finance Framework in 2020 aimed at enlarging the investor base and accessing green labelled funding. Subsequently, the Company (through one of its subsidiaries) issued two tranches of green bonds (one in 2020 and one in early 2022), concluded a green loan in 2021, and linked all existing revolving credit facilities to its ESG performance.

Sustainability entails a forward-looking view, for example, launching initiatives such as on-site energy production and making buildings part of the green spaces within the urban areas in which they are located. Of course, enabling the community to make use of these facilities, not only for shopping, but also for socialising, education and health care, is the way the Group brings its contribution to the society wellbeing.

We value the achievements accomplished by NEPI Rockcastle and remain confident that our focus on sustainable operations is aligned with the long-term interest of all stakeholders, while creating new opportunities.



EXECUTIVE SUMMARY

71%  <i>by GLA</i>	66% 	27 kg 
of the assets are BREEAM certified	share of renewable energy	CO2e/m ² /year average carbon intensity
69% <i>by GLA</i>	163.8	-24%
of the assets are equipped with highly-efficient LED lighting	MWh/m ² average energy intensity	emissions compared to 2020

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. Based on concerted efforts, the Group managed to decrease in 2021 its carbon footprint by 24%, in line with its overarching targeting of net zero emissions from operations.

Sustainability report

EPRA SUSTAINABILITY BEST PRACTICES RECOMMENDATIONS (SBPR) - INDICATORS

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. The Group reports environmental data on the properties over which it has control, while joint ventures are not covered. For more details, please see Property Schedule (pages 274-275).

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, however, 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 aspects, 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 (GFA).

Estimations

NEPI Rockcastle managed to collect data for tenants fully controlled areas, however in some cases, this data is incomplete. In these casses, the Group assumed that energy consumed comes from non-renewable energy.

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. The reported data does not cover the Group’s corporate offices, as these were not considered to have a material impact.

Normalisation

NEPI Rockcastle has normalised its data by using floor area and number of visitors as denominators. This means that, for example, energy intensity is calculated per m² and per 1.000 visitors. The properties sold in 2020 and 2021 (Romanian Office portfolio and two retail Serbian properties) were excluded from the intensity calculation.

Segmentation

Data on environmental and energy performance has been broken down based on property type, 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

EPRA Sustainability Performance can be found in the Factbook attached to this report. The EPRA index (to be found in Framework Alignment section) gives detailed information on the location of each reported item.

Reporting period

The reporting period covered by this report is 1 January 2021 – 31 December 2021. Comparative data on a gross basis and a like-for-like basis for the two most recent years is included for each type of utility.

Materiality

The sustainability strategy has been determined based on the materiality analysis performed following interactions with key stakeholders. Key issues are presented in this report, in the introduction section, and then addressed in each respective chapter.

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 observes the criteria detailed in the table below:

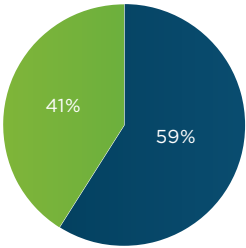
Eligible category	Eligible criteria	Environmental benefits
Green buildings	Acquisition, construction or refurbishment of buildings which meet recognised standards for best practices in energy and resource efficiency and low-GHG emissions, such as: <ul style="list-style-type: none">• BREEAM (Very Good and above);• LEED (Gold and above); and• EDGE.	Energy savings GHG emissions decrease Water savings
Energy efficiency	<ul style="list-style-type: none">• Renovation or refurbishment of existing buildings not included under the “green building” category, delivering a (1) minimum 30% reduction in carbon emissions intensity or (2) two letter grade improvements according to local Energy Performance Certificate, against the baseline performance of the building, before the renovation; and• Individual measures on buildings reducing energy use and/or carbon emissions - installation of solar photovoltaic systems.	Energy savings GHG 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, undertaking that all proceeds will be allocated as per the Green Finance Framework. The latest Green Bond Report

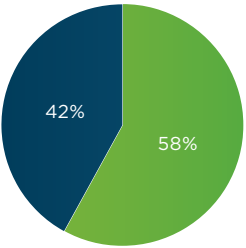
can be found at <https://nepirockcastle.com/wp-content/uploads/2021/07/Green-Bond-Report.pdf>.

Separately from the Green Finance Framework, but in line with the Company’s policy for sustainable business, all available revolving credit facilities are linked to the sustainability rating provided by Sustainalytics.

% of Green financing out of total debt
as at 31 Dec 2021



% of Green financing out of total debt
as at 28 Feb 2022



Green debt and sustainability linked undrawn RCFs Other debt

Sustainability report

» continued

LANDSCAPE

PORTFOLIO

The full description of NEPI Rockcastle portfolio is included in the Factbook and also detailed in the Annual Report on pages 274-275.

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 Company. The Committee informs the Board on the progress made and ensures that NEPI Rockcastle is a responsible corporate citizen, and that the long-term strategy enables growth in a sustainable and responsible manner, considering the risks and opportunities associated with all environmental, social and governance matters, including climate change.

With growing concerns over a wide range of ESG topics, the landscape in which NEPI Rockcastle operates is continuously developing. Market trends and regulations support the real estate sector in contributing to the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs that the Group's initiatives are contributing to, are listed in the Framework Alignment chapter of this report.

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 needs to be enhanced with relevant environment, social and governance aspects. The Annual Report and Financial Statements underline the Company's sound risk management approach, and management's commitment to delivering the sustainability strategy. 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 by the CEO.

This section highlights ESG concerns, related risks, and how these reshape the industry.

ESG risks include those matters related to climate change impact, environmental impact, health and safety, human rights, fair workforce management, compliance with good business practices, laws and regulations. Climate change and environmental 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. Depending on these, some of which being unforeseeable matters, the impact of the change will be different on each asset. The Group believes that when ESG risks are monitored and managed well, the Company can safeguard financial performance and practice resilience. The table below includes an overview of the risks and opportunities monitored and addressed by NEPI Rockcastle within an ESG context.

Environmental	Social	Governance
<div>Climate change</div> <div>Resource use and depletion</div> <div>Air pollution</div> <div>Waste pollution</div> <div>Loss of biodiversity</div> <div>Deforestation</div> <div>Inefficient circular economy</div> <div>Natural disasters</div> <div>Ecological policies</div>	<div>Insufficient community development</div> <div>Controversies linked to social enterprise partnering</div> <div>Customer dissatisfaction</div> <div>Employment disengagement</div> <div>Employee health and well-being issues</div> <div>Forced labour</div> <div>No freedom of association</div> <div>Stakeholder health and safety issues</div> <div>Human rights and child labour</div> <div>Insufficient inclusion and diversity</div> <div>Improper labour standards and working conditions</div> <div>Insufficient stakeholder relationship management</div>	<div>Bribery and corruption</div> <div>Cybersecurity</div> <div>Data protection and privacy issues</div> <div>Executive compensation issues</div> <div>Fiduciary duty</div> <div>Fraud</div> <div>Political contributions</div> <div>Shareholder rights not ensured</div> <div>Insufficient Board oversight</div>



PHOTO: PROMENADA MALL, ROMANIA

Social and Governance risks and opportunities are addressed in detail in the Corporate Governance and Risk Management sections of the Annual Report, while the social risks are also analysed in pillars three and four of the Group's sustainability strategy. A detailed description of the environmental risks and opportunities in the Group's context is further described herein.

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 in this report, in line with Task Force on Climate Related Financial Disclosure ('TCFD') recommendations.

Resource use and depletion: The real estate sector traditionally demands significant natural resources. Amongst other things, the scarcity of resources, and the growth of population/market pressures/local conditions, may increase prices. By developing properties that require fewer raw materials and more renewable resources, a competitive advantage can be obtained.

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.

Waste pollution: The improper disposal of waste affects the health and wellbeing of the community and the environment.

Inefficient 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.

Loss of 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.

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.

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.

Incompliance 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.

While some of the risks above have a higher potential impact on the Group's assets and operations (for example, climate change, especially from the transitional risk point of view, the resources scarcity within raising markets volatility, waste management and circularity), there are other risks which are rated as low in the Company's context and locations it operates (for example, loss of biodiversity and natural disasters).

The environmental, social and governance topics all play a role in how NEPI Rockcastle operates. This sustainability report communicates management's approach for several key topics. Environmental topics are mainly addressed in the section 'Pillar one – Responsibly together for sustainable resource management'. Pillar two – Sustainability through green and healthy buildings' addresses both environmental and social topics, as well as how these are interlinked. More specific social issues are addressed further on in Pillar three – 'Community engagement'. Pillar four – 'People and business integrity' describes the key governance areas and workforce management approach.

Sustainability report

» continued

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.
EU taxonomy	This EU classification system gives a clear definition of what is sustainable real estate. With the goal to comply with these requirements, the Group can develop and manage properties that responsible investors can invest in. The percentage of EU taxonomy compliant assets should increase each year, to ultimately allow the complete portfolio being financed based on green financial instruments, such as green bonds.
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 2021, 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 2021. The rating positions NEPI Rockcastle among the top ten rated companies in its sub-industry, 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.
Partnerships and adherences	
European Bank for Reconstruction and Development (EBRD)	The EBRD invests in private sector projects related to property and adjacent markets. Through its involvement in property and related markets, the EBRD aims to redress the fundamental undersupply of modern, high-quality, energy efficient commercial, logistics and residential real estate. One of the main investment criteria for EBRD is the compliance and consistency of the projects with the EBRD's overall investment policy. Moreover, as an issuer of financial instruments in which EBRD is investing, NEPI Rockcastle undertakes to comply with ESG criteria as required by the EBRD standards.



PHOTO: FOCUS MALL ZIELONA GORA, POLAND

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 (UN SDGs)	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.
Safe Asset Group and Bureau Veritas	Safe Asset Group and Bureau Veritas are independent companies that accredit the safety of shopping centres. They have certified shopping centres as compliant with Covid-19 prevention rules, which means they are safe to visit and that proper measures have been implemented to ensure such safety.
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 2021, NEPI Rockcastle was reflected as a constituent, demonstrating strong ESG commitment. <i>(Source: Bloomberg Index Constituents, 28.02.2022)</i>

COVID-19

The Covid-19 pandemic impacted significantly the retail sector, the Company's main asset class, and it tested the resilience of companies operating in this sector. An important objective of this annual sustainability report is to show the continued improvement of NEPI Rockcastle's ESG performance. Due to the disruption and business

interruption caused by the pandemic, it may sometimes be difficult to evaluate the ESG performance on a like-for-like basis. This section is meant to give the reader insights into the evolution of restrictions in the Group's portfolio across time, to help explain why a trend in resource efficiency might be challenging to detect for 2020 and 2021.

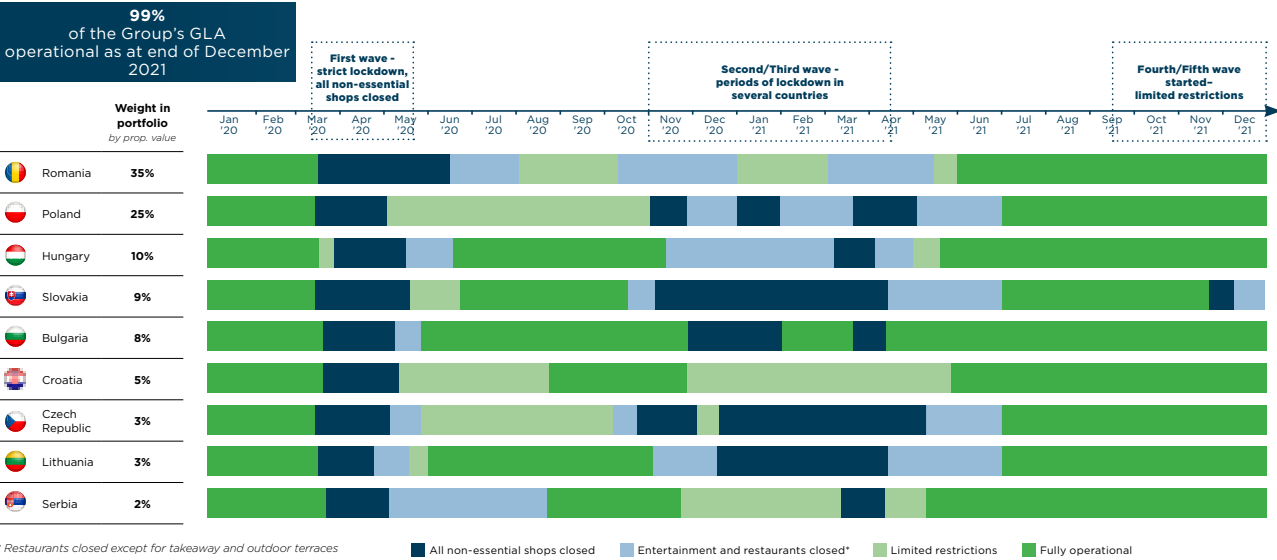
Sustainability report

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The table below shows the restrictions on the retail sector for each country in the Group's portfolio. The measures in each country were slightly different, but in general, the restrictions status can be grouped in four different levels:

- Fully operational: all shops were open, but it should be noted that post-outbreak, the number of visitors were lower compared to pre-outbreak even though there were no restrictions (or restrictions referred to access based on a green certificate, in certain countries);

- Limited restrictions, where a maximum number of visitors were allowed in establishments and/or social distancing reduced the capacity of certain businesses;
- Entertainment and restaurants closed, except for takeout and, in some cases terraces; and
- All non-essential shops closed: mainly supermarkets and pharmacies remained open.



STRATEGY

The sustainability strategy relevance depends on properly understanding the landscape in which the Group operates and the material issues within this landscape. Maintaining a permanent and open dialogue with the stakeholders is essential to refine and update the understanding of these material issues, therefore various types of interactions are in place.

NEPI Rockcastle's key stakeholders include employees, shareholders, contractors, tenants, visitors, communities, financing partners, analysts, investors, financial institutions, regulatory and control authorities, local authorities, mass

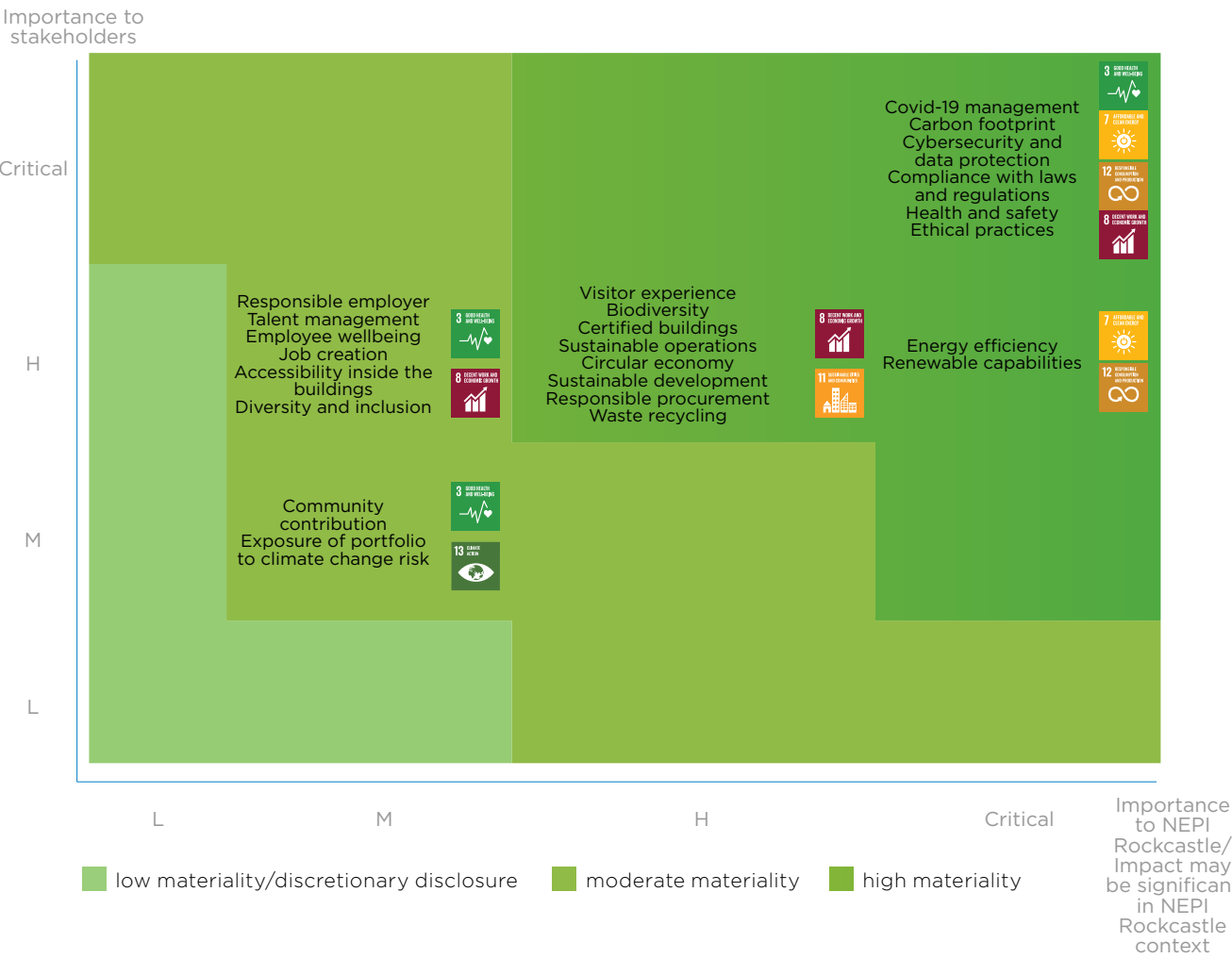
media, non-governmental organisations. Communication with stakeholders is based on integrity, objectivity, and transparency. Please refer to the Corporate Governance section for more information on how the Company governs this process. The continuous stakeholder engagement and the updated materiality analysis form the basis of the Group's ESG priorities.

The Group has clustered its material issues into four pillars, thereby giving focus and direction to specific ESG issues where it can contribute most effectively.

Pillar one - Responsibly together for sustainable resource management	Pillar two - Sustainability through green and healthy buildings	Pillar three - Community engagement	Pillar four - People and business integrity
Environmental aspects	Environmental and Social aspects	Social aspects	Governance aspects
Focusses on responsible procurement and efficient use of resources, reducing the negative impact on the environment and climate	Aims to make every asset in the portfolio green and healthy through recognised building certifications which address both environmental and social aspects	Having assets in the hearts of many cities, the Group has a significant impact on the well-being of the communities	Only with good governance and business ethics, can sustainability be addressed successfully

Most importantly, the Group recognizes that it cannot address all issues at the same time, therefore it has prioritised and presented below the key items (medium

and high importance) which will be in focus in the short-andmedium-term.



Details on the underlying objectives, targets, initiatives, performance and progress on each of the pillars can be found in their respective sections.

Sustainability report

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PILLAR ONE - RESPONSIBLY TOGETHER FOR SUSTAINABLE RESOURCE MANAGEMENT

2021 KEY PERFORMANCE INDICATORS

Total electricity: 476,163 MWh	Gas: 93,004 MWh	District heating: 58,342 MWh
Share of renewable electricity: 66%	Scope 1+2: -34%	Scope 3: -17%
Water: 1,542,718m³	Waste: 23,152 MT	Recycled: 39%

OBJECTIVES AND TARGETS

The development and operation of buildings require a considerable use of resources, potentially having a high impact on the environment. The Group developed the environmental policy and the sustainable procurement policy, to address the Group's material issues in this respect.

The Group established ambitious targets, in line with the UN SDGs, which it monitors and revises regularly, in order to assess progress and realign ambition level. While being a supporter of all the seventeen UN SDGs, the below reflects how the goals and targets are aligned with the most relevant ones.

Goals	Targets	UN SDGs	Year	KPIs
Reduce primary energy consumption, greenhouse gas emissions, potable water demand, non-recycled waste generation, and pollution	Increase energy efficiency by 20%	12, 13	2024	% MWh LFL % energy intensity LFL
	Assets to produce renewable energy for own consumption	7, 13	2030	on-site renewable production capacity
	Reach a waste recycling rate of 60% from operations	11	2025	waste recycled/total % of recycled waste per m² % of recycled waste per visitor
	Achieve zero waste to landfill from operations	11	2025	waste to landfill
	Decrease potable water consumption by 15%	6	2024	% water consumption LFL % water intensity LFL
	Reduce emissions from operations by 70%	13	2030	operations carbon footprint
	Reduce embodied emissions from new constructions by 30%	13	2030	construction carbon footprint

The Company established 2019 as baseline year for assessing the progress on the above targets. This was chosen as a representative year, before the Covid-19 pandemic impact tweaked some of the figures.

In 2021, the Group:

- scoped in and defined more precisely some targets, i.e., to cover either operations or development processes. As there are different material issues and a different approach in operating versus in developing a property, different targets need to be set up and different types of measures need to be implemented.
- revised the timeline and the ambition level for the targets maturing in 2022. Due to the Covid-19 pandemic and temporary reduction in operations (including restrictions on the operations of certain types of businesses), as well as decrease of the footfall

in some periods, the Company cannot reliably separate the effects of these, from the resource consumption reduction based on the efficiency measures implemented. In this context, the Group decided to move the targets set for 2022 to 2024 or 2025, while at the same time revising the ambition level, in line with the sustainability strategy and industry.

- revised the ambition level for the long-term targets maturing in 2030, in line with best-in-class peers, while still reflecting the Group's context, markets, capabilities and portfolio. The long-term targets have been defined in 2020 to reflect the commitment to address climate change risks and opportunities. Starting 2021 NEPI Rockcastle is also implementing a regular process of reassessment versus markets and internal progress, to ensure the targets remain relevant, achievable and sufficiently ambitious.

MANAGEMENT APPROACH

Initiatives

Targets	Initiatives
1 Increase energy efficiency by 20%	Track portfolio performance based on the CRREM methodology 1 2 5
2 Assets to produce renewable energy for own consumption	LED roll-out – The replacement of the traditional lighting sources with LED luminaires across the portfolio 1 6
3 Reach a waste recycling rate of 60% from operations	Perform regular inspections and calibration of existing systems to maximise operational efficiency. For example, HVAC optimisation – Adjust temperature setpoints, apply free cooling, equipment frequency management 1 6
4 Achieve zero waste to landfill from operations	Install highly efficient equipment such as HVAC systems, LED, vertical transportation systems 1 6
5 Decrease potable water consumption by 15%	Increase green certified energy supply year on year 6
6 Reduce emissions from operations by 70 %	Invest 5% of the annual budget in renewable sources of energy 2 5
7 Reduce embodied emissions from new constructions by 30%	Install automatic metering to improve consumption data coverage 1 2 5 6
	Water consumption monitoring, leak detection, rainwater harvesting, deployment of industrial equipment for water treatment and recirculation 6
	Avoid single-use and virgin products by installing high efficiency dryers instead of paper towels, paperless office practices, use of reusable appliances in the kitchen/food courts, recycled materials replacing virgin materials and accessories. 3 4 6
	Waste separation on all properties and improving waste recycling infrastructure in the community 3 4 6
	Use of eco, recycled, bio-based and non-toxic substances 6 7
	Negotiate green clauses to increase share of green leases 1 2 4 5

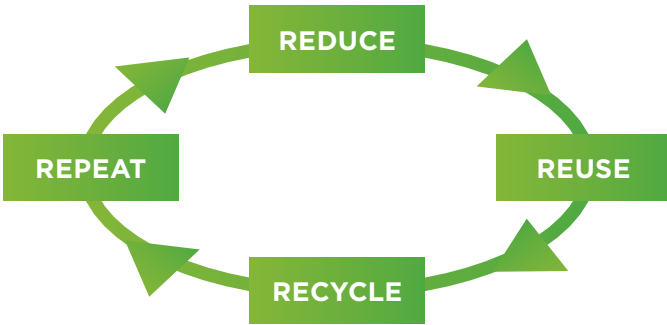
Sustainable resource management

With the 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.

To achieve the targets set in Pillar one, NEPI Rockcastle continued to strive for excellence in its operations and promoted the initiatives launched in 2018 and 2019, while adding more to the list.

Implementation of the Environmental Policy and the Sustainable Procurement Policy

Initiated in 2019, based on best practices review and various consultations with relevant stakeholders, the Environmental Policy and Sustainable Procurement Policy were defined at Group level. The Environmental Policy defines the Group's commitment to achieve effective environmental management, ensuring adequate risk management, cost savings, innovation, profit, and social responsibility. The Group encourages its personnel and the rest of the stakeholders to embrace the 4Rs principle:



Sustainability report

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The Sustainable Procurement Policy was designed to ensure that the Group can positively influence its upstream value chain and that major suppliers implement aligned sustainable principles in their line of business.

The Group values the following principles of sustainable procurement, with a target of full implementation by 2022:

- 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; and
- encouraging innovation in sustainable products and services.

Energy

Electricity and Gas consumption

NEPI Rockcastle's largest environmental impact in 2021 derived from the energy consumption in its buildings, therefore, one of the highest priorities is to increase energy efficiency in its operational properties.

Close monitoring of energy consumption, enables the following:

- assess progress versus targets and long-term sustainability strategy;
- build awareness on consumption and trends; and
- constant benchmarking and target assessment.

During 2021, the Group continued to implement the planned measures envisaged to reduce energy consumption. In anticipation of the measures implemented by national authorities within the pandemic context, the Group implemented new technologies to intelligently modulate electricity consumption, depending on the outside temperature and footfall, respectively.

The Group launched in 2021, in its Polish portfolio, the cogeneration initiative, meant to optimise resource consumption and decrease the carbon footprint in operation. 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 applications, all with no additional fuel consumption. Using gas as fuel to simultaneously generate heat and electricity within a single unit, is more efficient and cost-effective than traditional power production. The pilot is under implementation in Platan Shopping Centre and is expected to have a positive impact on the property's carbon footprint.

Reduction of energy consumption

Rationalising consumption of resources and increasing energy efficiency are key objectives in the Group's strategy. The Group continued to increase the energy efficiency in its portfolio, reduce consumption and, in addition, work towards building on-site renewable electricity production capabilities. The Group increased and will continue to increase the use of energy from renewable sources. Endorsed by the Board of Directors, in 2020 the Group decided to accelerate its target that 50% from its energy comes from renewable sources. Therefore, starting August 2020, the Group's aggregate energy consumption included 50% consumption from renewable sources, as confirmed by the energy origin certificates. Based on this approach, the initial target has already been met in 2020 and 2021. The Group will continue to increase the use of energy from renewable sources, in line with its carbon neutrality objectives.

For energy consumption/reduction, renewable energy and energy intensity figures, please refer to the Factbook.

Water and effluents

Interactions with water as a shared resource

NEPI Rockcastle properties are connected to the public water and sewage networks. The main water consumers in the Group's properties are the food processors and its visitors.

Prevention of water waste, careful monitoring of consumption, leak detection and signalling, are the main measures integrated into the properties.

By continuing the implementation of the measures proposed in previous years, as well as implementing additional actions, the Company gets closer to meeting its proposed targets. The following continued to be deployed:

- performing studies to check if underground water can be used instead of the conventional system, for specific operations;
- collect rainwater and use it for irrigations, equipment cooling and other activities;
- installation of diffusers on water taps to reduce the flow;
- fitting toilet areas with water shutoff systems;
- 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 the equipment; and
- performing regular water analysis to determine the risk of Legionella contamination and ensure water quality, as well as the integrity of water distribution systems.



PHOTO: SAVE THE BEES TOGETHER, GALERIA WOŁOMIN, POLAND

Despite the Covid-19 context, the Group continued to implement technologies to intelligently conserve water and optimise water consumption (being able to react in a timely manner to measures implemented by national authorities, such as closing of non-essential stores and distancing measures).

The Group is extracting water from the underground supplies in a limited number of locations, and uses it predominantly for technical areas and equipment (i.e., cleaning, cooling towers).

Management of water discharge impact

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;
- tenants' technological wastewater from food processing areas;
- rainwater from the roofs; and
- rainwater from the vehicles parking/roads platforms.

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 system;
- separate sewage system for wastewater and rainwater; and
- water treatment plants for those properties where the used water is discharged into a natural stream of water.

Water bodies affected by water discharge and/or runoff

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 and 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 for and minimises as much as possible the effects of its activities, by constantly monitoring the water quality both before reaching the plant and after treatment, before discharge.

For water consumption/reduction/extraction figures, please refer to the Factbook.

Sustainability report

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Waste Management

NEPI Rockcastle's objective is to reduce the volume of waste that goes to landfill, to maximise recycling, and enable reuse. The waste generated is managed by authorised operators in accordance with local laws, while the Group provides space and appropriate facilities for sorting and depositing the waste prepared for recycling.

Zero waste

The Group has defined its zero-waste 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 from food courts into compost. Moreover, to promote environmentally responsible behaviours and patterns and educate tenants and visitors, concerted campaigns have been implemented. 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.

To support the Group's goal of becoming "zero waste to landfill by 2025", at the end of 2020, the Board of Directors approved the investment in "in-vessel composting equipment", designed to convert biodegradable waste into composted waste and properties in Romania and Bulgaria have already started to use the equipment (41% of the portfolio by GLA is currently covered by such equipment).

The 'Nature of thank you' campaign supporting the waste management efforts, received the GOLD Award for Best Practices in Community Involvement (Environment Category, Waste Management), a distinction offered by the Community Index publication. Also, the 2021 Real Estate Special Award for the Zero Waste to Landfill & Carbon Neutrality Project of the Year was awarded to the NEPI Rockcastle Group.

For waste collection/reduction/recycling figures, please refer to the Factbook.

Environmental Compliance

The Group meets its environmental obligations and monitors compliance with applicable laws and standards. All properties abide by the environmental laws and norms of the countries where they operate, while compliance is monitored and endorsed by the environmental protection authorities. NEPI Rockcastle's partners are encouraged to send their feedback, including communications that highlight non-compliance with environmental laws or regulations or environmental risks. During 2021, the Group has not been involved in material issues concerning environmental non-compliance.

Carbon Footprint and Climate Change

Financial, and other risks and opportunities due to climate change
NEPI Rockcastle is aware that climate change will impact both its own operations as well as those of its value chain partners.

Developing an action plan on climate change is a key step in addressing the challenges involved. In line with the 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 retain its resilience. The Group will implement necessary measures to mitigate risks that may result in significant pollution or have a notable negative effects on protected flora or fauna.

The Group assessed and regularly monitors climate change risks, both the physical and the transitional ones. The climate change risks assessment is complementary to the Group-wide risk management processes, as described in the Risk Management section of this report.

Climate risks						
Physical risks			Transition-related risks			
	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	Imposition of mitigation policies or regulation 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
Financial implications	Increased operating, capital and insurance costs, as well as asset depreciation due to damages Stranded assets		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

Climate-related opportunities					
	Resource efficiency	Energy source	Products and services	Markets	Resilience
Potential opportunities	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
Financial implications	Reduced operating costs, higher NOI	Increased capital availability and positive returns from low-carbon technology investments Reduced operational costs and exposure to future carbon policies Potential revenue stream from on-site produced renewable energy	Increased revenue and better competitive position	Increased revenue/lower costs through access to new markets and diversification	Increased resilience resulting in reduced costs

Sustainability report

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NEPI Rockcastle aims to contribute to a more sustainable environment, by reducing the carbon (CO2) footprint of its buildings, both during construction and in operation. In 2021, the Group decreased its CO2 footprint by 24% compared to 2020, mainly due to the increase of renewable energy across its portfolio.

In the scale of global emissions by economic sector, the Group's activity is generating direct emissions mainly through energy consumption (electricity and gas) for light, heating, cooling, waste disposal and indirect emissions from the energy consumed by tenants and transportation means used by visitors. The Group used the methodology and calculation factors provided in Measurabl platform, and allocates in Scope 1 gas consumption, in Scope 2 energy consumption in common areas and in Scope 3, the energy consumed by tenants. Scope 3 is currently limited, as indirect emissions in the supply chain or those generated by transportation are not estimated.

NEPI Rockcastle mainly discharges gas emissions generated by the HVAC equipment at its properties. Such emissions are kept under control and verified according to the law, while no incompliance with maximum legal emissions has been reported. The Group performs regular maintenance and technical verifications of its equipment, and it is committed to investing in new technologies that minimise negative impacts on the environment.

For emissions figures, please refer to the Factbook.

PROGRESS AND ACHIEVEMENTS

Status of energy efficiency initiatives

The replacement of the traditional lighting sources with LED luminaires started in 2018 and continued to progress on an annual basis. As of 31 December 2021, LED lighting is fully implemented in 69% of the portfolio (by GLA), and partially implemented in different stages of implementation in 12% of the portfolio. Occupational lighting management and instant presence lighting management have also been deployed. The Group is further prioritising implementation of LED lighting in its portfolio by the end of 2023.

Renewable energy and mobility

At Group level, the partnership between Enel X and NEPI Rockcastle Romania involved the installation of eleven JuicePump stations and fourteen other JuicePole stations, each of them allowing the simultaneous recharging of two electric vehicles. These cover a corridor of about 1,000 kilometres on the main roads in Romania, connecting the south, centre and west of the country.

In 2021, Tesla opened the first Supercharger station in Bucharest, in Promenada Mall. Tesla Supercharger and Destination chargers were also implemented in other locations across the portfolio, in Romania, Bulgaria, Poland, and the network will continue to be extended also in 2022. The first Tesla pop-up store in Romania was opened in Promenada Mall Bucharest, where those interested could learn more about electric cars and Tesla's mission to accelerate the world's transition to a sustainable energy.

Green leases

The Group is working towards developing a series of green clauses to be discussed together with key tenants. Some core environmental related clauses are already covered in the current lease agreements, while for others the Group is preparing discussions with its tenants, to identify the common ground regarding sustainability endeavours. These will cover:

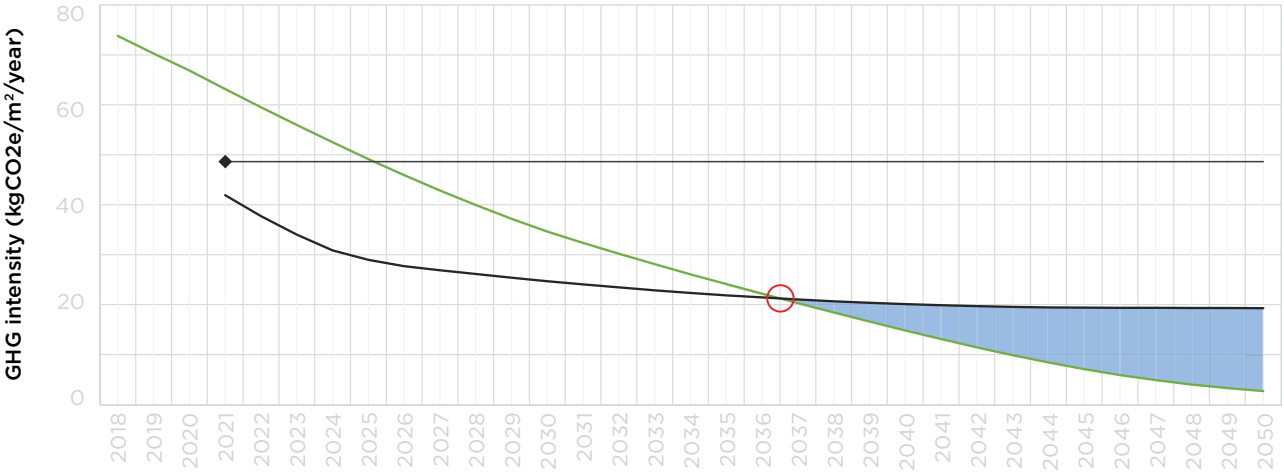
- permission to access tenant utility data, including transparency on energy, water, and waste;
- operational parameters and energy performance targets which tenants should adhere to (for example HVAC set point/landlord override, occupancy sensors, auxiliary HVAC hours, no use of volatile organic compounds, installation of LEDs);
- common participation of the landlord and tenant in the activities required for obtaining and/or maintaining the green building certification (for example recycling, green areas maintenance, pest management);
- common effort to promote use of public means of transportation or green transportation instead of personal vehicles (for visitors and employees).

CRREM

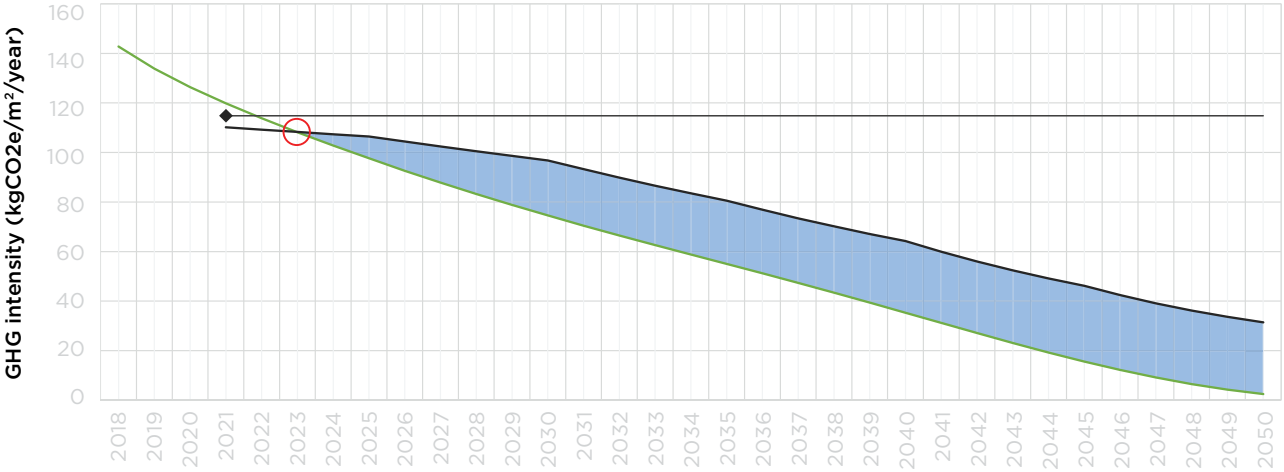
CRREM is a tool used to monitor the status of NEPI Rockcastle's standing portfolio with regards to science-based alignment with the Paris ambitions and risks arising from carbon emissions. The tool exposes which assets are in good shape and which need efficiency and decarbonisation interventions to avoid stranding. The results of the internal assessment reflect that in 2021, the portfolio was 69.8% compliant with the 1.5°C target for decarbonisation and energy efficiency pathways. The Group notes that this is a theoretical approach, that does not factor-in the planned measures for energy efficiency and carbon footprint reduction, however it is a good tool for analysis and prioritisation.

On an asset-level, the stranding diagrams below reflect, only for exemplification purposes, three different assets, to show how certain assets need decarbonisation measures in the medium to long-term, whereas others need action sooner, to comply with the decarbonisation pathway. This analysis is meant to enable the Group to better identify and prioritise its measures for the decarbonisation pathway.

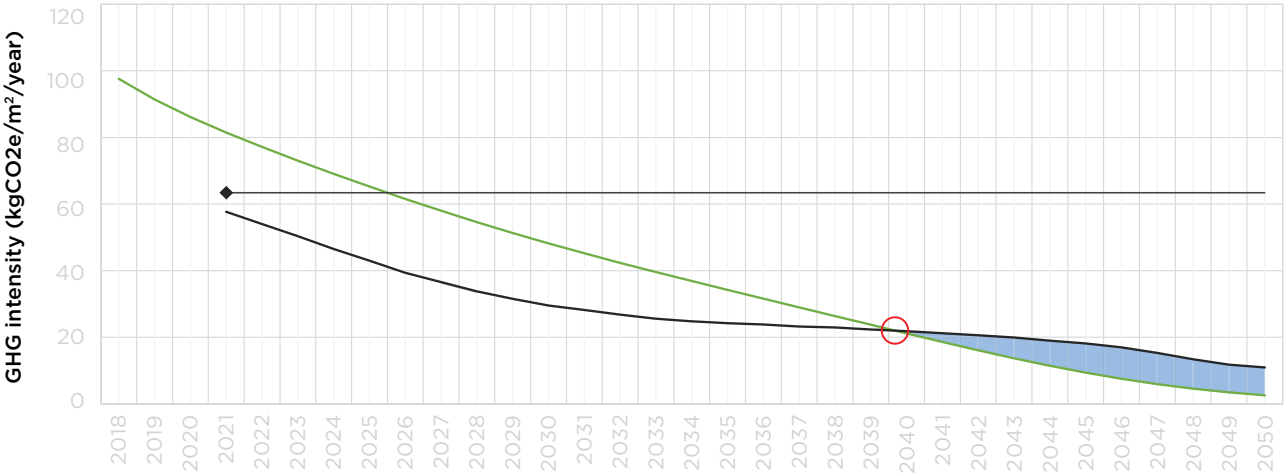
Stranding diagram example: Arena Mall, Budapest, Hungary



Stranding diagram example: Bonarka City Centre, Krakow, Poland



Stranding diagram example: Promenada Mall, Bucharest, Romania



- Excess emissions

Baseline asset performance

Stranding
- Decarbonisation target

Climate and grid corrected asset performance

2021 Performance

Sustainability report

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PILLAR TWO - SUSTAINABILITY THROUGH GREEN AND HEALTHY BUILDINGS

OBJECTIVES AND TARGETS

Achieving sustainability through green and healthy buildings requires both short- and long-term thinking and goal setting, in line with UN SDGs 3, 9, 11, 12, 13, 15. NEPI Rockcastle has identified the following objectives within this pillar:

- continue the Covid-19 safe certifications throughout 2021, and onward;
- continue BREEAM In-Use buildings certification, with a minimum of “Very Good” and above;
- implement a Biodiversity Action Plan for all properties in operation by 2023, and for all properties under development by 2025; and
- develop a Biodiversity Strategy by 2025.

MANAGEMENT APPROACH

Covid-19 verification

NEPI Rockcastle continued its collaboration with The SAFE Asset Group and Bureau Veritas, independent organisations that verify and confirm the safety of shopping centres. Both use clear standards to verify compliance with Covid-19 prevention rules. The Group decided to continue this certification, to ensure the safety of tenants and shoppers alike, and show that they are welcomed into a safe and controlled space.

BREEAM Certification

The Group is constantly striving to improve the quality of its buildings, invest in sustainable construction both from a structural and operational point of view, and increase the number of assessed and certified properties. NEPI Rockcastle uses BREEAM methodology to assess, rate and certify the sustainability of its buildings. BREEAM evaluates multiple areas including energy and water use, health and wellbeing, pollution, transport, materials, waste, ecology, and management processes.

For certifications figures please refer to the Factbook.

Biodiversity and ecology

NEPI Rockcastle aims to have a unitary approach towards the conservation and improvement of biodiversity and minimising its negative impact.

Despite the urban character of its buildings, the Group sees opportunities for its properties to play a role in improving both flora and fauna in their areas. The Group's buildings may become hubs for biodiversity in the communities

where they are located. An example of this is the bee-friendly shopping centres, part of the Save the Bees, Together campaign. In 2021, Karolinka Shopping Centre (Poland) joined the three already bee-friendly shopping centres, Galeria Tomaszow, Galeria Wolomin and Focus Mall Piotrkow Trybunalski, by inaugurating the fourth apiary. This apiary consists of eighteen beehives which are home to 900,000 bees. This initiative will become a part of the Biodiversity Strategy.

In its pest control, NEPI Rockcastle has started integrated monitoring, as well as using non-toxic preventive measures. These are used to proactively manage and minimise pest issues, in line with local legislation and ecological assessments.

The Group requires its suppliers to use cleaning products compliant with local legislation in each jurisdiction.

INITIATIVES

Covid-19 related

The most pressing issue regarding health and safety in 2021 continued to be the ongoing Covid-19 crisis. To safely manage its impact, the Group prepared and implemented the following:

- close access control performed to comply with local authorities' requirements regarding the maximum allowed capacity;
- temperature check devices were installed at main access points in all shopping centres;
- where technically possible, shopping centres used natural ventilation, following World Health Organisation recommendations;
- all shops were verified in terms of cleaning and disinfecting procedures;
- staff inside the shopping centres wear masks at all times;
- in accordance with local authorities' safety norms and procedures, staff's state of health was regularly checked;
- sanitising dispensers were installed in key areas;
- handles and other frequently touched surfaces were covered with nano septic foil or disinfected more frequently;
- dedicated waste bins for used gloves and masks were installed at exit points;
- distancing stickers were installed in relevant areas; and
- Covid-19 safety signalling, aiming to increase visitors' awareness of risks and safety measures, were displayed in visible areas.



PHOTO: BOTTLE CAP CAMPAIGN, PLATAN SHOPPING CENTRE, POLAND

In addition to the Covid-19 related measures, NEPI Rockcastle has implemented proficient health and safety measures across all the properties:

- safety audits performed regularly and supervised by specialised independent companies, ensuring that NEPI Rockcastle's properties are safe shopping destinations;
- emergency procedures tested in real-life simulations (evacuation drills performed regularly, at least annually);
- good-quality materials with low emissions of volatile organic compounds and low content of harmful substances are used. Product safety data sheets are considered for a large range of products: finishing materials, paints, adhesives, floor coverings, carpets and other largely utilised products; and
- clean air is constantly available in the Group's buildings. Ventilation ducts are checked regularly and filters are replaced at least twice a year, while the risk of Legionella disease is evaluated by undertaking regular tests.

PROGRESS AND ACHIEVEMENTS

Safe shopping

78% of shopping centres by GLA have renewed in 2021 their Covid-19 safety certificate.

For Covid-19 safety certifications information, please refer to the Factbook.

BREEAM, biodiversity, ecology

BREEAM certification progressed more slowly due to Covid-19 pandemic and travel restrictions. As of

31 December 2021, 71% of the eligible portfolio by GLA is BREEAM certified (72% by market value), obtaining Very Good and Excellent scores. 26% of the properties are under registration proceedings and the percentage is expected to lower during 2022. The rest of 3% are industrial and strip centers, not prioritised for certification.

For details regarding the BREEAM certification status, please refer to the Factbook.

The Group assesses the impact of its activities on the environment and the associated risks through ecology reports. These reports will also support with outlining the Group Biodiversity Strategy to be developed by 2025. Environmental due diligence procedures upon property acquisition are integrated at Group level.

The Group ensures the consistent compliance of operational procedures with applicable legislation, and continuous monitoring of landscape change, habitat, and property ecosystems requirements. The Group also commissions (as part of BREEAM or separately), ecological studies, habitat status reports, Legionella risk reports, lighting, air quality certification and sound stress reports. In 2021, the Polish properties Galeria Wolomin, Galeria Tomaszow, Platan Shopping Centre, Bonarka City Center, Alfa Centrum Bialystok, Pogoria Shopping Centre, Focus Mall Piotrkow Trybunalski have invested in nanotechnology for air filtration for their HVAC units, increasing the filtration level of inlet fresh and recovered air and effectively helping to protect against smog. The Air Quality Certificate received by these properties is a confirmation that they are using this new filtration technology correctly.

Sustainability report

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PILLAR THREE - COMMUNITY ENGAGEMENT

OBJECTIVES AND TARGETS

In 2021, the Group continued to focus on mitigating Covid-19 health and safety issues, therefore the programmes implemented across the shopping venues aimed to ensure a safe environment for customers, employees, and partners. The Group also continued to strategically invest in scalable social and health projects, across its network.

As a next priority, the Group plans to conduct social and environmental impact studies, focusing on measuring the value generated for society and communities by various sustainability initiatives. Social Return on Investment ('SROI') represents a framework for measuring and accounting the effect of the CSR initiatives.

The targets set out in this pillar are in line with UN SDGs 3, 4, 8.

MANAGEMENT APPROACH

Resilience, strength and impact, are notions that 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, 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 identifying community needs and shared priorities, and to manage a coordinated effort towards achieving impactful outcomes.

Key non-profit partners in 2021



PHOTO: MOVEMBER INITIATIVE, AUPARK ZILINA, SLOVAKIA

Through the **#ResponsiblyTogether platform**, which houses 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, environment.

Despite the worldwide Covid-19 challenges that continued throughout 2021, the Group adapted its approach to the new context and continued previous years' work, with a clear vision to empower people to become part of the solution and build a healthier, sustainable future.

- The Group CSR engagement strategy relies on:
- promoting health and safety initiatives in the communities, participating to increased wellbeing;
 - promoting awareness on critical environmental issues;
 - educating the younger members of the communities and helping them to build a better future.

INITIATIVES

Under the Group CSR engagement strategy umbrella, the shopping centres have implemented numerous local initiatives in order to connect with the local community. This chapter is an overview of these initiatives.

Health and Social

Covid-19 health-supporting projects

In 2021, most of the Group's efforts and initiatives continued to focus on managing the Covid-19 pandemic and supporting vaccination initiatives, by creating vaccination points inside shopping centres.

Non-Covid-19 health-supporting projects

The Group maintained its long-term commitment to address a wide range of health needs relevant to the communities. In collaboration with local and global partners, the Group continued to promote health and social issues, aiming to raise awareness about rare diseases and reduce the effects of health issues and social inequality.

Promenada Sibiu (Romania) joined the fundraising efforts of the SUS INIMA Association, to support people affected by cancer in Sibiu area.

Paradise Center (Bulgaria) carried out a campaign to raise awareness on the prevention and fight against breast cancer, preserving the reproductive health and improving the quality of life for women after cancer treatment.

To mark World Diabetes Day, **Serdika Center (Bulgaria)** hosted a campaign aimed to raise public awareness on diabetes, a disease which is increasing in Bulgaria, as well as around the world. Medical students conducted diabetes screening, measuring visitors' blood sugar levels and blood pressure, informing people about the risk factors, as well as their current health status based on the test results.

Forum Liberec Shopping Centre (Czech Republic) has initiated an awareness campaign to emphasise the importance of testing to prevent colon cancer.

With a mission to educate women on the importance of regular examinations, **Bonarka City Center (Poland)** organised in October (the month dedicated in Poland to cancer fighting), the **Go Healthy Girl** campaign for the third year in a row. The event included educational workshops focused on cultivating the prevention mentality, talking about the importance of regular examinations, available methods to prevent diseases and offered free check-ups.

Similarly, to raise awareness about cancer and prophylaxis, the **Pink October** information campaign was organised in **Mammut Shopping Centre (Hungary)** while the **Movember** initiative was organised in **Aupark Zilina (Slovakia)**.

Blood donation campaigns remained a pressing issue, due to a considerable decrease in the number of donors and available blood during the health crisis. Initiatives continued in 2021 across the Company's portfolio, in cooperation with local Red Cross organisations, resulting in 550 litres of blood collected.



PHOTO: EARTH DAY, ARENA CENTAR, CROATIA

Sustainability report

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The Group is also involved in promoting a healthy lifestyle by supporting community sports programmes, including:

- Children's Sport Games by **Arena Centar and Retail Park (Croatia)**, where over 100 children played football, basketball, trekking, table tennis and dodgeball;
- **Korzo Shopping Centrum (Slovakia)** sponsored two of the most relevant sport clubs in Prievidza, contributing to the acquisition of sports equipment, shoes and personal hygiene items, to support the youth teams and promote the popularity of sports among children.

Support for less privileged people, diversity, equal opportunities

All shopping centres in Romania, in partnership with **World Vision**, supported the **Bread and Tomorrow, we take children to school** campaign, where donations were made for food, clothing and school supplies. In the spirit of Christmas and New Year holidays, **Promenada Novi Sad (Serbia)**, together with Lyons International and Red Cross Novi Sad, organised the **Good Heart Market** to help underprivileged families with groceries.

During the back-to-school season, **Shopping City Sibiu (Romania)**, together with SOS Children's Villages, launched the **"Dress them in good deeds"** campaign, where visitors could purchase and donate children's clothing.

Women's Rights issues were also in focus in 2021 with more female empowerment movements gaining ground. On Denim Day, the international symbol of protest to blaming victims of sexual harassment, **Arena Centar and Retail Park (Croatia)** took the opportunity to raise awareness in the local media about violence against women. The centre celebrated International Women's Day with an exhibition that focused on those women who have undeservedly remained anonymous throughout history.

Paradise Center (Bulgaria) was the main supporter of Jamba HUB, the first adapted learning and career space in Eastern Europe accessible to people with functional disabilities. On the International Day of Persons with Disabilities and International Human Rights Day, table tennis players of Serbia Paralympic team organised public classes in **Promenada Novi Sad (Serbia)**.



PHOTO: ZIDART, SHOPPING CITY TIMISOARA, ROMANIA

Environment

Integrating creativity and art into environmental initiatives proved to be a successful tool to raise awareness about climate change and the impact of human activity on the environment.

To celebrate the UNs' World Environment Day, **Shopping City Timisoara (Romania)**, together with **ZIDART - Street Art Festival**, and the **Polytechnic University of Timisoara** inaugurated, in July 2021, the first 100 square metres of mural art, made entirely of Airlite paint which contributes to improving air quality, equivalent to a hundred square metres of planted forest.

In order to draw attention to the need for a responsible and friendly behaviour towards nature and the Black Sea, **City Park (Romania)**, in partnership with the **Constanta ReStart Association and Zoom Beach**, initiated the **#Thankyou your Beach!** campaign, collecting **3 tons of waste** from the Black Sea beaches, with the help of 200 local volunteers.

To mark Danube Day, **Shopping City Galati (Romania)** invited an artist to create two unique contemporary works of art, made from recycled plastic, to highlight the negative impact of waste on the Danube and on the peoples' quality of life.

Paradise Center (Bulgaria) initiated the Green Christmas campaign and collected more than 3 tons of old textiles for recycling.

Aura Centrum and Galeria Warminska (Poland) collected **45,000 litres of plastic bottle caps** and all funds went to supporting local charity organisations.

The successful **Don't Be Plastic** educational campaign initiated by shopping centres in **Hungary and Poland**, aimed at raising attention to the dangers of using plastic packaging, continued in 2021, with tips on how to reduce plastic in day-to-day activities.

Under the **#ResponsiblyTogether** platform, NEPI Rockcastle has moved closer to the second stage of its recycling campaign, **The Nature of Thank You**. The campaign targets

selective collection and management of waste at source, in an effort to reduce plastic and food waste.

At the core of the campaign rests the firm belief that everyone must act in order to make a positive impact, individually, as a group and as a community. It has been the Group's mission to inspire and educate on the real impacts this change of mindset can have on nature and wellbeing. The campaign's communication strategy was always focused on giving nature a voice and explaining the less obvious connections between reducing waste or plastic and a healthy planet.

Whether helping clients and tenants to transition to new recycling rules inside the shopping centres, shaping international strategies for waste management, or creating events and opportunities to act responsibly in nature, the Group was committed to maximising its positive impact and to increasing society awareness.

Education

As the pandemic continued in 2021, education faced multiple challenges with schools' closings and digital learning becoming the norm for some students.

In partnership with NGOs, NEPI Rockcastle supported several initiatives to enable a properly functioning educational system by creating community hubs for parents and children, supporting them in managing digital threats such as cyberbullying, excessive use of the Internet, misinformation. This approach is meant to support younger generations grow into educated, ethical, responsible adults and professionals. Educational needs were researched and prioritised with the support of local private and institutional partners, such as the Red Cross, UNICEF, World Vision, Save the Children.

As the pandemic continued to affect mobility and social interactions, commercial centres in the NEPI Rockcastle network succeeded in continuing their mission to be community hubs for parents and children, providing them with access to educational activities, along with a safe shopping experience.



PHOTO: RECYCLING CAMPAIGN, PROMENADA NOVI SAD, SERBIA

Sustainability report

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Support initiatives for the educational system are a strong focus across all nine countries where the Group operates, ranging from assistance to schools, teachers and children in less privileged areas, to programmes for gifted children.

Support initiatives for the educational system

NEPI Rockcastle, together with **World Vision**, started **EMPTY CLASSROOM**, a campaign organised in ten shopping centres in Romania aiming to collect new books and school supplies for challenged communities. Twenty-four schools received donations in books and furniture needed to equip school libraries, trying to help approximately 7,700 students discover the joy of reading.

In 2021, NEPI Rockcastle supported the **National Program for the Transformation of Education in Romania** by donating €75,000 for schools in Galati and Buzau, through Edu Networks (program managed by **Asociatia pentru Valori in Educatie**). Sixteen schools received support and training to achieve the level of digitalisation set by modern European Commission standards, and twenty-eight school principals were trained to become better managers and leaders.

Ploiesti Shopping City (Romania) organised the seventh edition of the **RECYCLE A STORY** programme, donating fully equipped tablets to disadvantaged children.

Community hubs for parents and children, educational initiatives for the community

Within the series of digital conferences **Responsible Parents in the Digital Age**, **Promenada Mall** together with **Save the Children Romania**, organised webinars and free workshops presenting, from different angles, recommendations on children's online behaviour and tips for parents, to manage cyberbullying, excessive internet use and misinformation.

City Park, Promenada Mall and Shopping City Sibiu (Romania) organised the improvisational show **Safe Digital Explorers**, an event dedicated to children and parents, on topics related to online safety.

Promenada Mall, Shopping City Galati, Shopping City Timisoara and City Park (Romania), together with **Scoala de Valori** and **BCR Erste Bank**, organised **The Money School**, covering financial education workshops for children and adults.



PHOTO: SCOALA DE BANI, PROMENADA MALL, ROMANIA



PHOTO: EMPTY CLASSROOM, MEGA MALL, ROMANIA

Shopping City Ramnicu Valcea (Romania) organised a meeting with a top robotics team, the **Bionic Royals**, involving interactions with humanoid robots, educational digital skills workshops for children and robot movie characters shows.

Arena Centar and Retail Park (Croatia) organised **STEM programming workshops (five workshops in five schools in the neighbourhood)**, an activity created for young visitors, aimed at enabling the development of critical thinking and creative problem solving through play and fun.

PROGRESS AND ACHIEVEMENTS

Satisfaction surveys represent a significant tool for understanding material issues and for developing the relationship with local communities. Shopping centres have a designated info desk, dealing with visitors' inquiries, their requests for information and their formal notices or complaints.

In 2021, NEPI Rockcastle carried out an occupier satisfaction survey in selected eighteen centres in seven countries. The main objective was to determine the overall satisfaction of the occupants of NEPI Rockcastle properties, in line with BREEAM in Use Occupant Survey Satisfaction methodology. The average score was 3.95 on a 1 to 5 scale.

The survey was designed to cover:

- environmental and security conditions;
- internal fit-out, design, amenities;
- common facilities, cleanliness, air quality, thermal comfort; and
- management and personnel services.

Based on the data collected, the average results of each property from each country were further analysed by the asset management teams.

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PILLAR FOUR - PEOPLE AND BUSINESS INTEGRITY

INTEGRITY AND ETHICAL CONDUCT

NEPI Rockcastle maintains the highest ethical standards and complies with applicable laws and regulations in all jurisdictions. 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.

The Group is committed to ensuring ethical behaviour throughout its business practices, based on trust, sound morality, confidentiality, reliability, and sustainability. The Company reinforces and reminds its employees on an annual basis the core values which are embedded

in all its processes: Integrity, Excellence, Teamwork and Communication, Innovation, and Learning. As the Group places paramount importance on ethical behaviour, a specific 360 feedback component, aligned with these values, is embedded in the performance 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 Group continued its sustainability strategy roll out in 2021 and prioritised its focus on its people and their integrity.

Strategic initiatives	Objective/Commitment	KPIs	Term	
			Medium	Long
People and business integrity	Ensure compliance with regulations, policies and procedures	<ul style="list-style-type: none">Timely monitoring, reporting and remediationConsequence management	Permanent	
	Collabourate with responsible and sustainable partners (clients and suppliers)	<ul style="list-style-type: none">Supplier risk assessment performed for any new supplier and revised periodicallyKnow Your Customer due diligence performed for new customers and revised periodically	Permanent	
	Ethical relationship with authorities and government representatives	<ul style="list-style-type: none">Reports through whistleblowing channel, if any, timely addressedNo financial support to any political party/political exposed personNo gifts/benefits/other form of payment to public officials/ political exposed persons	Permanent	

During 2021, the Group further developed and built awareness on the following, as part of its commitment to the highest ethical standards:

- Code of Ethical Conduct
- Whistleblowing Policy
- Compliance Policy
- Declaration of Interests Policy

Awareness campaigns covering all employees, key collabourators, tenants, and suppliers were organised. Through these campaigns, the Company continued to prioritise raising awareness on conflicts of interest as well as other ethical and compliance-related matters. When employees consider that a conflict of interest (potential or actual) may exist, they need to notify the Risk and Compliance Officer, who will offer advice. Undisclosed, materialised conflict of interest may trigger consequences. The campaigns participation rate was 100%, both at Board of Directors and staff level.

Policies are available to all employees in every country and entity that is consolidated in the Group's financial statements or otherwise controlled by the Group. These are posted on the Company's unified engagement and communication platform, while key aspects such as the Code of Ethical Conduct, the Whistleblowing Policy and the Compliance Statement are available to all stakeholders on the Group corporate website.

The Code of Ethical Conduct defines expected principles and behaviour covering the following key areas:

- equal employment and non-discrimination;
- environmental compliance;
- health, safety and labour conditions;
- prohibition of any type of harassment;
- narcotics and alcohol;
- conflicts of interest;
- gifts, entertainment and corruption practices;
- lobbying and political involvement;

- fraud;
- antitrust and competition;
- communications, records, claims, statements and certifications;
- confidentiality principles;
- preserving privacy; and
- sponsorships and donations.

The Code of Ethical Conduct has strong and clear provisions regulating the following key matters:

- fraud, bribery and corruption: such behaviour is illegal in all jurisdictions and strongly rejected by the Group, whether performed in the name of the business or for the benefit of an employee. The Company regularly conducts a formal fraud risk assessment, to monitor the risks and derive measures to be prioritised;
- gifts and events: the Code sets the maximum value of gifts that may be offered or received, as well as conditions for participation in various events organised by tenants or suppliers. Reminders and advice are sent by the Risk and Compliance Officer, in order to raise awareness and prevent misconduct;
- acceptable behaviour towards public officials, i.e., under no circumstance can gifts, facilitation payments or money be offered or promised;
- acceptable behaviour in terms of other ethical and compliance requirements (i.e., competition and anti-trust, health and safety, use of narcotics and alcohol). Promoting a non-discriminatory environment and encouraging diversity of mindsets and opinions continued to be on the Group's agenda in 2021. No discrimination incidents were claimed or investigated in 2021. If such incidents were to occur, based on a zero-tolerance policy, the Group would take the necessary measures, including consequence management, to deter such behaviour; and
- the Group's approach towards lobbying, political involvement, sponsorships and donations.

To complement the Code of Ethical Conduct provisions on the conflict of interest, the Group implemented the Declaration of Interests Policy. Besides the conflict of interest arising from a business situation, the policy covers the declaration of various interests and other directorships or advisory positions the Directors of the Company may hold. Directors must disclose all financial, economic and other interests, such as:

- direct or indirect participations in the Group;
- direct or indirect participations in companies that own more than 5% in the Group;
- any interest held in a fund or collective investment scheme where that person has direct control over the investment decisions of that fund or investment;
- participation in companies acting in the same line of business or industry;
- any other direct/indirect material interest related to the Group's business and operations; and

- other directorship positions and advisory engagements relevant to the Group's business and context.

The Group shall NOT support through sponsorships or donations those entities which, by or through their activities:

- conflict with the Group's values or targets and/or negatively impact the environment, health or safety;
- promote or interfere in any way with specific industries, such as tobacco and alcohol;
- promote directly or indirectly violence or terrorism;
- are involved, directly or indirectly, or cooperate with partners who are directly or indirectly involved in money laundering, corruption or other unethical practices; and
- 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).

For transparency reasons, a Compliance Statement has been published on the Group's corporate website, summarising the main principles and rules defined in the Group's Compliance Framework (for example commitment to ethics, long-term win-win relationships, zero-tolerance against bribery and corruption, open communication, high standards of confidentiality and privacy preserving). The Risk and Compliance Officer and the Compliance function provide constant advice and are available for clarifications and recommendations to ensure ethical and lawful behaviour. Questions, grievances, potential risks or uncertainties may be directed through dedicated communication channels. The Group uses these channels to promote transparency and raise employees' awareness, as well as provide advice and support when needed. The requests for advice are treated confidentially and answered in a timely manner.

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, providing several convenient reporting channels, while guaranteeing non-retaliation against the whistleblower 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.

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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 whistleblowers to disclose their identity by enforcing its non-retaliation policy and guaranteeing confidentiality wherever reasonably possible. Even though disclosing the whistleblowers' 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 2021 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 whistleblowers 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 at the Audit Committee.

In relation to its external stakeholders, 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 of this relationship 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 detailed due diligence processes for its partners.

DIVERSITY POLICY

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

NEPI Rockcastle did not formalise its specific diversity policy. In order to show its commitment to building a diverse workforce and encouraging diversity of mind, it adhered since 2020 to core principles of diversity and inclusion, 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 organisational culture based on respect, trust and recognition;
2. supporting diversity as a source of progress and innovation; and
3. improving economic performance.

Permanent contracts		Temporary contracts		Full time		Part-time	
F	M	F	M	F	M	F	M
260	144	30	5	288	144	2	5
TOTAL 439							

Top and middle management level is represented by 59% women and 41% men.

Details of gender distribution across the Group are presented below:

Level	Gender	Distribution
Senior management team (functions leads)	F	40%
	M	60%
Middle management and subject matter expert	F	60%
	M	40%
Non-managerial	F	71%
	M	29%

An open and engaging culture is maintained, ensuring that the Group is able to attract and retain a skilled and dedicated team, while recognising that a balanced gender workforce enhances its ability to meet its objectives.

At 2021 year-end, a total of 439 employees (including Executive Directors) were active, with 66% of them being women and 34% men.

Ratio of basic salary and remuneration across genders
A key measure of diversity and equity is the pay ratio by gender and location. The Group monitors the salary ratio of women and men for each category of management and for each market, however, due to the limited number of employees in some locations, the disclosure of results by each category might lead to compromising confidentiality.

In aggregate, the ratio of women's salaries to men across all categories and geographies varies between 1:1.12 and 1:1.31.

Age diversity
The Group encourages diversity across age ranges, based on the experience, maturity, needs and skillset required to deliver the strategy. Distribution of age at Group level is well balanced:

- 72% are represented by professionals with 20 years or more professional experience;
- 28% are represented by a younger generation of Millennials, growing and developing their careers, enabling the Group to maintain a strong succession pipeline.

Generation		Headcount	Average age	%
Generation Z	up to 24 Y	6	23.5	1%
Millennials	25-34 Y	118	30.7	27%
Generation X	35-49 Y	282	40.2	64%
Baby Boomers	50-65 Y	33	55.6	8%
TOTAL		439	38.6	



PHOTO: AUPARK SHOPPING CENTER PIESTANY, SLOVAKIA

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EMPLOYEES BENEFITS

To ensure reward and compensation are aligned with the market, the Group accesses market data from reliable providers for benchmarking purposes.

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;
- 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; and
- 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.

The Group implemented in 2021 a digital wellbeing platform with the aim of increasing employee engagement and improving access to the wellbeing programme across the business.

Key features of the platform included:

- repository of wellbeing resources and programs (videos, articles, physical therapy exercises, financial education, do it yourself projects);
- access to wellbeing workshops and challenges;
- possibility to upload own materials and gather information in one place; and
- a gamified experience where users can gather points, reach next level and have the possibility to earn prizes.

In order to promote a healthy lifestyle, the Group launched a step challenge using the well-being digital platform connected to Google Fit. 35% of the total employees, organised in 16 teams, 10 members per team, participated during the 36 days of competition and accumulated 49.5 million steps, which translate to almost 38,000km.

The virtual departure point was Shopping City Ramnicu Valcea, Romania, and the aim was to get to the destination, Ozas Shopping and Entertainment Center, Vilnius, Lithuania.

The challenge increased the employees' interest in daily exercise (9,000 average steps per participant, per day), team collaboration, and competitiveness.



Parental leave

A total of 8,720 days were granted in 2021 for parental/childcare leave, across all countries.

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.

HEALTH AND SAFETY

The Group's policy is to create a safe and healthy working environment, with procedures to manage safety and environmental matters that may affect employees, customers and other partners. All programs/rules/documents/measures are updated and modified in accordance with the applicable legislation. In 2021, in line with the legislation in place, measures and instructions to prevent and combat the effects of the Covid-19 pandemic were prepared and implemented.

The procedures in place to improve working conditions and reduce risks of developing occupational diseases are:

- annual occupational medicine checks; and
- assessments of the risk of injury and occupational disease in case of modified risk factors.

During 2021, 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/occupational hazards. Employees training on occupational health and safety is provided in all jurisdictions, in line with the local legislation requirements.

People approach during Covid-19

The pandemic led to significant adjustment to the 2021 employees development plans. During Covid-19, the Group's efforts focused on keeping staff safe, while ensuring business continuity and productivity.

The wellbeing programme, structured on three pillars: Health, Hobbies, Personal Development, was meant to support the Group's employees transition the difficult period safe and sound.

Communication within the Group remained a priority and was ensured through:

- regular communication from CEO updating staff on health issues, Work from Home ('WFH')/Work from Office ('WFO') recommendations;
- flexibility by adapting work planning to the business needs and specificity of each country (related to the progression of Covid-19 cases and national recommendations); and
- de-centralisation of decision regarding WFH at the level of top management team members (with Human Resources function supporting planning and monitoring).

Keeping employees safe during the pandemic required implementation of additional measures in relation to the workspace, work conditions, information and communication, such as:

- promote, facilitate, and signal appropriate hygiene measures;
- perform regular office disinfection;
- limit physical interaction with visitors, restrict number of people in meeting rooms and social areas (meetings held primarily online, with travel restricted);
- monitor employees' health for fourteen days after returning home from holiday or business trip;
- closely monitoring Covid-19 cases and isolation of those in contact/direct contact with infected individuals; and
- Covid-19 tests, in line with some local jurisdictions requirements.

The Group ensured good connection with people while working remotely and ensured adequate communication under the circumstances, by developing and implementing:

- workshops/keep-in-touch meetings;
- workshops on emotional impact of Covid-19, such as Emotional Agility, with general coverage;
- workshops on managing work during Covid-19/WFH including Productivity and Focus/Remote Working Routines, with general coverage;
- updates with team leaders (HR check-ins with specific team leaders, as required); and
- wellbeing programme with 65 workshops delivered along with additional materials and podcasts on physical and mental health.

PEOPLE ENGAGEMENT, RETENTION AND DEVELOPMENT

Engagement and retention

Engagement and retention of key staff are two interlinked essential elements for the efficiency and continuity of the business. Retention of staff is a challenging mandate for the Group's leadership in the context of a difficult and

competitive labour market in CEE, which is facing significant migration of its labour force towards Western Europe.

To keep existing staff 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 for NEPI Rockcastle. Despite the physical limitations in 2021, the Group continued to strengthen management communication with its teams, in both regular meetings, as well as through top management communication, online strategy discussions and business updates.

A new communication concept, introduced during 2020–Friday Talks – was maintained during 2021, to keep closer connection with Group's employees.

The internal communication platform SPOT continued to be accessed by all employees. SPOT brings together information that used to be spread across different locations, from messages from CEO to staff, to strategy and financial updates, internal policies awareness campaigns, news on the Group's portfolio and its employees. A total of 330 posts were published across the year, enabling people to stay informed and participate in different internal challenges.

The Group continued to engage its staff by celebrating important business milestones or traditional holidays through online and face-to-face team social gatherings for staff and their children (on Christmas, Women's Day). In addition, the employees were involved in various practical and well-being workshops (for example, painting classes).

Employee engagement survey

During 2021 NEPI Rockcastle launched its first formal Employee Engagement survey, to analyse on a consolidated basis employee satisfaction triggers, to make the workplace a great place and the organisation healthier, happier, and #strongertogether. Covering all employees of the Group, the survey was performed in collaboration with a top global provider of engagement surveys.

Key highlights:

- areas surveyed: My Leadership and Contribution, Covid-19 Crisis Management, Collaboration, Engagement, Growth and Development, Recognition, Leadership, Direction and Alignment, Well-being and Flexibility;
- respondents: 350;
- response rate: 89%;
- engagement favourable score: 81%; and
- words that describe the Group based on employees feedback: professional, development, challenging, team, good, leader, dynamic.

The next steps will be to interpret and analyse the feedback in a professional manner, assuring strict confidentiality of data and an effective interpretation of results for planning future actions and priorities in workforce management.

Recruitment and selection

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.

Moreover, considering the CEE market is incredibly competitive in terms of workforce, the recruitment and selection process remain a strategic area of focus for the business. The Company uses people analytics to make decisions in relation to the personnel strategy. The data is stored in the HR administrative internal system.

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The Group's range of initiatives for managing recruitment continued to be developed during 2021. This was essential as the continuing pandemic created new challenges, from reinforcing the need to source appropriate candidates (focusing on internal and external references, professional channels and agencies), to a more compelling need for testing candidates' competency, personality and commitment, and further ensuring that their onboarding is coordinated by their respective manager.

The Group reinforced, as part of the recruitment process, an efficiency approach which requires management to support the decision to hire with a business case. This allowed the Group to reorganise activities, leverage more and better on internal available resources and support career growth of its existing personnel.

New employee hires and employee turnover

	New employees				Turnover			
	2020		2021		2020		2021	
Gender								
Female	49	75%	61	68%	34	60%	57	69%
Male	16	25%	29	32%	23	40%	26	31%
Age								
<30	15	23%	21	23%	10	18%	10	12%
30-50	45	69%	64	71%	43	75%	69	83%
>50	5	8%	5	6%	4	7%	4	5%
Total	65		90		57		83	

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

In 2021, the labour market dynamic and staff turnover have increased. The attractiveness of retail and shopping centres business has decreased, causing an increased turnover, decreased acceptance of offers and a challenging recruitment process.

For 2021, the blended voluntary turnover rate across all jurisdictions was 10.6%, while the non-voluntary rate was 6.4%. 2.1% of leavers were a result of business areas being outsourced or discontinued (i.e., as a result of the disposal

Retention
In managing retention, the Group paid significant attention to supporting employees in finding the appropriate work-life balance and integrating their professional and personal responsibilities, especially within the work context imposed by the pandemic. Such efforts led to more engaged, motivated and committed employees.

Initiatives that were added or adjusted based on the changing legal obligations, business activity or social context, include:

- flexible return-to-work schedule for employees; and
- safety, health and wellbeing solutions made available to all employees.

of assets and outsourcing of specific services in property management). 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.

During 2021, a total of 90 professionals joined the Group in either new positions or as replacements. Out of these, 78 are still employed in the Group, translating into a retention rate of almost 90% for the first twelve months.



PHOTO: SHOPPING CITY TARGU JIU, ROMANIA

Management level		Number of leavers	Average headcount	%
Top management business (functions leads)*	Voluntary	-	10*	
	Non-voluntary	-		
Middle management and subject matter expert	Voluntary	5	155.5	3.2%
	Non-voluntary	10		6.4%
	Business discontinued/outsourcing	4		2.6%
Non-managerial	Voluntary	44	273	16.1%
	Non-voluntary	15		5.5%
	Business discontinued/outsourcing	5		1.8%
TOTAL		83	438.5**	18.9%

*Including 4 Executive Directors, CEO, CFO, Executive Director and COO
** Average headcount 31 December 2020 - 31 December 2021.

Transition assistance programme
The Group implemented a transition assistance programme, which consists of individual career discussions, applicable to all employees in case of involuntary termination of the employment agreement. The programme aims to ensure continued employability in case of termination through:

- individual career discussions with the HR team; and
- support in accessing professional services in this area.

Training and development

Professional learning content
In 2021, NEPI Rockcastle implemented and promoted new development programmes for all staff and management. The professional learning curricula continued to be adapted to Covid-19 requirements and staff was equipped with the necessary skills to face difficult conversations and tough negotiations, upgrade their digital skills and develop a flexible mindset. The Group organised development programmes for a broad variety of skills covering all business functions, to ensure the necessary competencies to deal with the challenges of the year. The programmes consisted of a blended approach with both face to face and live online interactions, while also including articles,

podcasts and video materials as pre- and post-work, to ensure the highest impact.

NEPI Rockcastle implemented in 2021 a leadership development programme, the Leadership Journey. Consisting of six modules delivered across three months, the programme covered topics such as: Your leadership profile, Market trends and industry insights, Strategic partnerships and stakeholders, Retail and mall management, Financial management and Inspirational team leadership. The main scope was to equip team leaders with the right skills to effectively navigate and lead in the face of digital transformation. The modules were delivered by well-known trainers and experts in Bucharest and Barcelona, but also live online.

Another well received programme for middle management, introduced in 2021, was Project Management Essentials. The main objectives of the programme were for the participants to acquire knowledge about the project life-cycle, the importance of the structured approach to projects, the most common tools and techniques used, mapping new knowledge and understanding how to use it in everyday business activities, as well as in life.

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Development programme category	Development programme	Competencies developed
Customised programmes soft skills and hard-skills	<ul style="list-style-type: none">Communicate and collabourate to winRapid Resilience and Crisis ManagementPersonal Effectiveness and Time managementGlobal leadership mindset programmeIntegrated Digital Marketing PlanningInfluencer MarketingMarketing Gateway CourseApplied MarketingMarketing strategy for Center ManagersInnovation in Marketing Intensive Product ManagementProject Management EssentialsPlanning Campaigns in PracticeCustomer First StrategiesStrategy for Listed Real Estate - What Good Looks LikeDigital OptimisationEnglishExcel	<ul style="list-style-type: none">Communication skillsNegotiation skillsProductivityFlexibilityOpen-mindednessMarketing and consumer trendsProject ManagementInfluencing skillsPlanning skillsLanguage skillsTime management
	<ul style="list-style-type: none">Cybersecurity certificationACCA certificationTickets to professional conferences, relevant for different employee functions (Brand-Minds, Compliance, Governance, Risk, etc.)Hogan Assessment Certification	<ul style="list-style-type: none">Cybersecurity and protection against cyber-attacksFinancial and tax skillsTechnical competencies depending on the function: budgeting, procurement, risk, business and digital skills, finance and taxHuman Resources Management
Mentoring and coaching	<ul style="list-style-type: none">Individual coaching programmeRelationship coaching programmeWomen as future leaders mentoring programme	<ul style="list-style-type: none">Business skillsBuilding relationshipNetworkingFlexibility and adaptabilityWorkforce of the future
Leadership	<ul style="list-style-type: none">Leadership Journey Programme	<ul style="list-style-type: none">Business acumenInvestment principles and investor profilingBasic technical skills: finance, reporting, propertyConsumer understanding and profilingCommercial relationships and communicationWhole leadership: self (growth mindset and intrapreneurship) and others (leading by objectives, coaching and mentoring, delegation)

Upgraded learning methods and sources

Recent research on the learning and development trends shows that the traditional learning model is no longer suitable for most employees. Employees spend on average 30 minutes/week learning and their preference is to have the learning embedded in their work. The need to switch to online trainings led to adapting the type of delivery through gamified exercises and other learning digital tools, while condensing the knowledge into small learning bites.

The Group ensured that its employees get access to relevant external development programmes on the market by covering the cost of the participation fees to various technical or business conferences. Under the same umbrella of blended learning opportunities, the Group offered staff the chance to access individual and relationship coaching opportunities with internationally certified executive coaches and mentoring opportunities with top leaders from other industries.

Staff development facts and figures

Total number of hours of training attended	9,463
Total number of training participations (cumulative for all participations)	1,157
Average number of training hours per trained employee	8.17
Total training days/employee	1.02
Total number of leadership pipeline coaching and mentoring hours	224
Total number of coaching for performance and OKRs hours	1,600
Total number of soft-skills training hours	3,173
Total number of hard-skills training hours	2,723
Total number of project management training hours	1,400
Overall feedback score	4.8/5

Way forward in staff training and development

NEPI Rockcastle is planning to continue to further develop both technical and business competencies through leadership, digital programmes and hard-skills trainings.

The training plan for 2022 will emerge from a thorough analysis of the individual needs, performance review results and discussions with team leaders.

To create an environment where talent is identified and staff develop in the flow of work, all efforts will be 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.

Performance review

Another key source of information on staff development needs is the performance review process, which provides a good picture of where people are performing best and where improvement is needed.

Percentage of employees receiving regular performance and career development reviews during 2021:

Management level	Male		Female	
Top management	6	4%	4	1%
Middle management	39	26%	55	19%
Other management positions	25	17%	39	13%
Specialists	79	53%	192	66%
Total	149		290	

The performance review process is an opportunity for manager and employee to assess the achievement of business, commercial and strategic objectives during the previous year and discuss areas for future development.

The Group implemented in 2021 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.

Starting 2021 the performance process has been digitalised. The online performance module was integrated with the internal communication platform SPOT and 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 three important milestones of the performance process are run through the platform: 360° feedback evaluation (applicable for all managerial and subject matter expert roles), self-assessment on KPIs and OKRs, and manager's assessment. The 360-feedback evaluation was structured along the Group's values: Teamwork and Communication, Innovation and Learning, Excellence and Integrity – Leadership skills. Overall, the Group reached a balanced scores distribution, which indicates well differentiated feedback. Categories that increased in score versus last year were Teamwork and Communication, People management and Integrity.

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FRAMEWORK ALIGNMENT

GRI AND EPRA

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 the Comprehensive option of the GRI Standards. The table below comprises the index of standards that the Group reported on.

GRI Standard	Reference	Comments/other references
GRI 101. Foundation 2016		
GRI 102. General Contents 2016		
1. Organisational profile		
102-1. Name of the organisation	Front cover	
102-2. Activities, brands, products, and services	4	
102-3. Location of headquarters	278	
102-4. Location of operations	6	
102-5. Ownership and legal form	214, 230	
102-6. Markets served	30-69	
102-7. Scale of the organisation	14-14, 70-75	
102-8. Information on employees and other workers	180-185	
102-9. Supply chain	30-69	
102-10. Significant changes to the organisation and its supply chain	30-69	
102-11. Precautionary principle or approach	GRI content index	
102-12. External initiatives	158-160	
102-13. Membership of associations	5, 158-160	
2. Strategy		
102-14. Statement from senior management decision-makers	9-10	
102-15. Key impacts, risks, and opportunities	116-129	
3. Integrity and ethics		
102-16. Values, principles, standards, and norms of behaviour	142, 178-180	
102-17. Mechanisms for advice and concerns about ethics	87, 101, 106, 154-157	
4. Governance		
102-18. Governance structure	78, 86, 88-89	
102-19. Delegating authority	83, 85-87, 100, 111	
102-20. Executive-level responsibility for economic, environmental, and social topics	84-85, 100-107	
102-21. Consulting stakeholders on economic, environmental, and social topics	108-110	
102-22. Composition of the highest governance body and its committees	84-95, 100-107	
102-23. Chair of the highest governance body	85	
102-24. Nominating and selecting the highest governance body	88-89	
102-25. Conflicts of interest	97-98, 108	
102-26. Role of highest governance body in setting purpose, values, and strategy	84	
102-27. Collective knowledge of highest governance body	89-91, 104-107	

GRI Standard	Reference	Comments/other references
102-28. Evaluating the highest governance body's performance	96-97	
102-29. Identifying and managing economic, environmental, and social impacts	104-107, 152-212	
102-30. Effectiveness of risk management processes	125-129	
102-31. Review of economic, environmental, and social topics	160-187	
102-32. Highest governance body's role in sustainability reporting	101, 106	
102-33. Communicating critical concerns	178-180	
102-34. Nature and total number of critical concerns	178-180	
102-35. Remuneration policies	130-148	
102-36. Process for determining remuneration	130-148	
102-37. Stakeholders' involvement in remuneration	130-148	
102-38. Annual total compensation ratio	148	
102-39. Percentage increase in annual total compensation ratio	148	
5. Participation of stakeholders		
102-40. List of stakeholder groups	110	
102-41. Collective bargaining agreements	180	
102-42. Identifying and selecting stakeholders	110	
102-43. Approach to stakeholder engagement	83, 88, 108-110	
102-44. Key topics and concerns raised	83, 88, 108-110	
6. Reporting practice		
102-45. Entities included in the consolidated financial statements	233-236	
102-46. Defining report content and topic Boundaries	154	
102-47. List of material topics	156	
102-48. Restatements of information	GRI content index	Adjustments to 2020 and rationale are included in Annex - Adjustments to 2020 Sustainability Report, page 195
102-49. Changes in reporting	GRI content index	There have been no significant changes.
102-50. Reporting period	Front cover	
102-51. Date of most recent report	Front cover	
102-52. Reporting cycle	Front cover	
102-53. Contact point for questions regarding the report	278	
102-54. Claims of reporting in accordance with the GRI Standards	188	
102-55. GRI content index	188-195	
102-56. External assurance	22, 220-225	The Sustainability report is not subject to external assurance review.
103-1 103-2 103-3 Management Approach	78-96	
201-1 Direct economic value generated and distributed	12, 227	
201-2 Financial implications and other risks and opportunities due to climate change	166-169	
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	14	
GRI 302. Energy 2016		
103-1 103-2 103-3 Management Approach	163-169	
302-1 Energy consumption within the organisation	196-205, 210-213	
302-2 Energy consumption outside of the organisation	GRI content index	
302-3 Energy intensity	200-201, 210-213	
302-4 Reduction of energy consumption	162-169	
302-5 Reduction in energy requirements of products and services	162-169	
GRI 303. Water and effluents 2018		
103-1 103-2 103-3 Management Approach	164-165	
303-1 Interactions with water as a shared resource	164-165	

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GRI Standard	Reference	Comments/other references
303-2 Management of water discharge-related impacts	164-165, 200-202	
303-3 Water Withdrawal	164-165, 200-202	
303-4 Water discharge	164-165, 200-202	
303-5 Water consumption	164-165, 200-202	
GRI 305. Emissions 2016		
103-1 103-2 103-3 Management Approach	162-163	
305-1 Direct (Scope 1) GHG emissions	168, 204-205	
305-2 Energy indirect (Scope 2) GHG emissions	168, 204-205	
305-3 Other indirect (Scope 3) GHG emissions	168, 204-205	
305-4 GHG emissions intensity	169, 204-205	
305-5 Reduction of GHG emissions	169, 204-205	
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	162-163, 166	
306-1 Waste generation and significant waste-related impacts	166, 202-203	
306-2 Management of significant waste-related impacts	166, 202-203	
306-3 Waste generated	166, 202-203	
306-4 Waste diverted from disposal	166, 202-203	
306-5 Waste directed to disposal	166, 202-203	
GRI 307. Environmental compliance 2016		
307-1 Non-compliance with environmental laws and regulations	166	
GRI 308. Supplier environmental assessment		
103-1 103-2 103-3 Management Approach	161, 163-164	
308-1. New suppliers/providers that were screened using environmental criteria	161, 163-164	
308-2 Negative environmental impacts in the supply chain and actions taken	GRI content index	
GRI 401. Employment 2016		
103-1 103-2 103-3 Management Approach	178-187	
401-1 New employee hires and employee turnover	184	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	182	
401-3 Parental leave	182	
GRI 403. Occupational health and safety 2018		
403-1 Occupational health and safety management system	118-120, 172-173, 182-183	
403-2 Hazard identification, risk assessment, and incident investigation	118-122	
403-3 Occupational health services	182-183	
403-4 Worker participation, consultation, and communication on occupational health and safety	182-183	
403-5 Worker training on occupational health and safety	182-183	
403-6 Promotion of worker health	118-120, 182-183	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	118-120, 182-183	

GRI Standard	Reference	Comments/other references
403-8 Workers covered by an occupational health and safety management system	182-183	
403-9 Work-related injuries	182-183	
403-10 Work-related ill health	182-183	
GRI 404. Training and education 2016		
103-1 103-2 103-3 Management Approach	185-187	
404-1 Average hours of training per year per employee	185-187	
404-2 Programs for upgrading employee skills and transition assistance programs	185-187	
404-3 Percentage of employees receiving regular performance and career development reviews	185-187	
GRI 405. Diversity and equal opportunity 2016		
103-1 103-2 103-3 Management Approach	180-181	
405-1 Diversity of governance bodies and employees	89, 180-181	
405-2 Ratio of basic salary and remuneration of women to men	180-181	
GRI 406. Non-discrimination 2016		
103-1 103-2 103-3 Management Approach	137, 178-179	
406-1 Incidents of discrimination and corrective actions taken	179	
GRI 413. Local communities 2016		
103-1 103-2 103-3 Management Approach	172-177	
413-1 Operations with local community engagement, impact assessments, and development programs	172-177	
413-2 Operations with significant actual and potential negative impacts on local communities	172-177	

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.	210
Elec-LfL:	The consistency of the electricity consumption in the operation. A like-for-like comparison of 2020 and 2021.	210
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.	210
DH&C-LfL:	The consistency of the district heating and cooling consumption in the operation. A like-for-like comparison of 2020 and 2021.	210
Fuels-Abs:	Total amount of fuel used from direct (renewable and non-renewable) sources ('direct' meaning that the fuel is combusted on-site).	211
Fuels-LfL:	The consistency of the fuel consumption in the operation. A like-for-like comparison of 2020 and 2021.	211
Energy-Int:	Consumption of direct and indirect energy normalised by an appropriate denominator.	211
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.	211
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).	212
GHG-Int:	Emissions of direct and indirect GHGs normalised by an appropriate denominator.	212
Water-Abs:	Total amount of water consumed within the corporate offices over the full reporting year.	213
Water-LfL:	The consistency of the water consumption in the operation. A like-for-like comparison of 2020 and 2021.	213

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EPRA Performance Measure	Definition	Reference
Water-Int:	Consumption of water normalised by an appropriate denominator	213
Waste-Abs:	The total amount of waste produced and disposed of.	213
Waste-LfL:	The consistency of the waste production in the operation. A like-for-like comparison of 2020 and 2021.	213
Cert-Tot	Total number of assets that have formally obtained sustainability certification, rating, or labelling at the end of the reporting year.	Pillar two
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.	181
Diversity-Pay:	Ratio of the basic salary and/or remuneration of women to men.	181
Emp-Training:	The average number of hours employees have undertaken.	187
Emp-Dev:	Percentage of total employees who have received regular performance and career development reviews	187
Emp-Turnover:	The total number and rate of new employee hires and employee turnover.	184
H&S-Emp	The occupational health and safety performance with relation to our direct employees.	182-183
H&S-Asset	The proportion of asses controlled by the Group for which health and safety impacts have been reviewed	182-183
H&S-Comp	Incidents of non-compliance with regulations and/or voluntary standard concerning the health and safety impacts of assets assessed	182-183
Comty-Eng	percentage of assets under operational control that have implemented local community engagement, impact assessments and/or development programmes.	177, 210
EPRA Sustainability Performance Measures - Governance		
Gov-Board:	The composition of the highest governance body	84-95, 100-107
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.	88-89
Gov-Col	The processes for the highest governance body to ensure conflicts of interest are avoided and managed.	97-98, 108

TCFD





The table below provides section and page references to the Sustainability Report 2021 or the Annual Report 2021, 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	Landscape section of this report
	B. Describe management's role in assessing and managing climate- related risks and opportunities.	Statement from CEO section Risks and opportunities, pages 166-167 of this Report Pillar one: Carbon Footprint and Climate Change
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	A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	Financial, and other Risks and Opportunities due to Climate change Pillar one: Carbon Footprint and Climate Change
	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Financial, and other Risks and Opportunities due to Climate change The CRREM implementation initiative described in page 168-169 aims to enable NEPI Rockcastle to assess implications of potential scenarios, as well as prioritise measures in line with the global temperature rise targets.
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	

Theme	Recommendation	Reference
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	A. Describe the organisation's process for identifying and assessing climate-related risks.	Risks and opportunities, page 166-167 of this Report
	B. Describe the organisation's process for managing climate-related risks.	Risks and opportunities, page 166-167 of this Report Pillar one and Pillar two management approach description
	C. Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organisation's overall risk management.	Financial, and other risks and opportunities due to climate change page 166-167
Metrics and targets 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 organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	Pillar one, Objectives and Targets, page 162
	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Factbook Climate change, page 204
	C. Describe the targets used by the organisation to manage climate- related risks and opportunities and performance against targets.	Pillar one, Objectives and Targets, page 162

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As part of its continuous improvement process and contribution to a better environment, the Group continued to align its sustainability strategy and operations and adhere to the UN SDGs in 2020. While aiming to align its contribution with all applicable UN SDGs, the Group focused its approach on the following:

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• Covid-safe certifications in our properties• 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">• Educational 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">• Increasing the use of energy from renewable sources.• Implementing LED lighting technology to minimise electricity consumption.• Installing charging stations for electric vehicles.• Implementing a system for consumption recording and monitoring.

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Goal		Description (as per UN public information)	Implementation
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 of 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
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.
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 jeopardize the needs of future generations”.	<ul style="list-style-type: none">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.
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">Reviewing legal and technical requirements and planning the development of photovoltaic parks.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 GHG emissions at Group level.Adhering to non-governmental organisations aimed at improving, streamlining and developing a sustainable construction process.
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.	<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).

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



PHOTO: BONARKA CITY CENTER, POLAND

ANNEX

ADJUSTMENTS TO 2020 SUSTAINABILITY REPORT

Electricity, gas and water consumption was corrected with improved data quality and/or reporting boundary change.

District heating was not reported in 2020 due to inadequate level of data quality. Accurate 2020 figures can be found in this report, together with 2021 figures.

Carbon emissions were lower in 2020 than reported. This change comes from improved data quality and/or reporting boundary change on utility consumption, as well as improved calculation methodology.

Total electricity consumption: 447,717 MWh corrected instead of 427,409 MWh reported (+20,308 MWh/+5%).

Share of renewables: 44% instead of 40%, reported (-4%).

Gas consumption: 83,311 MWh corrected instead of 87,076 MWh reported (-3,765 MWh/-5%).

Water consumption: 1,496,792m³ corrected instead of 1,492,030m³ reported (+4,762/<1%).

Waste: 22,247 MT corrected instead of 21,238 MT reported (+1,009 MT/+5%). Recycled waste: 35% instead of 33%.

District heating of 48,437 MWh not included in 2020 reported figures.

Carbon emissions were lower in 2020 than reported, by 45,220 metric tones CO₂ due to the adjustments mentioned above, as well as the fact that the renewable energy was not considered with zero emissions factor, in line with the GRI market-based approach.

Energy intensity was calculated in 2020 only based on electricity figures. Recomputed energy, considering also gas and district heating consumption, was included in this report.

Sustainability report

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ENVIRONMENTAL FACTBOOK

PORTFOLIO OVERVIEW - INCOME PRODUCING PROPERTIES

Country	Total number of properties 2021	Like-for-like number of properties 2021 -2020
Retail	52	45
Romania	26	23
Poland	12	10
Slovakia	5	5
Bulgaria	2	2
Hungary	2	2
Serbia	1	1
Lithuania	1	0
Croatia	1	1
Czech Republic	2	1
Office	2	2
Romania	0	0
Slovakia	1	1
Bulgaria	1	1
Industrial	2	2
Romania	2	2
TOTAL	56	49

ELECTRICITY

Country	Absolute electricity (MWh)			Like-for-like electricity (MWh)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	468,163	423,406	11%	387,523	349,391	11%
Romania	186,369	154,771	20%	166,157	141,166	18%
Poland	110,809	103,299	7%	77,731	73,272	6%
Slovakia	23,150	24,290	-5%	23,150	24,290	-5%
Bulgaria	37,536	34,309	9%	37,536	34,309	9%
Hungary	35,379	33,351	6%	35,379	33,351	6%
Serbia	20,623	22,133	-7%	17,178	15,023	14%
Lithuania	15,088	15,125	0%	-	-	-
Croatia	22,925	21,364	7%	22,925	21,364	7%
Czech Republic	16,284	14,764	10%	7,467	6,616	13%
Office	3,115	19,483	-84%	3,115	3,300	-6%
Romania	-	16,183	-	-	-	-
Slovakia	1,182	1,230	-4%	1,182	1,230	-4%
Bulgaria	1,933	2,070	-7%	1,933	2,070	-7%
Industrial	4,885	4,828	1%	4,885	4,828	1%
Romania	4,885	4,828	1%	4,885	4,828	1%
TOTAL	476,163	447,717	6%	395,523	357,519	11%



PHOTO: CITY PARK, ROMANIA

Sustainability report

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RENEWABLE ENERGY

Country	Absolute (MWh)						Like-for-like (MWh)					
	Electricity consumption	Renewable	% of renewable electricity	Electricity consumption	Renewable	% of renewable energy	Electricity consumption	Renewable	% of renewable energy	Electricity consumption	Renewable	% of renewable energy
	2021	2021	2021	2020	2020	2020	2021	2021	2021	2020	2020	2020
Retail	468,163	310,980	66%	423,406	184,237	44%	387,523	259,165	67%	349,391	150,433	43%
Romania	186,369	138,924	75%	154,771	73,651	48%	166,157	123,414	74%	141,166	66,915	47%
Poland	110,809	39,921	36%	103,299	16,951	16%	77,731	30,966	40%	73,272	12,770	17%
Slovakia	23,150	23,150	100%	24,290	23,980	99%	23,150	23,150	100%	24,290	23,980	99%
Bulgaria	37,536	30,659	82%	34,309	12,778	37%	37,536	30,659	82%	34,309	12,778	37%
Hungary	35,379	3,406	10%	33,351	3,991	12%	35,379	3,406	10%	33,351	3,991	12%
Serbia	20,623	20,623	100%	22,133	22,133	100%	17,178	17,178	100%	15,023	15,023	100%
Lithuania	15,088	15,088	100%	15,125	15,125	100%	-	-	-	-	-	-
Croatia	22,925	22,925	100%	21,364	14,462	68%	22,925	22,925	100%	21,364	14,462	68%
Czech Republic	16,284	16,284	100%	14,764	1,166	8%	7,467	7,467	100%	6,616	514	8%
Office	3,115	2,148	69%	19,483	10,457	54%	3,115	2,148	69%	3,300	1,624	49%
Romania	-	-	-	16,183	8,833	55%	-	-	-	-	-	-
Slovakia	1,182	1,182	100%	1,230	1,230	100%	1,182	1,182	100%	1,230	1,230	100%
Bulgaria	1,933	966	50%	2,070	394	19%	1,933	966	50%	2,070	394	19%
Industrial	4,885	2,516	52%	4,828	2,383	49%	4,885	2,516	52%	4,828	2,383	49%
Romania	4,885	2,516	52%	4,828	2,383	49%	4,885	2,516	52%	4,828	2,383	49%
TOTAL	476,163	315,644	66%	447,717	197,077	44%	395,523	263,829	67%	357,519	154,440	43%

GAS CONSUMPTION

Country	Absolute gas (MWh)			Like-for-like gas (MWh)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	81,471	70,977	15%	71,698	62,516	15%
Romania	44,292	37,982	17%	36,942	32,388	14%
Poland	1,240	1,270	-2%	554	560	-1%
Slovakia	8,798	7,377	19%	8,798	7,377	19%
Bulgaria	4,901	4,528	8%	4,901	4,528	8%
Hungary	13,245	13,310	0%	13,245	13,310	0%
Serbia	3,477	2,189	59%	2,415	783	208%
Lithuania	675	751	-10%	-	-	0%
Croatia	4,843	3,570	36%	4,843	3,570	36%
Czech Republic	-	-	-	-	-	0%
Office	176	2,719	-94%	176	83	112%
Romania	-	2,636		-	-	-
Slovakia	176	83	112%	176	83	112%
Bulgaria	-	-	-	-	-	-
Industrial	11,357	9,615	18%	11,357	9,615	18%
Romania	11,357	9,615	18%	11,357	9,615	18%
TOTAL	93,004	83,311	12%	83,231	72,214	15%

DISTRICT HEATING

Country	Absolute district heating (MWh)			Like-for-like district heating (MWh)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	55,280	45,452	22%	39,327	33,811	16%
Romania	-	-	-	-	-	-
Poland	25,150	20,497	23%	18,234	14,872	23%
Slovakia	13,175	12,264	7%	13,175	12,264	7%
Bulgaria	1,520	1,535	-1%	1,520	1,535	-1%
Hungary	-	-	-	-	-	-
Serbia	-	-	-	-	-	-
Lithuania	5,454	2,701	102%	-	-	-
Croatia	-	-	-	-	-	-
Czech Republic	9,981	8,455	18%	6,398	5,140	24%
Office	3,062	2,985	3%	3,062	2,985	3%
Romania	-	-	-	-	-	-
Slovakia	1,328	1,220	9%	1,328	1,220	9%
Bulgaria	1,734	1,765	-2%	1,734	1,765	-2%
Industrial	-	-	-	-	-	-
Romania	-	-	-	-	-	-
TOTAL	58,342	48,437	20%	42,389	36,796	15%

Sustainability report

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ENERGY INTENSITY

Country	Energy intensity KWh/m²/year			Energy intensity KWh/1,000 visitors /year			Like-for-like energy intensity KWh/m²/year			Like-for-like energy intensity KWh/1,000 visitors /year		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	161.6	144.4	12%	2,482	2,439	2%	166	147.7	12%	2,461	2,409	2%
Romania	189.5	156.6	21%	2,263	2,185	4%	187.2	157.9	19%	2,315	2,236	4%
Poland	144.1	138.6	4%	2,655	2,723	-2%	160	147.1	9%	2,476	2,510	-1%
Slovakia	174.6	170.9	2%	2,239	1,835	22%	174.6	170.9	2%	2,239	1,835	22%
Bulgaria	127.1	116.7	9%	3,412	3,716	-8%	127.1	116.7	9%	3,412	3,716	-8%
Hungary	174.1	167.1	4%	2,529	2,662	-5%	174.1	167.1	4%	2,529	2,662	-5%
Serbia*	131.1	115.7	13%	2,510	2,620	-4%	131.1	105.8	24%	2,465	2,554	-3%
Lithuania	134.2	117.5	14%	5,251	4,728	11%	-	-	-	-	-	-
Croatia	129.3	116.1	11%	3,082	3,408	-10%	129.3	116.1	11%	3,082	3,408	-10%
Czech Republic	202.5	179	13%	1,727	1,623	6%	218.3	185.2	18%	2,079	1,879	11%
Office**	109.6	109.9	0%				109.6	109.9	0%			
Romania*	-	-	-				-	-	-			
Slovakia	145.2	136.9	6%				145.2	136.9	6%			
Bulgaria	93	97.2	-4%				93	97.2	-4%			
Industrial**	575.7	511.9	12%				575.7	511.9	12%			
Romania	575.7	511.9	12%				575.7	511.9	12%			
TOTAL	163.8	146.6	12%				168.6	150.3	12%			

*Serbian properties sold in 2021 and Romanian Office portfolio sold in 2020 were excluded from the figures above
**Footfall not monitored for retail parks, office and industrial

WATER

Country	Absolute water (m³)			Like-for-like water (m³)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	1,514,120	1,435,035	6%	1,298,314	1,203,519	8%
Romania	702,095	659,407	6%	628,851	589,294	7%
Poland	269,492	246,928	9%	192,785	173,859	11%
Slovakia	87,678	93,643	-6%	87,678	93,643	-6%
Bulgaria	133,734	113,945	17%	133,734	113,945	17%
Hungary	113,452	117,700	-4%	113,452	117,700	-4%
Serbia	67,750	71,206	-5%	58,574	43,216	36%
Lithuania	37,500	40,681	-8%	-	-	-
Croatia	38,139	32,747	16%	38,139	32,747	16%
Czech Republic	64,280	58,778	9%	45,101	39,115	15%
Office	8,428	47,087	-82%	8,428	11,785	-28%
Romania	-	35,302		-	-	-
Slovakia	2,052	3,260	-37%	2,052	3,260	-37%
Bulgaria	6,376	8,525	-25%	6,376	8,525	-25%
Industrial	20,170	14,670	37%	20,170	14,670	37%
Romania	20,170	14,670	37%	20,170	14,670	37%
TOTAL	1,542,718	1,496,792	3%	1,326,912	1,229,974	8%

WATER INTENSITY

Country	Water intensity (m³/m²/year)			Like-for-like water intensity (m³/m²/year)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	0.38	0.36	6%	0.41	0.38	8%
Romania	0.51	0.47	9%	0.52	0.48	8%
Poland	0.28	0.27	4%	0.31	0.28	11%
Slovakia	0.32	0.34	-6%	0.32	0.34	-6%
Bulgaria	0.39	0.33	18%	0.39	0.33	18%
Hungary	0.39	0.41	-5%	0.39	0.41	-5%
Serbia*	0.39	0.34	15%	0.39	0.29	34%
Lithuania	0.24	0.26	-8%	-	-	-
Croatia	0.18	0.15	20%	0.18	0.15	20%
Czech Republic	0.47	0.43	9%	0.70	0.61	15%
Office	0.15	0.20	-25%	0.15	0.20	-25%
Romania*	-	-	-	-	-	-
Slovakia	0.11	0.18	-39%	0.11	0.18	-39%
Bulgaria	0.16	0.22	-27%	0.16	0.22	-27%
Industrial	0.71	0.52	37%	0.71	0.52	37%
Romania	0.71	0.52	37%	0.71	0.52	37%
TOTAL	0.38	0.36	6%	0.41	0.37	11%

*Serbian properties sold in 2021 and Romanian Office portfolio sold in 2020 were excluded from the figures above

Sustainability report

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WATER PUMPED ON PREMISE FROM THE UNDERGROUND - USED FOR TECHNICAL AREAS AND EQUIPMENT IN GENERAL

Property	Country	2021 (m³)	2020 (m³)
City Park	Romania	6,614	2,601
Aupark Kosice Mall & Aupark Kosice Tower	Slovakia	13,789	13,843
Aupark Shopping Center Piestany	Slovakia	34	30
Aupark Zilina	Slovakia	3,240	4,755
Paradise Center	Bulgaria	283	514
Arena Centar And Retail Park	Croatia	10,068	9,724
Otopeni Warehouse	Romania	770	-
Total		34,798	31,467



PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

WASTE

Country	Absolute waste (MT)						Like-for-like waste (MT)					
	Total waste 2021	Recycled waste 2021	% of recycled	Total waste 2020	Recycled waste 2020	% of recycled	Total waste 2021	Recycled waste 2021	% of recycled	Total waste 2020	Recycled waste 2020	% of recycled
Retail	23,090	8,998	39%	21,216	7,629	36%	18,839	7,473	40%	17,407	6,249	36%
Romania	11,843	3,960	33%	10,188	3,205	31%	9,745	3,703	38%	8,582	3,018	35%
Poland	4,035	2,204	55%	3,645	1,874	51%	2,811	1,270	45%	2,544	1,027	40%
Slovakia	1,268	711	56%	1,377	701	51%	1,268	711	56%	1,377	701	51%
Bulgaria	2,168	484	22%	2,250	327	15%	2,168	484	22%	2,250	327	15%
Hungary	1,162	481	41%	1,116	525	47%	1,162	481	41%	1,116	525	47%
Serbia	1,032	268	26%	1,305	288	22%	674	209	31%	652	160	25%
Lithuania	187	178	95%	128	122	95%	-	-	-	-	-	-
Croatia	808	567	70%	635	383	60%	808	567	70%	635	383	60%
Czech Republic	587	145	25%	572	204	36%	203	48	24%	251	108	43%
Office	7	4	57%	990	74	7%	7	4	57%	20	15	75%
Romania	-	-	-	970	59	-	-	-	-	-	-	-
Slovakia	7	4	57%	19	14	74%	7	4	57%	19	14	74%
Bulgaria	-	-	-	1	1	100%	-	-	-	1	1	100%
Industrial	55	-	-	41	-	-	55	-	-	41	-	-
Romania	55	-	-	41	-	-	55	-	-	41	-	-
TOTAL	23,152	9,002	39%	22,247	7,703	35%	18,901	7,477	40%	17,468	6,264	36%

Sustainability report

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CO2 EMISSIONS

Country	Absolute emissions (MTCO2e)									Like-for-like emissions (MTCO2e)								
	Total 2021	2021			Total 2020	2020			%(2021-2020)	Total 2021	2021			Total 2020	2020			%(2021-2020)
		Scope 1	Scope 2	Scope 3		Scope 1	Scope 2	Scope 3			Scope 1	Scope 2	Scope 3		Scope 1	Scope 2	Scope 3	
Retail	104,685	6,497	32,363	65,825	136,499	6,201	52,314	77,984	-23%	80,605	6,175	23,935	50,495	107,970	5,752	40,221	61,997	-25%
Romania	23,915	1,544	3,691	18,680	34,050	1,752	6,857	25,441	-30%	21,009	1,448	3,417	16,144	30,736	1,594	6,358	22,784	-32%
Poland	56,232	33	16,900	39,299	66,155	36	26,942	39,177	-15%	37,421	-	10,794	26,627	46,409	-	18,982	27,427	-19%
Slovakia	4,580	1,560	2,985	35	4,164	1,306	2,817	41	10%	4,580	1,560	2,985	35	4,164	1,306	2,817	41	10%
Bulgaria	4,312	589	1,664	2,059	10,812	556	5,720	4,536	-60%	4,312	589	1,664	2,059	10,812	556	5,720	4,536	-60%
Hungary	10,519	1,612	3,626	5,281	9,867	1,621	3,473	4,773	7%	10,519	1,612	3,626	5,281	9,867	1,621	3,473	4,773	7%
Serbia	630	281	-	349	397	283	-	114	59%	437	88	-	349	142	28	-	114	208%
Lithuania	1,358	-	1,236	122	748	-	612	136	82%	-	-	-	-	-	-	-	-	-
Croatia	878	878	-	-	1,651	647	351	653	-47%	878	878	-	-	1,651	647	351	653	-47%
Czech Republic	2,261	-	2,261	-	8,655	-	5,542	3,113	-74%	1,449	-	1,449	-	4,189	-	2,520	1,669	-65%
Office	1,159	32	496	631	4,381	493	682	3,206	-74%	1,159	32	496	631	1,441	15	536	890	-20%
Romania	-	-	-	-	2,940	478	146	2,316	-100%	-	-	-	-	-	-	-	-	-
Slovakia	333	32	301	-	291	15	276	-	14%	333	32	301	-	291	15	276	-	14%
Bulgaria	826	-	195	631	1,150	-	260	890	-28%	826	-	195	631	1,150	-	260	890	-28%
Industrial	2,851	72	-	2,779	2,562	59	-	2,503	11%	2,851	72	-	2,779	2,562	59	-	2,503	11%
Romania	2,851	72	-	2,779	2,562	59	-	2,503	11%	2,851	72	-	2,779	2,562	59	-	2,503	11%
TOTAL	108,695	6,601	32,859	69,235	143,442	6,753	52,996	83,693	-24%	84,615	6,279	24,431	53,905	111,973	5,826	40,757	65,390	-24%

EMISSIONS CO2 - INTENSITY

Country	Carbon emissions (kg CO2e /m²/ year)			Like-for-like carbon emissions (kg CO2e /m²/ year)		
	2021	2020	%(2021-2020)	2021	2020	%(2021-2020)
Retail	26.6	34.5	-23%	25.3	33.8	-25%
Romania	17.2	24.3	-29%	17.3	25.1	-31%
Poland	57.7	71.5	-19%	59.8	74.2	-19%
Slovakia	16.5	15.0	10%	16.5	15.0	10%
Bulgaria	12.5	31.3	-60%	12.5	31.3	-60%
Hungary	36.2	34.0	6%	36.2	34.0	6%
Serbia*	2.9	1.9	53%	2.9	0.9	222%
Lithuania	8.6	4.7	83%	-	-	-
Croatia	4.1	7.7	-47%	4.1	7.7	-47%
Czech Republic	16.6	63.6	-74%	22.5	65.1	-65%
Office	20.0	24.9	-20%	20.0	24.9	-20%
Romania*	-	-	-	-	-	-
Slovakia	18.0	15.7	15%	18.0	15.8	14%
Bulgaria	20.9	29.2	-28%	20.9	29.2	-28%
Industrial	101.0	90.8	11%	101.0	90.8	11%
Romania	101.0	90.8	11%	101.0	90.8	11%
TOTAL	27.0	34.7	-22%	25.9	34.1	-24%

*Serbian properties sold in 2021 and Romanian Office portfolio sold in 2020 were excluded from the figures above



Sustainability report

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COVID-19 PROPERTIES CERTIFIED AS COVID-19 COMPLIANT

Property	Country
Alfa Centrum Bialystok	Poland
Arena Centar and Retail Park	Croatia
Arena Mall	Hungary
Aura Centrum	Poland
Bonarka City Center	Poland
City Park	Romania
Focus Mall Piotrkow Trybunalski	Poland
Focus Mall Zielona Gora	Poland
Forum Liberec Shopping Centre	Czech Republic
Forum Ústí nad Labem	Czech Republic
Galeria Tomaszow	Poland
Galeria Warminska	Poland
Galeria Wolomin	Poland
Karolinka Shopping Centre	Poland
Mammut Shopping Centre	Hungary
Mega Mall	Romania
Paradise Center	Bulgaria
Platan Shopping Centre	Poland
Pogoria Shopping Centre	Poland
Promenada Mall	Romania
Promenada Novi Sad	Serbia
Promenada Sibiu	Romania
Serdika Center	Bulgaria
Serdika Office	Bulgaria
Severin Shopping Center	Romania
Shopping City Satu Mare	Romania
Shopping City Sibiu	Romania
Shopping City Targu Jiu	Romania
Shopping City Targu Mures	Romania
Shopping City Timisoara	Romania
Solaris Shopping Centre	Poland
Aupark Kosice Mall	Slovakia
Aupark Zilina	Slovakia
Galeria Mlyny	Slovakia
Korzo Shopping Centrum	Slovakia
Aupark Shopping Center Piestany	Slovakia
Aupark Kosice Tower	Slovakia

BREEAM CERTIFICATION STATUS

Property type	Property name	Country	Status	Scoring obtained/targeted
Retail	Bonarka City Center	Poland	Certified	excellent
Retail	Arena Mall	Hungary	Certified	very good
Retail	Mega Mall	Romania	Certified	excellent
Retail	Mammut Shopping Centre	Hungary	Certified	very good
Retail	Paradise Center	Bulgaria	Under ongoing certification	excellent
Retail	Arena Centar	Croatia	Certified	very good
Retail	City Park	Romania	Certified	excellent
Retail	Promenada Mall	Romania	Certified	excellent
Retail	Focus Mall Zielona Gora	Poland	Under ongoing certification	excellent
Retail	Aupark Kosice Mall	Slovakia	Under ongoing certification	very good
Retail	Galeria Warminska	Poland	Certified	excellent
Retail	Serdika Center	Bulgaria	Under ongoing certification	excellent
Retail	Karolinka Shopping Centre	Poland	Certified	excellent
Retail	Ozas Shopping and Entertainment Centre	Lithuania	Certified	excellent
Retail	Shopping City Sibiu	Romania	Certified	excellent
Retail	Shopping City Timisoara	Romania	Certified	excellent
Retail	Aupark Zilina	Slovakia	Certified	excellent
Retail	Galeria Mlyny	Slovakia	Certified	very good
Retail	Promenada Novi Sad	Serbia	Under ongoing certification	excellent
Retail	Shopping City Galati	Romania	Certified	excellent
Retail	Iris Titan Shopping Center	Romania	Certified	excellent
Retail	Promenada Sibiu	Romania	Certified	excellent
Retail	Alfa Centrum Bialystok	Poland	Certified	excellent
Retail	Shopping City Targu Mures	Romania	Under ongoing certification	excellent
Retail	Forum Ústí nad Labem	Czech Republic	Under ongoing certification	very good
Retail	Shopping City Deva	Romania	Certified	very good
Retail	Braila Mall	Romania	Certified	very good
Retail	Forum Liberec Shopping Centre	Czech Republic	Under ongoing certification	excellent
Retail	Solaris Shopping Centre	Poland	Under ongoing certification	excellent
Retail	Vulcan Value Centre	Romania	Certified	excellent
Retail	Pogoria Shopping Centre	Poland	Certified	excellent
Retail	Platan Shopping Centre	Poland	Certified	excellent
Retail	Aura Centrum	Poland	Under ongoing certification	excellent
Retail	Shopping City Buzau	Romania	Under ongoing certification	excellent
Retail	Galeria Wolomin	Poland	Certified	very good
Retail	Shopping City Satu Mare	Romania	Certified	excellent
Retail	Shopping City Piatra Neamt	Romania	Certified	excellent
Retail	Shopping City Targu Jiu	Romania	Certified	excellent
Retail	Shopping City Râmnicu Vâlcea	Romania	Certified	excellent
Retail	Focus Mall Piotrkow Trybunalski	Poland	Certified	excellent
Retail	Aupark Shopping Center Piestany	Slovakia	Under ongoing certification	very good
Retail	Korzo Shopping Centrum	Slovakia	Under ongoing certification	very good
Retail	Severin Shopping Center	Romania	Certified	very good
Retail	Galeria Tomaszow	Poland	Certified	excellent
Retail	Pitesti Retail Park	Romania	Certified	excellent
Office	Aupark Kosice Tower	Slovakia	Under ongoing certification	very good
Office	Serdika Office	Bulgaria	Under ongoing certification	excellent

Sustainability report

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LED STATUS AT GROUP LEVEL

Asset	LED status
Bonarka City Center	20%
Arena Mall	0%
Mega Mall	100%
Mammut Shopping Centre	0%
Paradise Center	100%
Arena Centar and Arena Retail Park	100%
City Park	100%
Promenada Mall	50%
Aupark Kosice Mall	0%
Galeria Warminska	100%
Serdika Center	100%
Karolinka Shopping Centre	100%
Ozas Shopping and Entertainment Centre	0%
Shopping City Sibiu	100%
Shopping City Timisoara	100%
Galeria Mlyn	0%
Aupark Zilina	0%
Promenada Novi Sad	100%
Focus Mall Zielona Gora	100%
Shopping City Galati	100%
Promenada Sibiu	100%
Iris Titan Shopping Center	100%
Alfa Centrum Bialystok	0%
Forum Usti nad Labem	100%
Shopping City Deva	100%
Shopping City Targu Mures	100%
Braila Mall	70%
Solaris Shopping Centre	100%
Forum Liberec Shopping Centre	100%
Pogoria Shopping Centre	100%
Platan Shopping Centre	100%
Vulcan Value Centre	90%
Aura Centrum	70%
Galeria Wolomin	100%
Shopping City Buzau	100%
Shopping City Satu Mare	100%
Shopping City Piatra Neamt	100%
Shopping City Targu Jiu	100%
Shopping City Ramnicu Valcea	100%
Focus Mall Piotrkow Trybunalski	100%
Aupark Shopping Center Piestany	0%
Korzo Shopping Centrum	0%
Severin Shopping Center	100%
Galeria Tomaszow	100%
Pitesti Retail Park	0%
Regional strip centres	100%
Serdika Office	100%
Aupark Kosice Tower	100%
Rasnov Industrial Facility	60%
Otopeni Warehouse	60%

LIST OF STUDIES, REPORTS, ASSESSMENTS

Property	Legionella Assessment	Illuminance levels measurement	Acoustic survey	Ecology Report, Landscape and Habitat management Plan
Iris Titan Shopping Center	Yes	Yes	Yes	Yes
Shopping City Galati	Yes	Yes	Yes	Yes
Braila Mall	Yes	Yes	Yes	Yes
Mega Mall	Yes	Yes	Yes	Yes
Promenada Mall	Yes	Yes	Yes	Yes
City Park	Yes	Yes	Yes	Yes
Shopping City Deva	Yes	/	Yes	Yes
Ploiesti Shopping City	Yes	Yes	Yes	Yes
Severin Shopping Center	Yes	/	Yes	Yes
Shopping City Buzau	in progress	/	in progress	in progress
Shopping City Sibiu	Yes	Yes	Yes	Yes
Pitesti Retail Park	Yes	Yes	Yes	Yes
Vulcan Value Centre	Yes	Yes	Yes	Yes
Shopping City Timisoara	Yes	Yes	Yes	Yes
Shopping City Targu Jiu	Yes	Yes	Yes	Yes
Shopping City Piatra Neamt	Yes	Yes	Yes	Yes
Shopping City Ramnicu Valcea	Yes	Yes	Yes	Yes
Shopping City Satu Mare	Yes	/	Yes	Yes
Promenada Sibiu	Yes	Yes	Yes	Yes
Shopping City Targu Mures	/	/	/	/
Aupark Zilina	Yes	Yes	Yes	/
Aupark Kosice Mall	Yes	Yes	Yes	/
Aupark Shopping Center Piestany	/	Yes	Yes	/
Korzo Shopping Centrum	/	/	Yes	/
Galeria Mlyn	/	Yes	Yes	/
Forum Usti nad Labem	Yes	/	/	Yes
Forum Liberec Shopping Centre	Yes	Yes	Yes	/
Promenada Novi Sad	Yes	Yes	Yes	Yes
Arena Centar and Retail Park	Yes	Yes	Yes	Yes
Serdika Center	/	Yes	Yes	/
Paradise Center	/	Yes	Yes	Yes
Focus Mall Zielona Gora	Yes	/	/	Yes
Galeria Tomaszow	Yes	Yes	Yes	Yes
Karolinka Shopping Centre	/	Yes	Yes	Yes
Platan Shopping Centre	Yes	Yes	/	Yes
Pogoria Shopping Centre	Yes	Yes	Yes	Yes
Bonarka City Center	Yes	Yes	/	Yes
Galeria Warminska	/	Yes	/	/
Alfa Centrum Bialystok	Yes	Yes	Yes	Yes
Solaris Shopping Centre	Yes	Yes	Yes	Yes
Focus Mall Piotrkow Trybunalski	Yes	Yes	Yes	Yes
Galeria Wolomin	/	Yes	Yes	Yes
Aura Centrum	/	Yes	Yes	/
Arena Mall	Yes	Yes	Yes	/
Mammut Shopping Centre	Yes	/	/	Yes
Ozas Shopping and Entertainment Centre	Yes	Yes	Yes	Yes
Aupark Kosice Tower	Yes	Yes	Yes	/
Serdika Office	/	/	/	/

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OCCUPANT SATISFACTION SURVEY

Country	Score	Number of assets in scope
Croatia	4.40	1
Czech Republic	4.16	1
Lithuania	4.08	1
Poland	3.84	8
Romania	3.81	5
Serbia	3.92	1
Slovakia	3.46	1
Hungary	not assessed	0
Bulgaria	not assessed	0

EPRA SUSTAINABILITY PERFORMANCE MEASURES

	EPRA Code	Units of measure	Indicator	Absolute performance (Abs)			Like-for-like performance (LFL)			
				2021	2020	% (2020-2021)	2021	2020	% (2020-2021)	
Energy	Elec-Abs Elec-LfL	MWh	Electricity	Retail	468,163	423,406	11%	387,523	349,391	11%
				Romania	186,369	154,771	20%	166,157	141,166	18%
				Poland	110,809	103,299	7%	77,731	73,272	6%
				Slovakia	23,150	24,290	-5%	23,150	24,290	-5%
				Bulgaria	37,536	34,309	9%	37,536	34,309	9%
				Hungary	35,379	33,351	6%	35,379	33,351	6%
				Serbia	20,623	22,133	-7%	17,178	15,023	14%
				Lithuania	15,088	15,125	0%	-	-	-
				Croatia	22,925	21,364	7%	22,925	21,364	7%
				Czech Republic	16,284	14,764	10%	7,467	6,616	13%
				Office	3,115	19,483	-84%	3,115	3,300	-6%
				Romania	-	16,183	-100%	-	-	-
				Slovakia	1,182	1,230	-4%	1,182	1,230	-4%
				Bulgaria	1,933	2,070	-7%	1,933	2,070	-7%
				Industrial	4,885	4,828	1%	4,885	4,828	1%
	Romania	4,885	4,828	1%	4,885	4,828	1%			
	TOTAL	476,163	447,717	6%	395,523	357,519	11%			
	DH&C-Abs DH&C-LfL	MWh	District heating and cooling	Retail	55,280	45,452	22%	39,327	33,811	16%
				Romania	-	-	-	-	-	-
				Poland	25,150	20,497	23%	18,234	14,872	23%
				Slovakia	13,175	12,264	7%	13,175	12,264	7%
				Bulgaria	1,520	1,535	-1%	1,520	1,535	-1%
				Hungary	-	-	-	-	-	-
				Serbia	-	-	-	-	-	-
				Lithuania	5,454	2,701	102%	-	-	-
				Croatia	-	-	-	-	-	-
				Czech Republic	9,981	8,455	18%	6,398	5,140	24%
				Office	3,062	2,985	3%	3,062	2,985	3%
				Romania	-	-	-	-	-	-
				Slovakia	1,328	1,220	9%	1,328	1,220	9%
Bulgaria				1,734	1,765	-2%	1,734	1,765	-2%	
Industrial				-	-	-	-	-	-	
Romania	-	-	-	-	-	-				
TOTAL	58,342	48,437	20%	42,389	36,796	15%				

	EPRA Code	Units of measure	Indicator		Absolute performance (Abs)			Like-for-like performance (LFL)		
					2021	2020	% (2020-2021)	2021	2020	% (2020-2021)
Energy	Fuels-Abs Fuels-LfL	MWh	Fuels (Gas)	Retail	81,471	70,977	15%	71,698	62,516	15%
				Romania	44,292	37,982	17%	36,942	32,388	14%
				Poland	1,240	1,270	-2%	554	560	-1%
				Slovakia	8,798	7,377	19%	8,798	7,377	19%
				Bulgaria	4,901	4,528	8%	4,901	4,528	8%
				Hungary	13,245	13,310	0%	13,245	13,310	0%
				Serbia	3,477	2,189	59%	2,415	783	208%
				Lithuania	675	751	-10%	-	-	-
				Croatia	4,843	3,570	36%	4,843	3,570	36%
				Czech Republic	-	-	-	-	-	-
				Office	176	2,719	-94%	176	83	112%
				Romania	-	2,636		-	-	-
				Slovakia	176	83	112%	176	83	112%
				Bulgaria	-	-	-	-	-	-
				Industrial	11,357	9,615	18%	11,357	9,615	18%
				Romania	11,357	9,615	18%	11,357	9,615	18%
				TOTAL	93,004	83,311	12%	83,231	72,214	15%
				Energy-Int	kWh/m²/year	Energy intensity	Retail	161.6	144.4	12%
	Romania	189.5	156.6				21%	187.2	157.9	19%
	Poland	144.1	138.6				4%	160.0	147.1	9%
	Slovakia	174.6	170.9				2%	174.6	170.9	2%
	Bulgaria	127.1	116.7				9%	127.1	116.7	9%
	Hungary	174.4	167.1				4%	174.1	167.1	4%
	Serbia	131.1	115.7				13%	131.1	105.8	24%
	Lithuania	134.2	117.5				14%	-	-	-
	Croatia	129.3	116.1				11%	129.3	116.1	11%
	Czech Republic	202.5	179.0				13%	218.3	185.2	18%
	Office	109.6	109.9				0%	109.6	109.9	0%
	Romania	-	-				-	-	-	-
	Slovakia	145.2	136.9				6%	145.2	136.9	6%
	Bulgaria	93.0	97.2				-4%	93.0	97.2	-4%
	Industrial	575.7	511.9				12%	575.7	511.9	12%
	Romania	575.7	511.9	12%	575.7	511.9	12%			
TOTAL	163.8	146.6	12%	168.6	150.3	12%				
Greenhouse gas	GHG-Dir-Abs	MTCO2e	Direct - Scope 1	Retail	6,497	6,201	5%	6,175	5,752	7%
				Romania	1,544	1,752	-12%	1,448	1,594	-9%
				Poland	33	36	-8%	-	-	0%
				Slovakia	1,560	1,306	19%	1,560	1,306	19%
				Bulgaria	589	556	6%	589	556	6%
				Hungary	1,612	1,621	-1%	1,612	1,621	-1%
				Serbia	281	283	-1%	88	28	214%
				Lithuania	-	-	-	-	-	-
				Croatia	878	647	36%	878	647	36%
				Czech Republic	-	-	-	-	-	-
				Office	32	493	-94%	32	15	113%
				Romania	-	478		-	-	-
				Slovakia	32	15	113%	32	15	113%
				Bulgaria	-	-	-	-	-	-
				Industrial	72	59	22%	72	59	22%
Romania	72	59	22%	72	59	22%				
TOTAL	6,601	6,753	-2%	6,279	5,826	8%				

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	EPRA Code	Units of measure	Indicator	Absolute performance (Abs)			Like-for-like performance (LFL)			
				2021	2020	% (2020-2021)	2021	2020	% (2020-2021)	
Greenhouse gas	GHG-Indir-Abs	MT CO2e	Indirect - Scope 2	Retail	32,363	52,314	-38%	23,935	40,221	-40%
				Romania	3,691	6,857	-46%	3,417	6,358	-46%
				Poland	16,900	26,942	-37%	10,794	18,982	-43%
				Slovakia	2,985	2,817	6%	2,985	2,817	6%
				Bulgaria	1,664	5,720	-71%	1,664	5,720	-71%
				Hungary	3,626	3,473	4%	3,626	3,473	4%
				Serbia	-	-	-	-	-	-
				Lithuania	1,236	612	102%	-	-	-
				Croatia	-	351		-	351	
				Czech Republic	2,261	5,542	-59%	1,449	2,520	-43%
				Office	496	682	-27%	496	536	-7%
				Romania	-	146		-	-	-
				Slovakia	301	276	9%	301	276	9%
				Bulgaria	195	260	-25%	195	260	-25%
				Industrial	-	-	-	-	-	-
				Romania	-	-	-	-	-	-
				TOTAL	32,859	52,996	-38%	24,431	40,757	-40%
	GHG-Indir-Abs	MT CO2e	Indirect - Scope 3	Retail	65,825	77,984	-16%	50,495	61,997	-19%
				Romania	18,680	25,441	-27%	16,144	22,784	-29%
				Poland	39,299	39,177	0%	26,627	27,427	-3%
				Slovakia	35	41	-15%	35	41	-15%
				Bulgaria	2,059	4,536	-55%	2,059	4,536	-55%
				Hungary	5,281	4,773	11%	5,281	4,773	11%
				Serbia	349	114	206%	349	114	206%
				Lithuania	122	136	-10%	-	-	-
				Croatia	-	653		-	653	-100%
				Czech Republic	-	3,113		-	1,669	-100%
				Office	631	3,206	-80%	631	890	-29%
				Romania	-	2,316		-	-	-
				Slovakia	-	-	-	-	-	-
				Bulgaria	631	890	-29%	631	890	-29%
				Industrial	2,779	2,503	11%	2,779	2,503	11%
				Romania	2,779	2,503	11%	2,779	2,503	11%
				TOTAL	69,235	83,693	-17%	53,905	65,390	-18%
GHG-Int	kg CO2e/m²/year	GHG emissions intensity - Scope 1,2,3 emissions	Retail	26.6	34.5	-23%	25.3	33.8	-25%	
			Romania	17.2	24.3	-29%	17.3	25.1	-31%	
			Poland	57.7	71.5	-19%	59.8	74.2	-19%	
			Slovakia	16.5	15.0	10%	16.5	15.0	10%	
			Bulgaria	12.5	31.3	-60%	12.5	31.3	-60%	
			Hungary	36.2	34.0	6%	36.2	34.0	6%	
			Serbia	2.9	1.9	53%	2.9	1.0	190%	
			Lithuania	8.6	4.7	83%	-	-	-	
			Croatia	4.1	7.7	-47%	4.1	7.7	-47%	
			Czech Republic	16.6	63.6	-74%	22.5	65.1	-65%	
			Office	20.0	24.9	-20%	20.0	24.9	-20%	
			Romania	-	-	-	-	-	-	
			Slovakia	18.0	15.7	15%	18.0	15.7	15%	
			Bulgaria	20.9	29.2	-28%	20.9	29.2	-28%	
			Industrial	101.0	90.8	11%	101.0	90.8	11%	
			Romania	101.0	90.8	11%	101.0	90.8	11%	
			TOTAL	27.0	34.7	-22%	25.9	34.1	-24%	

	EPRA Code	Units of measure	Indicator	Absolute performance (Abs)			Like-for-like performance (LFL)			
				2021	2020	% (2020-2021)	2021	2020	% (2020-2021)	
Water	Water-Abs Water-LfL	m³	Water consumption	Retail	1,514,120	1,435,035	6%	1,298,314	1,203,519	8%
				Romania	702,095	659,407	6%	628,851	589,294	7%
				Poland	269,492	246,928	9%	192,785	173,859	11%
				Slovakia	87,678	93,643	-6%	87,678	93,643	-6%
				Bulgaria	133,734	113,945	17%	133,734	113,945	17%
				Hungary	113,452	117,700	-4%	113,452	117,700	-4%
				Serbia	67,750	71,206	-5%	58,574	43,216	36%
				Lithuania	37,500	40,681	-8%	-	-	-
				Croatia	38,139	32,747	16%	38,139	32,747	16%
				Czech Republic	64,280	58,778	9%	45,101	39,115	15%
				Office	8,428	47,087	-82%	8,428	11,785	-28%
				Romania	-	35,302		-	-	-
				Slovakia	2,052	3,260	-37%	2,052	3,260	-37%
				Bulgaria	6,376	8,525	-25%	6,376	8,525	-25%
				Industrial	20,170	14,670	37%	20,170	14,670	37%
				Romania	20,170	14,670	37%	20,170	14,670	37%
				TOTAL	1,542,718	1,496,792	3%	1,326,912	1,229,974	8%
	Water-Int	m³/m²/year	Water Intensity	Retail	0.38	0.36	6%	0.41	0.38	8%
				Romania	0.51	0.47	9%	0.52	0.48	8%
				Poland	0.28	0.27	4%	0.31	0.28	11%
				Slovakia	0.32	0.34	-6%	0.32	0.34	-6%
				Bulgaria	0.39	0.33	18%	0.39	0.33	18%
				Hungary	0.39	0.41	-5%	0.39	0.41	-5%
				Serbia	0.39	0.34	15%	0.39	0.29	34%
				Lithuania	0.24	0.26	-8%	-	-	-
				Croatia	0.18	0.15	20%	0.18	0.15	20%
				Czech Republic	0.47	0.43	9%	0.70	0.61	15%
				Office	0.15	0.20	-25%	0.15	0.20	-25%
				Romania	-	-	-	-	-	-
				Slovakia	0.11	0.18	-39%	0.11	0.18	-39%
				Bulgaria	0.16	0.22	-27%	0.16	0.22	-27%
				Industrial	0.71	0.52	37%	0.71	0.52	37%
				Romania	0.71	0.52	37%	0.71	0.52	37%
				TOTAL	0.38	0.36	6%	0.41	0.37	11%
Waste	Waste-Abs Waste-LfL	MT	Waste	Retail	23,090	21,216	9%	18,839	17,407	8%
				Romania	11,843	10,188	16%	9,745	8,582	14%
				Poland	4,035	3,645	11%	2,811	2,544	10%
				Slovakia	1,268	1,377	-8%	1,268	1,377	-8%
				Bulgaria	2,168	2,250	-4%	2,168	2,250	-4%
				Hungary	1,162	1,116	4%	1,162	1,116	4%
				Serbia	1,032	1,305	-21%	674	652	3%
				Lithuania	187	128	46%	-	-	-
				Croatia	808	635	27%	808	635	27%
				Czech Republic	587	572	3%	203	251	-19%
				Office	7	990	-99%	7	20	-65%
				Romania	-	970		-	-	-
				Slovakia	7	19	-63%	7	19	-63%
				Bulgaria	-	1		-	1	-100%
				Industrial	55	41	34%	55	41	34%
				Romania	55	41	34%	55	41	34%
				TOTAL	23,152	22,247	4%	18,901	17,468	8%

Analysis of shareholders and share trading

Shareholder spread in terms of the JSE Listing Requirements	Number of shareholders	Number of shares held	Percentage of issued shares (%)
Public	12 457	395 795 632	64.99
Non-public	2	209 825 448	34.45
Directors and employees	52	2 185 565	0.36
Other	-	1 188 262	0.20
TOTAL	12 511	608 994 907	100.00

Size of holding	Number of shareholders	Number of shares held	Percentage of issued shares (%)
1 to 2 500 shares	9 798	5 887 030	0.97
2 501 to 10 000 shares	1 263	6 351 358	1.04
10 001 to 100 000 shares	986	33 578 744	5.51
100 001 to 1 000 000 shares	376	121 052 281	19.88
1 000 001 to 3 500 000 shares	53	86 042 504	14.13
More than 3 500 000 shares	35	354 894 728	58.28
Other	-	1 188 262	0.20
TOTAL	12 511	608 994 907	100.00

Registered shareholders owning 5% or more of issued shares	Number of shares held	Percentage of issued shares (%)
2021		
Fortress REIT 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
TOTAL	244 151 972	40.09
2020		
Fortress REIT Limited	134 650 890	22.11
Public Investment Corporation	63 162 350	10.37
Resilient REIT Limited	44 516 262	7.31
State Street Bank and Trust Company (Custodian)	32 502 543	5.34
TOTAL	274 832 045	45.13

Beneficial shareholding of 5% or more of issued shares	Number of shares controlled	Percentage of issued shares (%)
2021		
Fortress REIT Limited	143 308 793	23.53
Public Investment Corporation	66 516 655	10.92
TOTAL	209 825 448	34.45
2020		
Fortress REIT Limited	134 650 890	22.11
Public Investment Corporation	63 162 350	10.37
Resilient REIT Limited	44 516 262	7.31
TOTAL	242 329 502	39.79

Beneficial shareholding of Directors

At 31 Dec 2021	Direct Holding	Indirect Holding	Associates	Total Shares Held	Percentage of issued shares (%)
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.

There were no changes in the Directors beneficial shareholding between year-end and the publication of this annual report. 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 37 of the Financial Statements.

At 31 Dec 2020	Direct Holding	Indirect Holding	Associates	Total Shares Held	Percentage of issued shares (%)
Alex Morar	459 007	925 292	-	1 384 299	0.22
Mirela Covasa	340 168	200 199	-	540 367	0.09
Marek Noetzel	239 146	-	-	239 146	0.04
Robert Emslie	-	10 429	-	10 429	-
George Aase	-	-	-	-	-
Antoine Dijkstra	4 693	-	-	4 693	-
Andreas Klingen	-	-	-	-	-
Andre van der Veer	101 000	-	8 458	109 458	0.02
Steven Brown	-	-	-	-	-
Andries de Lange	-	52 146	-	52 146	0.01
Sipho Vuso Majija (alternate to Steven Brown)	-	-	-	-	-
TOTAL	1 144 014	1 188 066	8 458	2 340 538	0.38

There were no changes in the Directors beneficial shareholding between 2020 year-end and the publication of the 2020 annual report. 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 37 of the Financial Statements.



Financial Statements

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Consolidated Financial Statements in accordance with applicable laws and regulations.

The Directors have prepared the Consolidated Financial Statements in accordance with the Isle of Man Companies Act 2006 and International Financial Reporting Standards ("IFRSs"), as well as the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee Financial Pronouncements as issued by Financial Reporting Standards Council and the JSE Listings Requirements.

In preparing the Consolidated 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 the Isle of Man Companies Act 2006 and IFRSs;
- making judgements and accounting estimates that are reasonable and prudent;
- preparing the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors, whose names are stated below, hereby confirm that:

- the annual Consolidated Financial Statements set out on pages 226 to 273 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- 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; and
- 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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

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. 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 Consolidated Financial Statements on pages 226 to 273 were approved by the Board of Directors on 21 February 2022, authorised for publication on 23 February 2022 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer



Eliza Predoiu
Chief Financial Officer



Independent Auditor's report

to the shareholders of NEPI Rockcastle plc

Our opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of NEPI Rockcastle plc (the “Company”) and its subsidiaries (together “the Group”) as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

NEPI Rockcastle plc’s consolidated financial statements (the “financial statements”) comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements” section of our report.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”) and the ethical requirements of the United Kingdom Financial Reporting Council’s Ethical Standard that are relevant to our audit of the financial statements in the Isle of Man. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the United Kingdom Financial Reporting Council’s Ethical Standard.

Our audit approach

Overview

	Materiality
	Overall materiality: €66 million which represents 1% of the Group’s total assets. Specific materiality: €16 million which represents 5% of the Group’s EBITDA (as defined in the consolidated statement of comprehensive income) averaged for 2021, 2020 and 2019.
	Audit scope
	A full scope audit has been performed on the most financially significant components in the Group, while other large components were subject to an audit over certain account balances, based on our assessment of risk and materiality of the Group’s operations at each component.
	Key audit matters
	Valuation of investment property.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditor's report

to the shareholders of NEPI Rockcastle plc

» continued

	Overall materiality	Specific materiality
Materiality level	€66 million.	€16 million.
How we determined it	1% of Total assets per the Consolidated statement of financial position as at 31 December 2021.	5% of the average EBITDA as included in the Consolidated statement of comprehensive income for the years ended 31 December 2021, 2020 and 2019.
Rationale for the materiality benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. A key determinant of the Group's value is the valuation of its investment properties. On this basis we set an overall materiality based on total assets.	We have applied this lower materiality to line items that make up EBITDA, on the basis that they merit more detailed audit work than the overall materiality level would require, given the heightened focus from users of the financial statements on earnings-based benchmarks which are not impacted by valuation movements. We have normalized the benchmark for volatility driven by the Covid-19 pandemic by averaging the EBITDA over the years ended 31 December 2021, 2020 and 2019.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,300,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group owns and invests in several investment properties focussed on Central and Eastern Europe. These are held within a variety of subsidiaries and joint ventures.

Based on our understanding of the Group we focused our audit work primarily on the most financially significant components, which represent mainly large shopping centres in Romania, Poland, Hungary, Slovakia, Bulgaria, Czech Republic, Croatia, Serbia and Lithuania. The largest components in those countries were subject to a full scope audit given their financial significance to the Group. Other components were subject to an audit over certain account balances, based on our assessment of risk and materiality of the Group's operations at each component.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property</p> <p>The valuation of the investment property is significant to our audit due to its magnitude and because the valuation is complex and highly dependent on a range of estimates (amongst others, rental value, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value) made by the directors as well as the external appraisers used by the directors. Entities that invest in real estate are inherently under pressure to achieve certain targets which leads to the risk that the value of property is overstated by the entity.</p> <p>The directors used external appraisers to support their determination of the individual fair values of the investment property semi-annually.</p> <p>For more information on the valuation of the investment property reference is made to notes 4.3, 4.4, 4.5, 5, 9 and 10 in the financial statements.</p>	<p>Our procedures in relation to the directors' valuation of investment property included:</p> <ul style="list-style-type: none">evaluation of the objectivity, independence and expertise of the external appraisers;assessing the appropriateness and suitability of methodologies used in the fair value calculations, in the context of IFRS, regulatory requirements and the Group's operating environment;assessing the appropriateness of the key assumptions based on our knowledge of the property industry and their consistency within the model and with other relevant estimates;using our own auditor's experts in valuation of real estate to assess the appropriateness of the assumptions used in the calculation of the fair value of the investment property (amongst others, rental value, discount rates and estimated capitalisation rate for the terminal value) and evaluating the work performed by the experts and their conclusions;checking on a sample basis, the appropriateness of the inputs, by reconciling them to contracts and rent roll data. The main inputs consist of the property related data (such as rental income, operating costs, vacancy, etc.); andchecking the mathematical accuracy of the valuation models used. <p>We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them to be important to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p> <p>Based on the work performed, we found that investment property related data and the key valuation assumptions were supported by available evidence: contracts, rent roll and external market evidence.</p>

Independent Auditor's report

to the shareholders of NEPI Rockcastle plc

» continued

Other information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibilities, the Directors' Commentary and the EPRA Performance Measures Appendix (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information to be included in the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the information that we obtained prior to the date of this auditor's report, 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. When we read the other information to be included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and Isle of Man law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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'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'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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 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.

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with our engagement letter dated 4 August 2021 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Nicholas Mark Halsall, Responsible Individual
For and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
23 February 2022

Consolidated Statement of financial position

in € thousand		31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets		6,027,271	5,966,723
Investment property		5,841,676	5,802,398
— Investment property in use	9	5,670,776	5,591,463
— Investment property under development	10	170,900	210,935
Goodwill	12	76,804	76,804
Deferred tax assets	23	48,669	34,678
Investments in joint ventures	33	23,659	21,757
Long-term loans granted to joint ventures	33	22,466	22,620
Other long-term assets	11	9,455	7,447
Derivative financial assets at fair value through profit or loss	20	4,542	1,019
Current assets		569,117	702,681
Trade and other receivables	14	60,972	59,384
Inventory property		9,522	—
Cash and cash equivalents	15	498,623	643,297
Assets held for sale	16	1,752	1,752
TOTAL ASSETS		6,598,140	6,671,156
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		3,720,242	3,692,323
Equity attributable to equity holders		3,714,922	3,687,068
Share capital	17	6,090	6,090
Share premium	17	3,550,061	3,550,061
Other reserves		(3,384)	(6,456)
Accumulated profit		162,155	137,373
Non-controlling interest		5,320	5,255
Total liabilities		2,877,898	2,978,833
Non-current liabilities		2,717,146	2,621,386
Bank loans	19	297,155	232,635
Bonds	19	1,977,191	1,969,385
Deferred tax liabilities	23	371,366	341,324
Other long-term liabilities	22	68,223	72,612
Derivative financial liabilities at fair value through profit or loss	20	3,211	5,430
Current liabilities		160,752	357,447
Trade and other payables	21	142,273	96,595
Bank loans	19	7,431	249,952
Bonds	19	11,048	10,900
TOTAL EQUITY AND LIABILITIES		6,598,140	6,671,156
Net Asset Value per share (euro)	24	6.10	6.05
EPRA Net Reinstatement Value per share (euro)	24	6.51	6.45
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		608,994,907	608,994,907

The Group's Consolidated Financial Statements on pages 226 to 273 were approved by the Board of Directors on 21 February 2022, authorised for publication on 23 February 2022 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer



Eliza Predoiu
Chief Financial Officer



Consolidated Statement of comprehensive income

in € thousand		31 Dec 2021	31 Dec 2020
Gross rental income		369,395	379,810
Service charge income		167,324	156,685
Property operating expenses		(172,063)	(166,482)
Partial forgiveness of receivables (Covid-19 forgiveness)		(17,765)	(47,049)
Net rental and related income*	25	346,891	322,964
Administrative expenses	26	(24,665)	(20,838)
Expenses with litigation claim	27	(37,304)	—
EBITDA**		284,922	302,126
Net result from financial investments		—	(88,250)
Income from financial investments at fair value through profit or loss	13	—	5,517
Fair value loss and net result on sale of financial investments at fair value through profit or loss	13	—	(93,767)
Fair value adjustments of investment property	28	34,650	(345,253)
Foreign exchange loss		(935)	(1,665)
Gain on disposal of assets held for sale		1,995	2,310
Profit/(Loss) before net finance costs and other items		320,632	(130,732)
Net finance costs		(65,722)	(60,045)
Finance income		1,423	1,641
Finance costs		(62,649)	(58,705)
Bank charges, commissions, and fees		(4,496)	(2,981)
Other items		7,076	(11,625)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	30	5,174	(10,539)
Share of profit/(loss) of joint ventures	33	1,902	(1,086)
Profit/(Loss) before tax		261,986	(202,402)
Income tax (expense)/credit		(26,917)	26,528
Current tax expense	23	(10,274)	(5,912)
Deferred tax (expense)/income	23	(16,643)	32,440
Profit/(Loss) after tax		235,069	(175,874)
Total comprehensive income/(loss) for the period		235,069	(175,874)
Profit/(Loss) attributable to:			
Non-controlling interest		65	(953)
Equity holders		235,004	(174,921)
Total comprehensive income/(loss) attributable to:			
Non-controlling interest		65	(953)
Equity holders		235,004	(174,921)
Weighted average number of shares in issue***	31	608,994,907	624,960,803
Diluted weighted average number of shares in issue***	31	608,994,907	624,960,803
Basic/diluted earnings/(loss) per share attributable to equity holders (euro cents)	31	38.59	(27.99)

* 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); out of the total Net rental and related income for 2020, €14.2 million relates to the Romanian office portfolio (disposed of on 27 August 2020).

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses and Expenses with litigation claim.

***Weighted average number of shares has been adjusted for December 2020 period presented in respect of the capitalisation issue on 21 September 2020, as required by IAS 33 Earnings per Share.

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 2020	5,998	3,625,348	(3,627)	462,953	6,208	4,096,880
Transactions with owners	92	(75,287)	(2,829)	(150,659)	-	(228,683)
— Issue of shares [^] (Note 17)	269	(269)	-	-	-	-
— Repurchase of shares [^] (Note 17)	(177)	(75,018)	-	-	-	(75,195)
— Shares purchased for LTSIP [^] (Note 4.18(b))	-	-	(3,696)	-	-	(3,696)
— Share based payment expense (Note 4.18)	-	-	867	-	-	867
— Earnings distribution	-	-	-	(150,659)	-	(150,659)
Total comprehensive (loss)	-	-	-	(174,921)	(953)	(175,874)
— (Loss) for the year	-	-	-	(174,921)	(953)	(175,874)
Balance at 31 December 2020/1 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	-	-	-	(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	6,090	3,550,061	(3,384)	162,155	5,320	3,720,242

[^]LTSIP = debt free Long-Term Share Incentive Plan with a vesting component.

[^]On 6 April 2020 the Group issued 1,123,932 ordinary shares at €7.32/share (share capital €0.01/share).

- 25,791,534 ordinary shares at €4.2920/shares (share capital €0.01/share) were issued in respect of 'capitalisation issue' on 21 September 2020.

- 17,717,760 ordinary shares representing 2.95% of the Company's issued share capital were repurchased between 23 November 2020 and 4 December 2020 from the proceeds received from the disposal of URW shares of approximately €75 million. Subsequently, the repurchased shares were cancelled. The shares were repurchased at an average share price of €4.25 (share capital €0.01/share).

^{^^} Share premium movement – In June 2021, the Group transferred €1,500,000 thousand from share premium to accumulated profit, in accordance with Isle of Man company law. 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.

Consolidated Statement of cash flows

<i>in € thousand</i>	Note	31 Dec 2021	31 Dec 2020
CASH FLOWS FROM OPERATIONS	35	324,031	295,998
Interest paid on loans and borrowings	19, 22	(8,160)	(12,467)
Interest paid on lease liabilities	22	(582)	(588)
Bond coupon paid	19	(48,003)	(37,936)
Income tax paid		(6,405)	(7,179)
Bank charges paid		(4,366)	(2,949)
Interest received		1,516	1,536
CASH FLOW FROM OPERATING ACTIVITIES		258,031	236,415
INVESTING ACTIVITIES			
Investments in acquisitions and developments		(12,903)	172,995
Expenditure on investment property under development*		(71,171)	(124,705)
Settlements of deferred consideration for prior years acquisitions		(2,825)	(3,323)
Proceeds from disposal of assets held for sale		61,093	301,023
Other investments		154	(1,400)
Loans receivable from joint ventures - amounts granted		(1,106)	(1,400)
Loans receivable from joint ventures - amounts repaid		1,260	-
Net cash flow from investments in financial assets		-	80,812
Income from financial investments at fair value through profit or loss	13	-	5,517
Proceeds from sale of financial investments at fair value through profit or loss	13	-	75,295
CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES		(12,749)	252,407
FINANCING ACTIVITIES			
Payment to acquire shares for LTSIP		(1,978)	(3,696)
Repurchase of shares	17	-	(75,195)
Net movements in bank loans, bonds and other long-term liabilities		(176,937)	176,091
Proceeds from bank loans	19	73,521	520,000
Proceeds from bonds	19	-	490,858
Repayment of bank loans	19	(250,458)	(622,400)
Repurchase of bonds	19	-	(202,800)
Premium paid on repurchase of bond	30	-	(9,372)
Repayment of other long-term liabilities	22	-	(195)
Other payments		(819)	(812)
Repayments of lease liabilities		(251)	(245)
Premium paid on acquisitions of derivatives		(568)	(567)
Earnings distribution		(210,222)	(150,659)
CASH FLOW USED IN FINANCING ACTIVITIES		(389,956)	(54,271)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(144,674)	434,551
Cash and cash equivalents brought forward	15	643,297	208,746
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	498,623	643,297

* Expenditure on investment property under development includes also the VAT cash inflow relating to development projects of €4 million (2020: cash inflow of €18 million).

Notes to the financial statements

1 GENERAL

NEPI Rockcastle plc (“the Company”, “NEPI Rockcastle”, “the Group”) is a public limited company incorporated and domiciled in the Isle of Man on 1 December 2016. The registered office is at 2nd floor, Athol Street, Douglas, Isle of Man. The Company’s shares are listed on the Main Board of the JSE Limited (“JSE”), Euronext Amsterdam and A2X.

On 29 November 2021, NEPI Rockcastle announced that its Board of Directors has approved the migration of the Company’s seat of incorporation from the Isle of Man to the Netherlands. As Dutch law does not currently permit companies incorporated outside of the EU to migrate directly to the Netherlands, it is envisaged that the migration be performed in two inter-conditional stages: an initial migration to Luxembourg (an EU jurisdiction), followed by a subsequent migration to the Netherlands. Structured in this way, the migration of the Company to the Netherlands is not anticipated to impact either the corporate continuity of NEPI Rockcastle or the trading in NEPI Rockcastle shares, which would remain available to be traded on the JSE, Euronext Amsterdam and A2X. The migration is subject to shareholder approval and is envisaged to be completed by the end of 2022.

The Consolidated Financial Statements for the year ended 31 December 2021 were approved by the Board of Directors on 21 February 2022 and authorised for publication on 23 February 2022.

2 BASIS OF PREPARATION

(a) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with Isle of Man Companies Act 2006 and International Financial Reporting Standards (“IFRSs”), as well as the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee Financial Pronouncements as issued by Financial Reporting Standards Council and the JSE Listings Requirements. 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 2020, except for the new mandatory standards and interpretations described below:

Covid-19-Related Rent Concessions – amendments to IFRS 16, and Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These standards, amendments and interpretations do not have a significant impact on the Consolidated Financial Statements as at 31 December 2021.

Management prepared these Consolidated Financial Statements on a going concern basis. Having considered the potential impact of Covid-19 on the Group’s revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by the Covid-19 pandemic during 2021 and subsequent to the year-end, there are no material uncertainties relating to the Group’s ability to continue as a going concern.

(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

Covid-19 pandemic

During the year ended 31 December 2021, the operations in NEPI Rockcastle’s shopping centres continued to be impacted by a series of lockdowns, restriction periods and other measures taken by governments. The duration of restrictions, the spread of the pandemic and the measures taken by governments had an impact on the Group’s performance, properties’ footfall and tenant sales during the period.

As of 31 December 2021, nearly 100% of the Group’s total property portfolio by gross leasable area (“GLA”) was operational.

Tenant support and lease concessions

During 2021, the Group granted cash basis discounts of €40.8 million (2020: €69.5 million), split as follows:

Covid-19 discounts, by type:	2021 (€ million)	2020 (€ million)
Rent and service charge reliefs (including marketing fees) imposed by governments (Poland)*	16.0	16.3
Discounts granted as partial forgiveness of receivables	17.8	47.0
Variable discounts contingent upon tenants’ performance (negative variable rent)	5.0	5.1
Discounts granted as lease incentives, subject to straight-lining	2.1	3.6
Total Covid-19 discounts for the period (on a cash basis, straight-lining effects excluded)	40.9	72.0
Straight-lining net effect of the discounts granted after signing of the addendums	(0.1)	(2.5)
Statement of comprehensive income impact	40.8	69.5

** The estimated mandatory rent and service charge reliefs in Poland for the first half (“H1”) of 2021 were €16.8 million, on the grounds that all non-essential tenants subject to trading restrictions will submit their statement of extending their leases for additional six months in exchange for the full reliefs. In Q3 2021, NEPI Rockcastle identified that tenants for which €0.8 million rental and service charge reliefs have been estimated for H1 2021 did not submit their statements of extending their leases and consequently the concessions have not been granted.*

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 (impact of €12.4 million for 2021 and €12.6 million for 2020) and Service charge income (impact of €3.6 million for 2021 and €3.7 million for 2020), 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).

Legislative changes in Poland in relation to lease concessions

In June 2021, the Polish government approved supplementary Covid-19 legislation (‘New 15ze legislation’) which allows tenants to rescind any lease extensions concluded in exchange for rent relief for the lockdowns imposed after 30 September 2020, under certain conditions. The legislation came into force on 23 July 2021, with no significant effect on the lease duration for eligible tenants. The New 15ze legislation also includes guidance for any future lockdowns, for which landlords may be required to provide a discount of 80% during a lockdown and a discount of 50% for the three months thereafter. The legislation could significantly impact the Group’s revenue in respect of future potential lockdowns.

Partial forgiveness of receivables

In the context of trading restrictions during 2021, 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, amounting to €17.8 million (2020: €47.0 million), 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. This approach emphasises the Group’s commitment to fair and transparent reporting of the impact of the pandemic and related lockdowns on financial results.

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 (overage/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. The reduction recognised in the Consolidated Statement of comprehensive income was €2 million (2020: €1.2 million), further to the net impact of straight-lining over for the period of €0.1 million (2020: €2.5 million). The balance of concessions from 2020 and 2021 subject to straight-lining amounts to €2.6 million (2020: € 2.5 million).

Trade receivables

As at 31 December 2021, tenant receivables amounted to €46.9 million (2020: €36.4 million), VAT included, net of provisions, out of which €14.6 million (2020: €14.9 million) were overdue. This balance is adjusted for provisions and concessions, either imposed by law or negotiated. The collection rate for 2021, adjusted for concessions granted, was 94% as at 31 December 2021 and increased to 96% as at mid-February 2022. The Group expects to collect the full outstanding tenant receivables balance.

Valuation of investment property

As at 31 December 2021, the entire property portfolio was independently valued by external appraisers.

The property appraisals continued to be performed in the context of the Covid-19 pandemic and the related restrictions implemented to contain the virus. However, similar to the valuations as at 31 December 2020, property markets remain functional, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base valuation opinions. The external appraisers substantially preserved the discount rates and exit yields unchanged from December 2020 valuation, adjusting the short-term cash flows to factor in each property performance.

For the year ended 31 December 2021, the Group recognised a fair value gain in relation to investment property portfolio of €34.7 million (2020: loss of €345.3 million).

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 “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 acquisition of subsidiaries. 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 has contractual arrangements with other parties that represent 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^, the subsidiaries and jointly controlled entities, as set out below:

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2021 (%)	Effective interest 2020 (%)
1	ACE3 Sp. z o.o.	Poland	Property-owning	85	85
2	Arena Center Zagreb d.o.o.	Croatia	Property-owning	100	100
3	AUPARK Kosice SC, s.r.o.	Slovakia	Services	100	100
4	AUPARK Kosice, spol. s.r.o.	Slovakia	Property-owning	100	100
5	AUPARK Piestany SC, s.r.o.	Slovakia	Services	100	100
6	AUPARK Piestany, spol. s.r.o.	Slovakia	Property-owning	100	100
7	AUPARK Tower Kosice, s.r.o.	Slovakia	Property-owning	100	100
8	AUPARK Žilina SC a.s.	Slovakia	Services	100	100
9	AUPARK Žilina, spol. s.r.o.	Slovakia	Property-owning	100	100
10	Aurora Mall Buzau SRL	Romania	Property-owning	100	100
11	Białystok Property Sp. z o.o.	Poland	Property-owning	100	100
12	Bonarka City Center Sp. z o.o.	Poland	Property-owning	100	100
13	Braila Promenada Mall SRL	Romania	Property-owning	100	100
14	Brasov Shopping City SRL	Romania	Property-owning	100	100
15	Bulfeld EOOD	Bulgaria	Property-owning	100	100
16	CEE Property Bulgaria EOOD	Bulgaria	Property-owning	100	100
17	CHP 1 Sp. z o.o.	Poland	Services	100	—
18	City Park Constanta SRL	Romania	Property-owning	100	100
19	Constanta Shopping City SRL	Romania	Property-owning	100	100
20	Deva Shopping City SRL	Romania	Property-owning	100	100
21	ECP Security Holdings Limited	Isle of Man	Holding	100	100
22	Energit Sp. z o.o.	Poland	Services	100	100

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2021 (%)	Effective interest 2020 (%)
23	E-Power Supply d.o.o. Beograd	Serbia	Services	100	100
24	E-power supply EOOD	Bulgaria	Services	100	100
25	E-power supply management d.o.o.	Croatia	Services	100	100
26	E-Power Supply s.r.o.	Slovakia	Services	100	100
27	Expo Real Estate Project SRL	Romania	Services	100	100
28	Festival Shopping Center SRL	Romania	Property-owning	100	100
29	Floreasca Center SRL	Romania	Holding	100	100
30	FORUM Usti s.r.o.	Czech Republic	Property-owning	100	100
31	Galati Shopping City SRL	Romania	Property-owning	100	100
32	General Building Management SRL	Romania	Property-owning	100	100
33	General Investment SRL	Romania	Property-owning	100	100
34	Gontar Sp. z o.o.	Poland	Property-owning	100	100
35	HANSA Immobilien EOOD	Bulgaria	Property-owning	100	100
36	INLOGIS VI s.r.o.	Slovakia	Property-owning	100	100
37	Iris Titan Shopping Center SRL	Romania	Property-owning	100	100
38	Karolinka Property Sp. z o.o.	Poland	Property-owning	100	100
39	Liberec Property s.r.o.	Czech Republic	Property-owning	100	100
40	Mammut Zrt	Hungary	Property-owning	100	100
41	Mammut Management Kft	Hungary	Services	100	100
42	Mammut Real Estate Kft	Hungary	Property-owning	100	100
43	Marapi Sp. z o.o.	Poland	Property-owning	100	100
44	Marketing Advisers SRL	Romania	Services	100	100
45	Mega Mall Bucuresti SRL	Romania	Property-owning	100	100
46	Milvus Sp. z o.o.	Poland	Property-owning	100	100
47	Mlyny a.s.	Slovakia	Property-owning	100	100
48	Monarda Sp. z o.o.	Poland	Property-owning	90	90
49	NE Property B.V.^	Netherlands	Holding	100	100
50	NEPI Bucharest One SRL	Romania	Property-owning	100	100
51	NEPI Bucharest Two SRL	Romania	Property-owning	100	100
52	NEPI Croatia Management d.o.o.	Croatia	Services	100	100
53	NEPI Czech Management s.r.o.	Czech Republic	Services	100	100
54	Nepi Four Real Estate Solutions SRL	Romania	Holding	100	100
55	Nepi Holdings Ltd	Isle of Man	Holding	100	100
56	NEPI Investment Management SRL	Romania	Services	100	100
57	Nepi Investments Ltd (wound up in June 2021)	Isle of Man	Holding	–	100
58	NEPI Project Four EOOD	Bulgaria	Property-owning	100	100
59	NEPI Project One EOOD	Bulgaria	Property-owning	100	100
60	NEPI Project Three EOOD	Bulgaria	Services	100	100
61	NEPI Project Two EOOD	Bulgaria	Holding	100	100
62	NEPI Real Estate Development d.o.o.	Serbia	Services	100	100
63	NEPI Real Estate Project One d.o.o.	Serbia	Property-owning	100	100
64	Nepi Real Estate Project Three d.o.o.	Serbia	Property-owning	100	100
65	NEPI Real Estate Project Two d.o.o. (disposed of in July 2021)	Serbia	Property-owning	–	100
66	NEPI Rockcastle Hungary Kft.	Hungary	Services	100	100

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2021 (%)	Effective interest 2020 (%)
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
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	Services	100	100
77	NEPIOM Ltd (relocated from Isle of Man to Malta in June 2021)	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 *	Romania	Property-owning	50	50
86	Plovdiv Project 1 EOOD (merged with NEPI Project Four EOOD in April 2021)	Bulgaria	Property-owning	–	100
87	Pogoria Property Sp. z o.o.	Poland	Property-owning	100	100
88	Promenada Mall Bucuresti SRL	Romania	Property-owning	100	100
89	Ramnicu Valcea Shopping City SRL	Romania	Property-owning	100	100
90	Real Estate Asset Management SRL	Romania	Services	100	100
91	Retail Park Pitesti SRL	Romania	Property-owning	100	100
92	Rockcastle Europe Limited	Mauritius	Holding	100	100
93	Rockcastle Global Real Estate Company UK Limited (wound up in June 2021)	UK	Services	–	100
94	Rockcastle Global Real Estate Holdings B.V.	Netherlands	Holding	100	100
95	Rockcastle Global Securities Limited (disposed of in May 2021)	Mauritius	Services	–	100
96	Rockcastle Poland Sp. z o.o.	Poland	Services	100	100
97	Rockcastle UK Property SPV Limited (under winding up)	Mauritius	Holding	100	100
98	Satu Mare Shopping City SRL	Romania	Property-owning	100	100
99	SCP s.r.o.	Slovakia	Property-owning	100	100
100	SEK d.o.o.(disposed of in July 2021)	Serbia	Property-owning		100
101	Serenada Property Sp. z o.o.	Poland	Services	100	100
102	Severin Shopping Center SRL	Romania	Property-owning	100	100
103	Shopping City Piatra Neamt SRL	Romania	Property-owning	100	100
104	Sibiu Shopping City 2 SRL	Romania	Property-owning	100	100
105	Shopping City Timisoara SRL	Romania	Property-owning	100	100
106	Sofia Commercial Centre EOOD	Bulgaria	Services	100	100
107	Symmetry Arena Kft	Hungary	Property-owning	100	100

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2021 (%)	Effective interest 2020 (%)
108	Targu Jiu Development SRL	Romania	Property-owning	100	100
109	Targu Mures Shopping City SRL	Romania	Property-owning	100	100
110	Tummam Kft	Hungary	Property-owning	100	100
111	Uždaroji akcinė bendrovė Ozantis	Lithuania	Property-owning	100	100
112	Vulcan Residential Park SRL	Romania	Property-owning	100	100
113	Vulcan Value Centre SRL	Romania	Property-owning	100	100
114	Zielona Góra Property Sp. z o.o.	Poland	Property-owning	100	100

**During December 2021, the Company set up a Dutch business branch, delegated with selective management activities and assistance in the relocation process.*

**Joint venture companies.*

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 classified as non-distributable in the accumulated profits.

Lease incentives are capitalised on the value of 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 classified as non-distributable in the accumulated profits.

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 within current assets or liabilities 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 on acquisition of subsidiaries that constitute a business 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 goodwill 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, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.8 Loans to participants in the Share Purchase Scheme (as defined in Note 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 amortisation 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.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

Expected credit losses for trade receivables are recognized using the simplified approach. For all the other financial assets except for trade receivables, the Group adopted a 12-month expected credit loss model using the low credit risk exemption. Low credit risk is assessed based on the instruments low risk of default and the issuers strong capacity to meet its contractual cash flow obligations in the near term.

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. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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 accounting policies in relation to the impact of Covid-19 are presented in Note 3.

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 payment

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 NEPI and Rockcastle. The fair value of the shares issued at grant date is recognised as an asset, classified as “loan to participants under the Share Purchase Scheme” (Note 18) with the corresponding credit in equity, more specifically share capital and share premium. The accrued interest is recognised as finance income in the Statement of comprehensive income.

(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 the 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. Specific accounting policies in relation to the impact of Covid-19 are presented in Note 3.

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 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.

4.22 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

4.23 Net result from financial investments at fair value through profit or loss

Dividend/distribution income related to financial investments at fair value through profit or loss is recognized in the Statement of comprehensive income, on the line “Income from financial investments at fair value through profit or loss” on the date the Group’s right to receive payment is established, it is probable that the economic benefits associated with the dividend/distribution will flow to the entity and the amount of the dividend/distribution can be measured reliably.

Changes in fair value and net result on sale of financial investments recognised in the lines described above are shown in the Statement of comprehensive income on row “Fair value loss and net result on sale of financial investments at fair value through profit or loss”.

4.24 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 34.

4.25 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, The Netherlands and United Kingdom.

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.

4.26 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 34 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, Romania (disposed of in August 2020), Slovakia and United Kingdom (disposed of in March 2020);
- 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 financing expenses and listed securities.

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, United Kingdom. There is also a Corporate segment which includes entities located in Isle of Man, Malta, Mauritius, The Netherlands and United Kingdom.

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.

4.27 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 equity holders by the weighted average number of shares in issue during the year.

4.28 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

Headline earnings are an additional earnings number that is permitted by IAS 33. The starting point is 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 1/2019 issued by South African Institute of Chartered Accountants (SAICA).

4.29 Investment property acquisitions and business combinations

For each acquisition, management considers if a business exists, more specifically if inputs, significant processes and outputs exist. The inputs are represented by the properties. The outputs are the leases from which rental income is generated. In terms of processes, management considers if they exist and if they are substantive. For it to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. An acquired process (or group of processes) shall be considered substantive if, when applied to an acquired input or inputs, it:

- (i) is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process (or group of processes); or
- (ii) significantly contributes to the ability to continue producing outputs and: is considered unique or scarce; or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Processes such as lease management, selection of tenants, marketing decisions, investment decisions, are seen as substantive processes that are indicative of the fact that a business combination exists. In assessing whether a transaction is a business combination, management looks at what has been acquired, rather than the Group's subsequent intentions. A transaction is still accounted for as a business combination, even if the Group is interested mostly in the assets that exist within the business acquired, whereas the processes and management within the business are disregarded or integrated within the existing structure.

For acquisitions or business combinations, the fair value of the net assets acquired is compared to the consideration transferred. 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.

If an acquisition does not qualify as a business combination, the purchase price is allocated to the individual assets and liabilities. Goodwill or deferred taxes are not recognised.

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.

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation, in accordance with the contractual terms, economic circumstances and pertinent conditions on the date of acquisition.

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.

4.30 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 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023)

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

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 7.00% and 11.00% (2020: 6.90% and 11.65%). 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.

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 2021 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 2021	31 Dec 2020
Loans granted to joint ventures	33	22,466	22,620
Tenant receivables	14	46,874	36,365
Cash and cash equivalents	15	498,623	643,297
Loans to participants in the Share Purchase Scheme	11	4,510	4,988
TOTAL		572,473	707,270

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 24.1% of the rental income as at 31 December 2021 (31 December 2020: 23.9%).

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 and a 12-month expected credit loss model for all the other financial assets.

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 2021	31 Dec 2020
Tenant receivables – gross		54,156	46,118
Less: Impairment provisions		(7,282)	(9,753)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION	14	46,874	36,365

As detailed in Note 3, as part of the Governments' enforced or Group's voluntary measures to support tenants affected by Covid-19, NEPI Rockcastle granted rental concessions of €40.9 million, of which €40.8 were fully recognised in the Statement of comprehensive income. The gross tenant receivable balance presented above was adjusted for the effect of these Covid-19 concessions.

Reconciliation of impairment provisions is set out below:

Movement of impairment provisions <i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Carrying value at beginning of year	(9,753)	(4,547)
Additional expected credit losses	(4,962)	(7,450)
Write-off of receivables	469	835
Recovery of previously expected credit losses	6,256	1,180
Released in relation to assets held for sale disposed during the year	625	–
Foreign exchange gain	83	229
CARRYING VALUE	(7,282)	(9,753)

The Covid-19 concessions recorded as "Partial forgiveness of receivables (Covid-19 forgiveness)" does not impact the impairment provisions, as they have been recorded in direct correspondence with "Trade and other receivables".

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. On that basis, the impairment provision as at 31 December 2021 was determined as follows for trade receivables.

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
Impairment provision	-	(31)	(52)	(73)	(7,126)	(7,282)

The impairment provision for trade receivables as at 31 December 2020 is set out below:

31 December 2020 <i>in € thousand</i>	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	3%	8%	28%	70%	
Gross carrying amount – trade receivables	21,495	7,581	3,093	1,072	12,877	46,118
Impairment provision	(25)	(202)	(254)	(298)	(8,974)	(9,753)

The expected loss rate for the trade receivable overdue over 90 days as at 31 December 2021 amounts to 61%, lower than the one as at 31 December 2020, due to the concessions granted in the year and referred to above.

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 optimised mix between flexibility and reduced interest charges in the current negative interest rate environment. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 31 December 2021, 96% of the Group's cash was held with investment grade rated banks (31 December 2020: 95%), as detailed below:

Cash and cash equivalents	31 Dec 2021	31 Dec 2020
Held with investment grade rated banks (rated by Moody's)		
A1	4%	3%
A2	53%	5%
A3	3%	20%

Cash and cash equivalents	31 Dec 2021	31 Dec 2020
Aa3	5%	17%
Baa1	14%	39%
Baa2	2%	2%
Baa3	15%	9%
Held with not rated banks	4%	5%
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 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 and bank loans (including estimated future interest)	19	31,816	39,139	1,799,291	624,757	2,495,003	2,292,825
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 tenant deposits and short term borrowings from third parties)	21	19,649	115,901	–	–	135,550	135,550
Other long-term liabilities (excluding lease liabilities and long term borrowings from third parties)	22	–	2,147	20,824	7,282	30,253	30,253
Lease liabilities (including estimated future interest)	22	832	–	3,329	53,279	57,440	33,612
TOTAL		52,614	162,152	1,827,699	690,714	2,733,179	2,504,197

31 Dec 2020 <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 and bank loans (including estimated future interest)	19	51,225	263,749	1,361,325	1,030,440	2,706,739	2,462,872
Derivative financial liabilities at fair value through profit or loss	20	–	–	5,430	–	5,430	5,430
Borrowings from third parties short and long term (including estimated future interest)	22	317	578	6,065	5,657	12,617	8,653
Trade and other payables (excluding tenant deposits)	21	18,852	75,410	–	–	94,262	94,262
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)	22	–	2,150	19,375	8,572	30,097	30,097
Lease liabilities (including estimated future interest)	22	833	–	3,328	54,111	58,272	33,862
TOTAL		71,227	341,887	1,395,523	1,098,780	2,907,417	2,635,176

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), Great British pound sterling (GBP), 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

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 2021 and 31 December 2020, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Bank loans*	304,586	257,609
— Rate capped	191,520	108,928
— Rate swapped	115,873	124,490
— Rate variable**	–	25,935
Accrued interest on loans and deferred loan costs	(2,807)	(1,744)

*In 2020, the remaining balance related to loans and borrowings with fixed interest rate of €225 million.

**The balances exposed to variable rates in 2020 relate to the outstanding long-term loans which amount to 1% of the overall outstanding debt of the Group.

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 €304,586 thousand as at 31 December 2021 (2020: €257,609 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 2021	31 Dec 2020
Loans to participants in the Share Purchase Scheme (including accrued interest) (Note 18)	4,510	4,988
Loans and borrowings (variable or capped rate)	(191,520)	(134,864)
TOTAL	(187,010)	(129,876)

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.

31 Dec 2020 <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)	50	(50)	50	(50)
Loans and borrowings (variable or capped rate) *	(395)	–	(395)	–
TOTAL	(345)	(50)	(345)	(50)

*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 decreased to 30.9% (31 December 2020: 31.5%). 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.

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 will retain 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 2021	31 Dec 2020
Carrying value at beginning of year	5,591,463	5,800,759
Remeasurement of right-of-use asset	–	1,812
Additions from asset deals	12,530	405
Transferred from investment property under development (Note 10)	92,528	131,341
Fair value adjustments (Note 28)	30,306	(342,609)
Fair value adjustment of right-of-use asset (Note 28)	(251)	(245)
Investment property reclassified as held for sale (Note 16.1)	(55,800)	–
CARRYING VALUE	5,670,776	5,591,463

During 2021, the Group acquired supplementary units (asset deal) in Mammut Shopping Center (Budapest, Hungary), for a consideration paid of €12.5 million.

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 2021 and 31 December 2020, 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 2020 (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 2021 and 31 December 2020 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 2021 valuations.

As at 31 December 2021, the investment property in use had an EPRA Vacancy Rate of 4.0% (31 December 2020: 4.3%).

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. 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 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*

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2020 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	243 – 22,081 (12,416*)	6.90% – 10.90% (8.41*)	5.30% – 9.00% (6.93*)
Office	Discounted cash flow	1,948 – 4,401 (3,705*)	8.50% – 8.50% (8.50*)	7.50% – 7.90% (7.79*)
Industrial	Discounted cash flow	545 – 1,538 (1,261*)	10.65% – 11.65% (11.37*)	9.00% – 10.00% (9.72*)

**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*	5.5%	2.7%	-2.6%	-5.0%
Poland	6.1%	3.0%	-2.8%	-5.5%
Croatia	5.9%	2.9%	-2.7%	-5.3%
Slovakia	7.1%	3.4%	-3.2%	-6.2%
Bulgaria	6.0%	2.9%	-2.8%	-5.4%
Serbia	5.5%	2.7%	-2.5%	-4.9%
Czech Republic	7.5%	3.6%	-3.4%	-6.5%
Lithuania	5.6%	2.7%	-2.6%	-5.1%
Hungary	6.8%	3.3%	-3.1%	-6.0%
TOTAL	6.1%	2.9%	-2.8%	-5.4%

*Excluding joint ventures.

Exit rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania*	6.9%	3.3%	-3.1%	-6.1%
Poland	8.0%	3.8%	-3.6%	-6.9%
Croatia	6.7%	3.2%	-3.0%	-5.9%
Slovakia	7.9%	3.8%	-3.5%	-6.8%
Bulgaria	7.0%	3.4%	-3.2%	-6.2%
Serbia	6.2%	3.0%	-2.8%	-5.5%
Czech Republic	8.3%	4.0%	-3.7%	-7.1%
Lithuania	7.2%	3.5%	-3.2%	-6.3%
Hungary	8.5%	4.1%	-3.8%	-7.3%
TOTAL	7.5%	3.6%	-3.4%	-6.5%

*Excluding joint ventures.

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development <i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Carrying value at beginning of year	210,935	221,841
Additions from development in progress	55,154	122,143
Fair value adjustments (Note 28)	4,110	(1,708)
Assets which became operational and were transferred to Investment property in use (Note 9)	(92,528)	(131,341)
Investment property under development reclassified as held for sale (Note 16.1)	(2,550)	—
Transfer to inventory property	(4,221)	—
CARRYING VALUE	170,900	210,935

Land included in Investment property under development is carried at fair value and is independently assessed on semi-annual basis. For the years ended 31 December 2021 and 2020, the Group commissioned independent year-end reports to Cushman&Wakefield, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property under development 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). 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 methods have been consistently applied for the comparative period.

Borrowing costs capitalised in 2021 amount to €3,193 thousand (2020: €2,611 thousand) and were calculated using an average annual interest rate of 2.4% (2020: 2.3%).

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 2021	31 Dec 2020
Land (at fair value)	147,843	134,920
Construction works (at cost)	23,057	76,015
TOTAL	170,900	210,935

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Loans to participants under the Share Purchase Scheme (Note 18)	4,510	4,988
Property, plant and equipment	3,599	1,847
Intangible assets	1,346	612
TOTAL	9,455	7,447

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

<i>in € thousand</i>	Segment	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Pitestesti 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	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 2021 and 2020.

In line with the accounting policies presented in Note 4, goodwill is tested for impairment on an annual basis. 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 it's carrying amount with the amounts expected to arise from deferred taxes payable, should a disposal occur.

As a result of this test in 2021, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2020: nil).

Goodwill from management and energy trading companies

Goodwill arising as a result of internalisation of 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 INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

During November 2020, the Group disposed of its entire portfolio of listed securities consisting of Unibail-Rodamco-Westfield (“URW”) shares, given the relative improvement in the URW share price at that time. The proceeds from the disposal of URW shares were used to repurchase NEPI Rockcastle shares, which were subsequently cancelled (Note 17).

The fair value and realised loss from the sale of investment in listed securities amounted to €93,767 thousand for the year ended 31 December 2020. Up until their disposal, the Group received in 2020 dividends of €5,517 thousand from URW listed securities, recognised as “Income from financial investments at fair value through profit or loss”.

14 TRADE AND OTHER RECEIVABLES

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Tenant receivables	46,874	36,365
VAT receivable	5,804	15,101
Prepaid property expenses	5,582	4,641
Other receivables	2,490	2,895
Other prepaid fees	222	382
TOTAL	60,972	59,384

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency <i>in € thousand</i>	31 Dec 2021	31 Dec 2020
EUR	418,751	524,855
RON	29,442	48,734
PLN	15,799	14,140
BGN	8,974	17,117
HUF	6,645	7,269
HRK	12,562	17,220
CZK	4,016	5,052
RSD	1,773	8,324
ZAR	572	548
USD	9	9
GBP	80	29
TOTAL	498,623	643,297

Cash and cash equivalents by type <i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Current accounts	378,401	569,028
Deposits	120,000	70,000
Restricted cash	—	3,700
Petty cash and other values	222	569
TOTAL	498,623	643,297

16 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. Based on IFRS 13, it is categorised within Level 3 of the fair value hierarchy.

The Group disposed of the Romanian office portfolio, effective from 27 August 2020, with a final net cash consideration, fully settled, of €294.8 million. The transaction led to a net gain on disposal of €2.6 million.

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.

As at 31 December 2021 and 2020, the assets held for sale included two non-core properties located in Romania.

The assets held for sale as at 31 December 2021 stand at €1.8 million (31 December 2020: €1.8 million).

16.1 INVESTMENT PROPERTY HELD FOR SALE

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Carrying value at beginning of year	1,752	317,204
Transfer from investment property in use (Note 9)	55,800	—
Transfer from investment property under development (Note 10)	2,550	—
Additions during the period	—	313
Fair value adjustments (Note 28)	485	(691)
Disposals	(58,835)	(315,074)
CARRYING VALUE	1,752	1,752

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 2020	599,797,201	5,998	3,625,348
— Issued 1,123,932 ordinary shares at €7.32/share ¹	1,123,932	11	(11)
— Issued 25,791,534 ordinary shares at €4.2920/share ²	25,791,534	258	(258)
— Repurchase of shares 17,717,760 ordinary shares representing 2.95% of the company issued shared capital ³	(17,717,760)	(177)	(75,018)
CARRIED FORWARD AS AT 31 DECEMBER 2020	608,994,907	6,090	3,550,061
CARRIED FORWARD AS AT 31 DECEMBER 2021	608,994,907	6,090	3,550,061

¹The shares were issued in respect of the return of capital on 6 April 2020.

²The shares were issued in respect of capitalisation issue on 21 September 2020.

³The shares were repurchased between 23 November 2020 and 4 December 2020 from the proceeds received from the disposal of URW shares of approximately €75 million (Note 13). Subsequently, the repurchased shares were cancelled. The shares were repurchased at an average share price of €4.25.

The Group had no issues of share capital or options to receive capital return granted to its shareholders during 2021.

Ordinary shares carry the right to vote at general meetings, to distribution and to the surplus assets of the Group on winding-up.

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 was disclosed in the prospectus of the merger between NEPI and Rockcastle (the “2017 Incentive Plan”). The 2017 Incentive Plan was introduced as an incentive to 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) or Purchase Offers (of shares, with loans), on short-term (immediate settlement in cash or shares) or long-term (shares with a vesting component). The Board of Directors determines which executive directors are eligible to participate in the 2017 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 2017 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 2021 and 2020 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 2021	31 Dec 2020
No of shares outstanding, collateralising the Loans to participants under the Share Purchase Scheme	705,864	789,389
Loans to participants under the Share Purchase Scheme (in € thousand)	4,510	4,988

(b) Debt free Long-Term Share Incentive Plan with a vesting component (“LTSIP”)

Under this incentive plan, shares may be issued by the Group to executive directors and other key employees for no cash consideration. Shares are awarded to participants on condition of employment in the Group for the next three years for employees and five years for executive directors (the vesting period), with shares being vested proportionally over each year of the corresponding vesting periods. 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 2021 and their fair value at grant date are summarised below:

LTSIP	31 Dec 2021	31 Dec 2020
No of shares granted but unvested at year-end	633,527	1,078,591
Fair value at the grant date (€ thousand)	3,731	7,612

The maximum number of shares which could be offered for subscription under the 2017 Incentive Plan is 27,403,086. The number of shares that remained available for issue in terms of the 2017 Incentive Plan were as follows:

	31 Dec 2021	31 Dec 2020
Number of shares that remain available for issue at year-end	25,809,921	26,193,529

The accounting policy with respect to Share-Based Payments is described in Note 4.18.

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 (positive outlook) from Fitch Ratings.

In 2021, NEPI Rockcastle renegotiated the contractual terms related to its unsecured committed revolving credit facilities, as follows:

- the revolving credit facility from Raiffeisen Bank International was extended for one year, until January 2024, with the maximum principal available maintained at €150 million;
- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for three years, until July 2024, with the maximum principal available increased to €170 million;
- the revolving credit facility from ING Bank was extended for three years, until July 2024, with the maximum principal available maintained at €100 million;
- the Group also changed the contractual terms of the revolving credit facility from a four-bank syndicate by extending the maturity with one year, until December 2024, and by increasing the available principal to €200 million.

The above mentioned committed revolving credit facilities amount to a total of €620 million available unsecured committed revolving credit facilities, undrawn as at 31 December 2021 (31 December 2020: €575 million).

In June 2021, the Group concluded a green unsecured financing agreement with the International Finance Corporation which matures in June 2028, in amount of €73.5 million. The loan was disbursed in July 2021.

Also, in June 2021, the Group repaid five of its secured bank loans from Slovakia and Poland totalling €242 million.

The average interest rate of the Group’s debt, including hedging costs, was approximately 2.4% during 2021, slightly higher from 2.3% in 2020. As at 31 December 2021, fixed-coupon bonds represented 87% of NEPI Rockcastle’s outstanding debt; out of the remaining long-term debt exposed to Euribor, 62% was hedged with interest rate caps and 38% with interest rate swaps.

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 2021, the €500 million bonds issued in 2017 were trading on the market at 102.81% (31 December 2020: 102.70%), the €500 million bonds issued in May 2019 were trading on the market at 103.20% (31 December 2020: 104.16%), the €500 million bonds issued in October 2019 were trading on the market at 102.59% (31 December 2020: 100.74%) and the €500 million bonds issued in July 2020 were trading on the market at 110.65% (31 December 2020: 108.74%). 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 has loans and borrowings related to its joint ventures presented in Note 33.

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

Interest bearing borrowings 31 Dec 2020 <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	–	995,000	1,000,000	1,995,000
Poland	Secured loans	224,978	76,000	–	300,978
Slovakia	Secured loans	25,071	117,999	–	143,070
Czech Republic	Secured loans	410	39,873	–	40,283
Accrued interest on loans and deferred loan costs		(507)	(1,237)	–	(1,744)
Accrued coupon on bonds		18,856	–	–	18,856
Deferred bond costs*		(2,771)	(8,327)	(1,718)	(12,816)
Issue discount on bonds		(5,185)	(13,197)	(2,373)	(20,755)
Total		260,852	1,206,111	995,909	2,462,872

**Included in the deferred bond costs above are €127 thousand for other assurance services rendered by PwC.*

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 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

<i>in € thousand</i>	Bank loans	Bonds	Total*
Debt as at 31 December 2019	583,927	1,688,338	2,272,265
Cash repayments of principal	(622,400)	(202,800)	(825,200)
Cash proceeds from bank loans or bonds	520,000	490,858	1,010,858
Cash payments of interest on bank loans or coupon on bonds	(11,734)	(37,936)	(49,670)
Interest expense	11,722	39,542	51,264
Amortisation of capitalised borrowing costs	1,583	2,387	3,970
Amortisation of bond discount	–	4,556	4,556
Additional capitalised borrowing costs in the period	(492)	(5,639)	(6,131)
Costs released following bonds buy back prior of maturity	–	979	979
Other non-cash items	(19)	–	(19)
Debt as at 31 December 2020	482,587	1,980,285	2,462,872

**The tables above do not contain interest bearing loans from third parties in amount of €8,746 thousand as at 31 December 2021 (2020: €8,653 thousand) (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 do not include interest capitalized on developments of €3,193 thousand (refer to Note 10) (2020: €2,611 thousand), and interest on lease liabilities related to the right-of-use assets of €582 thousand (2020: €588 thousand) (Note 22).*

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 and the Czech Republic.

Securities

- General security over the properties (fair values as at 31 December 2021), 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 150%;
- Loan to value ratio of a maximum between 60% and 80%; and
- Interest coverage ratio of a minimum between 200% and 300%.

Unsecured committed revolving facilities

At 31 December 2021, there are €620 million revolving facilities available for drawdown.

Covenants

- Solvency Ratio of maximum 60%;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

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%.
- May 2019: €500 million of unsecured, 4-year Eurobonds. The bonds mature on 22 May 2023 and carry a 2.625% fixed coupon, with an issue price of 98.147%.
- 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%.

Covenants

- Solvency Ratio of maximum 60%;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

Due to the extended lockdowns and Covid-19 restrictions in Slovakia, the financing bank waived certain performance covenants in relation to Galeria Mlyny secured loan as at 31 December 2020. Except for the above, NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during 2021 and 2020. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 39% (31 December 2020: 40%);
- Consolidated Coverage Ratio: 4.06 (31 December 2020: 4.78); and
- Unsecured Ratio: 263% (31 December 2020: 261%).

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 2021	31 Dec 2020
Derivative financial assets	4,542	1,019
Derivative financial liabilities	3,211	5,430

The above financial assets and liabilities consists mainly of interest rate caps and fixed interest rate swaps which are not designated as cash flow hedges and are classified as Level 2 of the fair value hierarchy as defined by IFRS 13.

21 TRADE AND OTHER PAYABLES

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Property related payables	43,266	39,914
Advances from tenants	37,905	32,145
Accrual for litigation claim (Note 27)	37,304	—
Payable for assets under construction	11,978	14,306
Borrowings from third parties – short term (Note 22)	4,388	—
Accrued administrative expenses	3,783	3,758
Tenant security deposits	2,335	2,333
Deferred consideration on business combinations	1,314	4,139
TOTAL	142,273	96,595

22 OTHER LONG-TERM LIABILITIES

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Lease liabilities	33,612	33,862
Borrowings from third parties – long term *	4,358	8,653
Tenant security deposits	29,034	29,081
Other long-term payables	1,219	1,016
TOTAL	68,223	72,612

Reconciliation of lease liabilities

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Carrying value of the lease liabilities	33,862	32,295
Remeasurement of lease liability	—	1,812
Interest expense (Note 29)	582	588
Lease liability payment	(832)	(833)
Lease liabilities	33,612	33,862

*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 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

<i>in € thousand</i>	Borrowings from third parties
Borrowings as at 31 December 2019	8,642
Cash repayments of principal	(195)
Cash payments of interest	(733)
Interest expense	939
Borrowings as at 31 December 2020	8,653

23 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 2021	31 Dec 2020
Current tax expense	10,274	5,912
Deferred tax expense/(income)	16,643	(32,440)
INCOME TAX EXPENSE/(CREDIT)	26,917	(26,528)
Deferred tax brought forward	306,646	368,818
Other adjustments (deferred tax liability released further to sale of two Serbian entities in 2021 and Romanian office portfolio in 2020, included in the disposal proceeds) - no P&L effect	(592)	(29,732)
Deferred tax expense/(income)	16,643	(32,440)
Net deferred tax liability carried forward, out of which:	322,697	306,646
Deferred tax asset (*)	(48,669)	(34,678)
Deferred tax liability (*)	371,366	341,324

(*) *Deferred tax assets and liabilities presented in this table, in net amount of €36,900 thousand (2020: €34,120 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 2021	31 Dec 2020
Fiscal losses	284,304	228,066
Other deductible temporary differences (*)	149,562	146,496
Deferred tax asset	85,568	68,798
Temporary differences between accounting and fiscal value of investment property	(2,683,068)	(2,483,477)
Other taxable temporary differences (*)	(885)	(2,138)
Deferred tax liability	(408,265)	(375,444)
Net deferred tax liability	(322,697)	(306,646)

(*) *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 2021 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-21	31-Dec-20	31-Dec-21	31-Dec-20
Valuation of investment property at fair value	(408,096)*	(375,039)*	(33,649)	11,724
Recognised unused tax losses	57,271	41,197	16,074	5,026
Deductible/Taxable temporary differences (including corrections)	28,128	27,196	932	15,690
TOTAL	(322,697)	(306,646)	(16,643)	32,440

**This amount does not include the deferred tax liability of €29,732 thousand related to the Romanian office portfolio, which was included in the disposal proceeds, with no impact on the Statement of comprehensive income.*

**This amount does not include the deferred tax liability of €592 thousand related to Serbian entities disposed of in July 2021, which was included in the disposal proceeds, with no impact on the Statement of comprehensive income.*

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	31 Dec 2021	31 Dec 2020
Isle of Man	0%	0%
Netherlands	25.8%	25%
United Kingdom	19%	19%
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%	—

A reconciliation between the current year income tax charge (current and deferred tax) and the Group consolidated profit/(loss) before tax for the years 2021 and 2020 is presented below:

Profit/(Loss) Before Tax Reconciliation <i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Consolidated Profit/(Loss) Before Tax	262,228	(202,402)
Weighted tax rate on consolidated Profit/(Loss) Before Tax	16.53%	10.1%
Group income tax (charge)/credit based on Group weighted tax rate	(43,346)	20,450
Effect in corporate income tax resulting from the following items:		
Group share in earnings from companies accounted for under equity method	304	(174)
Effect of losses at Holding level without tax impact (including Serenada accrual for litigation claim)	(7,603)	(1,838)
Tax expense in Holdings (inter-companies) not included in Profit before tax of the Group for consolidation	(2,804)	—
Tax value adjustments in local jurisdictions related to previous years (including foreign exchange impact on non-financial tax base and statutory adjustments)	4,692	3,385
Refund of minimum tax for Polish entities related to previous years	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 mainly due to Covid-19 context	(1,832)	(7,050)
Deferred tax asset recognised for prior year tax losses	19,182	11,695
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	1,339
Others	1,315	(1,279)
TOTAL Group tax (expense)/credit	(26,917)	26,528
Effective tax rate (Group consolidated Profit/(Loss) Before Tax)	10%	13%

The Group uses a conservative accounting method for the treatment of 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 €284,304 thousand (31 December 2020: €228,066 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 €39,597 thousand (31 December 2020: €50,920 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 Group does not withhold taxes on distributions paid.

24 NET ASSET VALUE PER SHARE

<i>in € thousand, unless otherwise stated</i>	31 Dec 2021	31 Dec 2020
Net Asset Value (per the Statement of financial position)	3,714,922	3,687,068
Deferred tax liabilities for controlled subsidiaries	371,366	341,324
Deferred tax assets for controlled subsidiaries	(48,669)	(34,678)
Goodwill	(76,804)	(76,804)
Derivative financial assets at fair value through profit or loss	(4,542)	(1,019)
Derivative financial liabilities at fair value through profit or loss	3,211	5,430
Deferred tax liabilities for joint ventures	5,547	5,487
Derivatives at fair value through profit or loss for joint ventures	399	688
EPRA Net Reinstatement Value	3,965,430	3,927,496
Net Asset Value per share (euro)	6.10	6.05
EPRA Net Reinstatement Value per share (euro)	6.51	6.45
Number of shares for Net Asset Value/EPRA Net Reinstatement Value (Note 31)	608,994,907	608,994,907

25 NET RENTAL AND RELATED INCOME

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Gross rental income	369,395	379,810
Service charge income	167,324	156,685
Gross rental and service charge income	536,719	536,495
Property management fees, tax, insurance and utilities	(102,605)	(96,400)
Property maintenance cost	(70,752)	(63,813)
Net expected credit gains/(losses) on trade receivables	1,294	(6,269)
Property operating expenses	(172,063)	(166,482)
Partial forgiveness of receivables (Covid-19 forgiveness)	(17,765)	(47,049)
TOTAL NET RENTAL AND RELATED INCOME	346,891	322,964

The decrease in the gross rental income in 2021 compared to 2020 is mainly due to the disposal of the Romanian office portfolio effective 27 August 2020 and disposal of two Serbian properties effective 12 July 2021.

Property management fees, tax, insurance and utility costs presented above are split as follows:

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Utility expenses^	(57,292)	(49,023)
Property related taxes	(23,236)	(23,985)
Property management fees	(20,276)	(21,561)
Property insurance expenses	(1,801)	(1,831)
Property management fees, tax, insurance and utilities	(102,605)	(96,400)

^As described in note 4.21, 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 2021	31 Dec 2020
Cleaning and security	(29,685)	(28,165)
Maintenance and repairs	(21,462)	(18,792)
Marketing	(13,952)	(10,620)
Services and related costs	(3,077)	(3,541)
Other	(2,576)	(2,695)
Property maintenance cost	(70,752)	(63,813)

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 3.1% (€11,491 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 31 December 2021 (31 December 2020: 3.1% (€11,761 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 2021	31 Dec 2020
No later than 1 year	359,971	367,239
Between 1-2 years	294,789	301,280
Between 2-3 years	225,156	247,983
Between 3-4 years	154,503	184,795
Between 4-5 years	97,318	116,299
Later than 5 years	165,611	228,474
TOTAL	1,297,348	1,446,070

The breakdown of the net rental and related income by country is disclosed in Note 34

26 ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Staff costs*	(8,135)	(7,496)
Directors' remuneration (Note 37)	(2,356)	(3,315)
Advisory services	(4,007)	(4,524)
Audit services	(1,138)	(1,224)
Companies administration	(2,297)	(1,064)
Travel and accommodation	(311)	(394)
Stock exchange expenses	(482)	(569)
Share based payment expense (Note 4.18)	(5,050)	(867)
Transaction fees	(889)	(1,385)
TOTAL	(24,665)	(20,838)

**Staff costs capitalised on investment property under development and inventory property in 2021 amount to €1,805 thousand (2020: €1,473 thousand).*

Out of the above administrative expenses, fees related to PwC, the Group's auditor, are summarised below:

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020^
Audit fees*	(1,138)	(1,224)
Other assurance services	(180)	(42)
Other consulting services**	—	(65)
TOTAL	(1,318)	(1,331)

**The audit fees for 2020 included €51 thousand for audit services rendered by PwC in connection to the closing accounts for the disposal of Romanian office portfolio.*

***In line with its policy on the provision of non-audit services by the Group's external auditor, based on the Audit Committee's approval, NEPI Rockcastle engaged PwC Isle of Man in order to assist with the assessment of the design and operating effectiveness of the Group's corporate governance framework. The contract was concluded in January 2020 and the service delivery was completed by December 31, 2020.*

^Additional fees for other assurance services rendered by PwC in connection to bond issues are included in Note 19.

27EXPENSES WITH LITIGATION CLAIM

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Expenses with litigation claim	(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 has been 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. The Group considers to appeal against the Arbitral Tribunal’s decision.

28FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Fair value adjustments of investment property in use (Note 9)	30,306	(342,609)
Fair value adjustments of investment property under development (Note 10)	4,110	(1,708)
Fair value adjustments of investment property held for sale (Note 16.1)	485	(691)
Fair value adjustments of right-of-use assets (Note 9)	(251)	(245)
TOTAL	34,650	(345,253)

29NET FINANCE COSTS

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Interest income on loans granted to joint ventures	1,282	1,468
Interest on Loan to participants under Share Purchase Scheme	115	112
Interest on bank deposits	26	61
Finance income	1,423	1,641
Bonds borrowing costs*	(55,957)	(46,485)
Interest expense on bank borrowings	(8,377)	(13,305)
Interest expense on borrowings from third parties (Note 22)	(926)	(939)
Interest expense on lease liabilities (Note 22)	(582)	(588)
Interest expense capitalised on developments	3,193	2,612
Finance costs	(62,649)	(58,705)
Bank charges, commissions, and fees	(4,496)	(2,981)
TOTAL	(65,722)	(60,045)

*Bonds borrowing costs include coupon, amortisation of borrowing costs and debt discount.

30FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND LOSSES ON EXTINGUISHMENT OF FINANCIAL INSTRUMENTS

<i>in € thousand</i>	31 Dec 2021	31 Dec 2020
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	5,174	(10,539)

The fair value adjustments of derivatives and losses on extinguishment of financial instruments of €5,174 thousand relates to the net fair value adjustment for the interest rate derivatives (31 December 2020: loss of €1,167 thousand). At 31 December 2020, a loss of €9,372 thousand was incurred in relation to the repurchase of €197.8 million nominal value bond notes due in February 2021, €3.98 million nominal value bond notes due in May 2023 and €1.02 million nominal value bond notes due in November 2024 (refer to Note 19).

31BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2021 was based on the profit attributable to equity holders of € 235,004 thousand (31 December 2020: loss of €174,921 thousand) and the weighted average of 608,994,907 (31 December 2020: 624,960,803) ordinary shares in issue during the year (weighted average number of shares has been adjusted for December 2020 period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

<i>€ thousand, unless otherwise stated</i>	31 Dec 2021	31 Dec 2020
Profit/(Loss) for the year attributable to equity holders	235,004	(174,921)
Weighted average number of shares in issue	608,994,907	624,960,803
Diluted weighted average number of shares in issue	608,994,907	624,960,803
Basic/diluted earnings/(loss) per share (euro cents) attributable to equity holders	38.59	(27.99)

Weighted and diluted weighted average number of shares for basic and diluted earnings per share purposes was:
- 608,994,907 shares in 2021, as there have been no movement in the number of shares of the Company in the year;
- 624,960,803 shares in 2020, detailed in the below table:

2020	Event	Cumulative number of shares after equity-related transactions	% of period	Weighted average
01/01/2020	Opening balance	599,797,201	26	157,754,880
06/04/2020	Return of capital	600,921,133	66	393,479,865
01/12/2020	Repurchase of shares**	583,203,373	8	47,934,524
31/12/2020	Closing balance before adjustment for <i>capitalisation issue</i> on 21 September 2020	583,203,373		599,169,269
	Adjustment for the <i>capitalisation issue</i> on 21 September	25,791,534		25,791,534*
31/12/2020	Closing balance after the adjustment for <i>capitalisation issue</i> on 21 September 2020	608,994,907		624,960,803*

*Adjustment as per IAS 33 Earnings per Share.
**The repurchase of shares was performed in the period 23 November and 4 December 2020; for the purpose of computation of weighted average number of shares, the date of 1 December 2020 was used as repurchase date.

32HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2021 was based on headline earnings of €204,177 thousand (31 December 2020: €113,230 thousand) and the weighted average of 608,994,907 (31 December 2020: 624,960,803) ordinary shares in issue during the year (weighted average number of shares has been adjusted for each December 2020 period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

Reconciliation of profit/(loss) for the year to headline earnings	31 Dec 2021	31 Dec 2020
<i>€ thousand, unless otherwise stated</i>		
Profit/(Loss) for the year attributable to equity holders	235,004	(174,921)
Fair value adjustments of investment property (Note 28)	(34,650)	345,253
Gain on disposal of assets held for sale	(1,995)	(2,310)
Tax effects of adjustments for controlled subsidiaries	5,204	(56,373)
Fair value adjustment of investment property for joint ventures	731	1,882
Tax effects of adjustments for joint ventures	(117)	(301)
HEADLINE EARNINGS	204,177	113,230
Weighted average number of shares in issue*	608,994,907	624,960,803
Diluted weighted average number of shares in issue*	608,994,907	624,960,803
Headline earnings per share (euro cents)	33.53	18.12
Diluted headline earnings per share (euro cents)	33.53	18.12

*Weighted average number of shares has been adjusted for December 2020 period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share and detailed below.

33JOINT VENTURES

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/(loss) of joint ventures” line on the Consolidated Statement of comprehensive income represents 50% of the line “Profit/(Loss) for the period attributable to equity holders”, as presented below.

Statement of financial position

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2021	Ploiesti Shopping City 31 Dec 2020
Non-current assets	109,130	110,387
Current assets	16,439	14,666
Total Assets	125,569	125,053
Non-current liabilities	(74,548)	(78,206)
Current liabilities	(3,703)	(3,333)
Total Liabilities	(78,251)	(81,539)
Equity attributable to equity holders	(47,318)	(43,514)
TOTAL EQUITY AND LIABILITIES	(125,569)	(125,053)
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)	23,659	21,757

Statement of comprehensive income

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2021	Ploiesti Shopping City 31 Dec 2020
Revenue from rent and recoveries	12,971	10,972
Property operating expenses	(3,369)	(3,498)
Partial forgiveness of receivables (Covid-19 forgiveness)	(254)	(1,358)
Administrative expenses	(320)	(268)
Fair value adjustment investment property	(1,462)	(3,765)
Foreign exchange gain/(loss)	1	(16)
Profit before net finance costs and other items	7,567	2,067
Net finance costs	(3,686)	(4,087)
Finance income	16	59
Finance costs	(3,695)	(4,140)
Bank charges, commissions, and fees	(7)	(6)
Other items	577	244
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	577	244
Profit/(Loss) before tax	4,458	(1,776)
Income tax expense	(654)	(396)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	3,804	(2,172)
Share of profit/(loss) of joint venture (50% of the Profit/(Loss) of the period)	1,902	(1,086)

Shareholder loans to Ploiesti Shopping City were granted by NE Property BV. Interest income from joint ventures in 2021 amounted to €1,282 thousand (2020: €1,468 thousand).

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2021	Ploiesti Shopping City 31 Dec 2020
Long-term loans granted to joint ventures	22,466	22,620

Included within the balances above from the Statement of financial position are the following:

<i>in € thousand</i>	Ploiesti Shopping City 31 Dec 2021	Ploiesti Shopping City 31 Dec 2020
Cash and cash equivalents	13,297	11,722
Bank loans (non-current liabilities)	(17,316)	(19,458)
Bank loans (current liabilities)	(2,144)	(2,144)

Secured term loans

The joint venture Ploiesti Shopping City has contracted a secured term loan, which matures during March 2024.

Securities

- General security over the properties (weighted fair value as at 31 December 2021), current assets, cash inflows from operating activities, accounts and receivables

Covenants

- Debt service cover ratio of minimum 120%, and
- Loan to value ratio of maximum 60%.

34 SEGMENT REPORTING

Reporting segments are retail, office, residential, industrial and corporate, and the Group primarily manages operations in accordance with this classification.

There are no sales between segments. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

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 2021 <i>€ thousand</i>	Retail	Office	Industrial	Residential	Corporate	Total
Net rental and related income**	340,048	5,188	1,655	—	—	346,891
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)
Administrative expenses	(12,939)	(328)	(60)	(153)	(11,185)	(24,665)
Expenses with litigation claim	—	—	—	—	(37,304)	(37,304)
EBITDA*	327,109	4,860	1,595	(153)	(48,489)	284,922
Net result from financial investments	—	—	—	—	—	—
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

*EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses and Expenses with litigation claim.

**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 results 31 Dec 2020 <i>€ thousand</i>	Retail	Office	Industrial	Corporate	Total
Net rental and related income **	300,656	20,530	1,778	—	322,964
Gross rental income	357,556	20,344	1,910	—	379,810
Service charge income	148,413	8,052	220	—	156,685
Property operating expenses	(158,269)	(7,861)	(352)	—	(166,482)
Partial forgiveness of receivables (Covid-19 forgiveness)	(47,044)	(5)	—	—	(47,049)
Administrative expenses	(11,194)	187	(32)	(9,799)	(20,838)
EBITDA*	289,462	20,717	1,746	(9,799)	302,126
Net result from financial investments	—	—	—	(88,250)	(88,250)
Income from financial investments at fair value through profit or loss	—	—	—	5,517	5,517
Fair value loss and net result on sale of financial investments at fair value through profit or loss	—	—	—	(93,767)	(93,767)
Fair value adjustments of investment property	(343,178)	(1,731)	(344)	—	(345,253)
Foreign exchange (loss)/gain	(2,082)	(234)	(29)	680	(1,665)
(Loss)/Gain on disposal of assets held for sale	—	(370)	—	2,680	2,310
(Loss)/Profit before net finance costs and other items	(55,798)	18,382	1,373	(94,689)	(130,732)

*EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.

**Out of the total rental and related income associated to the Office segment, €14.2 million relates to the Romanian office portfolio disposed of on 27 August 2020.

Segment assets and liabilities 31 Dec 2021 € thousand	Retail	Office	Industrial	Residential	Corporate	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	Total
SEGMENT LIABILITIES						
Non-current liabilities	664,091	1,847	1,748	217	2,049,243	2,717,146
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
Other long-term liabilities	66,943	750	311	217	2	68,223
Derivative financial liabilities at fair value through profit or loss	3,069	–	–	–	142	3,211
Current liabilities	99,481	859	253	32	60,127	160,752
Trade and other payables	92,050	859	253	32	49,079	142,273
Bank loans	7,431	–	–	–	–	7,431
Bonds	–	–	–	–	11,048	11,048
TOTAL LIABILITIES	763,572	2,706	2,001	249	2,109,370	2,877,898

Segment assets and liabilities 31 Dec 2020 € thousand	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	5,848,996	75,290	16,543	25,894	5,966,723
Investment property	5,712,155	73,700	16,543	–	5,802,398
– Investment property in use	5,501,220	73,700	16,543	–	5,591,463
– Investment property under development	210,935	–	–	–	210,935
Goodwill	70,922	–	–	5,882	76,804
Deferred tax assets	21,393	1,590	–	11,695	34,678
Investments in joint ventures	21,757	–	–	–	21,757
Long-term loans granted to joint ventures	22,620	–	–	–	22,620
Other long-term assets	149	–	–	7,298	7,447
Derivative financial assets at fair value through profit or loss	–	–	–	1,019	1,019
Current assets	248,437	9,107	2,636	442,501	702,681
Trade and other receivables	51,361	979	282	6,762	59,384
Cash and cash equivalents	197,076	8,128	2,354	435,739	643,297
Assets held for sale	1,152	600	–	–	1,752
TOTAL ASSETS	6,098,585	84,997	19,179	468,395	6,671,156

Segment assets and liabilities 31 Dec 2020 € thousand	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	646,158	2,316	2,815	1,970,097	2,621,386
Bank loans	232,635	–	–	–	232,635
Bonds	–	–	–	1,969,385	1,969,385
Deferred tax liabilities	338,643	1,541	1,140	–	341,324
Other long-term liabilities	70,160	775	1,675	2	72,612
Derivative financial liabilities at fair value through profit or loss	4,720	–	–	710	5,430
Current liabilities	327,799	1,045	349	28,254	357,447
Trade and other payables	77,847	1,045	349	17,354	96,595
Bank loans	249,952	–	–	–	249,952
Bonds	–	–	–	10,900	10,900
TOTAL LIABILITIES	973,957	3,361	3,164	1,998,351	2,978,833

The Group's geographical breakdowns per country are detailed below:

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

Country results 31 Dec 2020 € thousand	Net rental and related income	Profit/(Loss) before tax	Investment property
Romania**	133,001	13,604	2,026,631
Poland	56,908	(48,121)	1,420,857
Slovakia	31,031	(4,744)	523,644
Hungary	28,882	(1,104)	577,200
Bulgaria	25,354	(5,863)	486,807
Croatia	16,762	3,093	262,330
Serbia	12,522	(3,586)	191,949
Lithuania	9,430	12,918	141,980
Czech Republic	9,146	(6,377)	171,000
United Kingdom**	(72)	(205)	–
Corporate*	–	(162,017)	–
Total	322,964	(202,402)	5,802,398

*The Corporate segment represents head office, administrative offices, and listed securities entity.

**Investment property excludes held for sale portfolio.

RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO DISTRIBUTABLE EARNINGS € thousand, unless otherwise stated	31 Dec 2021	31 Dec 2020
Profit/(Loss) per IFRS Statement of comprehensive income attributable to equity holders	235,004	(174,921)
Accounting specific adjustments	(25,391)	407,336
Fair value adjustments of investment property for controlled subsidiaries	(34,650)	345,253
Fair value loss and net result on sale of financial investments at fair value through profit or loss	–	93,767
Depreciation in relation to property, plant and equipment of an administrative nature	643	580
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(5,174)	10,539
Amortisation of financial assets	(1,189)	(759)
Deferred tax expense/(income) for controlled subsidiaries	16,643	(32,440)
Income from financial investments at fair value through profit or loss	–	(5,517)
Gain on disposal of assets held for sale	(1,995)	(2,310)
Adjustments related to joint ventures:	502	1,946
Fair value adjustment investment property for joint ventures	731	1,882
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	(289)	(122)
Deferred tax expense for joint ventures	60	186
Adjustments related to non-controlling interest:	(171)	(1,064)
Fair value adjustment investment property for non-controlling interest	(120)	(1,186)
Deferred tax (expense)/income for non-controlling interest	(51)	122
Antecedent earnings	–	(2,659)
Distributable earnings	209,613	232,415
Interim distributable earnings	(107,409)	(118,168)

RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO DISTRIBUTABLE EARNINGS € thousand, unless otherwise stated	31 Dec 2021	31 Dec 2020
Final distributable earnings	(102,204)	(114,247)
Distributable earnings per share (euro cents)	34.42	38.42
Interim distributable earnings per share (euro cents)	17.64	19.66
Final distributable earnings per share (euro cents)	16.78	18.76
Distribution declared	209,613	102,822
Interim distribution	107,409	–
Final distribution	102,204	102,822
Distribution declared per share (euro cents)	34.42	16.88
Interim distribution per share (euro cents)	17.64	–
Final distribution per share (euro cents)	16.78	16.88
Earnings not distributed	–	129,593
Earnings not distributed per share (euro cents)	–	21.54
Number of shares entitled to interim distribution	608,994,907	600,921,133
Number of shares entitled to final distribution	608,994,907	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.

35 CASH FLOW FROM OPERATIONS

in € thousand	Note	31 Dec 2021	31 Dec 2020
OPERATING ACTIVITIES			
Profit/(Loss) after tax		235,069	(175,874)
Adjustments		89,702	477,494
Fair value adjustments of investment property	28	(34,650)	345,253
Fair value loss and net result on sale of financial investments at fair value through profit or loss	13	–	93,767
Income from financial investments at fair value through profit or loss	13	–	(5,517)
Foreign exchange loss		935	1,665
Gain on disposal of assets held for sale		(1,995)	(2,310)
Net finance costs	29	65,722	60,045
Fair value adjustments of derivatives and losses on extinguishment of financial instruments		(5,174)	10,539
Deferred tax expense/(income)	23	16,643	(32,440)
Current tax expense	23	10,274	5,912
Depreciation expense for property, plant and equipment		643	580
Expenses with litigation claim	27	37,304	–
Changes in working capital		(740)	(5,622)
(Increase)/Decrease in trade and other receivables		(6,063)	11,158
Increase/(Decrease) in trade and other payables		11,545	(16,780)
(Increase) in Inventory property		(6,222)	–
Cash flow from operations		324,031	295,998

36 CONTINGENT ASSETS AND LIABILITIES

Guarantees

As at 31 December 2021, the Group had received letters of guarantee from tenants worth €107,078 thousand (31 December 2020: €105,939 thousand) and from suppliers worth €16,531 thousand (31 December 2020: €12,627 thousand) related to ongoing developments.

The Group estimates to invest in 2022 €173 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.

37 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 33.

in € thousand	31 Dec 2021		31 Dec 2020	
	Directors' fees	Performance bonus (related to 2020 performance)	Directors' fees	Performance bonus (related to 2019 performance)
Alex Morar	600	60	600	690
Mirela Covasa	400	40	400	475
Marek Noetzel	300	30	300	313
Rüdiger Dany ¹	202	–	–	–
Robert Emslie ^{2*}	78	–	113	–
George Aase ^{3*}	113	–	70	–
Antoine Dijkstra*	104	–	70	–
Andre van der Veer*	116	–	90	–
Andreas Klingen ^{4*}	103	–	68	–
Vuso Majija ⁵	–	–	27	–
Steven Brown ⁵	84	–	38	–
Andries de Lange ⁶	74	–	25	–
Desmond de Beer ⁶	–	–	36	–
Jonathan Lurie ⁷	25	–	–	–
Ana Maria Mihaescu ⁸	27	–	–	–
TOTAL	2,226	130	1,837	1,478

¹Mr Rüdiger Dany was appointed as Executive Director and Chief Operating Officer of the Group with effect from 18 August 2021. Subsequent to the year-end, from 1 February 2022, he was appointed as interim CEO of the Group.

²Mr Robert Emslie has retired from his position as non-Executive Director and Chairman of the Board of Directors effective 18 August 2021.

³Mr George Aase was appointed as Chairman of the Board of Directors effective 18 August 2021.

⁴Mr Andreas Klingen was appointed as an Independent non-Executive Director of the Company with effect from 17 April 2019, and as Lead Independent Director on 28 September 2020.

⁵Mr Sipho Vuso Majija has terminated his appointment as a non-Independent non-Executive Director effective from 28 April 2020. The Board of Directors has approved the appointment of Steven Brown as non-Independent non-Executive Director of the Company, with Mr Majija acting as Alternate Director to Mr Brown with effect from 28 April 2020.

⁶Mr Desmond de Beer has retired from his position as a non-Independent non-Executive Director effective from 27 May 2020. The Board of Directors appointed Andries de Lange as non-Independent non-Executive Director of the Company with effect from 27 May 2020.

⁷Mr Jonathan Lurie was appointed as an Independent non-Executive Director with effect from 18 August 2021.

⁸Ms 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 €107 thousand (2020: €73.3 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 2021	Number of shares held as at 31 Dec 2020
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 2021	Number of shares unvested at 31 Dec 2020
Alex Morar*	–	357,740
Mirela Covasa*	–	258,501
Marek Noetzel	93,995	105,188
Rüdiger Dany	–	–
TOTAL	93,995	721,429

^{*}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 current financial statements.

The directors of the Group hold 2,356,717 shares as at 31 December 2021 (31 December 2020: 2,340,538 shares), which represents 0.38% of the outstanding shares (31 December 2020: 0.38% of the outstanding shares). Out of the above-mentioned shareholding, 130,297 shares (31 December 2020: 176,726 shares) which represent 0.02% of the outstanding shares (31 December 2020: 0.03% of the outstanding shares) are held by the non-executive directors. There were no changes to the Director’s interests from 31 December 2021 to the approval of the annual audited Consolidated Financial Statements. Other than as set out in note 37(a) above, none of the shares of the Director are subject to security, guarantee, collateral and they are not encumbered in any way.

38 SUBSEQUENT EVENTS

As presented in the Directors’ Commentary, in July 2021, Mr Alex Morar (CEO) and Ms Mirela Covasa (CFO) have approached the Board of Directors to implement a succession plan for their roles given their intentions to pursue other entrepreneurial opportunities.

On 4th of January 2022, the Board of Directors announced the appointment of Rüdiger Dany (the Group’s Chief Operating Officer at the time of the announcement) and Eliza Predoiu (Group’s Deputy Chief Financial Officer at the time of the announcement) as interim Chief Executive Officer (“CEO”) and interim Chief Financial Officer (“CFO”) respectively. The appointments became effective from 1 February 2022 and for an initial period leading to the announcement of the Company’s 2022 interim results for the six months ended 30 June 2022.

In January 2022, the Group issued its second green €500 million unsecured 8-year Eurobond bond, carrying a 2% fixed coupon, with an issue price of 98.713%. The bond issue was used for liability management, to repay €500 million bond maturing in 2023.

Except for the above, the Directors are not aware of any other subsequent events from 31 December 2021 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.

Schedule of properties

Properties located in Hungary, Lithuania and Poland have been fair valued by Cushman and 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 m ²	Valuation/Cost to date €m	Annualised Passing Rent* €m	Average rental €/m ² /month	EPRA Occupancy**
INCOME PRODUCING PROPERTIES						2,013,700	5,636.9	389.2	16.8	96.0%
RETAIL						1,945,100	5,548.2	381.9	17.0	96.2%
1 Bonarka City Center ^	2009/2016	2020/2021	Super-Regional Mall	Poland	100%	74,700	393.2	20.3	23.2	97.2%
2 Arena Mall	2007/2017		Super-Regional Mall	Hungary	100%	65,900	300.6	19.2	24.8	98.4%
3 Mega Mall	2015	2019	Super-Regional Mall	Romania	100%	75,900	287.3	17.8	20.6	94.4%
4 Mammút Shopping Centre^^	1998-2001/2018		Regional Mall	Hungary	100%	57,400	284.3	14.4	24.1	84.5%
5 Paradise Center	2013/2017	2019/2020/2021	Super-Regional Mall	Bulgaria	100%	80,400	258.4	18.9	20.8	94.9%
6 Arena Centar and Retail Park	2010/2016/2019	2019	Super-Regional Mall	Croatia	100%	75,300	256.6	18.5	21.2	98.2%
7 City Park	2008/2013	2015/2016	Regional Mall	Romania	100%	51,900	189.3	13.0	21.3	96.2%
8 Promenada Mall	2013/2014		Lifestyle Centre	Romania	100%	39,300	179.1	12.6	27.2	98.4%
9 Focus Mall Zielona Gora	2008/2016	2021	Regional Mall	Poland	100%	44,100	174.8	7.7	18.2	81.0%
10 Aupark Kosice Mall	2011/2014		Regional Mall	Slovakia	100%	33,100	164.1	10.4	27.7	93.6%
11 Galeria Warminska	2014/2016		Regional Mall	Poland	100%	42,900	160.8	10.0	19.7	98.2%
12 Serdika Center	2010/2017		Regional Mall	Bulgaria	100%	51,700	156.9	12.3	20.1	98.9%
13 Karolinka Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	67,500	152.7	10.0	13.1	96.2%
14 Ozas Shopping and Entertainment Centre	2009/2018	2020	Regional Mall	Lithuania	100%	67,800	143.8	11.3	13.9	99.8%
15 Shopping City Sibiu	2006/2016	2019	Super-Regional Mall	Romania	100%	83,700	143.4	11.7	11.8	97.7%
16 Shopping City Timisoara	2015-2016		Regional Mall	Romania	100%	57,000	129.8	9.7	14.3	98.6%
17 Aupark Zilina	2010/2013		Regional Mall	Slovakia	100%	25,100	128.2	8.6	29.3	98.9%
18 Galeria Mlynv	2009/2018		Regional Mall	Slovakia	100%	32,500	126.3	8.3	23.2	94.3%
19 Promenada Novi Sad	2018		Regional Mall	Serbia	100%	49,200	124.5	9.9	17.4	97.5%
20 Shopping City Galati	2013	2017	Regional Mall	Romania	100%	49,200	115.3	8.9	15.1	99.2%
21 Iris Titan Shopping Center	2008/2015		Community Centre	Romania	100%	43,100	103.6	8.8	17.1	99.6%
22 Promenada Sibiu	2019		Regional Mall	Romania	100%	42,500	99.7	8.0	16.4	96.3%
23 Alfa Centrum Bialystok	2008/2017		Regional Mall	Poland	100%	37,200	92.8	6.3	15.2	94.6%
24 Shopping City Targu Mures	2020		Regional Mall	Romania	100%	40,200	90.4	6.9	14.7	99.1%
25 Forum Usti nad Labem	2009/2016	2019	Regional Mall	Czech Republic	100%	27,800	88.9	5.5	16.6	98.9%
26 Shopping City Deva	2007/2013	2015	Regional Mall	Romania	100%	50,700	86.1	7.0	11.5	100.0%
27 Braila Mall	2008/2009	2011/2012/2016/2019	Regional Mall	Romania	100%	52,900	85.6	6.8	10.9	97.5%
28 Forum Liberec Shopping Centre	2009/2016	2019/2020	Regional Mall	Czech Republic	100%	46,400	85.6	4.8	10.6	87.3%
29 Solaris Shopping Centre	2009/2015	2019	Regional Mall	Poland	100%	26,400	81.8	5.8	19.1	95.3%
30 Vulcan Value Centre	2014	2020	Community Centre	Romania	100%	25,000	72.5	4.7	15.7	100.0%
31 Pogoria Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	37,700	70.9	5.3	11.7	99.5%
32 Platan Shopping Centre	2003/2015	2018	Regional Mall	Poland	100%	39,900	70.8	5.0	10.7	95.0%
33 Aura Centrum	2005/2018		Regional Mall	Poland	100%	25,400	66.1	5.4	18.7	95.5%
34 Shopping City Buzau	2008/2014	2019/2020	Regional Mall	Romania	100%	23,700	58.1	4.3	15.3	98.4%
35 Galeria Wolomin ^^^	2016	2017	Regional Mall	Poland	90%	30,700	56.0	4.2	11.6	97.0%
36 Shopping City Satu Mare	2018		Regional Mall	Romania	100%	29,400	54.4	4.5	12.8	100.0%
37 Shopping City Piatra Neamt	2016		Regional Mall	Romania	100%	28,000	53.9	4.0	12.3	97.1%
38 Shopping City Targu Jiu	2014		Regional Mall	Romania	100%	27,200	52.9	3.9	12.0	99.3%
39 Shopping City Ramnicu Valcea	2017		Regional Mall	Romania	100%	28,200	49.3	4.2	12.5	99.5%
40 Focus Mall Piotrkow Trybunalski	2009/2016		Regional Mall	Poland	100%	35,100	44.3	4.4	10.9	94.9%
41 Aupark Shopping Center Piestany	2010/2016		Community Centre	Slovakia	100%	10,300	41.6	2.7	24.0	94.8%
42 Korzo Shopping Centrum	2010-2011/2016		Community Centre	Slovakia	100%	16,300	39.0	3.1	16.3	98.4%
43 Severin Shopping Center	2009/2013	2015/2016	Regional Mall	Romania	100%	23,200	36.7	2.8	10.2	98.5%
44 Galeria Tomaszow ^^^	2016		Regional Mall	Poland	85%	18,200	28.1	2.7	12.6	97.9%
45 Pitesti Retail Park	2007/2010	2011	Community Centre	Romania	100%	24,800	25.0	4.1	13.8	100.0%
46-52 Regional strip centres	2007-2014	2018/2019	Strip Centres	Romania	100%	30,200	44.7	3.2	8.8	100.0%
OFFICE						41,300	70.7	5.4	13.3	84.8%
53 Serdika Office	2011/2017		Office	Bulgaria	100%	28,500	52.2	4.1	13.6	89.9%
54 Aupark Kosice Tower	2012/2014		Office	Slovakia	100%	12,800	18.5	1.3	12.6	72.4%
INDUSTRIAL						27,300	18.0	1.9	5.9	97.0%
55 Rasnov Industrial Facility	2007		Industrial	Romania	100%	23,000	13.0	1.4	5.2	97.4%
56 Otopeni Warehouse	2010		Industrial	Romania	100%	4,300	5.0	0.5	9.9	95.8%

The Schedule of properties excludes joint venture property valued at €53.6 million, generating a passing rent of €4.1 million (weighted by ownership), and non-core properties held for sale with a market value of €1.8 million.

* Annualised passing rent was computed based on the contractual rents effective 31 December 2021.

** 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.

^^^ The Group holds 90% interest in Galeria Wolomin and 85% in Galeria Tomaszow. Galeria Wolomin and Galeria Tomaszow are accounted for at 100% in the IFRS financial statements and a corresponding 10% and 15% non-controlling interest is included in Equity.

Property name	Type	Location	Ownership	GLA of existing property m ²	GLA of development m ²	Valuation/Cost to date €m
TOTAL DEVELOPMENTS AND LAND BANK				114,000	172,900	171
RETAIL DEVELOPMENTS UNDER CONSTRUCTION				114,000	115,200	94
8 Promenada Mall	Extension	Romania	100%	39,300	58,400	42
57 Promenada Craiova	New development	Romania	100%	-	52,300	52
1 Bonarka City Center	Refurbishment	Poland	100%	74,700	4,500	-
DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING*				-	57,700	26
58 Promenada Plovdiv	New development	Bulgaria	100%	-	57,700	26
Land held for developments						51
Property name	Type	Location	Ownership	GSA ^ of development m ²		Valuation/Cost to date €m
RESIDENTIAL DEVELOPMENTS UNDER CONSTRUCTION (INVENTORY PROPERTY)				18,300		9
Vulcan Residence	New development	Romania	100%	18,300^^		9

The Schedule of developments excludes land held for developments related to joint ventures valued at €0.7 million (weighted by ownership).

* Amounts included in this schedule are estimates and may vary according to permitting, pre-leasing and final configuration of the completed development projects.

^ GSA - Gross sellable area.

^^ GSA of 18.300m² representing 252 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 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 authorisations 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

Company	NEPI Rockcastle plc 2 nd Floor, 30 Athol Street Douglas, Isle of Man, IM1 1JB, officeiom@nepirockcastle.com
Auditors	PricewaterhouseCoopers LLC 60 Circular Road, Douglas, IM1 1SA, Isle of Man
JSE Sponsor	Java Capital 6A Sandown Valley Crescent, Sandton, 2196, JHB



www.nepirockcastle.com



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