NEPI ROCKCASTLE

ANNUAL REPORT

2020

Integrated report and financial statements

NEPI ROCKCASTLE

EXCELLENCE. INNOVATION. EXPERIENCE.

PHOTO: PROMENADA MALL, ROMANIA

PERFORMANCE AND OPERATIONS

CORPORATE INSIGHTS

FINANCIAL STATEMENTS

APPENDIX

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

PHOTO: CITY PARK, ROMANIA

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 54 retail properties (excluding joint venture) which attracted 221 million visits in 2020. 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, negative outlook) and Fitch (BBB, stable 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.

PHOTO: PROMENADA SIBIU, ROMANIA

EPRA BPR GOLD

EPRA Gold Award for compliance with Best Practices Recommendations for financial reporting

SUSTAINALYTICS

In the **Top 5** Sustainalytics rated companies in Real Estate Management (**low risk - 12.5/100**)

MSCI

AA ESG rating leader among 91 companies in the real estate management & services industry

€5.8 billion
investment property portfolio

221 million
visits in 2020

196,900
m^2 GLA of
Ongoing developments, extensions and refurbishments

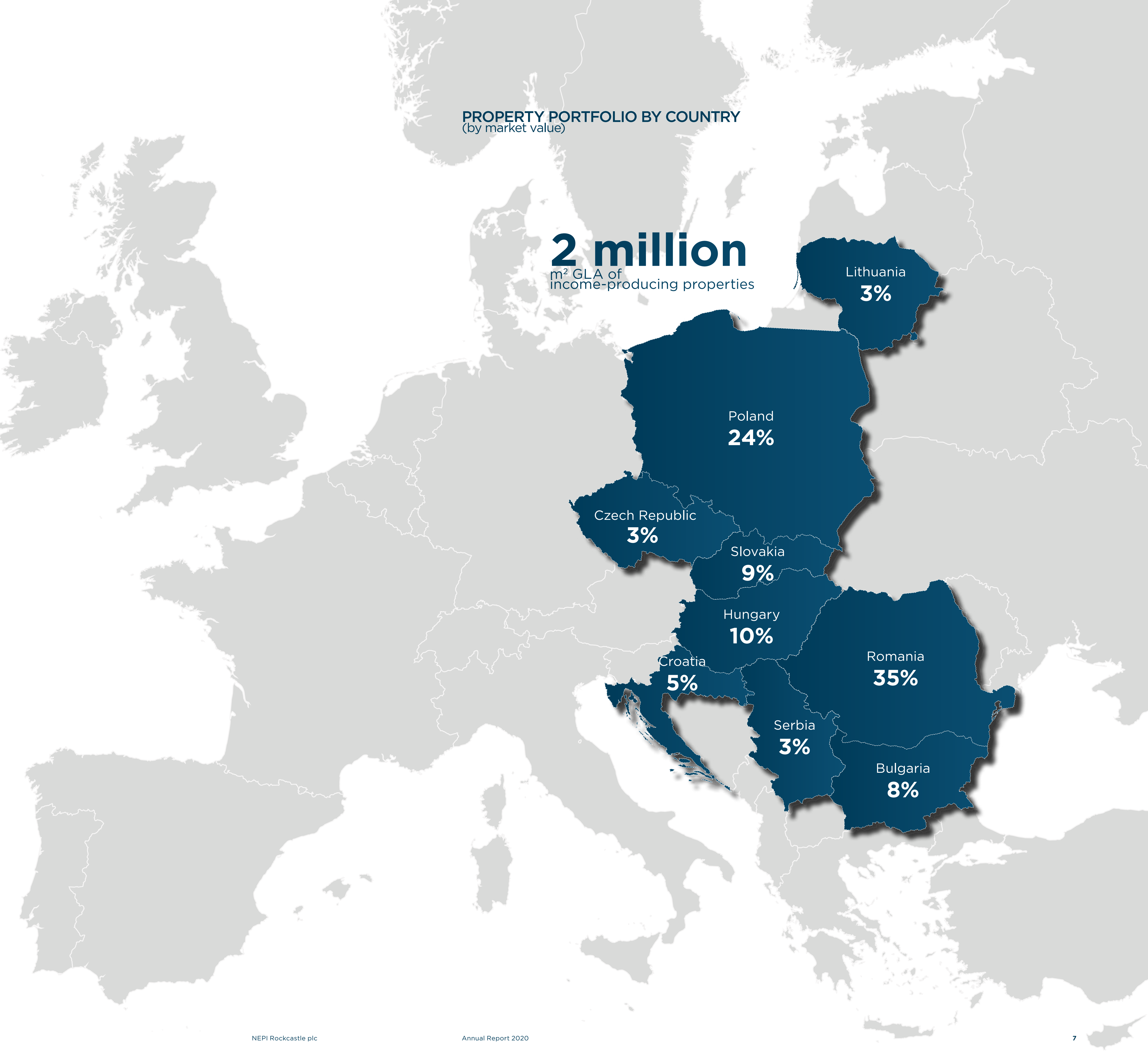
95%
collection rate

95.7%
EPRA occupancy rate

over
430
professionals

PROPERTY PORTFOLIO BY COUNTRY
(by market value)

2 million
m^2 GLA of
income-producing properties



CEO's statement

The Group went through the most challenging period in its history in 2020. The COVID-19 pandemic took the world by surprise and upended the way people everywhere live, work, learn, travel, socialise and shop. The business of running shopping and entertainment centres has been one of the most affected by the restrictions implemented to combat the pandemic. Most of the tenants in our properties had to close their shops to the public for long periods of time, first during the spring and then (to a lesser extent) again in Q4. Faced with a sudden drop in business, our tenants sought and received our support to get them through lockdowns. This naturally had a strong impact on the results we are now reporting for 2020.

The past year also confirmed the robustness of our business model, its resilience and flexibility in highly demanding circumstances. We managed to continue the smooth and safe running of our operations with adequate levels of liquidity and capital throughout. Our team adapted quickly to new ways of working, stepped up to unprecedented challenges (such as over 6,000 negotiations successfully completed with tenants in about seven months) and, most importantly, kept themselves and others safe in the process.

Beyond the immediate impact on results, we managed to keep our income-generating capacity intact through difficult, but temporary, conditions. Occupancy held strong at 95.7% across our portfolio.

The collection rate for the year, thanks to the quality of our tenant mix and the efforts of our team, was 95% as at year end and grew higher since. We also managed to improve and extend our tenant mix with the addition of new brands and categories. Properties were well-maintained and secure, as evidenced by the certifications received and the absence of any health incidents. We continued to invest in the refurbishment and extension of existing properties and in the development of new ones.

We managed to preserve and enhance our capital and liquidity. In July we completed a €500 million green bond issue, significantly extending the average maturity of our debt in the process. We extended revolving credit facilities with new terms and conditions tied to achieving our ESG objectives, which we are fully committed to. Credit rating agencies reconfirmed NEPI Rockcastle's investment grade status. In two strategic transactions, we sold in August the Romanian office portfolio (at the same commercial terms negotiated in 2019) and in Q4 completed the disposal of the listed securities portfolio (reallocating the capital to a share repurchase, with accretive results on EPRA NRV and distributable earnings per share). As a result, we concluded 2020 with a very comfortable LTV ratio of 31.5% and liquidity resources of €1.2 billion, which positions us strongly for the coming period.

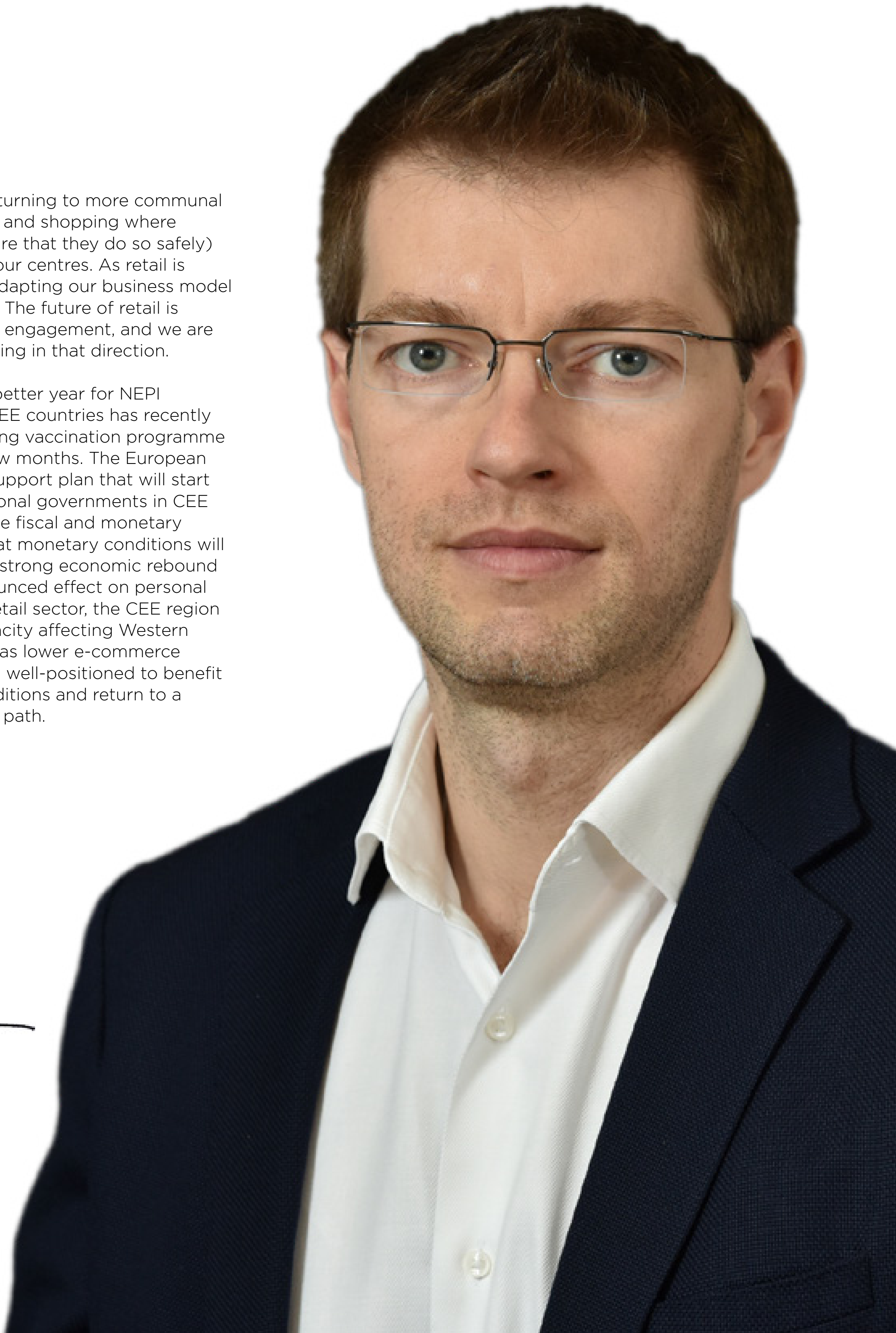
Still, the shopping environment is changing. Some effects of the pandemic will be short lived, but some longer-term trends were accelerated.

People have already started returning to more communal forms of leisure, entertainment and shopping where possible (and we strive to ensure that they do so safely) and continue to enjoy visiting our centres. As retail is changing, we are working on adapting our business model to capitalise on these changes. The future of retail is omnichannel, with more digital engagement, and we are taking steps to adjust our offering in that direction.

We expect that 2021 will be a better year for NEPI Rockcastle. The pandemic in CEE countries has recently started to abate and the ongoing vaccination programme will accelerate over the next few months. The European Union approved a significant support plan that will start producing effects in 2021. National governments in CEE indicated that they will continue fiscal and monetary stimulus. There are no signs that monetary conditions will tighten soon. All these make a strong economic rebound likely, with a particularly pronounced effect on personal consumption. In the physical retail sector, the CEE region is not blighted by the overcapacity affecting Western European real estate and still has lower e-commerce penetration rates. Our Group is well-positioned to benefit from improving economic conditions and return to a steady and sustainable growth path.

23 March 2021

ALEX MORAR
Chief Executive Officer



Chairman's statement

Last year was marked by the disruptive effects of the COVID-19 pandemic. Retail properties around the world were affected by unprecedented restrictions on trading and the movement of people. The countries in Central and Eastern Europe where NEPI Rockcastle operates went into lockdown in spring and then again towards the end of the year during the pandemic's second wave. Non-essential stores were closed on average for 20% of the normal trading time in 2020, which had a significant adverse impact on our tenants' businesses and in consequence on the Group's results for the year. The noticeable rebound in between the two lockdowns, as well as the lesser impact of the second one, tell us that consumers continue to use our properties extensively and this will lead to better results once restrictions are lifted.

The best solution for a sustainable recovery lies in the vaccination campaigns currently ongoing in all nine countries where NEPI Rockcastle operates. Although the start was slower in the European Union compared to some other developed economies, the pace is expected to accelerate as more vaccines have recently been approved, and the European Commission expects 70% of the adult population to be vaccinated by summer 2021. An increase in the number of new COVID-19 cases has been noted in some CEE countries over the last few weeks, which shows that uncertainties remain, but the base case for 2021 at this early stage is one of strong recovery.

NEPI Rockcastle reacted promptly to the new conditions brought about by the pandemic. Despite the severe disruption, management ensured the functioning of all business areas and operations within the confines of lockdown regulations. A focus on health and safety made all the Group's properties safe destinations for shoppers. A fair and balanced rent concession framework was put in place to support tenants and preserve the long-term prospects of the Group. The total value of concessions during the 2020 financial year amounted to €69.5million. The result was that both occupancies and collections remained at very high levels (over 95%). Non-essential capital expenditure and administrative costs were cut back, but already committed projects continued with an eye on future growth.

Preservation of a strong balance sheet and adequate liquidity represented a top priority for NEPI Rockcastle during these uncertain times. The sale of the Romanian office portfolio and the first issue of a green bond were notable achievements, leading to a strong financial position for the Group. Investors' trust in the Group's ability to weather the storm was confirmed by the very high interest in the newly issued bonds and the reconfirmation of the Investment Grade credit rating by Fitch and S&P. The Board decided to distribute in cash 90% of the distributable earnings for the second half of 2020. This indicates the Board's confidence in the Group's prospects and its commitment to continue rewarding shareholders. Proceeds from the sale of the listed securities portfolio were used to repurchase NEPI Rockcastle shares, with an accretive effect on key per share ratios. On a total shareholder return basis, NEPI Rockcastle outperformed most of its competitors and peers in 2020.

In the first half of 2020, Desmond de Beer, following a 13-year contribution to NEPI and NEPI Rockcastle's growth, stepped down as non-Executive Director. I personally benefited significantly from Des's presence on the Board and wish him well in his other endeavors.

The Board of Directors appointed two new non-Executive Directors, Steven Brown and Andries de Lange, endorsed by the shareholders' vote at the Annual General Meeting. The Board of Directors now has 10 members.

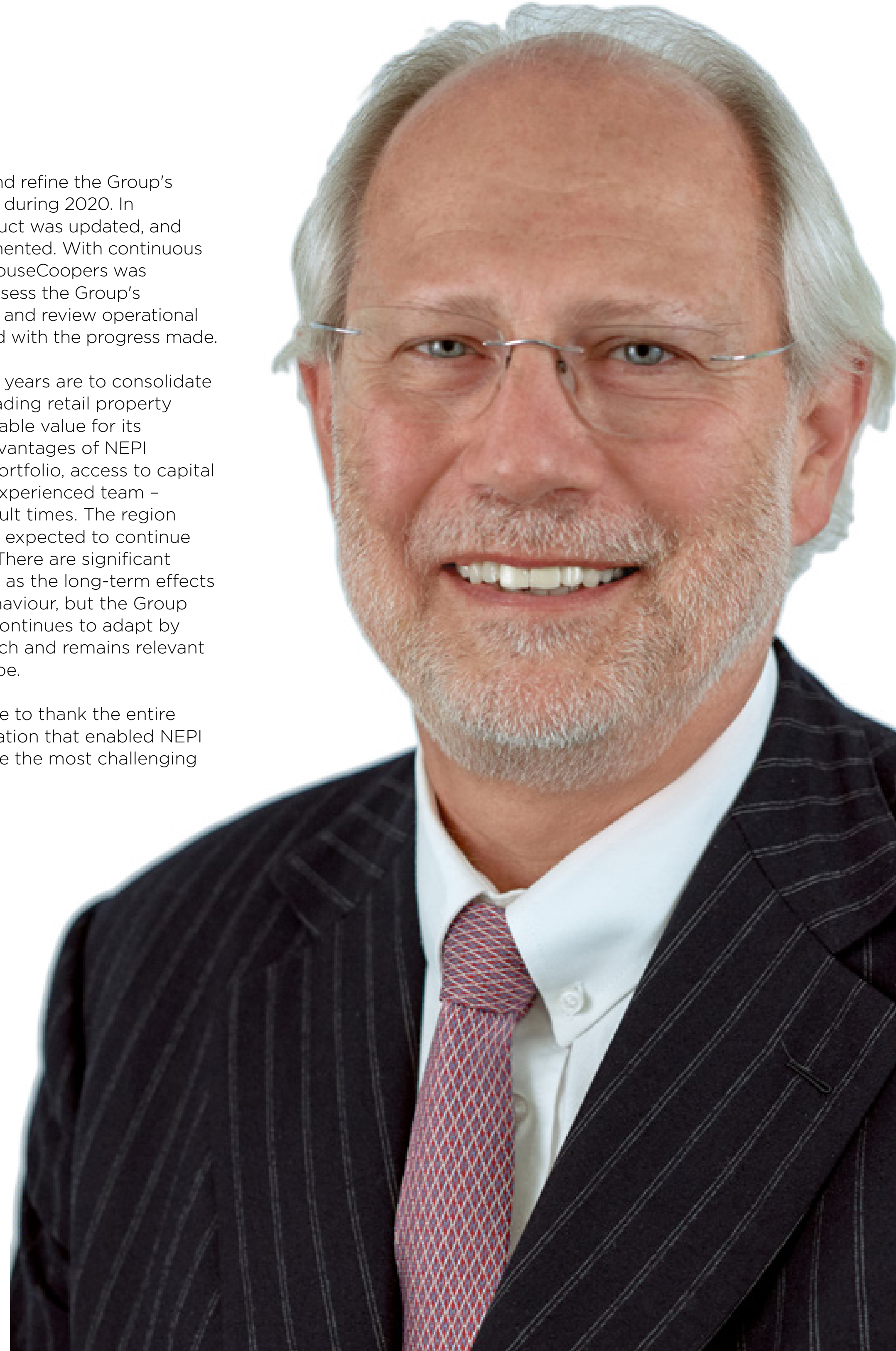
The Board continued to monitor and refine the Group's Corporate Governance Framework during 2020. In addition, the Code of Ethical Conduct was updated, and new compliance tools were implemented. With continuous improvement in mind, PricewaterhouseCoopers was commissioned to independently assess the Group's Corporate Governance Framework and review operational effectiveness. The Board is satisfied with the progress made.

The objectives for 2021 and future years are to consolidate NEPI Rockcastle's position as a leading retail property investor in CEE and create sustainable value for its stakeholders. The fundamental advantages of NEPI Rockcastle – quality of property portfolio, access to capital markets and a highly-skilled and experienced team – proved its resilience through difficult times. The region where the Group operates, CEE, is expected to continue to outperform the rest of the EU. There are significant challenges and uncertainties, such as the long-term effects of the pandemic on consumer behaviour, but the Group is well prepared to ensure that it continues to adapt by taking a consumer-centric approach and remains relevant in an ever-changing retail landscape.

On behalf of the Board, I would like to thank the entire team for the hard work and dedication that enabled NEPI Rockcastle to successfully navigate the most challenging period in its history.

23 March 2021

ROBERT EMSLIE
Chairman



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 2020 were 18.76 euro cents, which combined with the interim DEPS of 19.66 euro cents produces an annual DEPS of 38.42 euro cents, 31.8% lower than 2019 (56.33 euro cents) and in line with the latest guidance.
- The Board has declared a dividend of 16.88 euro cents per share for the second half of 2020, corresponding to 90% of the distributable earnings per share for this period. This decision is in line with NEPI Rockcastle's policy of distributing at least 90% of its distributable earnings and allows the Company to retain adequate capital as reserve, given the challenging macroeconomic environment. The distribution will be paid in cash during March 2021.
- Net rental and related income (referred to as Net Operating Income or 'NOI') was €323 million, 19.4% lower than in 2019. Part of the decrease reflects the sale of the Romanian office portfolio in August 2020 (impact of NOI loss for the year of approximately €9.2 million).
- Other factors contributing to DEPS decreasing, besides NOI, include the lack of dividend income from the listed securities portfolio and higher finance expenses due to maintaining additional liquidity compared to 2019.
- Retail NOI decreased by 18.5%, to €300.7 million, and by 21.3% on a like-for-like ('LFL') basis. The key drivers were the temporary rent concessions granted to tenants as COVID-19 support (€69.5 million recognised in 2020) and a reduction of variable (turnover and overage) rent from €33.5 million (2019) to €26.6 million (2020).
- There were 221 million visits in 2020, a decrease of 32% (32.9% LFL) vs 2019. The largest declines recorded during lockdowns (March-May and November-December), when most non-essential stores were closed.
- Tenant turnover decreased by 29.4% (excluding hypermarkets), and by 31.5% on a LFL basis.
- Occupancy cost ratio ('OCR') increased from 11.9% in 2019 to 14.5% in 2020 (excluding hypermarkets).
- Negotiations have been completed and agreements signed in relation to 2020 with more than 97% of our tenants. 6,150 addenda to lease agreements were signed, over a period of seven months. The collection rate remained high (95% of 2020 reported revenues were collected as at 31 December 2020, increasing to 97% as at mid-February 2021) and tenants received the support needed to continue operating (net expected credit losses at the end of 2020 were only 1.2% of Gross rental income and Service charge income).
- Throughout 2020, non-essential stores were closed for 73 days on average (approximately 20% of the year), with trading restrictions for certain businesses (such as restaurants, cinemas) lasting much longer. By mid-February 2021 most restrictions were lifted and 85% of Gross Lettable Area ('GLA') was operational.
- Rental concessions of €69.5 million were recognised in the Statement of comprehensive income of the period, mainly as a reduction of gross rental income or expense with partial forgiveness of receivables. Only €2.5 million, out of total rent concessions of €72 million granted for 2020, will be reflected in future Statements of comprehensive income, over the associated lease term, which on average approximates three years.
- Investment property on 31 December 2020 was valued at €5.8 billion, compared to €6.0 billion at the end of 2019 (excluding the Romanian office portfolio, classified as held for sale at 31 December 2019 and sold in 2020). The property portfolio incurred a devaluation of €345.3 million compared to previous year, corresponding to a fair value loss of 5.2% on a LFL basis.
- EPRA occupancy remained strong at 95.7%, compared to 97.9% in 2019.

PHOTO: MAMMUT SHOOPING CENTRE, HUNGARY

- EPRA Net Reinstatement Value per share was €6.45 at 31 December 2020, a 11.9% decrease compared to €7.32 at 31 December 2019, mostly due to the devaluation of the property portfolio and listed securities portfolio.
- Liquidity position on 31 December 2020 was very strong: €1.2 billion, including €643 million in cash and €575 million in undrawn committed credit facilities.
- Loan-to-value ratio ('LTV') was 31.5% on 31 December 2020, significantly below the 35% strategic target and comfortably within debt covenants.
- The launch of the Green Finance Framework and successful issuance of €500 million unsecured green bonds in July 2020 extended average debt maturity from 3.6 years on 30 June 2020 to 4.1 years on 31 December.
- The average interest rate, including hedging, was 2.3% for 2020, slightly lower from 2.4% in 2019.
- Investment grade credit ratings reaffirmed at BBB by Fitch Ratings (stable outlook) and S&P Global Ratings (negative outlook).
- Environmental, Social and Corporate Governance ('ESG') Risk Rating from Sustainalytics improved to 12.5/100 (end 2020) from 15.1/100 (end 2019), making the Group one of the top five rated real estate management companies.
- Despite challenging circumstances, the Company successfully opened a new shopping centre in Targu Mures, Romania (GLA: 40,200m^2) and completed extension and refurbishment works in Shopping City Buzau (Romania) and Forum Liberec Shopping Centre (Czech Republic). Throughout the year the Group invested €143 million in developments and capital expenditures.
- In August 2020, the Group sold its Romanian office portfolio for a transaction value of €307 million (net cash proceeds of €294.8 million).

Directors' report

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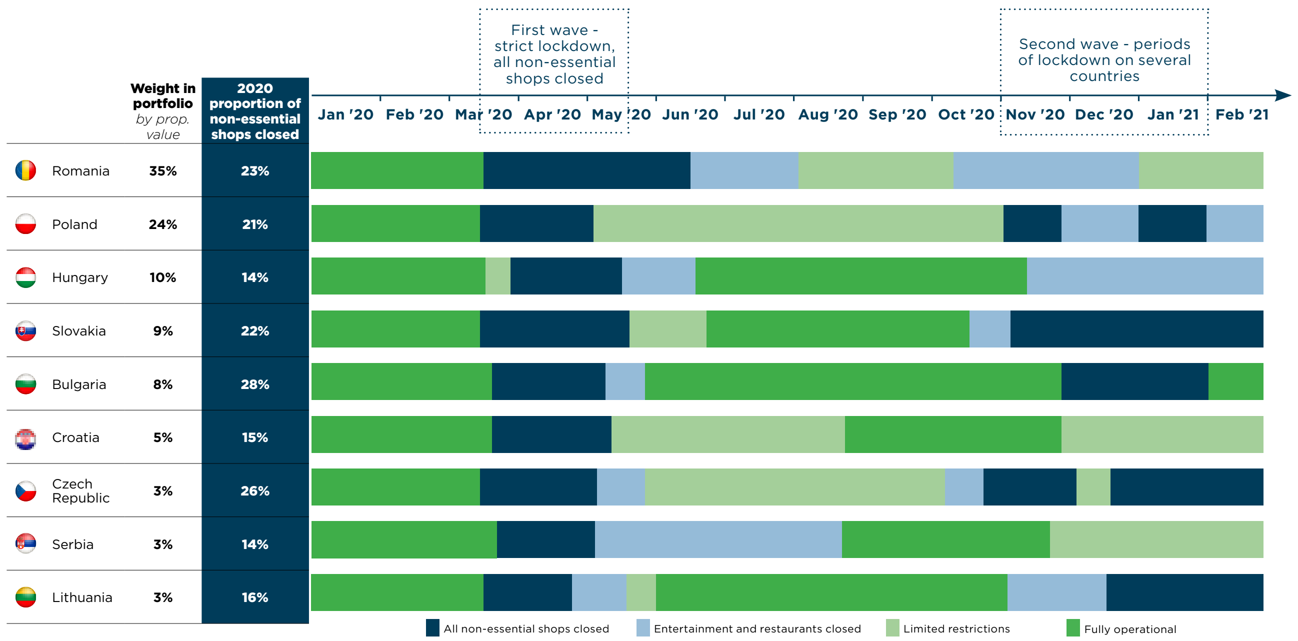
OPERATING PERFORMANCE

Trading summary

Retail performance by country 2020 (LFL)	NOI 2020 vs 2019 (%)	Tenant sales 2020 vs 2019 (%)	Footfall 2020 vs 2019 (%)
Retail LFL	(21.3)	(31.5)	(32.9)
Romania	(19.1)	(33.7)	(31.7)
Poland	(29.3)	(29.3)	(30.0)
Hungary	(18.5)	(33.7)	(34.2)
Slovakia	(17.1)	(29.4)	(38.3)
Bulgaria	(36.1)	(38.2)	(40.5)
Croatia	(9.4)	(22.3)	(24.9)
Serbia	(12.5)	(12.7)	(21.0)
Czech Republic	(13.2)	(30.9)	(32.9)
Lithuania	(5.1)	(27.8)	(34.4)

In the nine countries where the Group operates, trading was severely disrupted by restrictions introduced to prevent the spread of SARS-CoV-2 (the virus responsible for the COVID-19 pandemic). In spring 2020, during the first wave, Governments temporarily closed non-essential stores. Lockdowns were eased during the summer, allowing a partial reopening. However, restrictions were reintroduced in the fourth quarter ('Q4'), albeit in a somewhat less severe form, to combat the subsequent waves that hit the Central and Eastern Europe countries. The sequence and duration of restrictions varied by country and is illustrated below.



On average, throughout 2020, non-essential stores were closed for 73 days (approximately 20% of the year, or 21% when weighted by NOI). The longest cumulative lockdowns were in Bulgaria (101 days), Czech Republic (94 days) and Romania (85 days), and the shortest in Serbia (50 days), Hungary (52 days) and Croatia (54 days). Additionally, further restrictions were imposed on specific businesses (food service, entertainment), including limitations on capacity and opening hours.

Before the pandemic, footfall and tenant sales were higher than prior year levels. Sales, for example, cumulatively increased 9% on a LFL basis in January and February. Consumer traffic collapsed in March when non-essential stores closed and remained at less than 20% compared to previous years throughout lockdown (mostly driven by visits to essential stores). In the second quarter ('Q2'), tenant sales were 58.4% lower than Q2 2019. After reopening, there was a gradual but strong rebound throughout the summer and September, resulting in third quarter ('Q3') footfall and tenant sales only 21.7% and 12.2% less than Q3 2019, respectively. The healthy recovery indicates that consumers return to the malls when conditions normalise. Starting in October, the rise in COVID-19 cases resulted in new trading restrictions and another fall in consumer traffic, albeit less severe than in spring. The Q4 figures show a slight decrease in footfall and sales compared to Q3, but as restrictions coincided with Black Friday and Christmas the reduction compared to the previous year was higher: 35.7% and 31.6% (respectively).

Generally, tenant sales decreased less than footfall, as customers tended to reduce the number of visits to shopping centres but buy more products during a visit (e.g., the average basket value in September 2020 was 8.5% higher than in September 2019). The increase in tenant OCR reflects the sharing of the economic burden by both the Group and its tenants. While rent concessions did not entirely compensate for the decrease in turnovers, OCR remained in an acceptable range, enabling most tenants to operate profitably. Moreover, some of them received government aid as subsidies for rent and other costs (e.g., in Slovakia, Czech Republic and Lithuania), which decreased the real OCR. The fact that no major tenants went bankrupt and insolvencies were very limited even among smaller tenants proves that the Group's support was adequate.

Performance variations between countries are due to differences in length and severity of restrictions, and in the types of property prevalent in each country. Countries with shorter lockdowns, or without a second one, like Croatia and Serbia, have better trading figures. In 2020, geographical dispersal and property diversity in NEPI Rockcastle's portfolio helped mitigate the pandemic's more extreme effects. Divergent government policies regarding retail support explain variations in NOI relative to sales: in Poland landlords were forced to waive rents during lockdown, while in Slovakia, Czech Republic and Lithuania governments partially subsidised rents, sharing the burden of rent relief.

By retail category, the best performing segments in 2020 were electronics (-14% in tenant sales), health & beauty (-18%), furnishings & DIY (-21%) and sporting goods (-23%), when compared to 2019. These segments benefited from changes in consumer habits, as they adapted to new circumstances and routines. Fashion (-32%) was affected by supply problems in Q3 and trading restrictions during peak season in Q4. The most affected segments were Entertainment (-63%), Services (-52%) and Food services (-40%), all subject to the longest and most severe restrictions. Entertainment and leisure offerings will continue to provide significant appeal to the Group's shopping centres once restrictions are lifted and are expected to recover more strongly. In 2020, the diversity of the Group's offering, as well as the anchoring presence of a large grocer in almost every property, contributed to the portfolio's resilient performance.

Directors' report

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Trading restrictions and government measures

At mid-February 2021, 85% of the Group's GLA was operational. The details on a country-by-country basis are set out below:

Country	Weight in overall portfolio (%)	Operating GLA at mid-Feb (%)	Non-food retailers	Groceries and pharmacies	Restaurants, coffee shops and food courts	Cinemas, children's playgrounds, entertainment
Romania	35	98	Open	Open	Open (with restrictions)	Open (except children's playgrounds)
Poland	24	91	Open	Open	Closed (except for takeaway)	Open (with restrictions)
Hungary	10	82	Open	Open	Closed (except for takeaway)	Closed
Slovakia	9	21	Closed	Open	Closed (except for takeaway)	Closed
Bulgaria	8	91	Open	Open	Closed (except for takeaway)	Open (with restrictions)
Croatia	5	98	Open	Open	Closed (except for takeaway)	Open
Serbia	3	100	Open	Open	Open	Open
Czech Republic	3	42	Closed	Open	Closed (except for takeaway)	Closed
Lithuania	3	16	Closed	Open	Closed (except for takeaway)	Closed
Group	**100**	**85**				

PHOTO: ARENA CENTAR, CROATIA

Given the recent decrease in new cases, combined with increasing vaccination, restrictions on non-essential shops are expected to be re-considered and potentially lifted by the end of February 2021.

Some governments introduced measures supporting retailers affected by restrictions:

- Poland – lease agreements were suspended throughout lockdown, subject to a mandatory lease extension for six months plus closure period. During the suspension, no rents or service charges were due.
- Slovakia, Czech Republic, Lithuania – governments partially covered tenant payments, sharing the burden between landlords, tenants and government during lockdown (Slovakia – government matched the landlord discount, up to 50% of the rent; Czech Republic – government subsidised 50% of the rent; Lithuania – government subsidised 50% of the rent if landlords granted a 30% discount). Only Slovakia and Czech Republic have continued rent relief during the second lockdown.

Other measures taken by governments in CEE to support businesses affected by lockdowns include tax relief (deferral of liabilities, exemptions/discounts for property tax), employment support (subsidised furloughs, flexible working hours) and liquidity-enhancing measures (guaranteed loans, suspension of loan payments).

Directors' report

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ADAPTING TO THE CHANGING RETAIL ENVIRONMENT

Active asset management

In 2020, the key challenge for management was to adapt and respond to the disruptive effect of the COVID-19 pandemic. New priorities 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.

Besides such short-term objectives, management continued to take a strategic view on the composition and characteristics of its portfolio offering, taking measures to ensure the long-term success of the Group's business. Extension and refurbishment projects continued, as well as new developments that had already been initiated. Lease agreements were signed with new tenants, or renewed and extended with existing ones, improving the tenant mix. The Group is focused to adapt its retail mix to the local markets, hence 62% of the new leases were signed with local national retailers. Strategic digitalisation and omnichannel initiatives were accelerated with the introduction of new digital services, communication tools and platforms. Investments making properties more environmentally sustainable and energy efficient continued.

Specific asset management measures initiated, continued or finalised at property-level in 2020 include:

- Shopping City Buzau (Romania) – The last phase of the refurbishment opened to great success, as evidenced by the overperformance of the centre relative to the portfolio average (NOI up 29% Year on Year ('YOY'), tenant sales down only 5% and footfall down 20%, despite the long period of restrictions).
- Braila Mall (Romania) – The opening of Decathlon in September led to a performance rebound in Q4 (footfall and tenant sales were down 14% and 12% YOY respectively in Q4, compared to -28% and -32% in August).
- Shopping City Targu Mures (Romania) – The centre opened in July and, despite ongoing restrictions, performance exceeded expectations. The tenant mix will further benefit from the planned opening of Inditex brands in Q2 2021.
- Bonarka City Center (Poland) – Refurbishment works continued, new tenants were signed, and negotiations are advanced with some others.
- Galeria Tomaszow (Poland) – Despite unfavourable economic conditions, new leases were signed with Biedronka (supermarket) and Action (non-food discounter), replacing the Intermarche supermarket that closed in April.
- Focus Mall Zielona Gora (Poland) – The refurbishment and extension programme continued: part of the mall was rebuilt, some stores were renovated and a new parking was opened for customers.
- Forum Liberec Shopping Centre (Czech Republic) – The refurbishment started in 2019 was completed in 2020. Some pre-agreed tenants cancelled contracts or delayed openings due to the pandemic, but leasing picked up in second half of 2020.
- Ozas Shopping and Entertainment Centre (Lithuania) – The country's largest family entertainment park opened in 2020. The construction of a swimming pool is nearing completion and will open once restrictions are lifted.
- Paradise Center (Bulgaria) – Extension works continued in 2020. The renovation of the terrace area is almost complete. Bulgaria's first medical centre in a shopping centre opened in Q4.

Communication and marketing activities focused on supporting tenant sales through a wide range of initiatives, aimed at increasing customer loyalty and visiting frequency rather than attracting large crowds at any one time. Examples include extending the Christmas shopping period, organising cultural and technology events, loyalty programmes and pop-up stores.

The Group implemented new customer services, such as call and collect, click and collect, gift wrapping (in December) and gift deliveries.

Digital communication was extended and upgraded through several initiatives:

- Digital media strategy in Romania focused on video content and reached 50 million impressions, 5 million post engagements and 1.6 million views.
- Launched Tik-Tok channels for Serdika Center and Arena Centar featuring influencers generated content, with a total of more than 1.5 million views.
- Arena Mall in Budapest utilised social media to combine offline shopping with digital promotion, reaching 2.4 million impressions. The 'Extraordinary Christmas' digital and in-house Christmas campaign, promoted by clients via social media, obtained 6.3 million impressions.

Throughout 2020 there was increased focus on optimising property operating expenses. Some additional costs were incurred due to the introduction of exceptional health and safety measures, but overall security, cleaning and maintenance costs decreased 6% and utilities costs decreased 20% compared to previous year as systems and processes quickly adapted to the new operating regime.

Capital expenditure ('Capex') in 2020 was €21 million, with the Company prioritising work related to health and safety (the repair and upgrading of the fire detection system at City Park, roof repairs at Bonarka City Center), already committed refurbishments and tenant fit-out (Decathlon in Braila Mall, cinemas in Karolinka Shopping Centre and Mammut Shopping Centre), high-yield projects (investments in efficiency-enhancing equipment, such as LED lights and building management system upgrades) and projects targeting sustainability targets (zero waste to landfill and carbon neutrality).

Besides the specific measures implemented throughout 2020, operational resilience during this difficult year was supported by the attributes of the portfolio, features implemented in previous years (detailed below):

- All shopping malls have food anchors, which were considered essential stores in all the countries and remained open even during the strictest lockdowns. In 2020, the Group ensured that customers could access them easily and safely even when other parts of the malls were closed.
- The Group's portfolio is geographically diverse, reducing exposure to regional or local events. The diversification provided resilience during subsequent waves further to the spring lockdowns, in which some countries were more affected than others (and implemented restrictions of varying severity).
- The quality and diversity of the tenant mix maintained the appeal of the Group's properties even when certain retail categories suffered. The Group's continued focus on strong tenants, with viable business models and appealing products, limited the loss of tenants through bankruptcy or lease termination.
- The importance placed in the past on excellent accessibility and generous parking at each property proved exceedingly beneficial in 2020, as customers tended to avoid public transport.
- The presence of electronics and DIY stores, which were very successful in 2020 as people spent more time at home, ensured that the Group's centres remained popular.
- Company properties typically have large common areas and wide corridors, easily accommodating social distancing. It is worth mentioning in this context that none of the Group's properties were considered focal points of infection or an unusual health/safety threat.
- Heating, ventilation and air conditioning ('HVAC') systems are generally modern and efficient, as the Group's malls are new generation retail schemes.

Directors' report
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Tenant support

From the outset, the Group entered negotiations with all tenants affected by the pandemic, based on principles of fairness and cooperation. Clear criteria were applied to ensure a measurable and fair allocation of support, aimed at preserving the viability of the retail ecosystem and maximising value. Tenant support was allocated based on: retailer size and ability to withstand COVID-19's impact, retail category (some categories being more affected than others), importance in the retail mix, retailer footprint throughout portfolio, OCR, lockdown duration (by country/region), and long term prospects.

The Group applied the same approach across its entire portfolio. It focused on providing support to small and medium local and national retailers, for which such assistance was critical. Negotiations for support provided to international anchors and large local chains also included lease improvements giving the Company more flexibility (extension of terms, higher sales-based rents with more frequent reconciliation, removal of tenant unilateral extension or termination options) or agreeing new store openings. Where longer-term deals were agreed, clawback mechanisms were implemented (in the form of conditional concession reversals or step rents) so that the principle of 'fair sharing' remained valid. In addition to, or instead of, temporary rent reductions, NEPI Rockcastle supported tenants through deferral of rent payments, more frequent (advance) invoicing, marketing contribution relief and the reduction of non-critical operating expenses included in service charges.

During 2020, €72 million was provided as income concessions related to COVID-19 (including rent, service charges and marketing). Of this amount, only €2.5 million will be straight-lined in following years (over the associated lease terms which on average approximates three years), and the rest (€69.5 million) was fully recognised in 2020.

Rent concessions represented on aggregate approximately 13% of total income (contractual base rent plus service charge contributions and marketing fees), on a grossed-up basis (before concessions). Variations between countries were caused by the length and severity of lockdowns and by government support for tenants, which influenced the amount of concessions granted.

As a result of negotiation efforts, the collection rate for reported revenues, adjusted for concessions, in 2020 was 95% at portfolio level as at 31 December 2020 (increased to 97% as at mid-February 2021). The Group recognised net expected credit losses of €6.3 million in relation to tenants, representing only 1.2% of Gross rental income and Service charge income in 2020, which further shows the quality and resilience of the tenant mix.

Leasing

Despite difficulties, the Group continued to sign new leases and renew existing ones. Many international anchors and national retail chains are still expanding to new locations or reaffirming their commitment to the Group's properties. During 2020, 310 new leases and 388 renewals were signed. Many other leases were extended via the addenda signed in relation to the pandemic concessions. Out of all the lease agreements expiring in 2020, 80% were renewed and 15% were re-let to new tenants.

Lease terms are typically very similar to pre-COVID-19 (Euro-based, minimum five years, base rent plus service charges, marketing fees and additional turnover rent, annual indexation). Weighted average unexpired lease term ('WAULT') was largely unchanged on 31 December 2020 compared to 2019 (4.1 years).

The Company has welcomed new tenants and strengthened its shopping centres by improving the mix and quality of its offering. Some of the additions are set out below:

- **Shopping City Buzau (Buzau, Romania)**: the extension and refurbishment were completed in June and included the city's first Carturesti, Hervis, LC Waikiki, Office Shoes, Sinsay, and Tom Tailor. Cinema City will open once restrictions on indoor cinemas are lifted.
- **Mega Mall (Bucharest, Romania)**: major openings included Kiehl's, Nike (refurbishment to the latest brand concept, first in the city), Orange (relocation and store enlargement) and Vans.
- **Bonarka City Center (Krakow, Poland)**: new openings include Douglas (with the biggest store in Krakow – 530m²), Fikolki (a new education and play area for children – 580m²), Greenpoint, Kiehl's, Salomon, Soho and Tchibo. Ochnik, Peek & Cloppenburg and Zara extended their units.
- **Galeria Warminska (Olsztyn, Poland)**: Guess launched a regional flagship store.
- **Galeria Tomaszow (Tomaszow Mazowiecki, Poland)**: Biedronka, a supermarket (1,049m²) and Action, a non-food discounter (964m²) opened in December, replacing Intermarche which closed in April.
- **Mammut Shopping Centre (Budapest, Hungary)**: Regio Jatek opened a 1,000m² toy store. Other new stores include Apacs, eMag (flagship store), Nespresso and Tamaris.
- **Aupark Kosice Mall (Kosice, Slovakia)**: Burger King and Nordsee opened their first Slovakian stores outside Bratislava.
- **Aupark Zilina (Zilina, Slovakia)**: new leases were signed with DrMax, Gant, Postova Banka, Samsung Gallery (first in the region) and Sizeer.
- **Serdika Center (Sofia, Bulgaria)**: new openings include Collective, Nespresso, Nike and eMag's first showroom in Sofia.
- **Paradise Center (Sofia, Bulgaria)**: during Q4 Bulgaria's first medical centre in a shopping mall opened on a 1,000m² area. Other signings include Next Kids, Nike, Pepco and Replay.
- **Forum Usti nad Labem (Usti nad Labem, Czech Republic)**: new lease agreements signed with Running Sushi and Sportisimo.
- **Ozas Shopping and Entertainment Centre (Vilnius, Lithuania)**: the centre's offering was significantly strengthened by the opening of the largest family entertainment park in the country, Adventica (4,300m²). Other lease agreements signed include Fielmann, Grill London, Loois, Pet City and Silver Fox.

Directors' report

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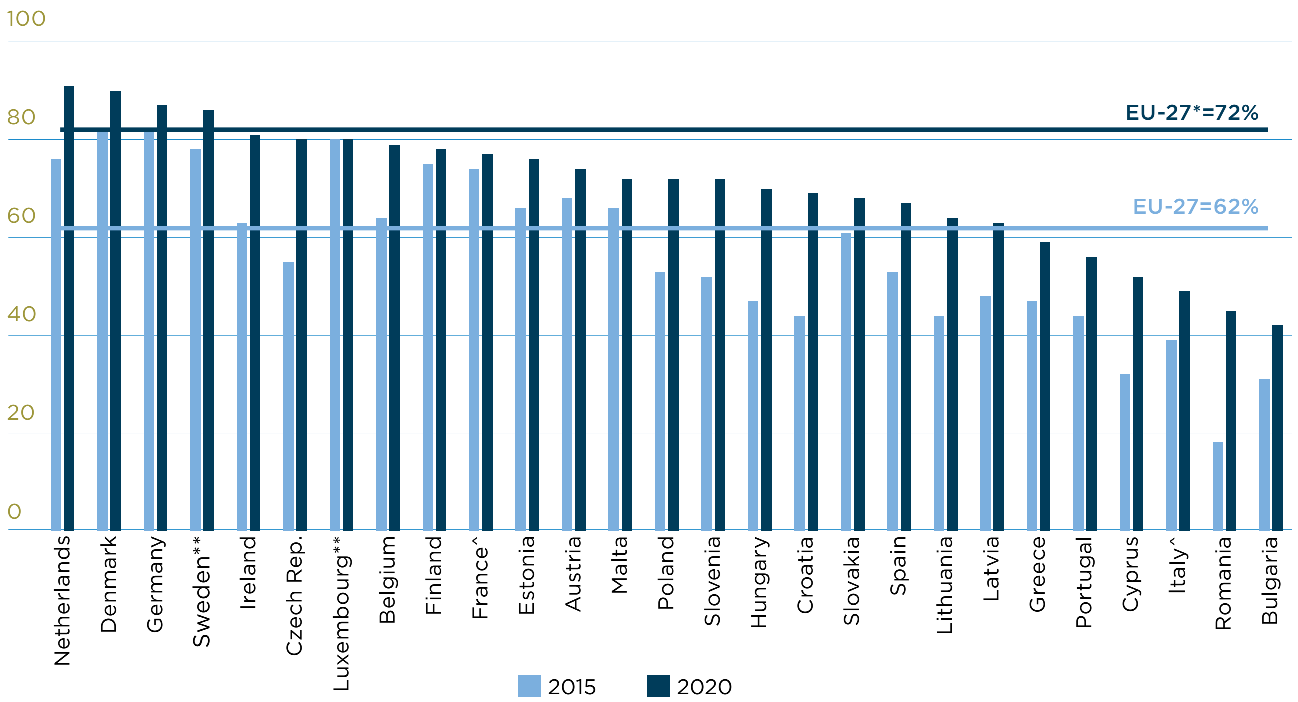
Omnichannel focus/retail transformation

The COVID-19 crisis transformed what used to be a steady evolution of online retail into a disruption. Several studies highlight a breakthrough in terms of e-commerce acceleration – some retailers report a doubling of their online sales in the lockdown periods, the e-commerce penetration reached record high levels across all age brackets, and the number of offline retailers that adopted an online selling method increased significantly.

There are some specific limitations that e-commerce is facing in most CEE countries and will continue do so for the foreseeable future: 1) the social element of a shopping trip is still very much embedded in consumers' habits; 2) consumer confidence in online payments is relatively low; 3) deliveries and returns take a long time, due to poor courier and logistics infrastructure. In 2020 consumers were forced to shop more online out of necessity rather than preference, so the share of online shopping is likely to flatten or even decrease in 2021 once traditional shopping becomes possible again. On the other hand, retail overall and private consumption are expected to continue growing at higher rates than in Western Europe and comparable to other emerging markets. There is pent-up demand for certain categories, such as fashion, that will be unlocked as the pandemic is contained. On the retailers' side, the fact that margins are higher on sales out of brick-and-mortar shops than for online sales is a strong incentive to keep their offline footprint. The combination of these factors creates the expectation that traditional retail still has significant room to grow in CEE, alongside online retail.

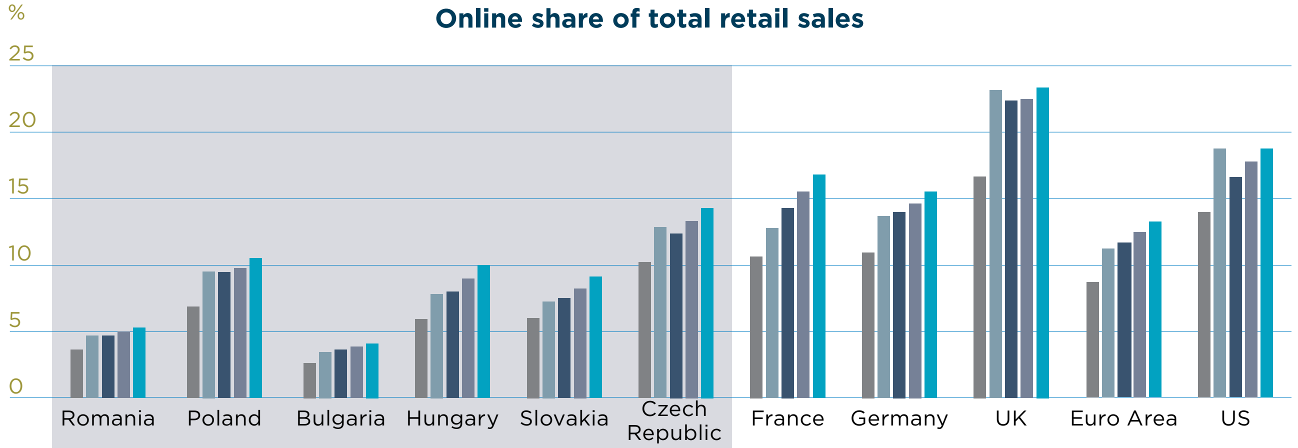
Internet users who bought or ordered goods or services for private use in the previous 12 months, 2015 and 2020

% of individuals who used internet in the previous 12 months

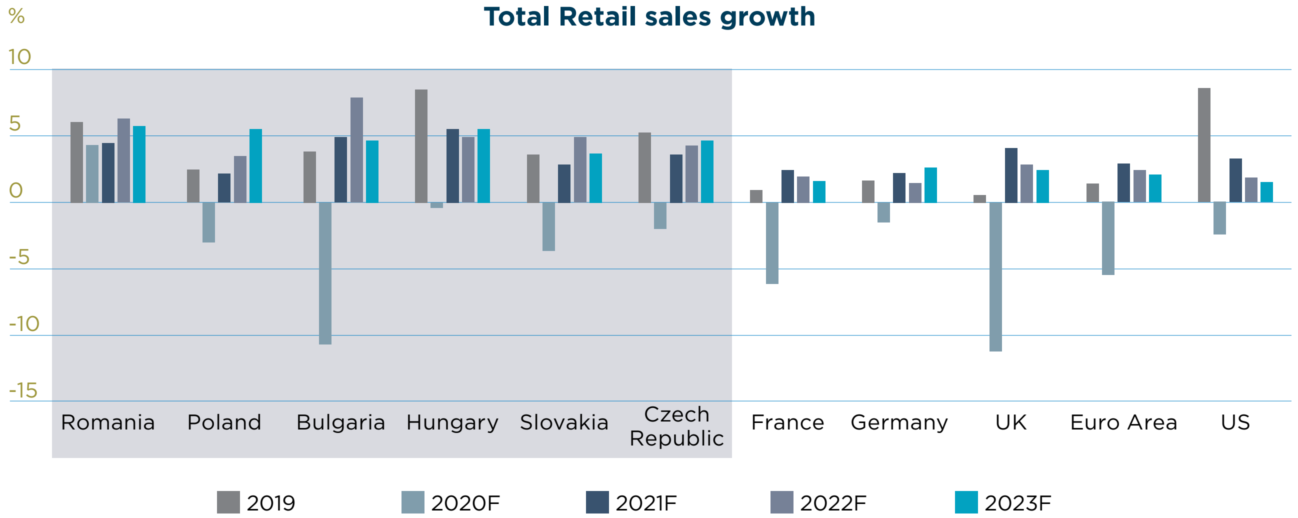


Source: Eurostat
** estimate / ** break in the series / ^ 2019 instead of 2020*

Online share of total retail sales



Total Retail sales growth



Source: Global Data

Directors' report

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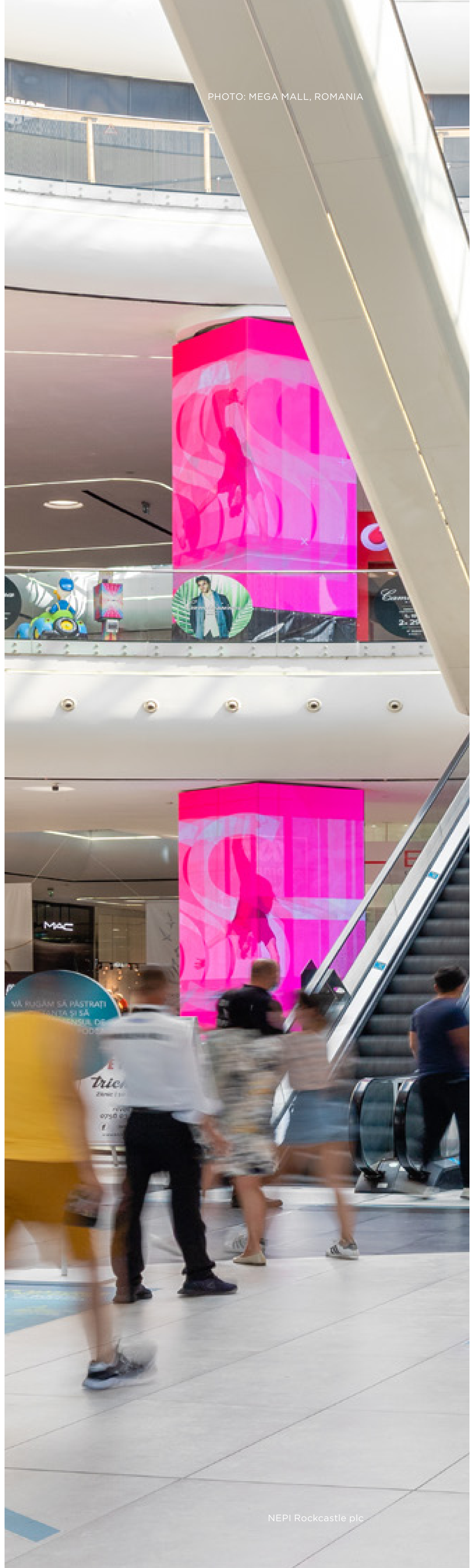
There is no doubt however that retail is changing towards an experience that is truly customer centric, tailored to suit the preferences and convenience of customers, regardless of the sales channels used. The Group has been focusing on creating an omnichannel customer experience since prior to COVID-19. The centrally located and dominant shopping centres owned in the region create an attraction point for our loyal customer base. These customers are at the centre of our omnichannel strategy. Here are some initiatives pursued as part of this strategy:

- The launch three years ago of the first loyalty mobile app in the region continued by expanding the number of shopping malls directly connected with their customer base, the largest programme of this kind in CEE. The app is now available for all the Group's properties in Poland and will soon be rolled out to other countries.
- Strong partnerships with tenants, enabling them to continue selling in critical times. Initiatives like click and collect, free shipping of Christmas gifts, or prizes driven by digital engagement have been rewarded by both customer and tenants with high engagement and sales.
- The Group adapted to the customers' increasing preference of digital communication, investing a significant proportion of the media communication budget into a diversified range of digital channels.
- Create a personalised customer engagement via different touchpoints in-store and online.
- The Group established partnerships with five proptech and fintech start-ups to enhance innovation and increase the agility and security of digital operations.

NEPI Rockcastle is actively seeking to increase the quality and attractiveness of its centres, in response to changing market trends and consumer behaviours. The focus will be on making better use of existing GLA through more dynamic tenant rotation, better services and increasing the density of our offering. Regarding the lease term, the Group takes an approach that provides more flexibility in implementing its strategy by reserving the right to make tenant mix changes and modify rents more frequently. Therefore, shorter term leases (3-4 years) are signed for tenants from retail segments with higher turnover increases. Tenants with a growing presence in the Group's centres include retailers with a strong omnichannel focus, online-native brands (such as eMag, Eobuwie, Notino) and retailers who are the best performers in their sector ('category killers'). Brands who are new on the local market will also be prioritised, to ensure the diversity and freshness of the tenant mix as a competitive advantage. Leisure and entertainment will continue to have an important role in the retail mix, although a refocus within the category is being envisaged (e.g., from cinemas to other leisure destinations).

PHOTO: MEGA MALL, ROMANIA



CEE MACROECONOMIC ENVIRONMENT

The COVID-19 pandemic and the restrictions imposed by governments to alleviate it have had a major global economic impact in 2020. CEE was not immune, but the strong economic fundamentals will help it weather this crisis and begin the path to recovery in 2021.

According to the latest IMF forecast issued in October 2020, real GDP in NEPI Rockcastle's markets is expected to have dropped by 4.9% in 2020 (on a weighted average by country share in the Group portfolio) and recover by 4.8% in 2021. GDP in 2021 is expected to be 0.3% lower than in 2019, meaning a full recovery should materialise in 2022. This is better than the expected decline of 8.3% in the Eurozone during 2020, followed by 5.2% growth in 2021, and the European Union's ('EU') predicted decline of 7.0% in 2020, with a 4.7% rise in 2021.

Private consumption decreased less than GDP in 2020 (-1.7%) as it was supported by government fiscal and financial stimulus. As the economy rebounds and people return to the shops and start using the services discontinued during the pandemic, private consumption is expected to increase by 7.8% in 2021. This is despite unemployment having risen from 4.3% in 2019 to 6.6% in 2020, and predicted levels remaining close to 6% in 2021.

Inflation decreased from 3% in 2019 to 2.6% in 2020, with a further decrease to 2.3% expected in 2021. Budget deficits and public debt soared in 2020, but from relatively low levels, and with persistently low interest rates the threat to macroeconomic stability is limited.

The actual outcome will heavily depend on the pandemic and the success of vaccinations. Based on current data, the signs are encouraging, suggesting an economic rebound is near. Throughout the whole CEE, new COVID-19 cases have been declining in 2021. Reduction rates vary, but no countries are showing an upward trend. The sharpest declines are in Czech Republic, Romania and Lithuania. On average, the number of COVID-19 cases in CEE per million inhabitants is still lower than in some of the leading countries in Western Europe (WE), including UK, France and Spain.

On 15 February 2021, the vaccination rates in most Group regions were higher than the EU average. The weighted average by population size was 3.4%, compared to the EU average of 3.1%. The highest rate was in Serbia (9.1%), the only non-EU portfolio country and therefore not included in its vaccination programme, followed by Slovakia (4.1%), with Bulgaria having the lowest rate (0.8%).
Further economic support may be provided by states and the EU, as it has relaxed existing rules to accommodate increasing fiscal deficits and finance stimulus measures for households and companies. This includes establishing the EU Recovery Fund worth €750 billion (€390 billion in grants; €360 billion in low-interest loans). CEE is allocated 25% (€187 billion) with Poland (€65 billion) and Romania (€33 billion) the major beneficiaries, while Bulgaria and Croatia receive most as a proportion of GDP (20.4% and 18.6% of 2019 GDP respectively). The majority of funding should finance infrastructure, green projects and improving economy's structural efficiency. The Recovery Fund is in addition to the EU's regular seven-year budget for 2021-27 (EU Cohesion Fund), with a total size of €1.1 trillion.

CEE's relatively good macroeconomic prospects, combined with commercial real estate advantages (lower online penetration, less and more modern physical retail stock, higher yields/more conservative property valuations compared to WE), contribute to the region's attractiveness as an investment destination.

Directors' report
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DEVELOPMENT UPDATE

NEPI Rockcastle maintains a flexible approach to developments, enabling it to revise pipeline expenditure during 2020 and focus on committed ongoing projects. Similarly, construction costs are committed gradually, with most projects utilising a package-contracting approach. This means the use of general contractors is limited, enabling the Group to suspend, or terminate, specific activities with relative ease and exercise a high degree of control over the quality and timing of works and cash outflows.

The projects completed during 2020, or committed on 31 December 2020, are detailed below:

SHOPPING CITY TARGU MURES
Targu Mures, Romania

A new 40,200m^2 shopping mall was completed in Targu Mures, a vibrant, multicultural and central Romanian city of 148,000 residents and home to one of the country's largest urban Hungarian communities. The opening had two phases, the first in June and the second in July. Currently the mall is 95.8% leased, with 85% of tenants (34,100m^2 of GLA) already trading. The cinema and children's playground are temporarily closed, as per national regulations. Tenants include Carrefour, CCC, Cineplexx, Defacto, Douglas, Flanco, eMag, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Cropp, House, Reserved and Sinsay), New Yorker, Pepco and Sephora.

SHOPPING CITY BUZAU
Buzau, Romania

The last phase of the refurbishment project including a new outdoor terrace and a six-screen Cinema City was completed. The centre now has 23,700m^2 GLA with a tenant mix that includes Altex, Carrefour, CCC, Cinema City, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Sinsay), New Yorker, Noriel and Pepco. The newly refurbished centre opened in June, when the trading ban on non-essential shops (excluding restaurants and cinemas) was lifted.

PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

BONARKA CITY CENTER
Krakow, Poland

Major construction works for the redevelopment of several units and common areas were completed. Apart, Costa, Greenpoint, Jubitom, Pandora and Pinko opened their stores after extensions and renovations.

FORUM LIBEREC SHOPPING CENTRE
Liberec, Czech Republic

Refurbishment was completed, and the occupancy permit obtained in May 2020, as scheduled. Several brands opened in H2, significantly improving the tenant mix: Apart, Aurayum, Bata, Corial, Cross Café, Desigual, Eiffel Optic, Fortuna, JRC Games, Rituals, Running Sushi, Sephora and Xiaomi.

FOCUS MALL ZIELONA GORA
Zielona Gora, Poland

Construction of the 15,700m^2 GLA extension is progressing, with the opening expected in Q3 2021. New tenants include Adidas, Apart, Express Marche, Millennium Bank, New Balance, Pandora and Time Trend.

During 2020, NEPI Rockcastle spent €143 million on developments and capital expenditures. Following a comprehensive review, the Group actively optimised capital allocation, including deferring non-committed developments and capital expenditure projects. However, no projects were cancelled. Significant progress was made with the permitting on Promenada Mall extension and Promenada Craiova, a new 56,500m^2 GLA modern retail and entertainment destination in one of Romania's premier cities. The Group will continue to invest in developments contributing to growth and improving long-term portfolio prospects, and will constantly monitor, and revise, the development pipeline in line with current objectives and constraints. The Group estimates to invest in 2021 €95 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.

Directors' report

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ROMANIAN OFFICE PORTFOLIO DISPOSAL

As previously announced, NEPI Rockcastle concluded an agreement with AFI Europe on 6 August 2020 to dispose of 100% of shares in subsidiaries holding the Romanian office portfolio, with a total GLA of 117,500m^2, for a transaction value of €307 million (equivalent to a blended yield of approximately 8%). The transaction generated a net gain on disposal of €2.6 million. Closing took place on 27 August 2020. The final cash consideration was €294.8 million (of which €294.0 million were fully settled by year end). The difference to the transaction value includes standard adjustments for working capital and deferred tax. No material changes were made to the original 2019 terms. Apart from market standard representations and warranties, the Group has no outstanding commitments in relation to the disposed assets.

URW SHARE PORTFOLIO DISPOSAL AND NEPI ROCKCASTLE SHARE REPURCHASE

As announced on 7 December, NEPI Rockcastle disposed of its remaining listed securities portfolio, consisting of 1,202,008 shares in Unibail-Rodamco-Westfield (URW) for a consideration of approximately €75 million. The €25 million net loan facility associated with the URW shares was repaid in August, using part of the proceeds from the sale of the Romanian offices. The proceeds from the URW shares were used to repurchase 17,717,760 NEPI Rockcastle shares, representing 2.95% of the Company's issued share capital. This transaction was executed between 23 November and 4 December, was in line with the Group's previously announced (and gradually implemented) strategy of redeploying capital from listed securities and prompted by the improvement in the URW share price immediately prior to the sale. The Transaction was accretive in terms of EPRA Net Reinstatement Value per share from 2020 by 1%, and is estimated to be accretive in terms of Distributable Earnings per share and EPRA Earnings per share mostly starting 2021 (given the antecedent earnings adjustment for 2020 and the limited time period from implementation until year-end).

ESG FOCUS

Environmental and social initiatives

NEPI Rockcastle increased its long-term commitment to sustainability via several measures:

- Implementing a Green Finance Framework and enhancing the transparency of its portfolio and business operations, as well as disclosures. The Company has committed to use proceeds from green bonds to finance or refinance existing and future projects which improve the environmental performance of the Group's property portfolio. The Green Framework (available on NEPI Rockcastle's website) defines eligibility criteria according to two types of green assets/initiatives: certified green buildings and energy efficiency projects. A successful €500 million green bond issuance followed soon after the Green Framework has been implemented (see Cash management and debt), resulting in the expansion of the investor base.
- Strengthening the link between ESG performance and one of the revolving credit facilities ('RCF') extended in 2020, ensuring that should the ESG risk rating increase, the margin of the RCF will increase, and vice versa.
- All eligible NEPI Rockcastle properties have obtained either Very Good or Excellent Building Research Establishment Environmental Assessment Method (BREEAM) certification, and, where technically possible, 50% of the Group's aggregated energy consumption comes from renewable sources.
- More than 50% of shopping centres have charging stations for electric cars and the Company is finalising the implementation of the new waste management system, ensuring zero waste to landfill from 2025.
- Aiming to increase Global Reporting Initiative ('GRI') reporting to Comprehensive, enabling stakeholders to benchmark NEPI Rockcastle's disclosure and performance against its peers.
- Finalising the Group's implementation of the Environmental and Sustainable Acquisitions Policies.

Health and safety

Maintaining the health and safety of customers, tenants and staff has been the overriding priority in 2020. Consequently, NEPI Rockcastle implemented a plan ensuring adherence to authorities' recommendations and industry best practices. On 31 December 2020, 79% of centres had obtained a Safe Shopping Centre Certificate, an international confirmation that they meet the highest standards of health and safety in relation to COVID-19 by enabling customers to shop in safety, and the first such accreditations received by any mall operator in Bulgaria, Croatia, Poland, Romania, Lithuania and Serbia.

All centres continuously implement the highest health and safety specifications, including: social distancing; enforcing all measures and meeting all standards recommended by the World Health Organisation ('WHO'); fresh air ventilation and ensuring all HVAC filters receive antiseptic treatment; hourly disinfection of frequently used areas; using new, self-cleaning nano-technology materials on all frequently touched areas; hand sanitising dispensers positioned at all access points; face mask provision, and temperature checks.

Community support

In Romania, over 90% of malls implemented programmes helping local communities cope with the pandemic, for instance: doneaza.nepirockcastle.com facilitated donations to the Romanian Red Cross which was promoted on all Romanian shopping centres' websites; sanitary containers were provided for the country's first private COVID-19 hospital set-up by Auchan and Leroy Merlin, and more than ten shopping centres ran community campaigns rewarding front-line medical workers with vouchers.

In Serbia, a platform was implemented in shopping centres raising money for the Red Cross of Vojvodina. Other local actions included The Empty Shop campaign in Kragujevac Plaza and Promenada Novi Sad, which collected 5.1 tonnes of donated second-hand clothes and distributed them to people in need.

In Bulgaria, NEPI Rockcastle supported the local United Against COVID-19 fund, Paradise Center donated protective clothing, safety face shields and goggles to seventeen neonatal wards and a pop-up store supporting the Shop for a Cause campaign was organised in Serdika Center.

In Poland, the initiative #MallsOpenForHelp provided personal protection equipment, including masks, face shields and disinfectant to medical units. In December containers for collecting bottle caps were placed in front of Pogoria Shopping Centre, Aura Centrum and Galeria Warminska. The money earnt was donated to local charities through Eko Serce (Eco Heart).

Changes to the Board of Directors

As announced on 28 April 2020, Mr. Sipho Vuso Majija has ended his appointment as a non-Independent non-Executive Director. The Board has approved the appointment of Mr. Steven Brown as a non-Independent non-Executive Director, with Mr. Majija acting as alternate to Mr. Brown. Mr. Brown has a strong background in the property industry, currently acting as Chief Executive Officer and Managing Director of Fortress REIT, a company he joined in December 2015, following its acquisition of Capital Property Fund.

As announced on 28 May 2020, Mr. Desmond de Beer has retired from the Board, together with Mr. Alan Keith Olivier who acted as his alternate. Mr. de Beer was a non-Independent non-Executive Director of NEPI from 2008 and the Chairman of its Investment Committee and was appointed as a non-Independent non-Executive Director of NEPI Rockcastle on 15 May 2017. The Company values Mr. de Beer's contribution to NEPI and NEPI Rockcastle.

The Board appointed Mr. Andries de Lange as non-Independent non-Executive Director with effect from 27 May 2020. Mr. de Lange has extensive experience of leadership roles, with a core specialty in corporate finance and the property industry.

As announced on 29 September 2020, the Board approved the appointment of Mr. Andreas Klingen, an existing Independent non-Executive Director, to act as a member of the Nomination Committee and Lead Independent Director, effective from 28 September 2020. As Lead Independent Director, Mr. Klingen will be tasked with: leading the Board in the absence of the Chairman; serving as a sounding board or trusted adviser of the Chairman; acting, if necessary, as an intermediary between the Chairman and other members of the Board; chairing discussions and decision-making by the Board on matters where the Chairman may have a conflict of interest, and leading the performance appraisal of the Chairman with the other non-Executive Directors ('NED') without the Chairman present.

Corporate Governance Framework

Throughout 2020, the Group continued to strengthen its Corporate Governance Framework, designed to ensure material compliance with King IV, as well as to voluntarily align with relevant guidance in Dutch and UK governance codes, under the close guidance of the Audit Committee.

With continuous improvement in mind, PricewaterhouseCoopers ('PwC'), Isle of Man, were engaged to independently assess the Group's Corporate Governance Framework and review operational effectiveness. As a result, significant alignment was achieved between the three codes and PwC's recommendations were implemented to further enhance the Company's already robust and comprehensive framework. PwC's recommendations regarding increased effectiveness were considered by the Audit Committee and management, and implementation prioritised starting the end of 2020, with sustainable application beginning 2021.

Directors' report
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ACCOUNTING, AUDIT AND VALUATION MATTERS

Accounting of COVID-19 impact on 2020 results

Rent discounts

During 2020, the Group results reflected rent concessions worth €69.5 million, and further €2.5 million are expected to be accounted for over the associated lease term, which on average approximates three years.

Reduction of gross rental income

The Polish government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency. This relief, without changes to the lease contract and legally enforced, has been recognised in the Statement of comprehensive income, as a reduction of Gross rental income (impact of €12.6 million) and Service charge income (impact of €3.7 million), and as a decrease of Trade and other receivables, in the Statement of financial position.

In some instances, the Group agreed to variable discounts contingent upon tenants' performance dropping below a certain threshold. In 2020 these discounts amounted to €5.0 million, recognised in the Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Partial forgiveness of receivables

In order to maintain a long-term functioning retail environment, and based on tenant negotiations, the Group granted voluntary rental concessions for lockdown, and/or immediately after lockdown. Discussions with retailers regarding COVID-19 support continued in all countries throughout the year end and by 31 December 2020 lease modifications (see definition below) were signed by tenants representing 97% of Gross rental income.

For the period prior to the signing of lease modifications, receivables already accrued in accordance with the lease agreements in force were 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 €47.0 million, were fully accounted for in the Statement of comprehensive income as "Partial forgiveness of receivables (COVID-19 Forgiveness)", and "Trade and other receivables" in the Statement of financial position, in accordance with International Financial Reporting Standards ('IFRS') 9 "Financial Instruments" (in relation to impairment of receivables). This is also in accordance with IFRS 16, allowing rental income to be recognised even if recoverability is uncertain and requiring rental modifications to be accounted for prospectively from the effective date of modification. This approach emphasises the Group's commitment to the fair and transparent reporting of the impact of pandemic and 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", which 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 overage/turnover rents, introduction of break options, etc. Lease modifications are recognised prospectively over the new term and accounted for by the Group from the date the modification is contractually agreed and signed.

Agreed lease modifications are recognised as lease incentives from the date the modification was signed, are straight-lined over the new lease term and recognised in the Statement of comprehensive income as a reduction of Gross rental income. The reduction recognised in the Statement of comprehensive income was €1.2 million, further to the impact of straight-lining over future reporting periods of €2.5 million (cash discounts of €3.7 million).

Tenant receivables

As at 31 December 2020, tenant receivables amounted to €36.4 million (VAT included, net of provisions), of which €14.9 million were overdue. This balance is adjusted for provisions and rent reliefs and concessions, either imposed by law or negotiated. The collection rate for 2020, adjusted for concessions granted, was 95% as at 31 December 2020 (this increased to 97% as at mid-February 2021). The Group expects to collect the outstanding tenant receivable balance.

External Independent audit opinion

The audit report on the Group'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 relevant subsidiaries and issue their interoffice audit reports to PwC Isle of Man. The audit opinion is unmodified. The emphasis of matter present in the June review report is no longer applicable, as the material valuation uncertainty clause was removed from all valuation reports.

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	33%
Cushman & Wakefield	Hungary, Lithuania, Poland	32%

On 31 December 2020, the portfolio was independently valued. These appraisals have been performed in the context of the COVID-19 pandemic and prophylactic measures. On the valuation date, property markets were predominantly functional, with transaction volumes and other relevant evidence at levels where enough evidence existed to form valid opinions of value. Thus, the valuation reports no longer included any 'material valuation uncertainty' as defined by the Royal Institution of Chartered Surveyors ('RICS'), as they did in the June 2020 reports. The appraisers have factored into the December 2020 valuations the potential impact of COVID-19 by modifying two sets of assumptions:

- Assumptions affecting short-term cash flows: depending on the country and performance of specific assets, the appraisers considered various lengths of rent holidays, prolonged void periods and higher unpaid rents for the upcoming periods. The appraisers also considered lower tenant sales-based rents and ancillary income over the upcoming periods.
- Assumptions affecting long-term cash flows and values: appraisers increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity, value and growth prospects on exit.

On 31 December 2020, the fair value loss recognised in relation to the investment property portfolio amounted to €345.3 million (detailed below). Compared to 30 June 2020, the additional decrease in fair value was €108.7 million.

Country*	Market value December 2019	Market value December 2020	Fair value gain/(loss) 2020**
Romania	2,091,484	2,026,644	(113,640)
Poland	1,433,069	1,386,995	(94,993)
Hungary	603,900	577,200	(29,501)
Slovakia	554,872	523,644	(33,029)
Bulgaria	514,770	486,807	(31,555)
Croatia	275,600	262,330	(13,403)
Serbia	201,130	191,949	(15,950)
Czech Republic	182,900	171,000	(16,068)
Lithuania	132,580	141,980	3,823
Total	**5,990,305**	**5,768,549**	**(344,317)**

**Excluding joint ventures, other properties held for sale and right-of-use assets with total impact in fair value of €1 million.*
***Includes additional capital expenditures incurred*

Directors' report
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EPRA INDICATORS

In October 2019, the European Public Real Estate Association ('EPRA') introduced new asset value metrics noting that while Net Asset Value ('NAV') is a key performance measure used in the real estate industry, when used in financial statements under IFRS regulations it may not provide the most relevant information on the fair value of the assets and liabilities. As property companies have evolved into actively managed entities, including non-property operating activities, this has resulted in more active ownership, higher asset turnover, and balance sheet financing has shifted from traditional bank lending to capital markets.

The new guidelines are meant to reflect this nature of property companies. Hence, EPRA NAV and EPRA NNNAV are replaced by three new Net Asset Valuation metrics: EPRA Net Reinstatement Value, EPRA Net Tangible Assets and EPRA Net Disposal Value.

EPRA indicators	31 December 2020	31 December 2019
EPRA Earnings (€ thousand)	240,770	330,623
EPRA Earnings per share (€ cents per share)	39.81	55.79
EPRA Net Initial Yield ('NIY')	6.70%	6.65%
EPRA topped-up NIY	6.75%	6.71%
EPRA Vacancy Rate	4.3%	2.1%
EPRA Net Reinstatement Value ('NRV') per share (€)*	6.45	7.32
EPRA Net Tangible Assets ('NTA') per share (€)*	6.42	7.25
EPRA Net Disposal Value ('NDV') per share (€)*	5.79	6.61
EPRA Cost ratio (including direct vacancy cost)	10.5%	8.1%
EPRA Cost ratio (excluding direct vacancy cost)	10.3%	8.0%

**NRV, NTA and NDV measures effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. 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 through the Gold Award, the highest standard for transparency of financial performance measures.

CASH MANAGEMENT AND DEBT

The Group had strong liquidity on 31 December 2020, with €643 million in cash and €575 million in undrawn committed credit facilities.

NEPI Rockcastle's gearing ratio* (interest bearing debt less cash, divided by investment property) was 31.5%, a comfortable level even after accounting for the devaluation of the property portfolio in the COVID-19 context.

On 31 December 2020, ratios for unsecured loans and bonds showed ample headroom compared to covenant thresholds:

- Solvency Ratio: 40%, compared to a maximum covenant threshold of 60%;
- Consolidated Coverage Ratio: 4.8, compared to a minimum covenant threshold of 2;
- Unencumbered consolidated total assets/unsecured consolidated total debt: 261% actual, compared to a minimum covenant threshold of 150%.

**The reported gearing ratio (LTV) excludes the €33.9 million right-of-use assets and associated lease liabilities as at 31 December 2020.*

Liability management and bond issue

In January 2020, the Group successfully repurchased the outstanding bond notes due February 2021, with a nominal value of €198 million. In addition, in June 2020, another €5 million were repurchased from the outstanding bonds on that date.

In July 2020, after a roadshow with European fixed-income investors, NEPI Rockcastle issued a €500 million inaugural green unsecured bond, with seven-year maturity, 3.375% fixed coupon and 98.172% issue price. The green bond issue improved the liquidity position of the Group, which had a total liquidity of approximately €1.2 billion in cash balances and undrawn credit lines on 31 December 2020.

In addition, the Group repaid in full the loan associated with the listed securities and later sold this portfolio. Also, the Group extended the availability of two unsecured committed revolving credit facilities:

- the revolving credit facility from Raiffeisen Bank International was extended for two years, until 31 December 2022;
- the revolving credit facility from a four banks syndicate was extended with an additional year, until December 2023.

Cost of debt

The average interest rate, including hedging, was 2.3% for 2020, slightly lower from 2.4% in 2019.

As of 31 December 2020, fixed-coupon bonds represented 80% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor, 42% was hedged with interest rate caps and 48% 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. Depending on market conditions, the Group may initiate a repurchase of issued bonds or shares during the following reporting periods.

Directors' report
» continued

2020 EARNINGS DISTRIBUTION

The Board has declared a dividend of 16.88 euro cents per share for the second half of 2020, corresponding to 90% of the distributable earnings per share for this period. This decision is in line with NEPI Rockcastle's policy of distributing at least 90% of its distributable earnings and allows the Company to retain adequate capital as reserve, given the challenging macroeconomic environment. The distribution will be paid in cash during March 2021, and further detailed announcements will follow.

As previously announced, the Company did not declare a dividend for the six-month period ended 30 June 2020. The Company instead allotted and issued fully paid ordinary shares as a capitalisation issue to the Company's shareholders, pro-rata to their shareholding, at a ratio of 4.2920 ordinary shares for every 100 ordinary shares held. The rationale for the capitalisation issue was to ensure that NEPI Rockcastle maintains a strong balance sheet and ample liquidity while also returning value to shareholders during the challenging operating environment.

As described above, NEPI Rockcastle has repurchased and subsequently cancelled 17,717,760 own shares (representing 2.95% of the Company's issued share capital) in Q4 2020. The repurchase was funded from the proceeds of the listed portfolio divestment and will have a positive effect on the Company's key metrics.

PROSPECTS AND EARNINGS GUIDANCE

Distributable earnings per share for 2021 are expected to be approximately 10% higher than the 2020 distributable earnings per share. This guidance does not consider the impact of potential further systemic macroeconomic disruptions (such as those induced by new broad lockdowns in CEE countries, in addition to the ones already in place for announced periods which are reflected in the above guidance) 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.

24 February 2021

PHOTO: MEGA MALL, ROMANIA

The above Directors' report has been published on 25 February 2021, together with the audited financial statements.

Further to the publication of the above Directors' report, Governments reassessed the adopted trading restrictions, as set out in the below table.

As a result of the temporary closure of the non-essential stores up to the end of March /beginning of April, tenants occupying approximately 58% of the Group's GLA are operational as at 23 March 2021.

Country	Weight in overall portfolio (%)	Operating GLA at mid-Feb (%)	Operating GLA at 23 March (%)	Non-food retailers	Groceries and pharmacies	Restaurants, coffee shops and food courts	Cinemas, children's playgrounds, entertainment
Romania	35	98	93	Open	Open	Closed*	Closed (local restrictions affect cinemas)
Poland	24	91	31	Closed	Open	Closed*	Closed
Hungary	10	82	29	Closed	Open	Closed*	Closed
Slovakia	9	21	21	Closed	Open	Closed*	Closed
Bulgaria	8	91	30	Closed	Open	Closed*	Closed
Croatia	5	98	98	Open	Open	Closed*	Open
Serbia	3	100	10	Closed	Open	Closed*	Closed
Czech Republic	3	42	42	Closed	Open	Closed*	Closed
Lithuania	3	16	16	Closed	Open	Closed*	Closed
Group	**100**	**85**	**58**				

** except for takeaway and outdoor terraces*

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 221 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 2020, the LTV ratio was 31.5%, while 83% of total assets were unencumbered**.

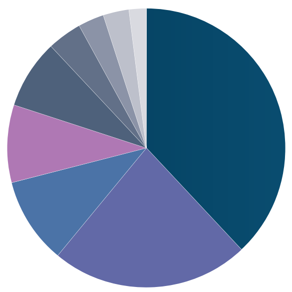
PHOTO: BONARKA CITY CENTER, POLAND

Value creation through the six capitals

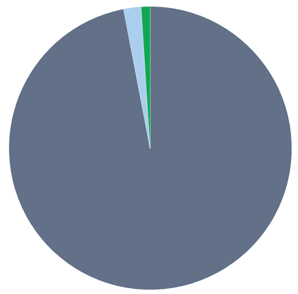
CAPITAL INPUTS	OUTCOMES
Financial capital • €2.5 billion debt • €3.6 billion equity (share capital and share premium)	• Loan-to-value ratio of 31.5%, below the strategic threshold of 35% • Reduced average cost of funding to 2.3% (2019: 2.4%) • €203 million repurchased bonds • Repurchase of 17.7 million shares • BBB investment-grade credit rating by S&P and Fitch reaffirmed in the year
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	• Sector specific specialists across asset management, finance and deal making • Best in class operational and financial performance ratios
Intellectual capital • Strong name and reputation • Operating systems and processes • Strong Corporate Governance • Access to capital (debt and equity)	• Access to CEE acquisition pipeline • Strong partnership with CEE retailers • 95% collection rate (despite COVID-19 context)
Social and Relationship capital • Engaged stakeholder relationships • Investor roadshows • Active monitoring of legislative and regulatory changes • Community support projects	• Dedicated resources to stakeholder relations • **EPRA Gold Award** for compliance with Best Practices Recommendations for financial reporting • In the **Top 5** Sustainalytics rated companies in Real Estate Management **(low risk - 12.5/100)** • **AA ESG rating leader** among 91 companies in the real estate management & services industry
Manufactured capital • Local property portfolio • Local investments	• €5.8 billion investment property portfolio • Modern, high-quality assets (over 94% 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
Natural capital • Energy • Water • Land	• Green Finance Framework implemented in 2020 • 40% of the Group's energy consumption comes from renewable energy sources

Portfolio at a glance

GEOGRAPHICAL PROPERTY PORTFOLIO PROFILE



SECTORAL PROPERTY PORTFOLIO PROFILE



Geographical property portfolio profile by gross rentals:
Romania - 37%, Poland - 22%, Bulgaria - 9%, Slovakia - 9%, Hungary - 9%, Croatia - 5%, Serbia - 4%, Czech Republic - 3% and Lithuania 2%.

Sectoral property portfolio profile by gross rentals:
Retail - 98%, Office - 2% and Industrial - <1%.

Geographical property portfolio profile by rentable area:
Romania - 42%, Poland - 23%, Bulgaria - 8%, Slovakia - 6%, Hungary - 6%, Czech Republic - 4%, Croatia - 4%, Serbia - 4% and Lithuania 3%.

Sectoral property portfolio profile by rentable area:
Retail - 97%, Office - 2% and Industrial - 1%.

KEY PROPERTY INFORMATION*

	Group 31 Dec 2020	Group 31 Dec 2019
Total number of properties	**60**	**64**
Income-producing properties	58	61**
Greenfield developments	2	3
Extensions to existing properties	3	8
Property portfolio value (€ million)	5 802	6 330
Annualised property yield (by passing rent)	7.0%	6.8%
Lettable area (thousand m²)	**2 227**	**2 382**
Income-producing properties	2 030	2 103
Greenfield developments and extensions (estimated)	197	279
Weighted average unexpired lease term	**4.1**	**4.0**
Weighted average rent (€/m²/month)	**16.0**	**16.4**

** Excludes non-core properties held for sale and joint ventures.*
***Includes Romanian office portfolio, held for sale as at 31 December 2020.*
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 2020*	Capitalisation rate 31 Dec 2020**
Colliers International	Romania	Retail	26	6.75%	7.25%
Colliers International	Romania	Industrial	2	8.25%	9.75%
Cushman & Wakefield	Poland	Retail	12	5.25%	6.25%
Jones Lang LaSalle	Slovakia	Retail	5	6.00%	6.60%
Jones Lang LaSalle	Slovakia	Office	1	5.75%	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	3	8.25%	8.50%
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 2020*
*** 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 index-linked leases to the European Consumer Price Index ('CPI') and partially due to contractual gradual rental lease increase as per existing contracts as at 31 December 2020. Out of the total operational GLA as at the year end, the weighted average rental escalation by rentable area is presented below:

TOTAL	**0.8%**
Retail	0.8%
Office	0.8%
Industrial	0.4%

VACANCY PROFILE

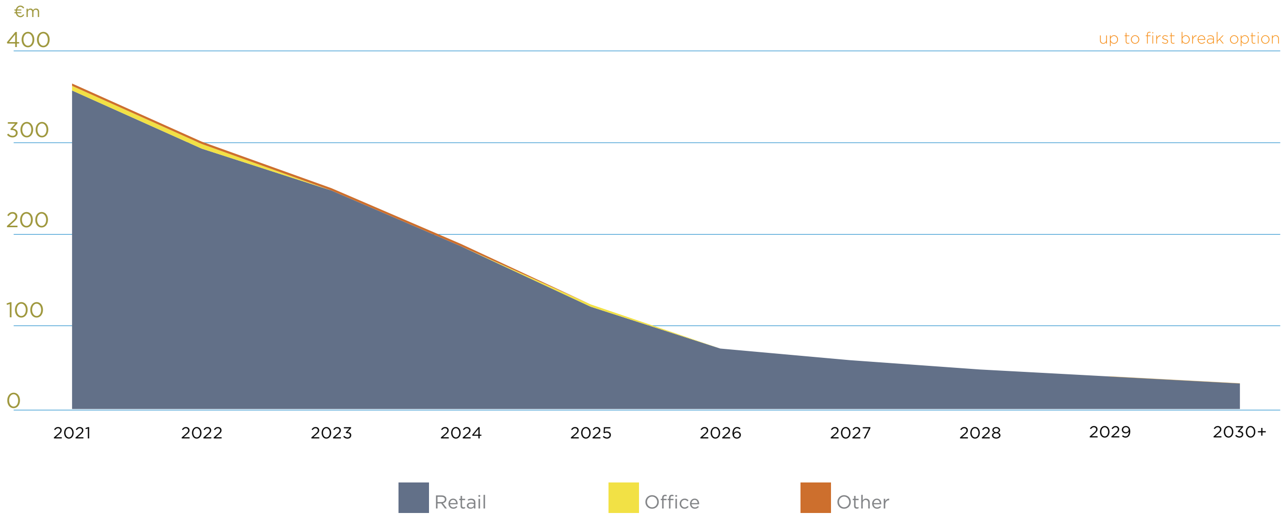
EPRA vacancy rate is calculated by dividing the estimated rental value of vacant space (€/annum) by estimated rental value of the property (€/annum).

The EPRA vacancy rate for income-producing properties at the end of 2020 was 4.3% (excluding non-core properties and 3.300m² GLA under refurbishment at Focus Mall Zielona Gora), split as follows: retail 4.2%, office 9.2% and industrial 3%.

Portfolio at a glance

» continued

CONTRACTUAL GROSS RENTALS



EXPIRY PROFILE

Year	% of expiry by gross rentals	% of expiry by rentable area
2021	7.4%	5.3%
2022	16.6%	10.4%
2023	13.4%	13.5%
2024	15.8%	15.1%
2025	17.3%	16.8%
2026	12.1%	13.6%
2027	3.5%	4.3%
2028	2.9%	4.0%
2029	2.1%	3.3%
>=2030	8.9%	13.7%
Total	**100%**	**100%**

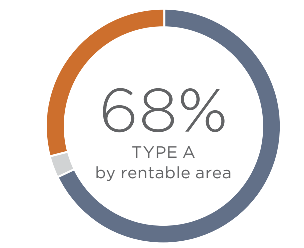
PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

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).

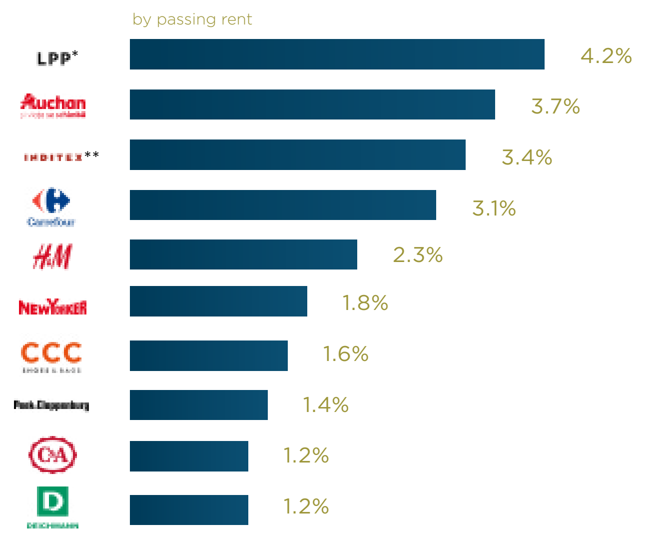
Type C: Other tenants (2,637 total number)



Type A	68%
Type B	3%
Type C	29%

TOP 10 RETAIL TENANTS

The top 10 retail tenants accounted for 23.9% of the annualised passing rent of the Group as at 31 December 2020. Tenant concentration risk is very low, as shown by the graph below.



* Reserved, Cropp, House, Mohito, Sinsay
** Bershka, Massimo Dutti, Oysho, Pull and Bear, Stradivarius and Zara

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 2020, the Group successfully completed the construction of the 40,200m^2 GLA modern retail and entertainment destination in Targu Mures, opened in two phases, in June and July respectively. The shopping centre was finalised after 11 months' construction and has an EPRA occupancy rate of 95.8%. The mall has 117 tenants, two floors of retail and entertainment and two storey car park.

827,800
m^2 GLA of retail income-producing properties

€1,921m
property value

97.4%
EPRA occupancy rate

€144m
passing rent

PHOTO: SHOPPING CITY SATU MARE, SATU MARE

Mega Mall
Bucharest

Ownership	100%
GLA	75,900m²
Valuation	€279.0 million
Passing rent	€17.6 million
EPRA Occupancy	93.7%

City Park
Constanta

Ownership	100%
GLA	51,900m²
Valuation	€187.5 million
Passing rent	€13.2 million
EPRA Occupancy	96.2%

Promenada Mall
Bucharest

Ownership	100%
GLA	39,400m²
Valuation	€181.6 million
Passing rent	€12.8 million
EPRA Occupancy	96.8%

Shopping City Sibiu
Sibiu

Ownership	100%
GLA	83,400m²
Valuation	€140.5 million
Passing rent	€11.5 million
EPRA Occupancy	98.8%

Shopping City Timisoara
Timisoara

Ownership	100%
GLA	57,000m²
Valuation	€129.9 million
Passing rent	€9.5 million
EPRA Occupancy	97.9%

Shopping City Galati
Galati

Ownership	100%
GLA	49,200m²
Valuation	€112.4 million
Passing rent	€8.5 million
EPRA Occupancy	97.9%

Promenada Sibiu
Sibiu

Ownership	100%
GLA	42,500m²
Valuation	€102.1 million
Passing rent	€8.3 million
EPRA Occupancy	97.0%

Iris Titan Shopping Center
Bucharest

Ownership	100%
GLA	43,000m²
Valuation	€101.0 million
Passing rent	€8.7 million
EPRA Occupancy	99.7%

Shopping City Deva
Deva

Ownership	100%
GLA	52,700m²
Valuation	€88.0 million
Passing rent	€6.9 million
EPRA Occupancy	98.1%

Shopping City Targu Mures
Targu Mures

Ownership	100%
GLA	40,200m²
Valuation	€86.3 million
Passing rent	€6.4 million
EPRA Occupancy	95.8%

Braila Mall
Braila

Ownership	100%
GLA	52,900m²
Valuation	€83.3 million
Passing rent	€6.7 million
EPRA Occupancy	98.1%

Vulcan Value Centre
Bucharest

Ownership	100%
GLA	25,000m²
Valuation	€69.2 million
Passing rent	€4.5 million
EPRA Occupancy	99.5%

Shopping City Buzau
Buzau

Ownership	100%
GLA	23,700m²
Valuation	€55.5 million
Passing rent	€4.0 million
EPRA Occupancy	97.5%

Shopping City Satu Mare
Satu Mare

Ownership	100%
GLA	29,400m²
Valuation	€52.1 million
Passing rent	€4.3 million
EPRA Occupancy	98.8%

Shopping City Piatra Neamt
Piatra Neamt

Ownership	100%
GLA	28,000m²
Valuation	€51.0 million
Passing rent	€3.9 million
EPRA Occupancy	98.9%

Shopping City Targu Jiu
Targu Jiu

Ownership	100%
GLA	27,200m²
Valuation	€51.0 million
Passing rent	€3.8 million
EPRA Occupancy	99.6%

Shopping City Ramnicu Valcea
Ramnicu Valcea

Ownership	100%
GLA	28,200m²
Valuation	€47.3 million
Passing rent	€4.0 million
EPRA Occupancy	99.0%

Severin Shopping Center
Drobeta Turnu Severin

Ownership	100%
GLA	23,200m²
Valuation	€35.8 million
Passing rent	€2.7 million
EPRA Occupancy	98.2%

Pitesti Retail Park
Pitesti

Ownership	100%
GLA	24,800m²
Valuation	€26.3 million
Passing rent	€4.0 million
EPRA Occupancy	99.7%


PHOTO: SIGHISOARA STRIP CENTRE

Regional strip centres
Alba-Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Sighisoara, Vaslui

Ownership	100%
GLA	30,200m²
Valuation	€41.5 million
Passing rent	€3.1 million
EPRA Occupancy	100%

Ploiesti Shopping City (joint venture)
Ploiesti

Weighted by ownership

Ownership	50%
GLA	23,000m²
Valuation	€53.5 million
Passing rent	€3.9 million
EPRA Occupancy	97.6%

PHOTO: MEGA MALL, BUCHAREST

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 2020, NEPI Rockcastle completed major construction works for the redevelopment of several units and common areas in Bonarka. Apart, Costa, Greenpoint, Jubitom, Pandora and Pinko opened their stores after extensions and renovations.

Construction of the 15,700m² GLA extension of Focus Mall Zielona Gora is progressing, with the opening expected in Q3 2021. New tenants include Adidas, Apart, Express Marche, Millennium Bank, New Balance, Pandora and Time Trend.

464,700
m² GLA of retail income-producing properties

€1,330m
property value

94.0%
EPRA occupancy rate

€85m
passing rent

PHOTO: BONARKA CITY CENTER, KRAKOW

12
retail income-producing properties

Bonarka City Center
Krakow

Ownership	100%
GLA	74,700m²
Valuation	€388.5 million
Passing rent	€19.9 million
EPRA Occupancy	90.1%

Galeria Warminska
Olsztyn

Ownership	100%
GLA	42,800m²
Valuation	€158.3 million
Passing rent	€10.0 million
EPRA Occupancy	99.2%

Karolinka Shopping Centre
Opole

Ownership	100%
GLA	67,500m²
Valuation	€150.4 million
Passing rent	€9.4 million
EPRA Occupancy	93.3%

Focus Mall Zielona Gora
Zielona Gora

Ownership	100%
GLA	29,100m²
Valuation	€120.2 million
Passing rent	€6.7 million
EPRA Occupancy	99.6%

Alfa Centrum Bialystok
Bialystok

Ownership	100%
GLA	37,000m²
Valuation	€92.6 million
Passing rent	€6.7 million
EPRA Occupancy	91.0%

Solaris Shopping Centre
Opole

Ownership	100%
GLA	26,400m²
Valuation	€83.1 million
Passing rent	€5.8 million
EPRA Occupancy	93.3%

Pogoria Shopping Centre
Dabrowa Gornicza

Ownership	100%
GLA	37,700m²
Valuation	€71.6 million
Passing rent	€5.2 million
EPRA Occupancy	97.5%

Platan Shopping Centre
Zabrze

Ownership	100%
GLA	39,900m²
Valuation	€71.3 million
Passing rent	€4.7 million
EPRA Occupancy	91.5%

Aura Centrum
Olsztyn

Ownership	100%
GLA	25,400m²
Valuation	€65.8 million
Passing rent	€5.8 million
EPRA Occupancy	95.4%

Galeria Wolomin
Wolomin

Ownership	90%
GLA	30,700m²
Valuation	€56.4 million
Passing rent	€4.1 million
EPRA Occupancy	97.9%

Focus Mall Piotrkow Trybunalski
Piotrkow Trybunalski

Ownership	100%
GLA	35,100m²
Valuation	€44.2 million
Passing rent	€4.3 million
EPRA Occupancy	90.6%

Galeria Tomaszow
Tomaszow Mazowiecki

Ownership	85%
GLA	18,400m²
Valuation	€28.3 million
Passing rent	€2.6 million
EPRA Occupancy	96.7%

PHOTO: AURA CENTRUM, OLSZTYN

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.

122,100
m² GLA of retail income-producing properties

€572m
property value

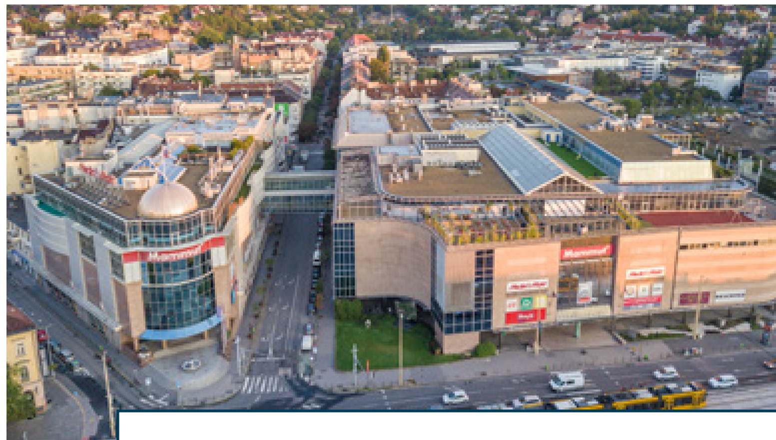
90.9%
EPRA occupancy rate

€35m
passing rent

PHOTO: ARENA MALL, BUDAPEST

Arena Mall
Budapest

Ownership	100%
GLA	65,900m²
Valuation	€302.9 million
Passing rent	€19.8 million
EPRA Occupancy	97.9%



Mammut Shopping Centre
Budapest

Ownership	100%
GLA	56,200m²
Valuation	€269.0 million
Passing rent	€15.0 million
EPRA Occupancy	83.1%

Slovakia

Retail

After the 2013 acquisition of a dominant regional mall and establishment of a strong local management team, the Group further extended its presence in Slovakia in 2014, 2016 and 2018. The Group currently owns five regional malls, one office building and land for the development of a retail or mixed-use scheme.

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

117,000
m² GLA of retail income-producing properties

€489m
property value

97.1%
EPRA occupancy rate

€33m
passing rent

PHOTO: AUPARK PIESTANY, PIESTANY

5
retail income-producing properties

Aupark Kosice Mall
Kosice

Ownership	100%
GLA	33,100m²
Valuation	€162.5 million
Passing rent	€10.6 million
EPRA Occupancy	96.2%

Galeria Mlyny
Nitra

Ownership	100%
GLA	32,500m²
Valuation	€124.6 million
Passing rent	€8.3 million
EPRA Occupancy	96.7%

Aupark Zilina
Zilina

Ownership	100%
GLA	25,000m²
Valuation	€123.6 million
Passing rent	€8.4 million
EPRA Occupancy	98.8%

Aupark Shopping Center Piestany
Piestany

Ownership	100%
GLA	10,300m²
Valuation	€39.2 million
Passing rent	€2.6 million
EPRA Occupancy	96.3%

Korzo Shopping Centrum
Prievidza

Ownership	100%
GLA	16,100m²
Valuation	€38.9 million
Passing rent	€3.1 million
EPRA Occupancy	97.9%

PHOTO: AUPARK KOSICE MALL, KOSICE

Bulgaria

Retail

In August 2017 NEPI Rockcastle acquired Serdika Center, a modern shopping centre benefiting from an excellent location in Sofia, and Serdika Office, a Class A office situated atop the shopping centre. In December 2017 the Group completed the acquisition of Paradise Center, the largest retail centre in the capital city, consolidating the Group's position in the Bulgarian market. In 2019 and 2020 the Group continued the extension works for Paradise Center that currently hosts Bulgaria's first medical unit in a shopping mall.

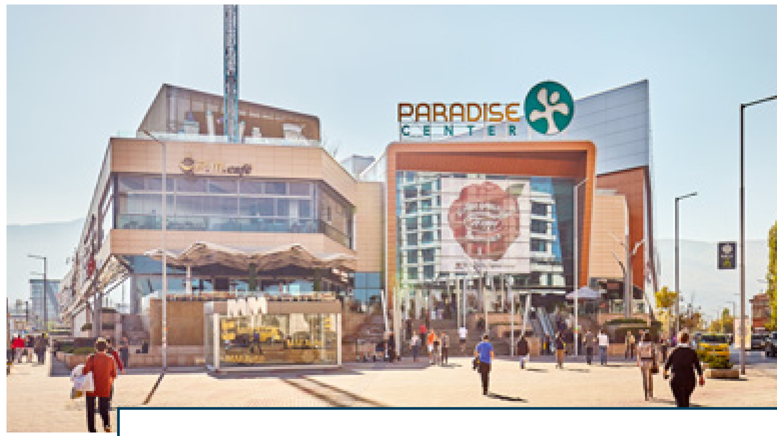
132,100
m² GLA of retail income-producing properties

€409m
property value

95.8%
EPRA occupancy rate

€31m
passing rent

PHOTO: PARADISE CENTER, SOFIA



Paradise Center
Sofia

Ownership	100%
GLA	80,500m²
Valuation	€255.1 million
Passing rent	€18.8 million
EPRA Occupancy	93.9%

Serdika Center
Sofia

Ownership	100%
GLA	51,600m²
Valuation	€153.7 million
Passing rent	€12.2 million
EPRA Occupancy	98.6%

Croatia

Retail

In November 2016, the Group acquired the largest shopping mall in Zagreb, Arena Centar, as well as 4.4ha of adjacent land for future development opportunities. Zagreb is the capital of and the largest city in Croatia. During 2018, Arena Centar was the subject of an extensive upgrade and expansion works, aimed to improve the overall customer experience. In 2019, the Group opened an over 8,000m² fully-occupied retail park in Zagreb. The Arena retail scheme now totals 75,300m² GLA and consolidates its position as Croatia's premiere shopping destination.

75,300
m² GLA of retail income-producing properties

€254m
property value

97.7%
EPRA occupancy rate

€18m
passing rent

PHOTO: ARENA CENTAR AND RETAIL PARK, ZAGREB

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, as scheduled. Several brands opened stores in the second half of 2020, significantly improving the tenant mix.

74,300
m² GLA of retail income-producing properties

€171m
property value

89.3%
EPRA occupancy rate

€11m
passing rent

PHOTO: FORUM LIBEREC SHOPPING CENTRE, LIBEREC

Forum Usti nad Labem
Usti nad Labem

Ownership	100%
GLA	27,800m²
Valuation	€88.6 million
Passing rent	€5.8 million
EPRA Occupancy	98.5%

Forum Liberec Shopping Centre
Liberec

Ownership	100%
GLA	46,500m²
Valuation	€82.4 million
Passing rent	€4.7 million
EPRA Occupancy	80.3%

Serbia

Retail

The Group acquired its first Serbian mall in 2014. The country is underdeveloped in terms of retail offering and the Group is gradually building up a portfolio of dominant regional retail centres. In 2016, the Group acquired land in a prime location in Novi Sad, the country's second largest city, with a population of approximately 324,000 inhabitants.

After 16 months of works, in 2018, NEPI Rockcastle opened Promenada Novi Sad, its first greenfield development and the largest mall in Serbia.

In 2019, the Group completed Krusevac Shopping Park, a 8,600m² GLA centre which was fully-let at opening, housing well-known national and international brands.

80,100
m² GLA of retail income-producing properties

€179m
property value

97.7%
EPRA occupancy rate

€15m
passing rent

PHOTO: PROMENADA NOVI SAD, NOVI SAD

3
retail income-producing properties

Promenada Novi Sad
Novi Sad

Ownership	100%
GLA	49,200m²
Valuation	€123.1 million
Passing rent	€9.7 million
EPRA Occupancy	97.3%

Kragujevac Plaza
Kragujevac

Ownership	100%
GLA	22,300m²
Valuation	€44.5 million
Passing rent	€4.0 million
EPRA Occupancy	98.5%

Krusevac Shopping Park
Krusevac

Ownership	100%
GLA	8,600m²
Valuation	€11.3 million
Passing rent	€1.0 million
EPRA Occupancy	100%

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.

The centre's offering was significantly strengthened by the opening of the largest family entertainment park in the country, Adventica (4,300m²). The construction of a swimming pool is nearing completion and will open once restrictions are lifted.

67,700
m² GLA of retail income-producing properties

€142m
property value

99.5%
EPRA occupancy rate

€11m
passing rent

PHOTO: OZAS SHOPPING AND ENTERTAINMENT CENTRE, VILNIUS

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 retail income-producing properties

€74m
property value

90.8%
EPRA occupancy rate

€6m
passing rent

PHOTO: SERDIKA OFFICE, BULGARIA

Serdika Office
Sofia, Bulgaria

Ownership	100%
GLA	28,500m²
Valuation	€52.8 million
Passing rent	€4.2 million
EPRA Occupancy	89.7%

Aupark Kosice Tower
Kosice, Slovakia

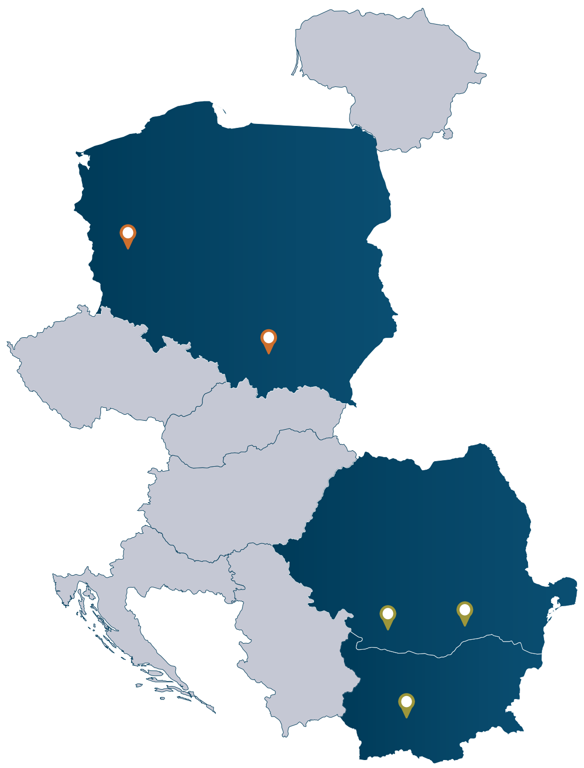
Ownership	100%
GLA	12,800m²
Valuation	€20.9 million
Passing rent	€1.7 million
EPRA Occupancy	93.3%

Development and extensions pipeline

The Group will continue to invest in developments contributing to growth and improving long-term portfolio prospects, and will constantly monitor and revise, the development pipeline in line with current objectives and constraints. NEPI Rockcastle has a controlled development pipeline in excess of €1 billion.

The Group estimates to invest €95 million in 2021 in development and capital expenditure related to its ongoing projects and will consider engaging in further 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 of development m²
Developments under construction	**19,800**
Focus Mall Zielona Gora	15,700
Bonarka City Center	4,100
Developments under permitting and pre-leasing	**177,100***
Promenada Mall	62,300
Promenada Plovdiv	58,300
Promenada Craiova	56,500

** GLA depends on permitting.*

RENDER: PROMENADA MALL, ROMANIA

UNDER CONSTRUCTION

Focus Mall Zielona Gora
Zielona Gora, Poland

The refurbishment and extension projects are nearly completed with major construction works finished. The opening is expected in Q3 2021. In the refurbishment execution of the new food court area, new toilet and refurbishment of malls are completed. The remaining scope of work related to the remodeling of premises located in the old food court will be carried out in 2021. In the extension only reconstruction of the external infrastructure and works on two parking levels and in newly built tenant premises remain unfinished and will be conducted in 2021.

Extension and Redevelopment

Ownership	100%
Lettable area - property in use	29,100m²
Estimated lettable area - extension	15,700m²
Targeted opening	Q3 2021

Bonarka City Center
Krakow, Poland

Following successful extension of tenant premises including Zara, Peek&Cloppenburg and Reserved the refurbishment works continue. Improvements in respect of common areas' communication and upgrade of passages, new toilets and new garage lobby are entirely completed. In 2020 some new tenants opened their stores after extensions and renovations (Apart, Costa, Greenpoint, Jubitom, Pandora and Pinko). A larger redevelopment project related to tenant premises is ongoing, with an estimated opening date in Q4 2022.

Redevelopment

Ownership	100%
Lettable area - property in use	74,700m²
Estimated lettable area - redevelopment	4,100m²
Targeted completion	Q4 2022

UNDER PERMITTING AND PRE-LEASING

Promenada Mall - extension
Bucharest, Romania

Ownership	100%
Lettable area - property in use	39,400m²
Estimated lettable area - retail	31,600m²
Estimated lettable area - office	30,700m²

Promenada Plovdiv - development
Plovdiv, Bulgaria

Ownership	100%
Estimated lettable area	58,300m²

Promenada Craiova - development
Craiova, Romania

Ownership	100%
Estimated lettable area	56,500m²

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 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 2020	31 December 2019
EPRA Earnings (€ thousand)	240 770	330 623
EPRA Earnings per share (€ cents per share)	39.81	55.79
EPRA Net Initial Yield ('NIY')	6.70%	6.65%
EPRA topped-up NIY	6.75%	6.71%
EPRA Vacancy Rate	4.3%	2.1%
EPRA Net Reinstatement Value ('NRV') per share (€)*	6.45	7.32
EPRA Net Tangible Assets ('NTA') per share (€)*	6.42	7.25
EPRA Net Disposal Value ('NDV') per share (€)*	5.79	6.61
EPRA Cost ratio (including direct vacancy cost)	10.5%	8.1%
EPRA Cost ratio (excluding direct vacancy cost)	10.3%	8.0%

**NRV, NTA and NDV measures implemented effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.*

PHOTO: PARADISE CENTER, BULGARIA

EPRA EARNINGS

EPRA Earnings presents the underlying operating performance of a real estate company excluding fair value gains or losses on investment properties, 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 2020	31 December 2019
Earnings in IFRS Consolidated Statement of comprehensive income	**(174 921)**	**416 235**
Fair value adjustments of investment property for controlled subsidiaries	345 253	(134 709)
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	93 767	(11 091)
Gain on acquisition of subsidiaries	-	(446)
Gain on disposal of assets held for sale	(2 310)	(123)
Gain on disposal of joint ventures	-	(3 588)
Impairment of goodwill	-	5 956
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	10 539	23 743
Transaction fees	-	5 411
Deferred tax (income)/expense for controlled subsidiaries	(32 440)	31 370
Adjustments above in respect of joint ventures	1 946	(2 272)
Non-controlling interest	(1 064)	137
EPRA Earnings (interim)	**123 710**	**168 077**
EPRA Earnings (final)	**117 060**	**162 545**
EPRA Earnings (total)	**240 770**	**330 623**
Number of shares for interim distribution	600 921 133	585 838 887
Number of shares for final distribution	608 994 907	599 797 201
EPRA Earnings per Share (EPS interim)	**20.59**	**28.69**
EPRA Earnings per Share (EPS final)	**19.22**	**27.10**
EPRA Earnings per Share (EPS)*	**39.81**	**55.79**
Company specific adjustments:		
Amortisation of financial assets	(759)	(1 533)
Depreciation expense for property, plant and equipment	580	-
Reverse foreign exchange gains/losses	-	907
Add back realised foreign exchange gains/losses	-	(37)
Reverse income from financial investments at fair value through profit or loss	(5 517)	(12 560)
Accrued income from financial investments at fair value through profit or loss**	-	12 349
Antecedent earnings	(2 659)	4 062
Distributable Earnings (Interim)	**118 168**	**170 030**
Distributable Earnings (final)	**114 247**	**163 781**
Distributable Earnings (total)	**232 415**	**333 811**
Distributable Earnings per Share (interim) (euro cents)	**19.66**	**29.02**
Distributable Earnings per Share (final) (euro cents)	**18.76**	**27.31**
Distributable Earnings per Share (total) (euro cents)	**38.42**	**56.33**

**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

» continued

amounts in € thousand

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 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 Asset Values as of 31 December 2019	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**4 096 880**	**4 096 880**	**4 096 880**
Exclude:			
Net deferred tax liabilities	374 120	336 708	-
Derivative financial liabilities at fair value through profit or loss	4 621	4 621	-
Goodwill	(87 114)	(87 114)	(87 114)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	(42 671)
NAV	**4 388 507**	**4 351 095**	**3 967 095**
Number of shares	**599 797 201**	**599 797 201**	**599 797 201**
NAV per share (euro)	**7.32**	**7.25**	**6.61**

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

The EPRA NIY is calculated as the annualised 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 2020	31 December 2019
Investment property as per consolidated financial statements	5 802 398	6 022 600
Investment property under joint ventures (on a pro-rata basis)	53 482	55 064
Investment property held for sale	-	317 204
Less investment property under development	(210 935)	(221 841)
Total investment property in use, including joint ventures (on a pro-rata basis)	**5 644 945**	**6 173 027**
Estimated purchasers' costs	28 225	30 865
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	**5 673 170**	**6 203 893**
Annualised cash passing rental income**	394 560	418 665
Non-recoverable property operating expenses	(14 696)	(6 279)
Annualised net rents	**379 864**	**412 386**
Notional rent expiration of rent-free periods or other lease incentives	2 909	3 750
Topped-up net annualised rent	**382 773**	**416 136**
EPRA Net Initial Yield ('EPRA NIY')	**6.70%**	**6.65%**
EPRA "topped-up" NIY	**6.75%**	**6.71%**

**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.*
***Annualised passing rent as at 31 December 2020 computed based on the contractual rental amounts effective as at that date.*

EPRA Performance measures

» continued

amounts in € thousand

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 2020	31 December 2019
Estimated rental value of vacant space	18 659 370	9 694 517
Estimated rental value of the whole portfolio	433 740 263	459 680 754
EPRA Vacancy Rate	**4.3%**	**2.1%**

The EPRA vacancy rate increased up to 4.3% as at 31 December 2020 (from 2.1% as at 31 December 2019). This level of vacancy excludes non-core, joint ventures properties and 3,300m² GLA of existing income-producing properties in Poland on which extensive refurbishment works are ongoing.

The impact on vacancy rate in all the countries is due to the pandemic conditions.
Despite the economic slowdown linked to the COVID-19 health crisis, the Group maintained high occupancy rate during 2020, above 95%, except for Poland (94%), Hungary (91%) and Czech Republic (89%). In Poland and Czech Republic, the EPRA vacancy rate was affected by the refurbishment works completed during 2020 (Czech Republic) or currently ongoing (Poland).

Country	EPRA Vacancy Rate December 2020	EPRA Vacancy Rate December 2019
Romania	2.6%	0.6%
Poland	6.0%	4.8%
Hungary	9.1%	5.1%
Slovakia	3.1%	1.2%
Bulgaria	4.8%	1.4%
Croatia	2.3%	2.0%
Czech Republic	10.7%	1.5%
Serbia	2.3%	1.2%
Lithuania	0.5%	0%
EPRA Vacancy Rate	**4.3%**	**2.1%**

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 2020	31 December 2019
Administrative expenses (line per IFRS consolidated financial statements)	20 838	21 550
Transaction fees	-	5 411
Net service charge costs*	14 364	6 401
Share of joint ventures expenses	466	17
EPRA Costs (including direct vacancy costs)	**35 668**	**33 379**
Direct vacancy costs	618	376
EPRA Costs (excluding direct vacancy costs)	**35 050**	**33 003**
Gross rental income*	**337 328**	**407 139**
Add: share of joint ventures (Gross rental income less ground rents)	3 390	6 370
Gross rental income	**340 718**	**413 509**
EPRA Cost ratio (including direct vacancy costs)	**10.5%**	**8.1%**
EPRA Cost ratio (excluding direct vacancy costs)	**10.3%**	**8.0%**

**Out of €47 million Partial forgiveness of receivables, approximately €4.6 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 2020.*

In 2020, the increase in the EPRA Cost Ratio was mainly attributable to the COVID-19 context. EPRA Cost Ratio was impacted by the concessions recognised in the year (€69.5 million), lowering the gross rental income and increasing the net service charge costs.

PHOTO: PROMENADA MALL, ROMANIA

Corporate Insights

PHOTO: AUPARK ZILINA, SLOVAKIA

Executive Board of Directors

ALEX MORAR (37)
Chief Executive Officer

BSc

Alex Morar began his career at Julius Baer Investment Bank in New York and later joined the financial advisory practice of Deloitte Romania, working on large projects and M&A transactions.

He joined NEPI upon its founding in 2007 and was initially involved in operational and reporting activities. He later assumed leadership of NEPI's investment programme throughout CEE. He was appointed Executive Director in 2013 and Chief Executive Officer in August 2015.

During his tenure, NEPI's portfolio grew significantly and diversified across many CEE geographies, while the asset quality has improved. NEPI's merger with Rockcastle in 2017 further consolidated the competitive position in CEE by accessing the large Polish market. Mr. Morar has managed NEPI Rockcastle through further expansion, while ensuring that the asset management platform is enhanced to match portfolio growth.

MIRELA COVASA (38)
Chief Financial Officer

BCom, ACCA, CAFR

With over 19 years of experience in accounting and finance, Mirela Covasa is responsible for the financial management of NEPI Rockcastle.

Prior to NEPI, she spent eight years with PricewaterhouseCoopers, most recently as a Senior Manager, where she was responsible for audit assignments in various industries in Romania, Slovenia and India. She joined NEPI in February 2012 as Finance Manager and became Chief Financial Officer in February 2015.

During her tenure, the Group shifted its financing approach from asset-based borrowing to capital markets funding and group-level unsecured debt, which resulted in significantly lower cost of funding. NEPI Rockcastle also maintains an adequate capital structure and a conservative gearing ratio, which are key to maintaining and further improving its investment grade rating.

MAREK NOETZEL (42)
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 structure of the office in Poland and expanding it abroad.

He was appointed as an Executive Director of NEPI Rockcastle on 15 May 2017 and he is currently responsible for asset management of the Western portfolio and supports the acquisition of properties in Poland, Hungary, Slovakia and Czech Republic.

PHOTO: PARADISE CENTER, BULGARIA

Corporate governance

Sound corporate governance values guide the Board in directing, governing and controlling the Group, whilst subscribing to the principles of ethical leadership, business, social and environmental sustainability and stakeholder engagement. The Board recognises the importance of good corporate governance and endorses and monitors compliance with the King IV Report on Corporate Governance in South Africa, Johannesburg Stock Exchange Limited Listing Requirements, Euronext Amsterdam and A2X guidelines. With a view to further implement best practices and align with the markets in which it operates, the Group voluntarily aligned its Corporate Governance Framework to provisions listed in the UK and Dutch corporate governance codes, based on the proportionality principle and considering the one tier board governance structure it has in place. The Group is also following COSO (Committee of Sponsoring Organizations of the Treadway Commissions) principles in defining its internal controls system and enterprise risk management framework.

Corporate governance

» continued

CORPORATE GOVERNANCE FRAMEWORK

During 2020, the Group continued to focus on ensuring best in class corporate governance practices and is materially compliant with King IV requirements, where a detailed registry posted on the corporate website is regularly updated based on the 'apply and explain' approach. King IV provides comprehensive guidance concerning all governance areas.

PHOTO: GALERIA WARMINSKA, POLAND

Leadership, ethics and corporate citizenship

- The governing body should lead ethically and effectively.
- The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.
- The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.

Strategy, performance and reporting

- The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
- The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments about the organisation's performance and its short-, medium- and long-term prospects.

Governing structures and delegation

- The governing body should serve as the focal point and custodian of corporate governance in the organisation.
- The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence necessary for it to discharge its governance role and responsibilities objectively and effectively.
- The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.
- The governing body should ensure that the evaluation of its own performance and that of its committees, of its chair and of its individual members, supports continuous improvement in its performance and effectiveness.
- The governing body should ensure that the appointment of, and delegation to, management contribute to clarity of roles and to the effective exercise of authority and responsibilities.

Governance functional areas

- The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.
- The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.
- The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.
- The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.
- The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and for the organisation's external reports.

Stakeholder relationship management

- In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Corporate governance
» continued

Significant enhancement of the Group's corporate governance has been achieved during 2019-2020, through the adoption of a long-term sustainable view. In January 2020, PwC Isle of Man was engaged to provide advisory services via a two-staged approach. Under this approach, PwC delivered an independent review of the design of the Group's corporate governance (completed in April 2020).

Management considered the findings of the independent review and assumed responsibility for improvement and refinement under the Audit Committee's close guidance. PwC then undertook independent operating effectiveness testing, to the extent possible, completed in December 2020.

In terms of design, PwC suggested certain improvements, the implementation of which served to enhance an otherwise robust and comprehensive Corporate Governance Framework, and further align it with the three comparative corporate governance codes. Following PwC's review, the revised framework, closer aligned to the three governance codes of reference, was approved by the Board in August 2020.

In terms of operating effectiveness, the review covered comprehensively the key governance areas and noted some exceptions that the Board and management have already considered and have prioritised for future implementation.

The Board monitored and prioritised, throughout 2020, the key corporate governance planned actions, however, as a direct consequence of the COVID-19 pandemic and the disruption that it has caused to normal and planned working practices, some of these could not be completed during the year.

NEPI Rockcastle 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 everything described here, the Board is satisfied with the corporate governance implemented at Group level.

In order to translate the above mentioned into practice, the Directors provide effective supervision of the Group, based on a strong ethical foundation, including the following:

- delivering timely, relevant and meaningful reporting to shareholders and other stakeholders, that provides a proper and objective overview on the Group and its activities;
- directing the strategy and operations of the Group with the intention of building a sustainable long-term business; and
- considering the short-, medium- and long-term impact of the Group strategy and operations on the economy, society and the environment.

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, at every level in the organisation. All shareholders are treated equitably, and the Board ensures that the interests of minority shareholders are adequately protected. Management seeks to recognise, protect and facilitate the exercise of shareholders' rights through constant, timely, relevant, objective and open communication to all shareholders.

The Corporate Governance Framework defines the allocation of authority and responsibility to the Board and management team, covering the following areas:

- oversight of the Group's strategy and objectives;
- alignment of the corporate culture, actions and behaviour with the expectation that the Group will operate in a safe and sound manner, with integrity, in compliance with applicable laws and regulations and as a good corporate citizen;
- implementation of an effective combined assurance model, based on the steering of internal and external control functions;
- ensuring the availability of adequate resources and personnel oversight; and
- monitoring of operations and managing performance.

Corporate governance

» continued

Core leadership principles at Board level

The members of the Board individually and collectively cultivate a strong set of values and lead by example, exhibiting them in their conduct and in the way they steer the Group.

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 in full at the earliest opportunity 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 take steps to ensure that they have sufficient working knowledge of the organisation, its 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 decisions.
- 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.
- The 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 any 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 strategic objectives. The Board takes an active role in monitoring how the Company is achieving its strategic objectives.

Key strategic directions

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

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, and is seen to be, 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 power or control over significant decision making. Mr. Andreas Klingen has been appointed as the Lead Independent Director during 2020, to further balance the power, authority and responsibility at Board level.

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 and the published financial information is reliable.

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 the adequacy of systems and internal controls and supervising the implementation of aligned policies and procedures 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 other Executive Directors and establishes a framework for the delegation of authority to them 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 rules set out in 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 direction of the Group to achieve its core targets and monitors the Group's 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 with the overall business strategy and processes;
- ensures that management fosters a culture of ethical conduct through the creation of an ethical risk profile, the establishment of a Code of Ethical Conduct and the integration of ethical considerations into all Group practices, procedures and policies;
- assesses and monitors the Group's culture and tone from the top. Where the Board is not satisfied that policies, practices or behaviour throughout the business are aligned with the Group's purpose, values and strategy, it should seek assurance that management has taken corrective action;
- oversees annually that management has implemented proper policies and procedures to guide the Group's operations across all significant processes;
- provides oversight of enterprise risk management culture, capabilities and practices, 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; and

Corporate governance

» continued

- oversees that the combined assurance model is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of the following assurance service providers and functions:
  - » 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 reviewers, grading agencies, etc.

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 act as its Chair; 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 set-up;
- participate in the interview and selection of Board members;
- oversee the formal succession plan for the Board members;
- set the Board work plan;
- oversee the performance evaluation process, the onboarding of new Directors and the continuous development of the 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 sub-Committees;
- see that Board members are kept up to date with relevant laws, regulations and codes;
- ensure that a Lead Independent Director is nominated in order to guarantee proper backup;
- ensure that the Board is involved closely, and at an early stage, in any merger or takeover process;
- ensure that amicable relationships are maintained with major shareholders and stakeholders;
- allow sufficient time for deliberation and decision making by the Board; and
- ensure that general meetings proceed in an orderly and efficient manner.

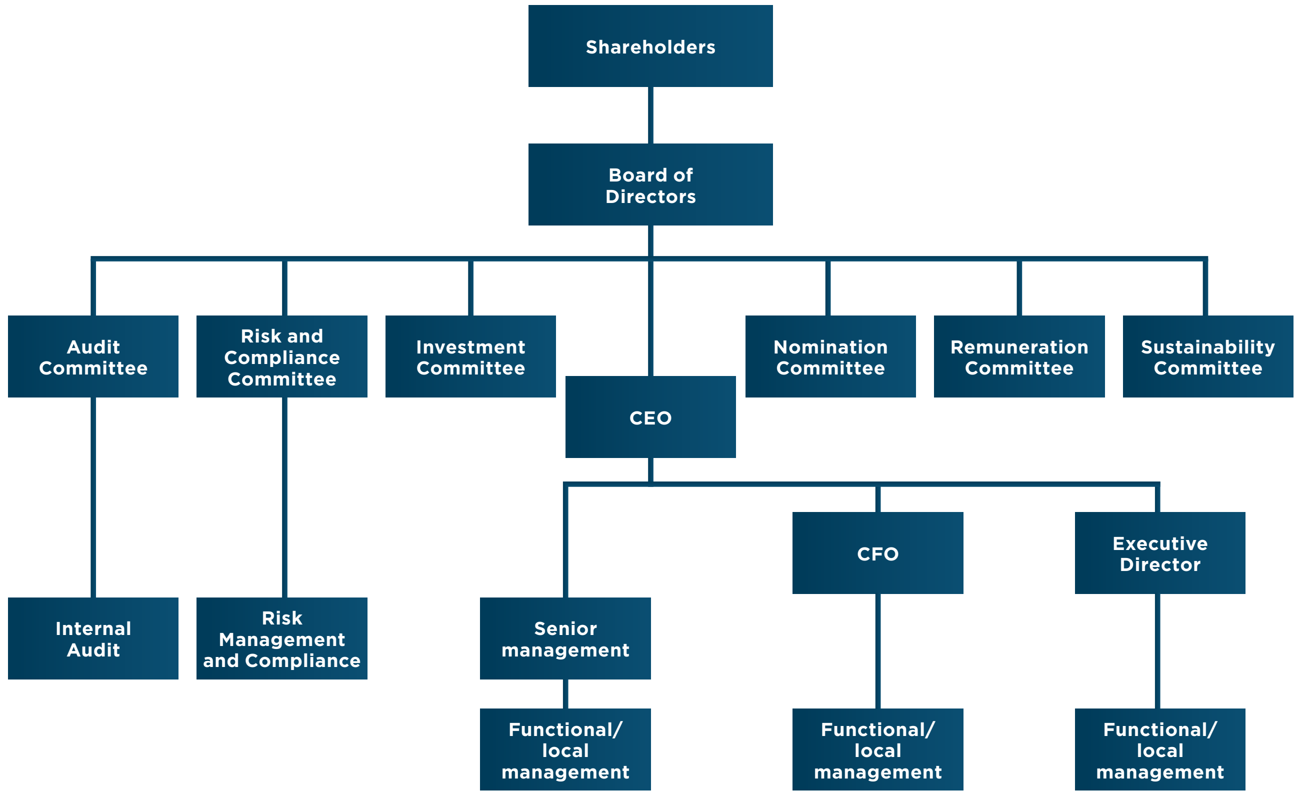
Lead Independent Director

The Lead Independent Director has the following main responsibilities:

- 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 with the other non-Executive Directors without the Chairman present.

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') and Executive Director. 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 and the processes of the Group, establish performance goals and allocate resources to ensure future growth, achievement of strategy, compliance with applicable laws and regulations and responsible citizenship;
- ensure that financial and operating goals and objectives are achieved;
- 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 that ensure effective accounting and financial performance monitoring are maintained;
- take responsibility for financial and fiscal compliance, as well as general reporting of business performance;
- create realistic budgets and oversee 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 and 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.

Corporate governance
» continued

The Board, directly or through its sub-Committees, coordinated the following during 2020, to ensure effective steering of the Group:

Strategy
- provided guidance on strategic direction, objectives and action plans
- engaged in setting the long-term strategic goals for the organisation and funding plans
- closely monitored the development strategy during COVID-19

Operational performance
- steered the Group towards delivering on its core objectives
- monitored the Group's operational performance compared to budget, forecasts and in the context of the COVID-19 crisis

Financials
- monitored the financial performance of the business
- monitored and confirmed the going concern and viability of the business, reviewed and approved the Annual Report
- supported financing activities, such as the issuance of green bonds and extension of revolving facilities

Stakeholders
- actively engaged with various categories of stakeholders
- reviewed and provided feedback to institutional shareholders, analysts and other entities or regulatory bodies

Governance and internal controls
- approved the revised and improved Corporate Governance Framework
- reviewed the effectiveness of the system of internal controls, information technology capabilities, the effectiveness of second line of defence functions and of the overall combined assurance model.

Leadership and employees
- reviewed the Group's approach to developing people and identifying potential talents, including succession planning for key positions
- reviewed the performance evaluation process and remuneration principles

Board appointments

Directors are appointed by the Board or by shareholders, as per the provisions of the Articles of Association of NEPI Rockcastle plc. 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 shareholder 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 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 will be assessed formally by the Nomination Committee and presented to the Board when the Director is proposed to be appointed, as well as reassessed annually, based on clear criteria defined in the Corporate Governance Framework. Independence is reassessed formally on an annual basis by the Nomination Committee for all the Directors, and any changes or updates are discussed by the Board and disclosed in the Annual Report.

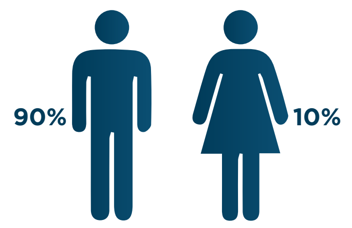
A formal onboarding programme is in place for newly appointed Directors, under the close coordination of the Chairman of the Board and with support from the CEO. The onboarding programme is designed to help the new Director become familiar with the Group's business, strategy, policies and structure, as well as the Board's and Committees' operational approach. The programme covers general financial, social and legal affairs, financial reporting, any specific aspects that are unique to the Company and its business activities, Company culture, the Corporate Governance Framework and the Group's compliance policies: General Compliance Policy, Code of Ethical Conduct, Declaration of Interests Policy, Whistleblowing Policy and Group Dealing Policy.

Board profile, diversity and independence assessment

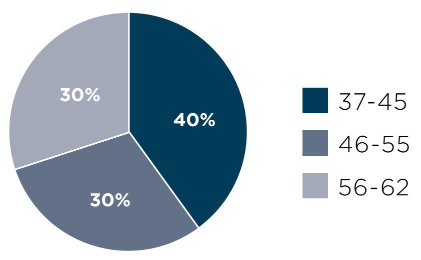
The Board comprises a mix of non-Executive and Executive Directors. Non-Executive Directors are key advisors to management, counselling on strategic direction, objectives and action plans, taking into account business opportunities and the Group's risk appetite.

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 in detail the competencies, expertise and background expected from each Director individually, as well as the Committees and the Board collectively. It also sets out principles for 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, knowledge and background of its Directors.

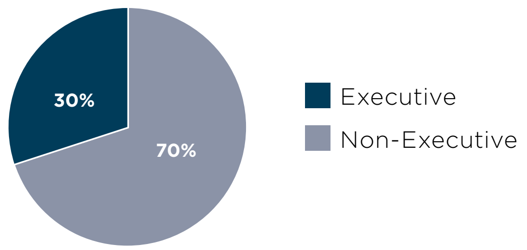
Gender



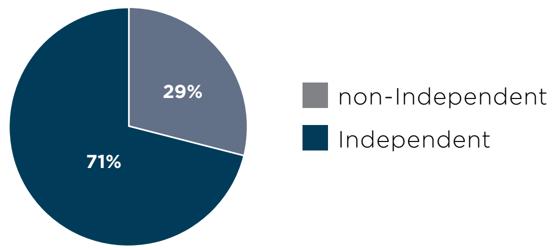
Age



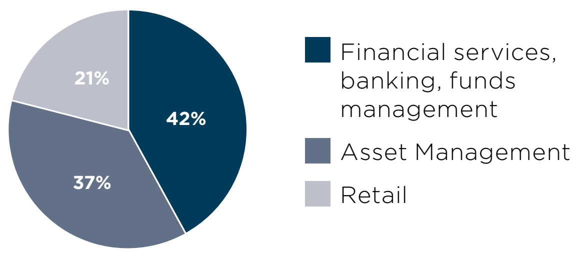
Composition of the Board



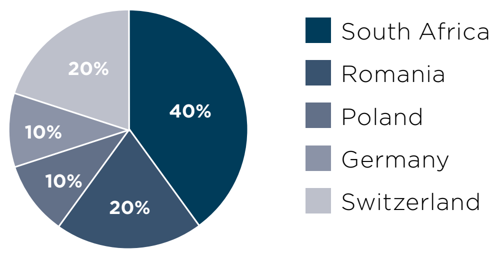
Independence of non-Executive Directors



Board experience by sector



Country of residence



Corporate governance

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The Board has been actively recruiting a sixth Independent Director, in order to further increase the independence quota at Board level and ensure an independent majority, however due to COVID-19 travel restrictions and continued disruption, the recruitment process could not be completed in 2020.

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 used by the Group in establishing criteria for evaluating the independence of its Directors, while the Board considers the independence of a Director from the perspective of a reasonable and informed third party.

The following criteria, fully aligned with the Corporate Governance Framework, have been used by the Nomination Committee to assess the independence of the Board's non-Executive Directors in 2020:

***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	Overall Assessment
Robert Emslie	√	√	√	√	√	√	√	√	Independent
Andre van der Veer	√	√	√	√	√	√	√	√	Independent
Antoine Dijkstra	√	√	√	√	√	√	√	√	Independent
George Aase	√	√	√	√	√	√	√	√	Independent
Andreas Klingen	√	√	√	√	√	√	√	√	Independent
Andries de Lange	√	X	√	√	√	√	X	√	non-Independent
Steven Brown	√	X	√	√	√	√	X	√	non-Independent
Sipho Vuso Majija *(alternate to Steven Brown)*	√	X	√	√	√	√	X	√	non-Independent *(alternate)*

A non-Executive member of the Board may continue to serve in an independent capacity for longer than nine years only if, upon an assessment by the Board, conducted every year after the nine years, 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 limit.

Director	Years of service in the Board*
Alex Morar	7.3
Andre van der Veer	6.6
Mirela Covasa	5.9
Marek Noetzel	5.0
Robert Emslie	4.8
Antoine Dijkstra	4.6
Sipho Vuso Majija *(alternate to Steven Brown)*	2.5
George Aase	2.3
Andreas Klingen	1.7
Steven Brown	0.7
Andries de Lange**	0.6

** Length of service to both NEPI and Rockcastle, before the merger, has been included.*

*** 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 counted.*

Board membership in 2020

With effect from 30 March 2020, Mr. Alan Olivier was appointed as an alternate to Mr. Desmond de Beer and exercised this role until Mr. De Beer retired from NEPI Rockcastle Board of Directors.

Mr. Steven Brown was appointed non-Independent non-Executive Director on 28 April 2020. On the same date, Mr. Vuso Majija terminated his appointment as a non-Independent non-Executive Director, however he remained an alternate to Mr. Brown.

Following an announcement made in February, Mr. Desmond de Beer retired from the Board, effective 27 May 2020, after more than 11 years of service. On the same date, Mr. Andries de Lange was appointed non-Independent non-Executive Director of the Board.

The following Directors were re-elected by shareholders at the Annual General Meeting held on 20 August 2020:

- Marek Noetzel as Executive Director with 99.91% of the votes;
- George Aase as Independent non-Executive Director with 95.82% of the votes;
- Andre van der Veer as Independent non-Executive Director with 90.55% of the votes;
- Steven Brown as non-Independent non-Executive Director with 99.65% of the votes; and
- Andries de Lange as non-Independent non-Executive Director with 98.70% of the votes;

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

- George Aase, member and Chairman, with 99.81% of the votes;
- Andre van der Veer, member, with 98.11% of the votes;
- Antoine Dijkstra, member, with 99.34% of the votes; and
- Andreas Klingen, member, with 82.48% of the votes.

Corporate governance

» continued

Details of the non-Executive Directors background and expertise are set out below:

ROBERT EMSLIE (62)
BCOM, HONS ACC, CA (SA)

Career
Robert Emslie is a chartered accountant, with more than 30 years of experience in the financial services and property management sectors. He held various positions within the ABSA Group during a period of 21 years, more recently as Head of ABSA Corporate and Business Bank, Head of ABSA Africa and member of ABSA Group's Executive Committee. Mr. Emslie retired in 2009 and currently holds Chairmanship and non-Executive Directorship positions in various private and public companies. Mr. Emslie was appointed non-Executive Director of NEPI in 2016 and Chair of the Remuneration Committee. He was appointed as Independent non-Executive Director of NEPI Rockcastle on 15 May 2017 and Chairman of the Board on 28 August 2018.

Appointments at 31 December 2020

NEPI Rockcastle

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

Other listed companies

Chairman of the Board at SilverBridge Holdings Ltd
Chairman of the Board at Transcend Residential Property Fund Ltd
Member of Advisory Board at Tongaat Hulett

GEORGE AASE (58)
BSc, CPA

Career
George Aase is an experienced CFO 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.

Appointments at 31 December 2020

NEPI Rockcastle

Chairman of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee
Member of Risk and Compliance Committee

Other listed companies

-

ANDREAS KLINGEN (56)
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.

Appointments at 31 December 2020

NEPI Rockcastle

Lead Independent Director of the Board
Chairman of Sustainability Committee
Member of Audit Committee
Member of Risk and Compliance Committee
Member of 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

ANTOINE DIJKSTRA (57)
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 2020

NEPI Rockcastle

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

Other listed companies

-

Corporate governance

» continued

ANDRE VAN DER VEER (53)
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 2020

NEPI Rockcastle

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

Other listed companies

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ANDRIES DE LANGE (47)
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.

Appointments at 31 December 2020

NEPI Rockcastle

Member of Remuneration Committee

Other listed companies

-

STEVEN BROWN (40)
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 2020

NEPI Rockcastle

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

Other listed companies

CEO Fortress REIT Limited

Corporate governance

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During 2020, the Board and Committees experienced an intensive year (significantly exceeding the minimum number of meetings as per the governance framework) in order to support the Group in handling the COVID-19 crisis and steering the Company's initiative to enhance the corporate governance practices, as well as supporting certain strategic initiatives developed during 2020. The schedule of meetings and the Directors' attendance rate are further detailed in the table below. The participation rate of the Board and Committees meetings in 2020 was 100% for all Directors.

Date	Board	Investment Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
	13 meetings	4 meetings	7 meetings	3 meetings	9 meetings	3 meetings	2 meetings
23 Jan 2020					x		
14 Feb 2020		x					
19 Feb 2020			x				x
20 Feb 2020	x						
03 Mar 2020					x		
10 Mar 2020						x	
24 Mar 2020	x						
26 Mar 2020					x		
31 Mar 2020					x		
6 Apr 2020					x		
8 Apr 2020					x		
16 Apr 2020	x					x	
20 Apr 2020					x		
12 May 2020	x*						
18 May 2020			x	x			
19 May 2020	x	x					
21 May 2020	x**						
22 Jun 2020	x						
26 Jun 2020	x						
09 Jul 2020			x				
17 Jul 2020			x	x			
04 Aug 2020	x						
19 Aug 2020		x	x				
20 Aug 2020	x						
21 Sep 2020					x	x	
08 Oct 2020					x		
02 Nov 2020	x						
17 Nov 2020			x	x			
18 Nov 2020	x	x					
23 Nov 2020							x
08 Dec 2020			x				
10 Dec 2020	x						

** Meeting organised with participation by non-Executive Directors only.*

*** Meeting organised with participation by non-Executive Directors and CEO, without the rest of the Executive Directors present.*

PHOTO: SOLARIS SHOPPING CENTRE, POLAND

Development, evaluation and succession planning

In accordance with the Corporate Governance Framework, the Board must evaluate and ensure that its own performance, profile, composition, competencies and expertise, and those of its Committees, its Chair and its individual members, support continued improvement in its performance, effectiveness and proficiency in exercising their duties.

The performance of the Board, its Committees, its Chairman and of the individual Directors is formally evaluated annually. In 2020, the process was coordinated internally, with support and facilitation from an external adviser, Java Capital, to ensure objectivity and confidentiality are embedded in the process. Each Director completed an evaluation regarding the overall Board and Committees effectiveness, the Chairman's evaluation and that of each individual Board member (including self-assessment).

The 2020 evaluation covered the following considerations:

- structure and composition of the Board and Committees, including diversity, expertise and mix of skills;
- efficiency and transparency of operations, processes and routines, including the quality of the decision-making process, members' dynamic, teamwork and collaboration including the display of ethical values and tone from the top;
- Board contribution to strategy definition and performance monitoring;
- Board contribution to the steering of corporate governance and compliance;
- Board contribution to risk management and internal controls framework; and
- Board contribution to performance evaluation, compensation and succession.

A formal Board succession plan is in place to ensure the effective and orderly succession of Directors. The succession framework ensures 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. 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 Director 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.

The CEO succession plan was discussed by the Board and potential successors were identified within the Company.

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 these areas, delivered by highly qualified experts. The Board and its Committees may, whenever they consider appropriate, seek independent professional advice concerning the Company's affairs and gain access to any information they may need in discharging their duties as Directors.

Corporate governance

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Directors' dealings and related parties' transactions

Dealing in Company 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 all restricted persons do not 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 its 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.

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 holding insider knowledge are banned from dealing in NEPI Rockcastle shares.

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

All Directors' and Directors' related parties' interests are disclosed to the Group according to the Declaration of Interests Policy. All Directors' direct and indirect securities holdings as of year-end are also disclosed 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;
- trying to attract clients from the Company for which he/she serves on the Board to any competing businesses;
- 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.

At each Board meeting, potential conflicts of interest related to specific topics on the agenda are checked before the meeting. Any potential conflict of interest a Director has, would be declared and discussed by the Board. 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.

PHOTO: GALERIA WARMINSKA, POLAND

Company Secretary function

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 evaluations 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 and that the statutory obligations and obligations under the Articles of Association are complied with;
- ensures that rules regarding conflict of interest management applicable to the Board, as defined in the Declaration of Interests Policy and Code of 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 (e.g., new studies published, etc.);
- 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.

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.

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 Board Committees, fully in line with the governance frameworks:

- an Independent non-Executive Director must be the Chairman of the Audit and the Remuneration Committees;
- 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, of whom the majority should be independent;
- Directors who are not members of a Committee, may attend meetings and participate in their proceedings to gain information, but are not entitled to a vote; and
- the CEO will not be a member of the Remuneration, Audit or Nomination Committees, but may attend by invitation any meeting, if needed to contribute pertinent insights and information.

The Board considers the allocation of roles and associated 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 a 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 is placed on a single individual.

The Board nominated the following Committees, necessary to properly 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, accountabilities 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 will be 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.

Committees in action during 2020

Audit Committee / 7 meetings / 100% attendance rate
Independent non-Executive Directors
George Aase (Chairman) Andre van der Veer Antoine Dijkstra Andreas Klingen

Main responsibilities:

- oversee the integrated accounting and reporting process, including financial reporting;
- review the independence of internal and external auditors;
- evaluate and coordinate the internal and external audit process in order to ensure an efficient 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; and
- assist the Board in carrying out its IT governance by obtaining the relevant assurances that all IT risks are adequately addressed by the controls in place and provide oversight over the entire IT management framework.

Risk and Compliance Committee / 3 meetings / 100% attendance rate
Independent non-Executive Directors
Antoine Dijkstra (Chairman) Andre van der Veer George Aase Andreas Klingen
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 will ensure 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 / 2 meetings / 100% attendance rate
Independent non-Executive Directors
Andreas Klingen (Chairman)
Antoine Dijkstra
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 issues 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. This 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 and green buildings and protection of biodiversity;
- economy, including the support offered to communities and creation of jobs;
- workplace, including employment equity, diversity and inclusion, fair remuneration and 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 approves the Sustainability Report.

The CFO, as the Executive Director in the Sustainability Committee, is the executive manager coordinating the overall ESG efforts in the Group.

Corporate governance

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Remuneration Committee / 9 meetings / 100% attendance rate
Independent non-Executive Directors
Andre van der Veer (Chairman) Robert Emslie George Aase
Non-Independent non-Executive Directors
Andries de Lange

The role of the Remuneration Committee is to support the Board in discharging its responsibilities related to the Group Remuneration Policy and remuneration approach. Remuneration Committee will:

- oversee development, 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 all 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, thus ensuring that no Director retains sole responsibility for deciding their own remuneration outcome;
- annually review and recommend to the Board remuneration for Executive Directors in accordance with the Remuneration Policy and targets achievement, thus ensuring that no Director retains sole responsibility for deciding their own remuneration outcome; and
- ensure staff and Directors' remuneration is aligned with market trends and Group strategy.

Nomination Committee / 3 meetings / 100% attendance rate
Independent non-Executive Directors
Robert Emslie (Chairman) Antoine Dijkstra George Aase Andreas Klingen

The Nomination Committee is established to support the Board in discharging the following duties:

- 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) Robert Emslie
Non-Independent non-Executive Directors
Steven Brown
Executive Directors
Alex Morar
Marek Noetzel

The role of the Investment Committee is to 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.

Further to such analysis, the investments or disposals, shall be either approved by the Investment Committee, if it is within its mandate, or shall be further submitted to the Board for consideration and approval.

PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

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 in 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, as it relates to integrated reporting and governance processes within the Company.

The Chairman of the Board may attend meetings if invited by the Audit Committee Chair but cannot be nominated as member of the Audit Committee.

According to its charter, the Audit Committee has the following specific duties:

A. In relation to **external audit**:
- nominate for appointment as external auditor an independent registered auditor;
- review the auditor's fees and terms of engagement, and ensure that appointment complies with relevant legislation;
- approve the nature and extent of non-audit services, which the auditor may provide to the Company;
- annually review and discuss with the external auditor all significant relationships they have with the Group to determine their 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 Annual Report of the Group for reasonableness, completeness, consistency and accuracy prior to issue 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 internal and external 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 ensuring that all employees understand their roles and responsibilities;
- review the effectiveness and efficiency of the internal controls applied in the Group;
- review and assess the reports 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 Internal Audit Plan;
- review and approve internal audit reports, including management's action plans to address risks 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
- may escalate to the Board 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 all applicable laws, regulations and policies;
- oversee whistleblowing process and handle related investigations;
- 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;
- see 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 Committee is provided with the necessary resources to fulfil its responsibilities.

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 given 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 2020 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 is satisfactory, including the policy for the provision of non-audit services implemented at Group level and the partner rotation policy.

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 financial controls. 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 2020:

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

- monitor implementation of the risk management policy, processes and organisation, with account being taken of not only market, credit and liquidity risks, but also systemic risks, reputational risks and non-financial risks, as well as the design and operation of the internal risk management system;
- make recommendations to the Board concerning the levels of risk appetite and risk profile of the Group and monitoring that risks are managed within those levels, as approved by the Board;
- oversee that the risk management plan is widely disseminated throughout the Group and integrated into day-to-day activities;
- ensure that risk management assessment and risk monitoring are performed 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;
- liaise closely with the Audit Committee and other relevant Committees to exchange information relevant to risk;
- express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- review reporting concerning risk management that is to be included in the integrated annual report to ensure it is timely, relevant and comprehensive; and
- assess compliance with all relevant legislation and regulations, including regulations concerning risk reporting.

b. With respect to compliance management system:
- oversee the compliance management framework;
- oversee the development and annual review of the compliance policies, and recommend changes 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, with regard to employment equity, diversity and inclusion, fair remuneration, health and safety, promotion of equality and prevention of discrimination.

Sustainability Committee

The Sustainability Committee consists of four Directors, with 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 defined by the Group;
- monitor the Groups' effects on the environment, health and public safety based on reports provided by management;
- ensure comprehensive, timely and relevant sustainability reporting, e.g., evaluate the sustainability section in the Annual Report for reasonability, completeness and accuracy;
- 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 will have diverse, complementary backgrounds and will be independent of the management and the Company.

The Remuneration Committee assumed the following responsibilities during 2020:
- 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 being 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; and
- is chaired by an Independent non-Executive Director, who may also be the Chairman of the Board of Directors.

The Nomination Committee is tasked with the following:
- periodically assess the skill set required to competently discharge the Board's duties, consider the Group's strategic direction and compile/review the Board Profile Paper on an annual basis;
- 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 on an annual basis;
- 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, alterations and re-tenanting), and, where necessary, working on 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 disposal processes, 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 monitors investment portfolio management to ensure compliance with investment policies and guidelines, so that performance objectives are met. 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 2020 and confirmed that they are satisfied that they have fulfilled their responsibilities in accordance with their charters and the Corporate Governance Framework.

Corporate governance

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Stakeholder engagement and relationship management

The Board oversees stakeholder relationship management, while responsibility for the execution of effective relationship management has been delegated to the Executive Directors and further on to line management, in accordance with the Operational Mandate. During 2020, management strived to ensure fair, timely, complete and accurate communication with the Group's stakeholders.

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 and other ESG matters.

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 stakeholders, where they believe this to be in the Group's best interests. No information is shared preferentially to some stakeholders, unless it is available to all. Detailed feedback from these interactions is discussed at Board level.

The Group's non-Executive and Executive Directors ensure that all shareholders are treated equally, and that management seeks to recognise, protect and facilitate 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 reports formally in a number of ways:

- news, announcements or press releases are issued in response to events or routine reporting obligations;
- the reviewed Interim Financial Statements and Interim Condensed Consolidated Financial Results are published in August of 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.

PHOTO: SHOPPING CITY SATU MARE, ROMANIA

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 2020, more than ever, to counteract COVID-19 situation, the Group has kept its stakeholders constantly informed of how the pandemic 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 safeguards it had in place to protect its viability and going concern.

Key investor relations calendar in 2020	
February	Audited consolidated annual financial statements
	Results presentations and investors meetings
March	Publication of 2019 Annual Report
April	Update on the disposal of the Romanian office portfolio
May	Business update Q1 2020
July	Update on Environment, Social and Governance rating issued by an independent rating agency
	Launch of Green Financing Framework
	Further update on the disposal of the Romanian office portfolio
	First unsecured green bond priced at €500 million
August	Trading statement
	Annual General Meeting of shareholders
	Publication of Interim Condensed Consolidated Financial statements for the six months ended 30 June 2020
	Results presentation webcast
	Announcement on the completion of the disposal of the Romanian Office portfolio
September	EPRA Gold Award for compliance with Best Practices Recommendations for financial reporting
November	Business update Q3 2020
	FTSE/JSE free float update
December	Disposal of the listed securities portfolio and use of proceeds for the repurchase of own shares
	Preclosing update

Corporate governance

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The Board is required by 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.

The Group actively manages its relationship with all categories of stakeholders using the means considered most appropriate for each stakeholder category.

Shareholders	The Group is committed to providing all shareholders with timely and equal access to relevant information through open, honest and transparent communication. 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.
Financing partners	The Group has a wide range of relationships with banks, financial institutions and bondholders. The Group 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.
Analysts	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 2020, the Company had to adapt its interactions due to COVID-19 travel, quarantine and social distancing restrictions. NEPI Rockcastle openly addresses analysts' questions concerning all aspects of the business and communicates frequently during the year to answer their queries.
Tenants	Despite the uncertainties brought by 2020, 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.
Suppliers	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.
Government and local authorities	NEPI Rockcastle endeavours to build mutually beneficial relationships with governments in the jurisdictions where the Group operates, acknowledging that the Group is a major taxpayer and that it creates job opportunities both during project's development and afterwards, in the operational stages. NEPI Rockcastle engages with local authorities both directly and via its property managers and external consultants. During 2020, the Group engaged with government and local authorities in the jurisdictions it operates, in order to support the retail ecosystem, ensure smooth and safe operations and comply with social distancing and other measures imposed.
Employees	NEPI Rockcastle maintains professional working relationships with its employees, while at the same time fostering a culture of collaboration, encouraging new ideas, proactivity and ownership. Despite the COVID-19 disruption, the Group did not change its approach towards its employees, while implementing the necessary safety and distancing measures to ensure they were safe and protected.
Communities and environment	NEPI Rockcastle, as a good corporate citizen, frequently considers the impact of its projects and operations on society and the environment. During 2020, the Group contributed to the fight against the spread of COVID-19 by providing donations to the Red Cross and other charities. Details are included in the Sustainability Report, pages 189 to 194 of this Annual Report.

INTERNAL CONTROLS AND COMPLIANCE MANAGEMENT SYSTEM

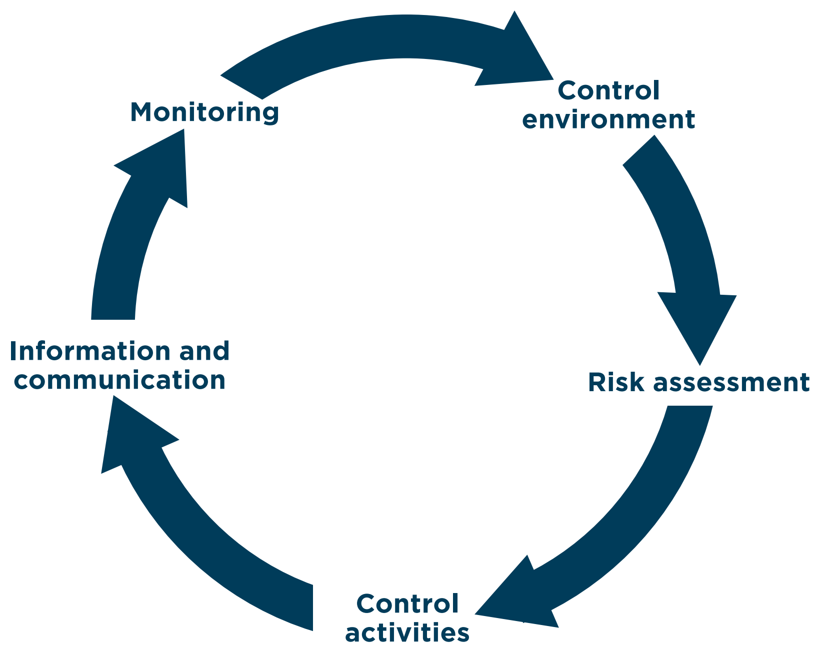
The Group implemented the three lines of defense approach, with a view to further strengthen the system of internal controls and track compliance with relevant laws and regulations. As such, the system of internal controls is structured on the following lines:

- **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 and KPIs and monitoring status of 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 with monitoring new laws and 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 by operational management, and assist the risk owners in reporting adequate risk-related information. In the consideration of their monitoring role, the 2nd line of defense functions would recommend new controls or risk mitigating measures to be embedded in current processes and practices of the 1st line of defense actors; 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 activities, 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 arm's length;
- confidentiality and observance of professional secrecy;
- incomplete financial reporting or communications;
- non-compliance with fiscal regulations within a complex tax environment;
- use of privileged information and insider trading;
- money-laundering and the financing of terrorism;
- 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 and effectiveness of operations;
- 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 continuous monitoring of compliance with policies;
- 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 the 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, and its management. 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 processes, monitoring that:
- processes, people and information technology are integrated seamlessly across the Group;
- information technology's hard and soft infrastructure support the achievement of the Group's strategy;
- proper arrangements are being 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
- 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 Management Mandate. Where IT processes are outsourced to third-party service providers, these are governed by strict 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 emerging cybersecurity risks seriously and has implemented extensive measures to ensure these will not result in a material data breach, leakage or loss of key information. The Group continued in 2020 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, none of which had serious consequences due to the safeguards implemented. None of these attacks led to significant leakage, loss or unavailability of personal data or business secrets.

With a focus to enhance internal controls, increase efficiency, transparency and traceability, and operate in a paperless environment (to the extent possible and within current legal constraints in various jurisdictions where the Group operates), the Group is working on digitalisation and process automation tools across various areas and processes, as a medium-term strategic direction.

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: identifies, documents and evaluates the compliance risks associated with the 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 further strengthened 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;
- review the operation of enterprise risk management in each operating unit;
- report on incidents and severe risks to the CEO and Risk and Compliance Committee;
- develop the format, rules and principles governing the use of the risk and compliance management tools used within the Group (i.e.,, Risk Register, Conflict of Interests Register, Whistleblowing channels, etc.);
- propose, based on the relevant input from management, changes to the Group's risk appetite;
- develop and periodically review compliance and risk management framework, methodology and operational processes at Group level, seeking to prevent Group exposure to 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, on Group activities and coordinate needed alignment;
- ensure deployment of training and awareness programmes for Group personnel, on a risk-based approach, aiming to develop the risks culture;
- 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; and
- raise the issue of insufficiency or lack of appropriate resources required to properly manage risk and compliance, considering the risk appetite and the results of the periodical risk assessment exercises and/or audits.

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 stipulations 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 2020.

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 as well as new procedures covering business processes during 2020.

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 Report.

Corporate governance

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EXTERNAL AUDIT

The Group's audit rotation policy is to organise tenders for audit services every three years, to ensure auditors' independence, as well as verify that audit fees are in line with the market.

The current external auditor 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 a multinational audit and compliance with strict reporting deadlines.

PwC's 2020 appointment was proposed by the Audit Committee, approved by the Board, and endorsed by shareholders, at the Annual General Meeting, with 99.61% 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.

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 Listing Requirements Section 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.

The external auditor confirmed their independence to the Audit Committee in respect of: relationships between PwC and the Group; relationships and investments held by individuals employed by PwC related to 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 had 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.

PHOTO: BONARKA CITY CENTER, POLAND

INTERNAL AUDIT

The Group has an insourced Internal Audit function, coordinated by an experienced Audit Director. 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. No restrictions are placed upon the scope of the Internal Audit work. Internal Audit is entitled through its Charter to receive complete information and any explanations they consider necessary to fulfil their responsibilities towards the Group.

Internal Audit reviews aim to determine the effectiveness of the Group's governance and internal controls (including safeguarding of assets, efficiency and effectiveness of operations) and of processes implemented to ensure adherence to applicable laws and regulations, to preserve reliability of financial and operational reporting and to assess the quality of performances when carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

During 2020, based on the scope of work performed, Internal Audit concluded that the system of internal controls has further matured and is adequate to prevent material misstatements in the financial statements. Internal Audit concluded that management continued to strengthen the corporate governance and risk management processes. This was achieved by further embedding risk management in strategic processes and defining a robust Risk Appetite Statement, meant to facilitate the identification of key risks and prioritisation of mitigating measures. Management priorities in 2021 will be to further standardise and align internal procedures, digitalise processes and automate controls, increase efficiency and effectiveness of internal controls and optimise operations.

Risk management

RISK OVERVIEW

The Group recognises the importance of enterprise risk management and considers risk in both the strategy-setting process and driving and controlling performance. The Group further acknowledges that risk management is an increasingly important business driver. In the context of increasing volatility, complexity and ambiguity in the political, environmental and economic context, organisations need to enhance their approach to managing risk in order to meet the demands of an evolving socio-economic environment.

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

- align and integrate risk management with strategy and business objective setting;
- create a culture of risk management awareness
- ensure that all current and future material risk exposures are identified, assessed, quantified and appropriately managed;
- enable compliance with relevant laws and regulations, wherever applicable, through the adoption of best practice;
- enable financial stability and sustainable business growth;
- foster an educated approach towards risk and provide the tools to evaluate and address risks in the same manner across all regions; and
- integrate the best practice principles set forth under COSO framework as well as ISO 31000.

RISK MANAGEMENT STRATEGY AND RISK GOVERNANCE

In order to ensure a risk aware culture, the Group focuses on the following:

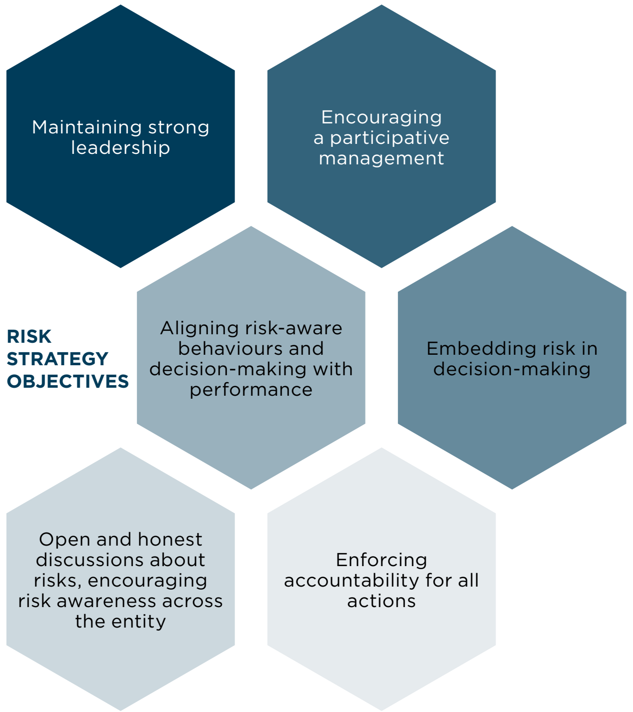
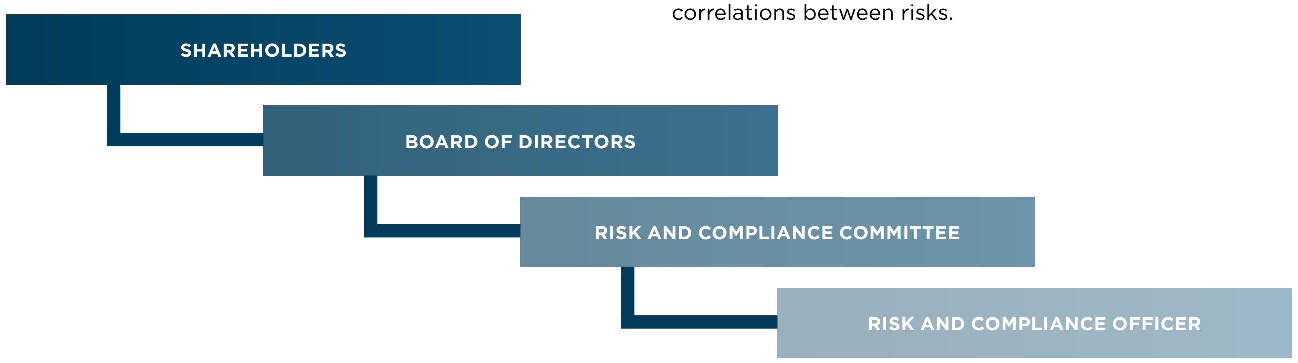



PHOTO: ARENA MALL, HUNGARY

Information is shared and escalated to the relevant function/level within the Group, in a transparent manner, while management provides the Risk and Compliance Officer, Risk and Compliance Committee and Board of Directors with an appropriate level of risk information to assess whether current enterprise risk management practices are appropriate, facilitating the Board of Directors and Risk and Compliance Committee in exercising their risk oversight role.

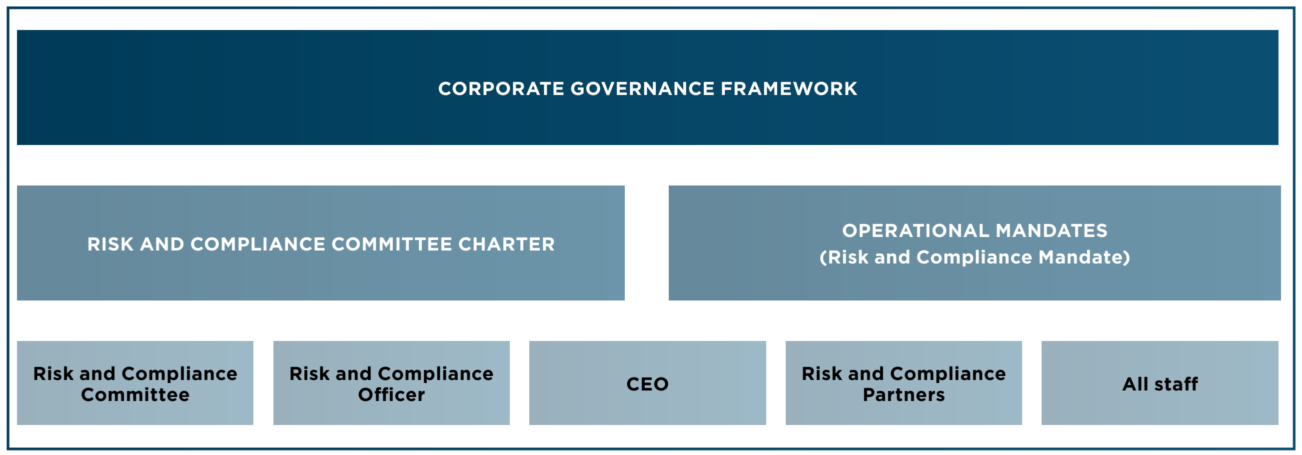
Ensuring the Group's Board of Directors provides oversight of risk management, as well as alignment and embedding of risk management in strategy and objective setting are of paramount importance to the Group's attitude towards risk management. The Group maps every risk identified to one or more of the strategic goals and this mapping is revisited annually, once the strategy for the next year has been set, in order to ensure its relevance. The mapping helps the Group to better assess the risks and be mindful of what risks may deter achievement of a certain strategic goal as well as detect correlations between risks.



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, as well as ensuring the Group implemented an effective approach to risk management that will enhance its ability to achieve its strategic and business objectives.

The risk management oversight role of the **Board of Directors** and **Risk and Compliance Committee** is enhanced by the Directors' independence and mix of skills, expertise and business knowledge. This role includes scrutinising management's activities when necessary, presenting alternative views, offering sound judgement, challenging organisational bias, and acting in the face of malpractice. In fulfilling its role of providing risk oversight, the Board challenges management without assuming the operational role of management.
The comprehensive 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 detailed in the Corporate Governance section of this Annual Report.

A **Risk and Compliance Officer,** reporting to the Risk 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 their mandate from the Board of Directors.



Risk management

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The Board 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) rely on an enterprise-wide culture that supports appropriate risk awareness, behaviours and judgments.

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

Management has the responsibility to embed risk management practices into day-to-day operations and ensure that these practices are applied consistently: (i) building a risk aware culture; (ii) agreeing risk management performance targets; (iii) building implementation of risk management recommendations; and (iv) identifying and reporting 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, especially those that have an associated cost or resource requirement, while the Board of Directors directly, and through the Risk and Compliance Committee, shall exercise overall risk management oversight.

At an individual level, each employee has their own responsibilities when dealing with risk management. Employees must: (i) understand and implement the risk management processes; (ii) report inefficient, unnecessary or unworkable risk management measures; (iii) report loss events and near miss incidents; and (iv) cooperate with management on incident investigation.

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 may decide voluntarily, or at the recommendation of the Risk and Compliance Committee, to request independent assurance on the effectiveness of risk management processes.

Whereas 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 prepared a structure of roles and responsibilities at the Group's management level for ensuring an effective framework for managing risks in each entity and local jurisdiction it operates in.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT POLICY	• increased overall awareness of risk throughout the Group • guidance for the management functions to identify, assess and control risks within their areas
RISK APPETITE STATEMENT	• defining the types and amount of risk the Group is willing to take in the context of creating, preserving and realising value • setting rules and principles to be considered in risks undertaking, so that to maintain alignment to risk appetite
CRISIS MANAGEMENT AND BUSINESS CONTINUITY FRAMEWORK	• guidance for incidents management, so that to minimise risks and ensure health and safety of personnel, integrity of assets and availability of data within information systems • rules 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

RISK APPETITE

NEPI Rockcastle closely monitors significant risks with a potential impact on strategic goals, assessed in accordance with its risk evaluation methodology. The Group has developed and approved a set of criteria defining its risk appetite in respect to 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; and Know-Your-Partner process.

The Group targets the following to ensure risks are managed properly:

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

The Group has zero tolerance towards risks related to:

- health and safety of staff and visitors (i.e., risks related to structural integrity the properties, fire security and 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 Ethical Conduct by its employees, collaborators 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 (i.e., competition, data privacy, etc.);
- exposing the Group and its employees, collaborators or Directors to any criminal liability;
- any failure in being fully compliant 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 extrapolated based on specific performance indicators per area of activity and per individual.

RISK MANAGEMENT PROCESS AND RESPONSIBILITIES

The potential risks are evaluated based on their estimated impact and likelihood of occurrence, based on a Group-wide methodology. When deciding whether to mitigate a certain risk, the Group will factor-in the following: the potential impact and probability, the risk appetite approved by the Board, the cost of implementing the mitigating measures. For significant risks, a contingency plan and/or a series of activities that should take place prior to, or when the event occurs, are designed. The residual risk is evaluated considering the mitigating measures and contingency plans, while progress of implementation is closely monitored.

RISK IDENTIFICATION

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GROSS RISK ASSESSMENT

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RISK MITIGATION

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NET RISK ASSESSMENT

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RISK TRACKING AND REPORTING

RISK CONTINGENCY PLANNING, AWARENESS & TRAINING PROGRAMS

Risk awareness requires that all employees are conscious of what constitutes a threat and be sensitive to specific events or factors that could positively or negatively impact the Group, thus enabling risk identification. Management identifies and documents known risk 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 the Board, where relevant.

Risk management

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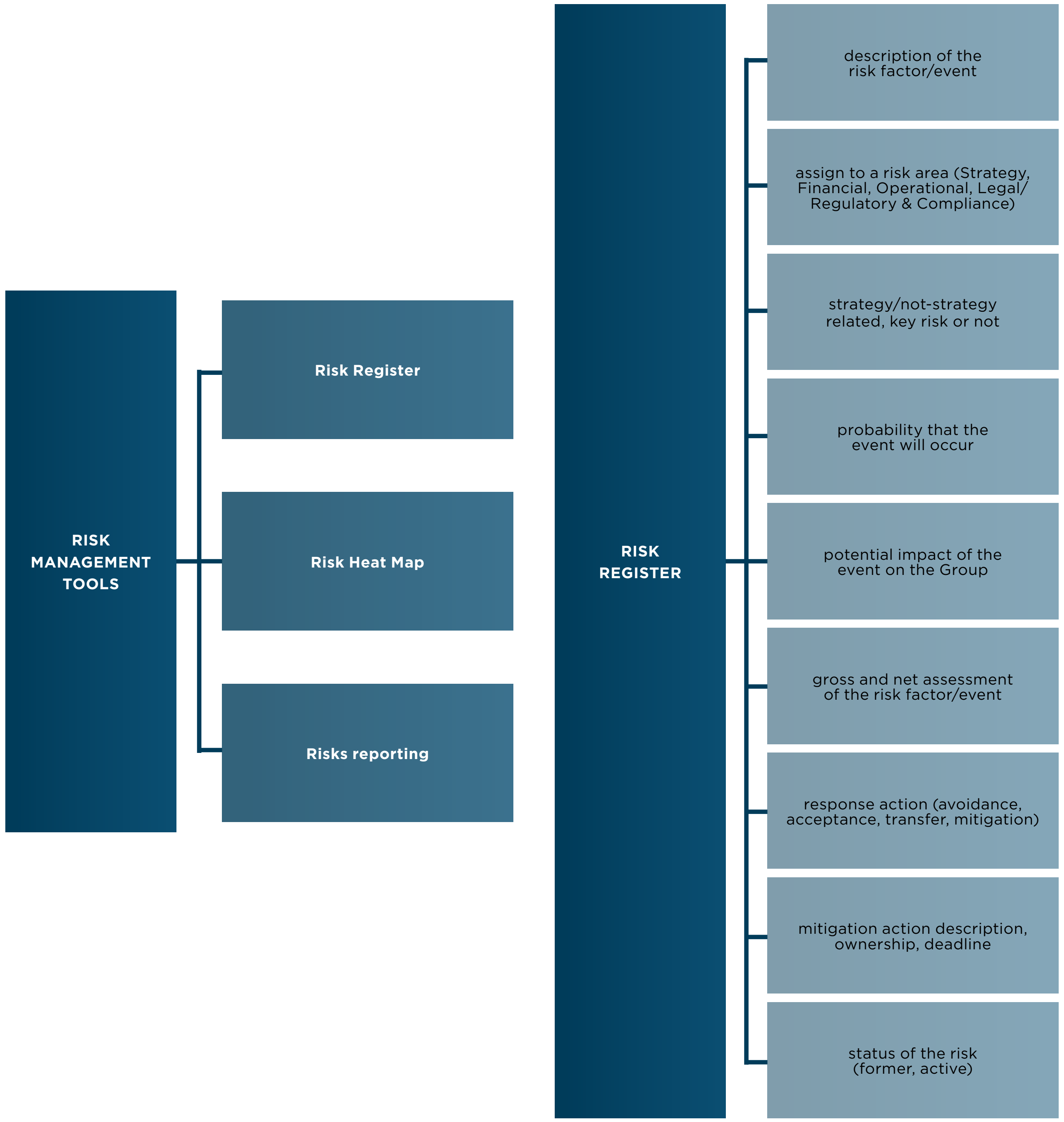
In the process of identifying, assessing, responding to and reporting on risks, the Group uses dedicated tools.

- Risk Register: an inventory that lists the risks identified as relevant and that may impact the performance of strategy and business objectives.
- Risks Heat Map: developed based on the probability, impact and a combination thereof to assess the severity of the risks included in the Risk Register.
- Risk and incidents reports: summarising risks and specific incidents monitored by management and reported to the Risk and Compliance Committee together with proposed/taken mitigation measures.

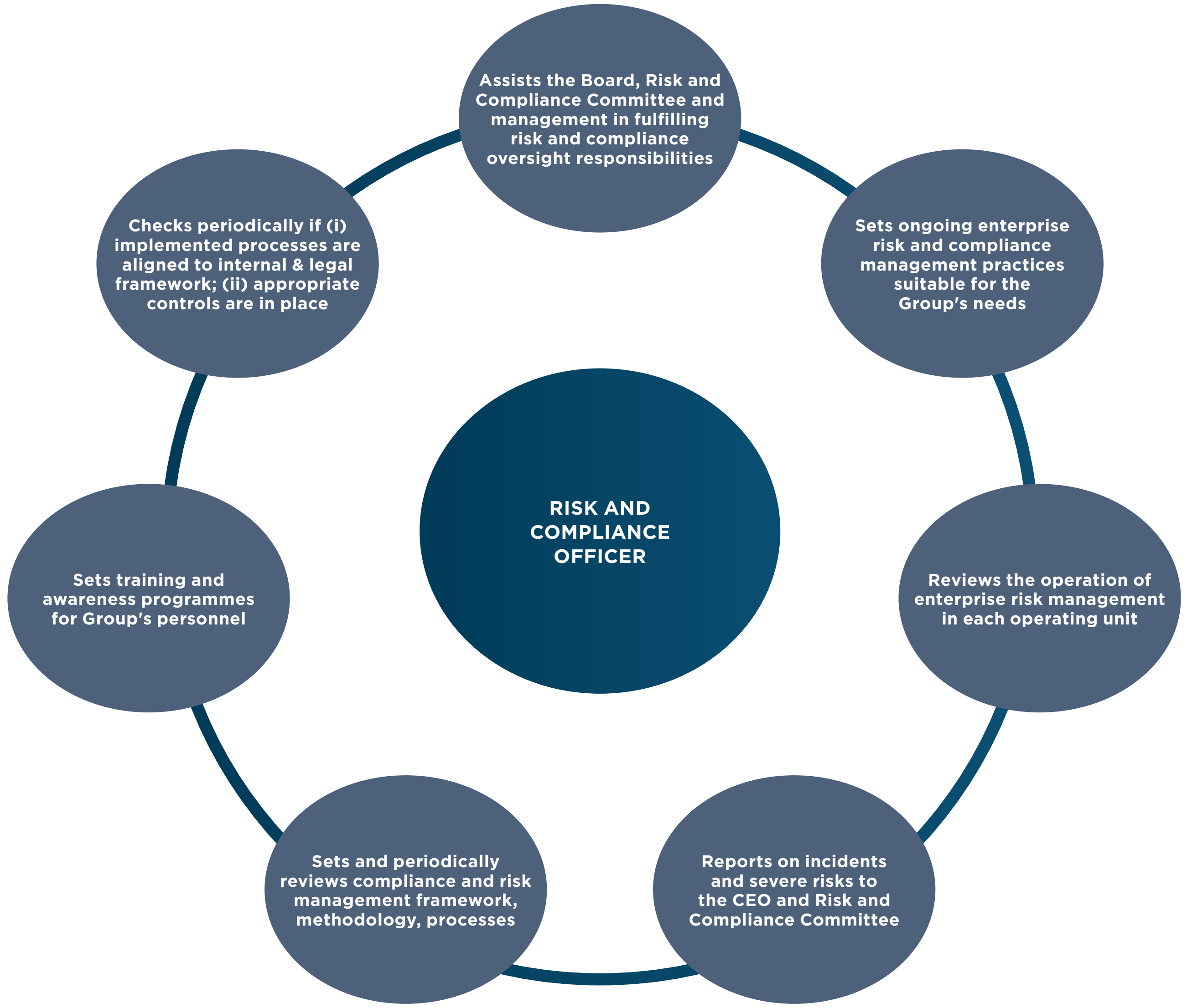


RISK MANAGEMENT IN 2020

KEY ACTIVITIES PERFORMED IN 2020 TO ENHANCE RISK MANAGEMENT

During 2020, the Group undertook an internal review of its enterprise risk management as a periodical exercise and amended its policies, procedures and processes to reflect the Risk and Compliance functions merger, as well as to accommodate the new Risk and Compliance Officer role within the Group.

The initiative of merging the compliance and risk function under the same line of management aimed to further strengthen the system of internal controls and enhance efficiency of the three lines of defence approach. The Risk and Compliance Officer coordinates risk management and compliance areas, being assigned the following main responsibilities:



Also, during 2019-2020, the Group deployed a business impact assessment to set an overall business continuity framework and to update and refine its Group level Business Continuity Plan. The analysis covered all processes and subprocesses in the Group, interdependencies between areas and departments, resources, people, assets and suppliers' availability. Processes and subprocesses have been mapped with monitored top risks to identify critical levels, and have been further addressed in the business continuity setup with adequate measures and response time. The hypothetical disruptions in critical processes have been 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 of the Group.

Risk management

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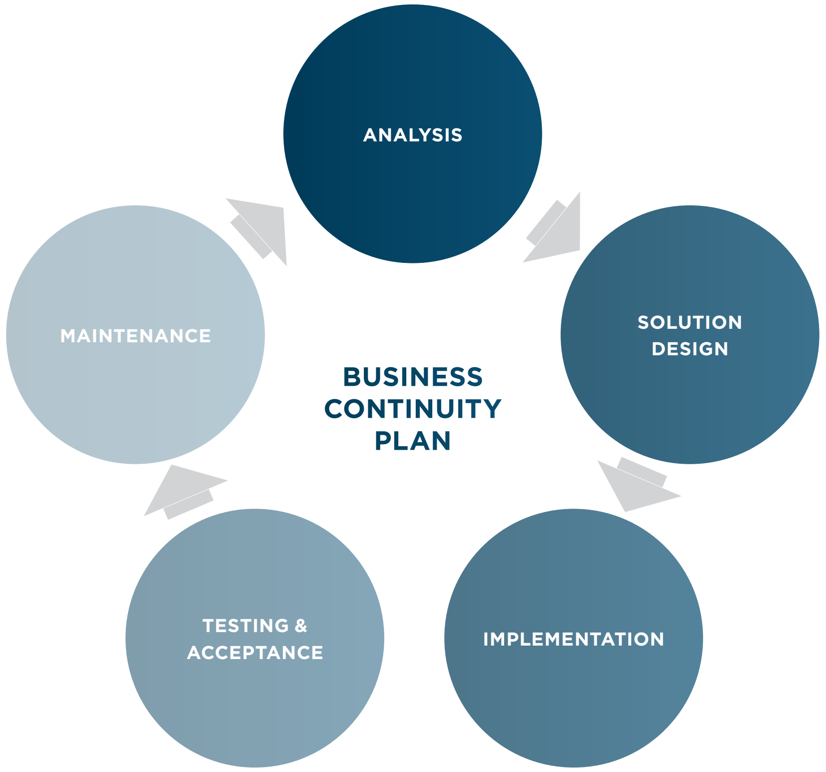

The **Business Continuity Plan** aims to assign clear responsibilities and a specific workflow in the case of a crisis and provides detailed instructions in order to timely resume or restore business operations after a disruptive event occurs. Executive management and business/process owners validate the continuity and recovery strategies and plans, while the Group CEO approves the implementation.

In 2020, the Group implemented a detailed **Know-Your-Client/Partner Procedure** ('KYC'/'KYP'), setting the rules and framework for performing KYC/KYP due diligence reviews in a consistent manner across the Group. The procedure considered mainly the European legal requirements regarding money laundering and terrorism financing, as well as anti-bribery, anti-corruption and ethical business conduct principles and best practices. The embedding and automation of KYC/KYP controls in all business processes are currently under development.

Group policy is to conclude agreements with clients and partners that carry out legal and legitimate activities and run their business in a transparent manner, while ensuring that any collaboration with them relies on sound ethical and anti-corruption principles, which all staff must comply with. To support this approach, a Watchlist Procedure has been defined for the implementing the above principles in the business processes and embedding them in the decision making, while at the same time preserving the transparency and objectivity of the process. The procedure aims to define the framework for using relevant information, available evidence and collaboration history in relation to potential or existing clients and partners, thus avoiding Group risk exposure as far as possible. Collaboration history to be considered includes: unethical/unusual conduct during the bid process, the negotiations phase and/or throughout the contractual relationship; misbehaviour against Group personnel; unjustified delays in performing services; non-performance/poor performance of services; unjustified delays in making payments and/or any related pecuniary obligations; substantial negative media regarding the Company, its products/services, its relationship with partners/subcontractors or its unethical practices, and significant sanctions or measures imposed by relevant authorities.

To ensure an internal unitary methodological process and a centralised management of policies and procedures portfolio under the coordination of the Risk and Compliance Officer, a Policy Framework Procedure has been implemented, aiming to encourage common rules and processes at Group level, as well as to maintain permanent alignment with the legal and regulatory environment, thus avoiding mainly compliance risks and consequently reputational and/or financial loss risks.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF RISK MANAGEMENT

In addition to ad hoc meetings held whenever needed to consider special matters, to enhance the effectiveness of the risk management process, the **Risk and Compliance Committee** altered its timetable from biannual to quarterly meetings. Also, the Group uses reporting and monitoring risk management tools to ensure timely and adequate identification and mitigation processes: Risk Register, Heat Map, incidents report, etc.

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 attention and consideration of 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, disagreements over decisions, 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, as well as specific actions or measures.

The revised **Business Continuity Plan** has been successfully tested in 2020 and shall be revisited on an annual basis, while regular training ensures necessary awareness among Group personnel. Awareness and training, tone from the top regarding risk culture and awareness, and timely communication bottom up and top down are key success factors for an efficient business continuity system management.

Training programmes have been organised for all for Group entities during 2020, supporting implementation of the new policies and procedures, as well as a dedicated training campaign on Compliance and Risk Management essentials, aiming to raise risk awareness and develop a proactive risk culture among Group personnel.

To ensure transparent communication enabling efficient risk management processes, **periodical alignment workshops** occur between functions responsible for the second line of defence (Risk and Compliance) and third line of defence (Internal Audit), targeting an aligned Group-wide approach. Also, in order to consider strategy and business goals when setting and adjusting the risk management system, as well as to enhance tone from the top with regard to risk culture, **periodical working sessions** occur with the Risk and Compliance Officer, CEO, CFO, Internal Audit Director and Group Legal Counsel, focusing on running real or envisaged projects, processes optimisation initiatives, potential risk costs and mitigating factors.

Risk management

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PLANNED AREAS OF FUTURE FOCUS

On an annual basis, the Risk and Compliance Officer runs a risk assessment process to decide the focus for the following year, whether there is a need to update the Group internal regulatory framework or other additional action plans to ensure compliance.

Embedding risk management in strategy and business objective setting, as well as in the execution process of these objectives, is key to a successful and effective enterprise risk management, so this goal remains a top priority for the Group.

Also, 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, Risk and Compliance Committee and management team for subsequent years, and will be a critical factor in achieving Group's strategy and business objectives.

One area of attention in terms of risks and opportunities remains online commerce, whose evolution is closely monitored by the Group, especially considering the recent pandemic which gave a serious reason to all market players to rethink their business model. The Group is aiming to enhance customer experience through an omni-channel approach, enabling tenants' sales via loyalty programmes and their online sales. Potential risk triggers associated to a new business approach shall be thoroughly and extensively weighted against commercial opportunities and returns.

KEY RISK AREAS

Unexpected developments in the political, economic, financial, currency, regulatory, geopolitical, social or health environments of the jurisdictions the Group operates in, may impact on the 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 the potential negative impact on the Group's activities or correctly weighing the potential opportunity for the Group.

Key strategic directions
Maximise earnings per share and capital value.
Evolve towards an omni-channel consumer centric approach.
Long-term tenant relationship management.
Preserve a superior portfolio quality.
Foster sustainable growth by within 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 set key mitigating actions, while reasonably preserving information sensitivity and observing the confidentiality principle.

The key risk areas listed below include the most relevant risk triggers the Group encounters, associated business impact and mitigating actions, as well as anticipated trends. This is not an exhaustive risk factor inventory, but rather the ones that are considered the most relevant to the Group's ecosystem. Additional risk factors have not been reflected below 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 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, 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 programme, 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, and 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 on-line retail with a negative impact on traditional brick and mortar retail		The recent pandemic is expected to accelerate 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 pandemic but remained on average lower in CEE compared to the Western 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 centres as entertainment hubs and preferred shopping destinations and defined a customer-centric omni-channel strategy to maximise the potential of our most loyal shoppers, enable online sales for our tenants and continue to host digital players looking for a physical interaction with their customers.	Shareholders Tenants
Reputational risk		Reputation is key to the Group, as a reputational 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, following last assessment, there was initially a decreased impact due to mitigating measures in place and overall environment (only notable negative evolution being the general sentiment towards retail sector). Unfortunately, as a result of COVID-19 pandemic starting mid-March 2020 the reputational risk has increased due to depreciation of the economic environment and uncertainty in respect of the evolution of the 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 senior PR person. There is an operational crisis communication manual in place. 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 and 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 our investment strategy to COVID-19 context entailing 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 when due. The risk depends highly on the duration and evolution of COVID-19 pandemic and the authorities and market regulators' response, as well as subsequent recovery.	In addition to its usual sound financial management approach, in the context of COVID-19, NEPI Rockcastle is committed to maintaining its conservative gearing level and robust liquidity. Currently the Group has a strong liquidity of over €1 billion which enables it to meet all committed and due payments. Furthermore, the Group extended €325 million revolving credit facilities in 2020 and is in the advanced process of extending the remaining €250 million.	Shareholders Tenants Suppliers Employees Local authorities Financing partners
Stock markets volatility		The 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 remain reserved. This is an external risk, largely not under the control of the Group, however it can influence the share price.	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. The Tax and Treasury Risk Partner will continue monitoring and market research, and raise potential risk triggers to senior management, while the decision on mitigating measures stays with the senior management and the Board.	Shareholders Financing partners Employees
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 and overreliance on a single third party.				
Information security/ cybersecurity risk		Insufficient information security measures may lead to loss of confidential data, reputational issues, disruption of our operations and potential financial loss or GDPR related issues.	Backup and recovery plans to restore data are in place. The Group performs regular backups, as required by its IT policy. The Group uses experienced consultants to ensure that appropriate IT security measures are implemented. Management implemented a cloud-based solution in order to reduce reliance on physical hardware and provide better accessibility. There are various firewalls and anti-virus software solutions in place and outside access to the servers/cloud is controlled. Part of the IT process is outsourced but monitored internally. Other relevant security measures have been implemented to support a sound IT Security environment and raise personnel awareness: device encryption; backup solution for all servers to Microsoft Backup Datacentre; Disaster Recovery Solution for critical servers, risk assessment applied to third-party IT companies and penetration tests.	Shareholders Tenants Employees

Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
Risk of tenants' default.		Increased probability and impact due to current pandemic. Closing of the non-essential shops (e.g., 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 on 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. In the context of pandemic, litigations with tenants over rent reductions and reliefs might trigger: • alteration of the relation with tenants: decision to reduce business in our locations or to relocate; • credit risk: tenants fail to meet their contractual obligations, impacting cashflows and liquidity; • additional subsequent regulatory risk: as tenants may file various complaints with various authorities.); • financial impact: unpaid rents, litigation related costs, administrative penalties or fines imposed by authorities; • operational risk: high vacancy and bad debts; and • negative media and reputational risk.	The Group granted support to the tenants for both the lockdown period and afterwards, following the reopening of shopping centres. Various measures were considered for the preparation and implementation of a strategy in this respect (including criteria based on which tenants' performance is rated and then used for more efficient tenant relationship management). 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. 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. 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 dependent on the collected receivables.	Shareholders Tenants
Pandemic/epidemic episodes might impact activity in commercial centres and/or cause business interruptions. Visitors numbers might decrease impacting tenants' sales volume.		Evolution and continuing impact of COVID-19 remains uncertain, at least until a final solution, such as a vaccine, is implemented. Tenants might be forced to reduce or even close their business in the Group's locations. Authorities might declare temporary closure of malls. 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.	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 and mitigating measures, to ensure business continuity and prompt activity recovery. Adequate crisis management covers efficient internal and external communication strategies, relationships with authorities, legislators and suppliers and tenants' relationship management. Also, hygienic measures and information campaigns are present in the Group's physical locations, to prevent spread of infectious disease.	Shareholders Tenants Suppliers Employees Local authorities

Risk management

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Risk description	Strategic goal impacted	Business impact	Key mitigating actions	Stakeholders impacted
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, and personal data protection are highly regulated across the Group's portfolio.				
Non-compliance with laws, regulations and non-adherence to good governance practices. 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.		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. Management continuously monitors compliance with legal requirements. Appropriate operational compliance management is ensured through continuous monitoring of permits and authorisations required by law, covering all properties, operations and jurisdictions. The Company conducts a centralised quarterly review of operational compliance at Group level. Appropriate policies and procedures set the tone from the top for ethical culture within the Group. Know-your-customer/partner policies and procedures aim to mitigate money laundering/terrorism financing and prevent corruption. The compliance status is reported regularly to the Board.	Shareholders Financing partners Employees Tenants Suppliers Local authorities
Non-compliance with EU General Data Protection Regulation, within complex jurisdictions and local specificities.		Non-compliance with regulatory requirements could lead to fines, penalties, censures, and reputational damage.	The Group has set up a structure and has employed an experienced DPO (Data Privacy Officer) to coordinate data privacy compliance. Responsibilities for data privacy have been assigned in each jurisdiction. 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 identify and address vulnerabilities early.	Tenants Shareholders Employees Local authorities

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.

PHOTO: SHOPPING CITY DEVA, ROMANIA

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 for the human capital, as they serve to align the objectives and targets of the firm with the objectives and strategic priorities of individual Directors and staff. Moreover, the remuneration and incentive policies are designed to motivate all Directors and employees to pursue the Group's growth and success.

The report covers various elements of Remuneration Policy, including details on how the Group's management team approached overall remuneration in the context of the COVID-19 pandemic, the implementation during 2020 and planned strategic changes beginning 2021.
The Group's philosophy is that remuneration should always be a reflection of the health of our business, an element of aspiration for our people and a personal outcome derived from business outcomes. Remuneration is critical in driving the achievement of business 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 business 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, that is characterised by high turnover within a context of low unemployment, expertise scarcity and increased mobility. Hence, the remuneration structures have 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 Central and Eastern Europe, 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 on the market.

The key remuneration principles set out by the Group remain unchanged from the previous year, as they position the Group's policy competitively on 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. The objective setting process is structured along two important pillars, that 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:

- *Business objectives:* Key Performance Indicators ('KPI's) and strategic priorities; and
- Personal development objectives: 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 median, and towards maximum of the market 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, while reviewing positioning compared to the market. 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 continuously monitoring internal and external factors that may influence the context in which the Group operates, which 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 2020

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 and variance of remuneration in specific geographies. Prior to 2020, CEE was increasingly affected by the migration of skilled professionals towards Western Europe or other more developed regions, however, during 2020 this appeared to stagnate, or at least occur at significantly reduced levels, mainly due to restrictions and uncertainties related to the pandemic.

Although 2020 started with a highly dynamic labour market, mirroring development plans across the industry and CEE overall, since spring 2020, when the COVID–19 pandemic began, the entire workforce mobility and dynamic changed, alongside the changing priorities of all governments to create the necessary legislative national frameworks that would prevent the spread of COVID-19, reduce level of contaminations and manage the cases of infected people, including hospitalisation and deaths.

The CEE region has been seriously affected by the pandemic's spread, contamination levels, number of infections and number of deaths due to COVID-19 as reported at each national level.

Both businesses and people have been through challenging periods that needed rapid and efficient adaptations to conditions changing extremely rapidly and in some cases with unprecedented consequences.

The main elements affecting the workforce in CEE during 2020, are detailed below:

- Legislation related to organising work and employees' safety was changed several times during 2020, with an impact on managing our teams and operations;
- To enforce social distancing and prevent the spread of COVID-19, local authorities in all jurisdictions issued legislation for work to be re-organised from entirely remote to a hybrid work arrangement, with very few instances where work from locations was fully allowed in unchanged conditions;
- In all jurisdictions where the Group operates, special working conditions were framed by authorities, allowing employees to support their children while childcare and education institutions were closed – so reduced capacity of workforce was available;
- Monitoring and reporting of infections, deaths, contamination triggers was a key element in informing people of the importance of understanding and adhering to the preventive measures. At the same time, during 2020, under the huge influence of COVID–19 pandemic, significant social distress and anxiety was experienced;

Remuneration review

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- Mobility of workforce, across borders as well as within the same country, was severely reduced for long periods during the year; and
- Significant number of layoffs occurred throughout our regions in sectors mostly affected by the COVID–19 measures and changing people behaviour related to organising work, social life and mobility. This led to increased unemployment.

Many business sectors, including commercial real estate and retail sectors were highly affected by COVID-19 as trading was severely disrupted by restrictions introduced to prevent the spread of the virus. In spring 2020, during the first wave, Governments temporarily closed non-essential stores. Lockdowns were eased during the summer, allowing a partial reopening. However, restrictions were reintroduced in the fourth quarter, albeit in a somewhat less severe form, to combat the subsequent waves that hit the CEE. The measures adopted by Governments impacted the Group's workforce arrangements, as well as our overall business, on average, throughout 2020, non-essential stores were closed for 73 days (approximately 20% of the year) and the measures adopted by government impacted the Group's workforce arrangements. The sequence and duration of restrictions by the end of February 2021 are summarised on page 14 of the Directors' Report.

The fiscal environment did not cause significant remuneration related changes. However, across CEE, special fiscal or employment benefits were allocated to companies or directly to employees – to support the sustainability of businesses throughout the pandemic. These included, but were not limited to: deferral of salary tax payments, 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.

Internal priorities and factors related to workforce

The main priorities of 2019 were to refine the operating model in the core areas of business and define an effective and efficient top management structure that is lean, flexible and brings together the appropriate skillset. This included a workforce analysis across the entire Group and its internal functions, to enable more effective use of resources and plan better work and competencies. This work of 2019 served as a very good base for the challenges we encountered, as business and workforce management, during 2020.

All the external factors affecting our region during 2020, presented above, influences our internal planning of work and allocation of resources.

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:

- developing new skills such as team managers learning to manage remote teams, or conduct negotiations in difficult market conditions, or increase productivity and focus in remote or hybrid working environments;
- 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 our teams to manage their health care and proper prevention during 2020 – and we continue to do all this in 2021.

The business overall has suffered from the unfavourable effects of the COVID-19 pandemic, and its impact was visible in our results across all business KPIs – ranging from growth in distribution, to rent, turnovers, footfall, vacancy, as presented in more details throughout the present report.

The dynamics of the business results led management to take certain measures in relation to remuneration. Jointly, the Remuneration Committee and the Group's management team have appreciated that achievement of the 2020 Group's performance was the result of intensive efforts, hardship, strategic decision and immense pressure to minimise the impact of COVID-19 market dynamics on our operations.

The decision on staff remuneration related to 2020 performance was based on differentiation and meritocracy in relation to the impact and contribution to the achievement of results in line with the revised guidance publicised to shareholders and the relative performance of our peers.

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.

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.

Transparency and disclosure had been significantly increased since the 2019 Annual Report, which detailed all relevant aspects of the Remuneration Policy, processes and implementation. The Group is committed to further increasing transparency in relation to how it determines and implements remuneration, and how interests of management and stakeholders are aligned.

During 2020, the focus of the business was on operations, liquidity and capital allocation, and overall on managing the pressures of the market.

Adjustments and updates to the remuneration framework have not been continued during 2020, due to prioritising other business areas. However, the commitment of the Remuneration Committee is to review some of the critical elements of remuneration in light of recent dynamics, which require a focus on flexibility, long-term incentivisation and agility in adapting to variations in business performance and shareholders' returns. The changes made during 2019 remained in place this year as well:

- 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;
- more differentiation of significant KPIs weighted to reflect different roles and areas of responsibility for Executive Directors;
- specific measures to reflect performance of geographical areas of business; and
- new KPIs and measurement algorithm for determining the long-term incentive awards for Executive Directors.

Details on the outcome of the described policy relevant to 2020 results and performance reviewed are described in Implementation Report (pages 158 to 160).

During the 2020 Annual General Meeting, the Remuneration Policy obtained a 66% vote of support, the Implementation Report received a 67% approval rate, while the resolution for determination of NEDs' additional special payments received a 76% vote of support. Although these votes are non-binding, the Directors are committed to continuing to seek and respond to direct feedback on the Pemuneration Policy.

The Remuneration Committee members, the Chairman and the Directors engaged in feedback discussions with shareholders and the feedback will be considered within the remuneration proposals that are planned for 2021 onwards.

3. Remuneration Committee priorities

During 2020, the Remuneration Committee's priorities were set around:

- maintaining and monitoring adherence to the agreed remuneration principles;
- further driving changes to the Remuneration Policy, as initiated in the previous year; and
- assessing the reward implementation in the challenging context of intense work pressure and efforts to mitigate market conditions, while results of the business were affected.

The Remuneration Committee and management had decided in 2019 to undertake a thorough process of remuneration review at all levels, considering the structural changes that the Group had experienced. The Group has engaged independent, professional reward and remuneration consultants (Korn Ferry UK, Mercer International and PwC South Africa) to support with a range of activities, from job analysis to pay benchmarking, gap analysis and compliance with specific requirements set out by King IV and best practice standards.

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	Processes implemented during 2020
1. Group's Remuneration related priorities		
Ensure remuneration ***motivates*** people for performance while **managing the increased business pressures of 2020**	The Group reviews both variable and fixed remuneration on an annual basis. Performance of the business and individual professionals is being assessed. Variable pay is linked to KPIs and overall annual individual performance, while the fixed pay is linked to the complexity of the role.	The Group's performance is connected to individual and Group's performance. In the context of the intense challenges our business faced during 2020, that impacted the results, the Remuneration Committee, jointly with the management agreed to take a more discretionary approach in determining any variable pay to staff below Executive Directors. 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 as well as 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. 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. More emphasis was placed during 2020 performance and reward review on strict differentiation based on contribution and long-term impact. 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 COVID-19 pandemic commencement.
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.	Independent benchmarking survey data on pay levels by country/industry/position were used in the 2020 salary review of non-Executive Directors' fees and remuneration principles overall. For all staff, except Executive Directors, reports from Mercer International were consulted.

Remuneration Committee's priorities	Approach	Processes implemented during 2020
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. 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.	The 2020 Annual report, the Remuneration Review and the Implementation Report are presenting all details of remuneration for both Executive and non-Executive Directors, as well as principles of remuneration across the rest of the staff. 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.
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 Director ensures the roll out of the process is aligned and the same principles apply across all countries. The Remuneration Committee is informed of and annually approves the performance and reward review approach.	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 and expected dynamic during the first performance cycle. This process ensures that same principles of pay are consistently applied across all grades, functions and countries.
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.

Remuneration review

» continued

Remuneration Committee's priorities	Approach	Processes implemented during 2020
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 management 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. The Remuneration Committee Chairman has engaged in detailed discussions and consultations on remuneration related matters with major shareholders. Feedback from shareholders has been further discussed in Remuneration Committee meetings and acted upon it.	
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. A review process of the Group's Corporate Governance framework has started to assess the alignment with King IV, and the incorporation of the best practices provided by the UK and Dutch Codes. Several actions have already been implemented as a result of this review and additional changes are planned for 2021.	

4. Key decisions and considerations going forward

The Remuneration Committee and management implemented several changes in the Remuneration Policy in 2019 as well as in 2020, in line with the insights from the comprehensive analysis of the market and shareholders' feedback. The measures not yet implemented remain a priority for 2021.

The main changes in 2020 are presented below:

Areas of change	2020 changes
Staff remuneration	
Fixed pay	Fixed pay across the Group was maintained at similar levels, and changes have been made to staff pay only based on changes in roles or where significant gaps versus market existed. The Group's consideration for positioning salaries above market median up to the 75th percentile corresponds to specific areas of business and roles where retention is critical and the market is scarce. This is aimed at ensuring that the Group is able to attract and retain the needed resources for delivering results. The reward review of 2020 has been finalised and the decision made was that, considering the market circumstances affecting the business, for 2021 salaries will not be adjusted with the EU inflation and will not be increased unless specific market or role circumstances are required.

PHOTO: SHOPPING CITY TARGU JIU, ROMANIA

Areas of change	2020 changes
Salary and bonus pool	Budget allocation and monitoring. Staff cost budgets have been set at the level of business function to allow for more flexibility and accountability over remuneration related decisions. Such an approach enables business functions Directors to assess and take more responsibility over managing people and their remuneration, to respond most effectively to the specific business needs and challenges they face. The HR department 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 2020 to the fixed pay of the Executive Directors.
Variable pay – Short-Term Incentive ('STI')	KPI structure, composition and weighting align impact over business and are aimed to reward and reflect specificity over area covered (function or geography): • differentiate between roles – different KPIs for different roles; and • different weighting for same KPIs for different roles. The threshold of 75% cumulative achievement rate was not reached, considering the actual business results compared to performance indicators envisaged at the beginning of 2020, before the commencement of the pandemic (target Key Performance Indicators not adjusted for the COVID-19 context). Hence, the STI award was determined within the 10% discretionary component determined by the Board. No adjustment to KPIs or allocation of weighting, including Board discretion was made in respect to 2020 STI of Executive Directors.

Remuneration review

» continued

Areas of change	2020 changes
Variable pay – Short-Term Incentive ('STI')	See table below

Performance measures STIP	CEO		CFO		Executive Director	
	2020	2019	2020	2019	2020	2019
Financial performance	**40.0%**	**40.0%**	**75.0%**	**75.0%**	**30.0%**	**30.0%**
Growth in distributable earnings per share*	40.0%	40.0%	50.0%	50.0%	30.0%	30.0%
Maintaining Investment Grade rating	0.0%	0.0%	25.0%	25.0%	0.0%	0.0%
Operational performance	**50.0%**	**50.0%**	**0.0%**	**0.0%**	**60.0%**	**60.0%**
NOI organic growth*	10.0%	10.0%	0.0%	0.0%	15.0%	15.0%
Increase in retail trading densities over CPI	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
Maximum accepted vacancies*	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
Maximum tenant arrears written off	10.0%	10.0%	0.0%	0.0%	10.0%	10.0%
Maximum net property expenses to cost ratio	10.0%	10.0%	0.0%	0.0%	15.0%	15.0%
Debt risk management	**0.0%**	**0.0%**	**7.5%**	**7.5%**	**0.0%**	**0.0%**
Debt maturity - remaining years (excluding revolving credit facilities)	0.0%	0.0%	7.5%	7.5%	0.0%	0.0%
Qualitative factors	**10.0%**	**10.0%**	**17.5%**	**17.5%**	**10.0%**	**10.0%**
Timing (weeks) of financial results publication (from the end of financial period)	0.0%	0.0%	7.5%	7.5%	0.0%	0.0%
Discretion of the Board	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

Variable Pay – Long-Term incentive ('LTI') Determination of quantum of LTI

No changes have been made to the LTI determination mechanism during 2020.

Proposals are under discussion, with earliest implementation expected to start in 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.

For 2020 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.

No loans were granted to either Executive Directors or staff.

PHOTO: PARADISE CENTER, BULGARIA

Remuneration review

» continued

The Remuneration Committee will continue to carefully monitor 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;
- 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; and
- engage with stakeholders in a transparent manner, taking appropriate action when deemed necessary.

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 2020 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

PHOTO: SERDIKA CENTER, BULGARIA

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, 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:

Clarity – The Groups' Remuneration policy, frameworks and mechanics are transparent and clear; they allow for effective engagement with shareholders and human capital. Starting 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 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: All remuneration (on review or hiring) is being validated by HR and 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 behaviors, values and ethics. Any possible unethical behavior would be signaled and acted upon before awarding any component of variable pay.

Predictability – The Group has built 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. Also, 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

» continued

Alignment to culture – When building the remuneration philosophy and policies, the Group focused on how its four core values reflect the way people behave and drive performance. 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 median of the market, 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	Remuneration is driven by the employees' role and performance review, and the overall performance of the Group. Clear, measurable goals are set for the Group, teams and individual employees.	Remuneration is defined as a total annual package, consisting of fixed pay, variable pay (which can be delivered in cash and shares), and individual and collective benefits.	Remuneration reviews are held annually, with the purpose of assessing performance for the past year and defining remuneration packages (performance bonuses, new levels of fixed pay and benefits).	The Group is committed to paying fixed salaries at market level (compared to companies of similar size and complexity), and variable components above market level for high-performing employees. Annual inflation and foreign exchange rate reviews ensure salary levels remain competitive.	The Group has a differentiated variable pay method, based on role, seniority and performance levels.
Company Values	**Excellence**	**Excellence**	**Integrity**	**Integrity**	**Excellence**
	Innovation		**Development**		**Innovation**
	Development		**Communication**		

REMUNERATION DESIGN

Pillar	Description	Purpose and link to strategy
Fixed pay **All staff**	Guaranteed and fixed pay, determined by role and responsibilities, experience, competence, qualifications and expertise. The median of the relevant market is used as a reference point for determining the level of fixed pay. Adjustments can be made for the specific circumstances, achievements and responsibilities. Reviewed annually to ensure internal and external equity, correlation to role and responsibilities (especially in case of role change or competence/qualifications uplift).	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 labor market with high scarcity of property and commercial real – estate skills and qualifications.
Short-term incentive plan ('STIP') **All staff paid in cash**	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. Under-delivering against objectives leads to no variable pay. Categories of seniority used for staff STIP are: non-managerial, middle management and subject matter experts, and senior management. STIP total variable pay is subject to business targets and budgets.	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**	Annual awards made to participants based on Group's achievements of 3-year trailing KPIs (internal and external). Quantum of allocation is determined as % of annual fixed pay. Vesting period of 5 years for Executive Directors and 3 years for staff. Awards are typically settled in shares.	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**	Medical services based on subscription or medical insurance, the cost of which is partially or fully covered by the Group. Access to sports facilities – cost of subscription partially covered by the Group. Other wellbeing benefits.	Happy, healthy and motivated employees are more efficient and deliver better results. Ensuring stable teams is essential, and the Group can play an important part in educating lifestyle-related habits.

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.

In order to best determine the appropriate level of fixed remuneration, the Group benchmarks salaries of employees against the relevant markets, on an annual basis, starting 2017.

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;
- internal equity: similar pay for similar roles in similar geographies; and
- inflation.

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 2020 for staff will be finalised in March - April 2021, upon completion of the performance review for 2020.

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

The internal measure is the 3-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 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 2020 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. Notice period for staff does not exceed 6 months in any of the jurisdictions. Termination notice for Executive Directors is 3 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 NED resign and are put forward for re-election every year.	Paid over the notice period and ceased at the date of the termination of the contract. Notice period for staff does not exceed 6 months in any of the jurisdictions. Termination notice for Executive Directors is 3 months. Termination notice for NEDs is not set specifically in the appointment letter, however, according to the Constitutive Act, a third of the NED 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. No change in NED fees has been made during 2020.

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 later in 2021.

The proposal includes changes related to:

- 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);
- travel, accommodation and logistics costs incurred by NEDs in relation to performance of their duties are to remain covered or reimbursed by the Group; and
- alignment to international standards.

Non-binding advisory vote

The Remuneration Policy is subject to an advisory vote by shareholders at the 2021 AGM.

Remuneration review

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IMPLEMENTATION REPORT

Executive Directors' remuneration

In 2020 the variable pay components (STIP and LTIP) were determined based on performance criteria and overall business results and were approved by Remuneration Committee.

Assessment of the STIP KPI's resulted in an overall achievement rate of below 75% cumulative total, and hence the STIP award was limited to the 10% of annual pay discretionary component approved by the Board.

The determination of LTIP for the 2020 financial period was approved by Remuneration Committee on 12 March 2021 and will be settled during March and April. The outcome of the LTIP determination resulted, for all executives, based on the TSR comparison to peers – second quartile - in the quantum equivalent to 25% of the annual fixed pay, to be settled in shares.
No other salary adjustments or payments were made in 2020.

2020 STIP

€ thousand	2020
Alex Morar	*60*
Mirela Covasa	*40*
Marek Noetzel	*30*

2020 LTIP

LTIP awarded to the Executive Directors for 2020 was established as 25% of total fixed annual package and is set out below:

	All amounts in number of shares	All amounts in € thousand
Alex Morar	28,896	150
Mirela Covasa	19,264	100
Marek Noetzel	14,448	75

PHOTO: SHOPPING CITY TIMISOARA, ROMANIA

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 2020:

	Number of shares unvested or subject to a share scheme loan	Freehold shares	Total
Alex Morar	357,740	1,026,559	**1,384,299**
Mirela Covasa	258,501	281,866	**540,367**
Marek Noetzel	193,546	45,600	**239,146**

Single figure remuneration

The total remuneration and detail for Executive Directors for 2020 and 2019 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

Names	Year	Base salary	STIP	LTIP – number of shares*	LTIP	Total single figure of remuneration**
Executive Directors						
Alex Morar	2020	600	60	29,896	150	810
	2019	580	690	185,634	1,371	2,641
Mirela Covasa	2020	400	40	19,264	100	540
	2019	395	475	123,756	914	1,784
Marek Noetzel	2020	300	30	14,448	75	405
	2019	293	313	49,286	364	970

** The share price at grant date associated to LTIP was **€5.19** for the allocation in 2020 and **€7.39** for the allocation in 2019.*
*** 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.*

Non-Executive Directors' fees

Non-Executive Directors' remuneration for 2020 remained unchanged, established in accordance with the amounts and principles approved at the August 2018 AGM (and reconfirmed at the 2019 and 2020 AGMs). The levels of remuneration for non-Executive Directors participation in the Board of Directors and Board sub-Committees is detailed below:

All amounts in € thousand

	Member	Chairman
Board of Directors	35	70
Audit Committee	10	16
Investment Committee	10	16
Risk and Compliance Committee	7	10
Remuneration Committee	6.5	10
Nomination Committee	5	8
Sustainability Committee	4	5

Remuneration review

» continued

Based on shareholders feedback no additional remuneration was approved for non-Executive Directors. The total remuneration paid to non-Executive Directors during 2020 is presented below:

All amounts in € thousand

Participation	Member/ Chairman	Annual remuneration	Andre van der Veer (1)	Antoine Dijkstra (2)	Desmond de Beer (3)	Andries de Lange (4)	Robert Emslie	Sipho Vuso Majija (5)	Steven Brown (5)	George Aase (6)	Andreas Klingen (7)	Total
Board of Directors	Member	*35,000*	35,000	35,000	14,207	20,886		11,667	23,528	35,000	35,000	210,288
Board of Directors	Chairman	*70,000*					70,000					70,000
Audit Committee	Member	*10,000*	8,592	10,000						1,408	10,000	30,000
Audit Committee	Chairman	*16,000*	2,254							13,748		16,002
Risk Committee	Member	*7,000*	7,000					2,333	4,706	7,000	7,000	28,039
Risk Committee	Chairman	*10,000*		10,000								10,000
Investment Committee	Member	*10,000*	4,032				10,000	3,333	6,723			24,088
Investment Committee	Chairman	*16,000*	9,548		6,495							16,043
Remuneration Committee	Member	*6,500*				3,878	6,500			6,500		16,878
Remuneration Committee	Chairman	*10,000*	10,000									10,000
Nomination Committee	Member	*5,000*		5,000	2,030					2,985	1,292	11,307
Nomination Committee	Chairman	*8,000*					8,000					8,000
Social and Ethics Committee	Member	*4,000*		3,434				1,333	2,690			7,457
Social and Ethics Committee	Chairman	*5,000*		703							4,297	5,000
Fees related to 2020			**76,426**	**64,137**	**22,732**	**24,764**	**94,500**	**18,666**	**37,647**	**66,641**	**57,589**	**463,102**
Other activities (daily fee) related to 2019 and paid in 2020		*1,000*	14,000	6,000	13,000	0	19,000	8,333	0	3,000	10,000	73,333
Effective paid as at 31 December 2020			**90,426**	**70,137**	**35,732**	**24,764**	**113,500**	**26,999**	**37,647**	**69,641**	**67,589**	**536,435**
Other activities (daily fee) related to 2020 to be paid in 2021*			18,000	16,000	-	15,000	18,000	-	9,000	18,000	13,000	107,000
Total remuneration related to 2020			**108,426**	**86,137**	**35,732**	**39,764**	**131,500**	**26,999**	**46,647**	**87,641**	**80,589**	**643,435**

**The supplementary daily fees will be discontinued starting 1 January 2021.*

(1) Starting 21 February 2020, Mr. Andre van der Veer resigned from the position of Chairman of the Audit Committee, but remaining a member of this Committee. Starting 27 May 2020, following the resignation of Mr. Desmond de Beer, Mr. Andre van der Veer was appointed as chairman of the Company's Investment Committee.

(2) Starting 21 February 2020, Mr. Antoine Dijkstra resigned as the Chairman of the Social and Ethics Committee, but remaining a member of this Committee.

(3) Mr. Desmond de Beer resigned as non-Independent non-Executive Director of the Company on 27 May 2020.

(4) Mr. Andries de Lange was appointed as non-Independent non-Executive Director of the Company and member of the Remuneration Committee as of 27 May 2020.

(5) Effective as of 28 April 2020, Mr. Sipho Vuso Majija terminated his appointment as non-Independent non-Executive Director of the Company, being replaced by Mr. Steven Brown. Mr. Sipho Vuso Majija remained to act as an Alternate Director to Mr. Steven Brown.

(6) Starting 21 February 2020, Mr. George Aase replaced Mr. Andre van der Veer as Chairman of the Audit Committee. Starting 27 May 2020, following the resignation of Mr. Desmond de Beer, Mr. George Aase was appointed member of the Company's Nomination Committee.

(7) Starting 21 February 2020, Mr. Andreas Klingen replaced Mr. Antoine Dijkstra as Chairman of the Social and Ethics Committee. Starting 28 September 2020, Mr. Andreas Klingen was appointed as member of the Nomination Committee and Lead Independent Director.

PHOTO: PROMENADA NOVI SAD, SERBIA

Key sustainability metrics in 2020

71% by GLA	**40%**	**-20%**
of the properties are BREEAM certified*	share of renewable energy from total energy consumption	climate change impact from CO2 emissions
1,500	**€24 million**	**100%**
working places created during 2020 in the relevant communities	local taxes paid	of shopping centres are offering facilities for bicycles and motorcycles

**Eligible properties for BREEAM certification exclude shopping centres with less than 12 months of operations.*

Sustainability report

NEPI Rockcastle believes in its duty to be a responsible corporate citizen and achieve the highest standards of sustainability. During 2020, the Group continued to actively strengthen its position, with the clear vision of improving the long-term sustainability of its operations, by:

- investing in clean and sustainable technologies;
- adopting policies that address environmental and social risk; and
- engaging in proactive and comprehensive stakeholder discussions and disclosures.

With a continuous improvement mindset, the Group decided in 2020 to increase the sustainability targets for the following decade, and aim to become carbon neutral by 2030. The Group's initiative meets EU's efforts to combat climate change through carbon neutrality, set by the Paris Agreement. In order to achieve this, the Group intends to have a positive influence on its whole value chain: visitors, tenants, service providers, materials suppliers and contractors.

In 2020, the outbreak of the COVID-19 pandemic has had a substantial impact on the Group's business and sustainability actions. Having in mind the communities' health and safety needs, the Group provided support for the health sector, by financing anti-COVID-19 related initiatives and donations of medical equipment.

Sustainability is one of the top priorities of the Executive Directors, with the CFO appointed as a member of the Sustainability Committee, responsible for the coordination of the overall sustainability efforts across the Group. Through the Sustainability Committee, the Board monitors that the Group is a responsible corporate citizen and that the long-term strategy enables growth in a sustainable and responsible manner.

"NEPI Rockcastle defines sustainability as growth that is economically efficient, socially fair and environmentally friendly. Although the economic environment became more difficult during 2020, we continued to integrate sustainable practices into our operating models, business strategies and processes. The Group remains committed to reducing its environmental impact and to improving the service it provides to all of its stakeholders."
– Alex Morar, CEO.

PHOTO: PROMENADA MALL, ROMANIA

Sustainability report

» continued

SUSTAINABILITY APPROACH BASED ON BEST PRACTICE STANDARDS

The Group is proactively engaging with various international organisations in the Environmental, Social and Governance (ESG) sector, in order to continuously adapt its approach and implement the best practices in this area. Seeking to be in line with international standards, the Company has permanently enhanced its ESG approach and disclosure policy and has adhered to best practice ESG standards.

Global Real Estate Sustainability Benchmark (GRESB)

The main objective is to challenge real estate companies to achieve their highest environmental and social performance. NEPI Rockcastle participates annually in the assessment performed by GRESB.

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.

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.

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. USGBC is one of the representative non-profit organisations that support the development of prosperous, healthy and resilient communities through 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.

Sustainalytics

In June 2020, Sustainalytics, a leading independent global provider of ESG and corporate governance research and ratings, reaffirmed NEPI Rockcastle's ESG Risk rating as Low. The Company's ESG Risk Rating improved to 12.5/100 from 15.1/100 at the end of 2019. The new rating positions NEPI Rockcastle among the top five rated companies in its sub-industry, Real Estate Management, as compared to the 23rd place in 2019. According to the rating summary: "The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and strong management of material ESG issues. The company is noted for its strong corporate governance performance, which is reducing its overall risk. Furthermore, the company has not experienced significant controversies."
In 2020, NEPI Rockcastle launched a Green Finance Framework which integrates the Group's sustainability targets with its financing activities.

Safe Asset Group

Safe Asset Group is an independent Swedish company that accredits the safety of shopping centres around the world. They have certified shopping centres as compliant with COVID-19 prevention rules, which means they are safe to visit. This certificate also guarantees that all areas prone to being touched by visitors are sanitised in accordance with international standards of hygiene and health and safety.

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 30 September 2020, NEPI Rockcastle was confirmed as a constituent, demonstrating strong ESG commitment.

Measurabl

Measurabl is one of the world's widely adopted ESG data management solutions for commercial real estate. The platform provides advanced features such as automated utility data collection, building and portfolio performance benchmarking and advanced reporting functionalities.

United Nations Sustainable Development Goals (UN SDGs)

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 SDG's 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 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.	• 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.	• 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.
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.	• 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 our 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. Without technology and innovation, industrialisation will not happen, and without industrialisation, progress will not exist.	• Renovation, extension or development of properties giving importance to the materials, equipment and technologies used. • Digitalising internal processes and implementing automation.

Goal	Description (as per UN public information)	Implementation
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.	• Implementing a selective waste collection system in order to significantly reduce landfill waste. • Encouraging tenants and visitors to adopt sustainable habits. • Implementation and optimisation of a consumption monitoring system for all properties. • Encouraging and actively participating in environmental initiatives aimed at social responsibility and awareness. • Consultation with local communities as integrated part of the development process. • Implementation of Sustainable Procurement Policy.
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".	
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.	• 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.	• 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/

Sustainable financing

In 2020, NEPI Rockcastle implemented a Green Finance Framework (published on the corporate website), prepared in accordance with the ICMA Green Bond Principles 2018 and LMA Green Loan Principles 2020. The Group committed to use the proceeds from green bonds to finance and/or refinance existing and/or future projects which would improve the environmental performance of the Group's property portfolio. The Green Finance Framework benefits from a positive second party opinion from Sustainalytics.

The evaluation and selection process presented in the Green Finance Framework will ensure observance of the following criteria:

Eligible category	Eligibility 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: • BREEAM (Very Good and above); • LEED (Gold and above); and • EDGE.	Energy Savings GHG emission decrease Water savings
Energy efficiency	• Renovations or refurbishments of existing buildings not contemplated under the "green building" category, delivering a (1) minimum 30% reduction in carbon emissions intensity or (2) two letter grade improvements according to local Energy Performance Certificate, against 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 emission decrease

** NEPI Rockcastle may (re)finance projects with recognised certifications no older than 5 years.*

A successful €500 million green bond was issued based on the Green Finance Framework, resulting in the expansion of the Group's investor base.

Confident in its ESG structured approach, the Company further linked ESG performance to one of the Group's revolving credit facilities, which was extended during 2020. Should the ESG risk rating score increase, the margin of the RCF increases as well, and vice-versa.

Sustainability report
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REPORTING STANDARDS AND PRACTICES

EPRA - Sustainability Best Practices Recommendations Guidelines

NEPI Rockcastle aims to consistently improve its practices in relation to the reporting of ESG information, and, in this sense, the Group closely follows communications and advice of the most relevant organisations in the real estate field.
The Group adopted and implemented EPRA's BPRs in the 2020 Sustainability Report, to increase accuracy, consistency and presentation of sustainability information and to align with leading industry standards. In line with EPRA's BPRs, the summary tables of EPRA Sustainability Performance Measures are presented in the appendix section of this report. (pages 276 to 277).

Global Reporting Initiative

GRI is the organisation which, since 1997, has pioneered sustainability across the globe, covering a comprehensive range of sustainability disclosures. The GRI standard is used on a global scale for reporting ESG data within several types of organisations in different areas of activity. The accuracy, independence and adaptability of the GRI reporting standard, as well as the identification of key aspects, risks and specific action objectives, ensures both the user and the reader with a transparent presentation of the ESG performance of the organisation.
The 2020 Annual Report is prepared in accordance with the GRI Standards: Comprehensive Option, and the table below comprises the index of standards that the Group reported on:

Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
GRI 102: General disclosures			
1. Organisational profile			
102-1	Name of the organisation	Front cover	
102-2	Activities, brands, products, and services	4	
102-3	Location of headquarters	280	
102-4	Location of operations	7	
102-5	Ownership and legal form	208, 224	
102-6	Markets served	40-79	
102-7	Scale of the organisation	12-16, 80-85	
102-8	Information on employees and other workers	200-205	
102-9	Supply chain	40-79	Supply chain organisation and related changes are partially covered, further detail is currently not available for public disclosure.
102-10	Significant changes to the organisation and its supply chain	40-79	
102-11	Precautionary Principle or approach	GRI Content Index	Precautionary Principle or Approach is not applied.
102-12	External initiatives	164-167	
102-13	Membership of associations	5, 164-167	
2. Strategy			
102-14	Statement from senior decision-maker	8-11	
102-15	Key impacts, risks, and opportunities	128-140	
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	154, 196-199	
102-17	Mechanisms for advice and concerns about ethics	99, 113, 118, 163	
4. Governance			
102-18	Governance structure	89, 98, 100-101	
102-19	Delegating authority	93, 97-99, 112, 123	
102-20	Executive-level responsibility for economic, environmental, and social topics	97, 112-119	
102-21	Consulting stakeholders on economic, environmental, and social topics	120-122	
102-23	Chair of the highest governance body	98	
102-24	Nominating and selecting the highest governance body	100-101	
102-25	Conflicts of interest	110, 120	
102-26	Role of highest governance body in setting purpose, values, and strategy	96	
102-27	Collective knowledge of highest governance body	101-103, 116-119	
102-28	Evaluating the highest governance body's performance	108-109	
102-29	Identifying and managing economic, environmental, and social impacts	116-119, 162-206	
102-30	Effectiveness of risk management processes	137-140	
102-31	Review of economic, environmental, and social topics	173-206	
102-32	Highest governance body's role in sustainability reporting	113, 118	
102-33	Communicating critical concerns	196-198	
102-34	Nature and total number of critical concerns	196-198	
102-35	Remuneration policies	142-160	
102-36	Process for determining remuneration	142-160	
102-37	Stakeholders' involvement in remuneration	142-160	
102-38	Annual total compensation ratio	160	
102-39	Percentage increase in annual total compensation ratio	160	
GRI 102: General disclosures			
5. Stakeholder engagement			
102-40	List of stakeholder groups	122	
102-41	Collective bargaining agreements	200	No employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	122	
102-43	Approach to stakeholder engagement	93, 100, 120-122	
102-44	Key topics and concerns raised	93, 100, 120-122	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	227-230	
102-46	Defining report content and topic boundaries	163	
102-47	List of material topics	173	
102-48	Restatements of information	GRI Content Index	There have been no restatements of information.
102-49	Changes in reporting	GRI Content Index	There have been no significant changes.
102-50	Reporting period	Front cover	
102-51	Date of most recent report	Front cover	
102-52	Reporting cycle	Front cover	
102-53	Contact point for questions regarding the report	280	
102-54	Claims of reporting in accordance with the GRI Standards	168	
102-55	GRI Content Index	168-172	
102-56	External assurance	31, 214-219	The Sustainability report is not subject to external assurance review.
GRI 201: Economic performance			
103-1 103-2 103-3	Management approach	89-108	
201-1	Direct economic value generated and distributed	12, 221	

Sustainability report

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Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
201-2	Financial implications and other risks and opportunities due to climate change	183-185	
201-3	Defined benefit plan obligations and other retirement plans	GRI Index Content	NEPI Rockcastle has not implemented a defined benefit plan or other retirement plan.
201-4	Financial assistance received from government	16-17	
GRI 302: Energy			
103-1 103-2 103-3	Management approach	174-180, 176-185	
302-1	Energy consumption within the organisation	178-179, 276-277	
302-2	Energy consumption outside of organisation	GRI Index Content	NEPI Rockcastle monitors the energy consumption of the organisation's entire structure, including the energy consumption of its tenants. Along with the implementation of a centralised system monitoring the consumption and operation of our properties. Transport and distribution fuel consumptions have not been monitored during 2020.
302-3	Energy intensity	179, 276-277	
302-4	Reduction of energy consumption	176-185, 276-277	
302-5	Reduction in energy requirements of products and services	176-185, 276-277	
GRI 303: Water and effluents			
103-1 103-2 103-3	Management approach	174, 181-182	
303-1	Interactions with water as a shared resource	181-182	
303-2	Management of water discharge related impacts	181-182	
303-3	Water withdrawal	181-182	NEPI Rockcastle does not withdraw water on a large scale. In some properties, withdrawn water may be used, for example, to irrigate the green areas.
303-4	Water discharge	181-182	
303-5	Water consumption	181-182	
GRI 305: Emissions			
103-1 103-2 103-3	Management approach	174, 185	
305-1	Direct (Scope 1) GHG emissions	185, 276-277	
305-2	Energy indirect (Scope 2) GHG emissions	185, 276-277	
305-3	Other indirect (Scope 3) GHG emissions	185, 276-277	
305-4	GHG emissions intensity	185, 276-277	
305-5	Reduction of GHG emissions	185, 276-277	

Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
305-6	Emissions of ozone-depleting substances (ODS)	184-185	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	184-185	
GRI 306: Effluents and waste			
103-1 103-2 103-3	Management approach	174, 182	
306-1	Water discharge by quality and destination	182	
306-2	Waste by type and disposal method	182	
306-3	Significant spills	GRI Index Content	NEPI Rockcastle did not identify any spill during this reporting period. The activity carried out does not involve any direct operations related to this topic.
306-4	Transport of hazardous waste	GRI Content Index	There is no transport of hazardous waste.
306-5	Water bodies affected by water discharge and/or runoff	182	
GRI 308: Supplier environmental assessment			
103-1 103-2 103-3	Management approach	124, 175, 196-199	
308-1	New suppliers that were screened using environmental criteria	175, 196-199	
308-2	Negative environmental impacts in the supply chain and actions taken	GRI Index Content	During the reporting period, NEPI Rockastle did not identify any supplier as having significant actual or potential negative environmental impacts.
GRI 401: Employment			
103-1 103-2 103-3	Management approach	196-206	
401-1	New employees hires and employee turnover	204	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	201	
401-3	Parental leave	201	
GRI 403: Occupational health and safety			
403-1	Occupational health and safety management system	116, 118, 130-131, 189-195, 202	
403-2	Hazard identification, risk assessment and incident investigation	130-135	
403-2	Occupational health services	202	
403-4	Worker participation, consultation and communication on occupational health and safety	202	
403-5	Worker training on occupational health and safety	202	

Sustainability report

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Standard	Disclosure	Page number	Direct Disclosure or Reason for Omission
403-6	Promotion of worker health	118, 130-131, 189-195, 202	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	118, 130-131, 189-195, 202	
403-8	Workers covered by and occupational health and safety management system	202	
403-9	Work-related injuries	202	
403-10	Work-related ill health	202	
GRI 404: Training and education			
103-1 103-2 103-3	Management approach	205-206	
404-1	Average hours of training per year per employee	205-206	
404-2	Programmes for upgrading employee skills and transition assistance programs	205-206	
404-3	Percentage of employees receiving regular performance and career development reviews	205-206	
GRI 405: Diversity and equal opportunity			
103-1 103-2 103-3	Management approach	200-201	
405-1	Diversity of governance bodies and employees	101, 200-201	
405-2	Ratio of basic salary and remuneration of women to men	200-201	
GRI 406: Non-discrimination			
103-1 103-2 103-3	Management approach	147, 196-197	
406-1	Incidents of discrimination and corrective actions taken	197	
GRI 413: Local communities			
103-1 103-2 103-3	Management approach	173, 189-195	
413-1	Operations with local community engagement, impact assessments and development programs	173, 189-195	
413-2	Operations with significant actual and potential negative impacts on local communities	173, 189-195	

SUSTAINABILITY STRATEGY

Identifying priority aspects and material issues

NEPI Rockcastle believes in the added value by having a permanent and open dialogue with its stakeholders.

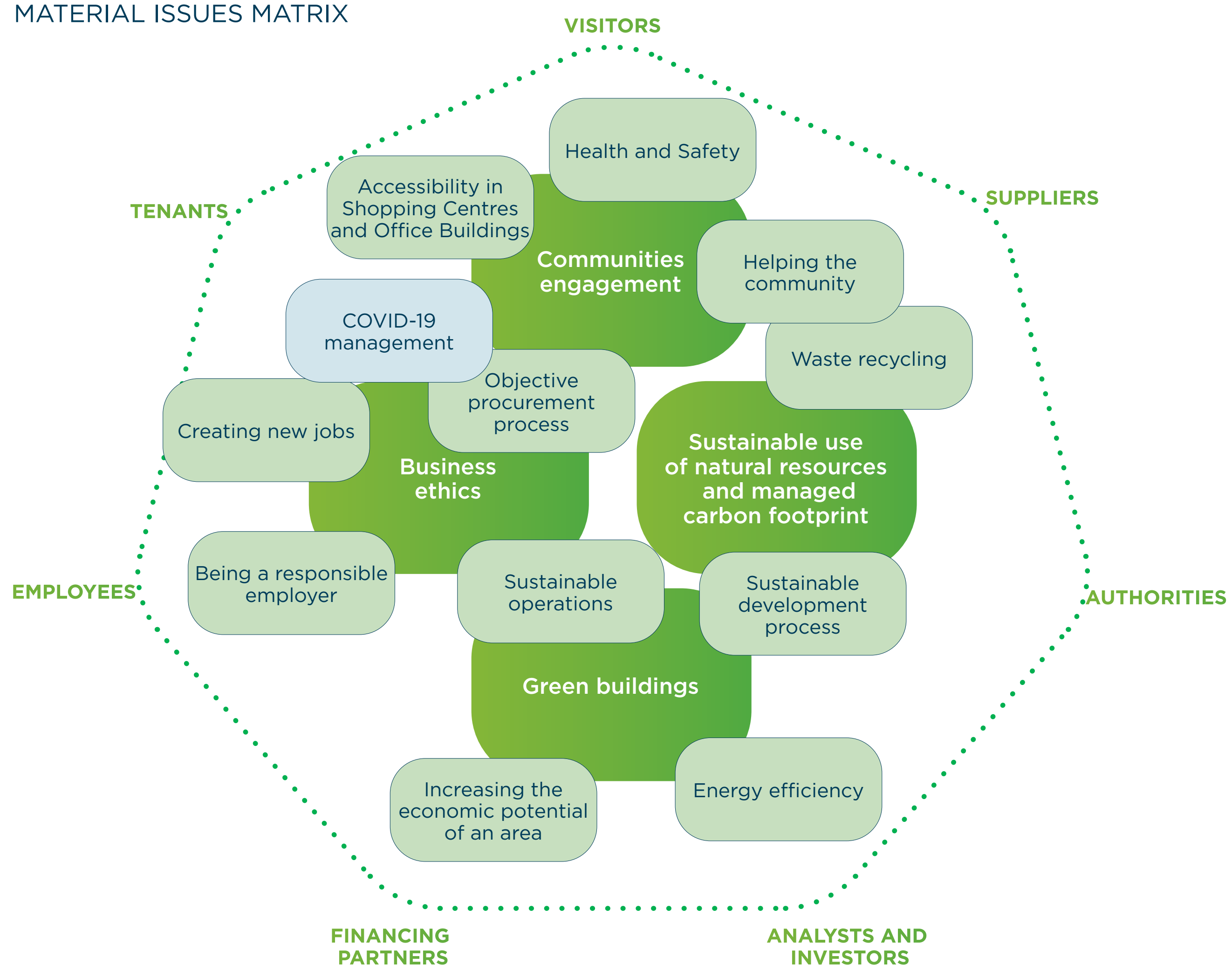
Through various types of engagement, surveys and interactions, the Group encourages a fluent dialogue on the Group matters, including its ESG priorities, with all stakeholders: employees, shareholders, contractors, tenants, financing partners, analysts, investors, financial institutions, regulatory and control authorities, local authorities, mass media and NGOs. The Group encourages all its partners to actively communicate their views related to specific aspects that have been identified as Group priorities.

The engagement with Group's tenants, properties' visitors and other categories of stakeholders are included in the requirements of the BREEAM in Use certification carried out in our shopping centres.

Communication with all stakeholders is based on integrity, objectivity and transparency. The governance model for managing communication and engagement, formal communication channels and regular updates provided by the Company to its stakeholders are described in detail in the Corporate Governance section 'Stakeholder engagement and relationship management', pages 120 to 122.

Based on stakeholders' interaction, as well as a robust internal assessment process, the Group determined (and updates on an annual basis) the top priorities and material issues that it needs to focus on.

MATERIAL ISSUES MATRIX



Sustainability report
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The Group defined its sustainability strategy in 2018 and continued to refine it throughout 2019 and 2020. With a medium- and long-term view, the sustainability strategy has ramifications in key areas, such as promoting responsible resource management and consumption, reducing GHG emissions, enabling community growth and supporting a circular economy concept. The strategy is structured on four pillars (presented above), to better shape and address all significant areas and material issues.

1. Sustainable resource management - focuses on lowering the negative impact on natural resources and biodiversity, resource efficiency, reduced GHG emissions and sustainable waste management.

2. Sustainability through green buildings – shows commitment to ongoing improvements across the portfolio, including green building certification of all new and existing assets, as well as sustainable management practices.

3. Community engagement – NEPI Rockcastle asserts that local and wider communities are the cornerstone of its sustainable strategy, therefore, the Group aims to build good relationships, encourage feedback and offer support to enable progress and development.

4. People and business integrity – ethics are embedded in all aspects of the business, ensuring compliance with laws and regulations. In 2019, the Group updated its sustainability strategy to bring increase focus on its workforce and continued this approach in 2020. NEPI Rockcastle understands that the workforce is a key component of the business, and therefore adopted integrity and ethical principles into its human resources management processes.

UPDATE ON THE STRATEGIC INITIATIVES DURING 2020

Pillar 1: 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, adoption of policies that address environmental and social challenges and engagement in more proactive stakeholder discussions.

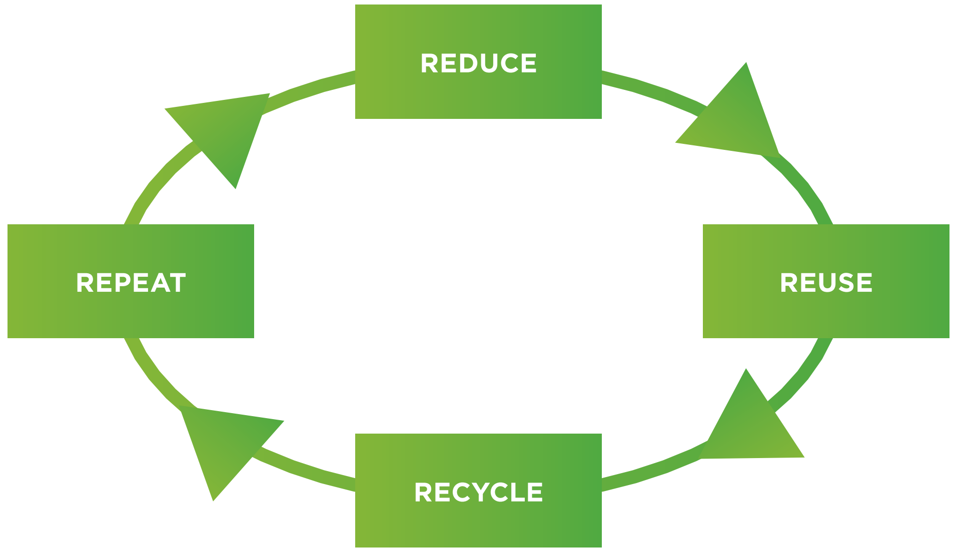
Strategic initiative	Objective	KPI's	Term	
			Medium	Long
Sustainable resource management	Increase energy efficiency for retail portfolio by 10%	Energy consumption in MWh/visitor Energy consumption in MWh/m² GLA	2022	
	Increase energy efficiency for office portfolio by 5%*	Energy consumption in MWh/visitor Energy consumption in MWh/m² GLA	2022	
	Invest 5% of the annual budget in renewable sources of energy	% CAPEX invested in renewable energy sources % renewable energy in electricity contracts	2022	
	Assets to become energy independent and to produce renewable energy for own consumption	Measured carbon footprint		2030
	Become carbon neutral	Measured carbon footprint		2030
	Reduce emissions from constructions by 30%	Measured carbon footprint		2030
	Reach a waste recycling rate of at least 60%	% waste recycled in Kg/visitor % waste recycled in Kg/m² GLA	2022	
	Achieve zero waste to landfill	% waste recycled in Kg/visitor % waste recycled in Kg/m² GLA	2025	
	Decrease water consumption for office portfolio by 5%*	Water consumption in m³/visitor Water consumption in m³/m² GLA	2022	
	Decrease water consumption for retail portfolio by 10%	Water consumption in m³/visitor Water consumption in m³/m² GLA	2022	

**Further to the disposal of the Romanian office portfolio in 2020, this significant strategic objective of the Group will be discontinued.*

To achieve the targets set in Pillar 1, NEPI Rockcastle continued to strive for excellence in its operations and promoted the initiatives launched in 2018 and 2019, while adding more innovative projects 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 implemented 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:



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

Sustainable procurement considers:

Environmental impacts	Social impacts	Economic impacts
inputs of natural resources, energy and water, use and disposal of goods	labour conditions in the manufacture, use and disposal of goods or delivery of services	costs of operation and maintanance over the life of the goods

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

- choosing products and services with a lower negative impact in order to reduce the environmental impact over the lifecycle of goods (during their production, use and disposal) and services;
- implementing new strategies in order to avoid unnecessary consumption and proactively manage demand;
- making sure that procurement is approached in an ethical manner;
- reasonably reviewing that major suppliers are aware and comply with the sustainable procurement principles in order to understand the impact of their products on environment and communities; and
- encouraging innovation in sustainable products and services.

Sustainability report
» continued

Status of energy efficiency initiatives

The replacement of the traditional lighting sources with LED luminaires started during 2018 and 2019 and continued in 2020. The replacement of the traditional lighting sources with LED luminaires in landlord controlled area started during 2018 and 2019 and continued in 2020. As of 31 December 2020, LED lighting is fully implemented in 70% of the portfolio (by GLA). LED lighting is partially implemented with different stages of implementation (50% - 90%) in an additional 7% of the portfolio.

The Group is further pursuing the implementation of LED lighting for the remaining 23% of its property portfolio (by GLA), by the end of 2023; for the majority of these properties, LED lighting implementation was scheduled for 2020 and delayed mainly due to COVID-19 context. Additionally, occupational lighting management and instant presence lighting management have been deployed.

PROPERTY	Country	Type	Status LED 2020
Bonarka City Center	Poland	Retail	Pending
Arena Mall	Hungary	Retail	Pending
Mega Mall	Romania	Retail	Implemented
Mammut Shopping Centre	Hungary	Retail	Pending
Paradise Center	Bulgaria	Retail	Implemented
Arena Centar and Retail Park	Croatia	Retail	Implemented
City Park	Romania	Retail	Implemented
Promenada Mall	Romania	Retail	Partially implemented (50%)
Aupark Kosice Mall	Slovakia	Retail	Pending
Galeria Warmińska	Poland	Retail	Implemented
Serdika Center	Bulgaria	Retail	Implemented
Karolinka Shopping Centre	Poland	Retail	Implemented
Ozas Shopping and Entertainment Centre	Lithuania	Retail	Pending
Shopping City Sibiu	Romania	Retail	Implemented
Shopping City Timisoara	Romania	Retail	Implemented
Galeria Mlyny Shopping Centre	Slovakia	Retail	Partially implemented (50%)
Aupark Zilina	Slovakia	Retail	Pending
Promenada Novi Sad	Serbia	Retail	Implemented
Focus Mall Zielona Góra	Poland	Retail	Implemented
Shopping City Galati	Romania	Retail	Implemented
Promenada Sibiu	Romania	Retail	Implemented
Iris Titan Shopping Center	Romania	Retail	Implemented
Forum Ústí nad Labem	Czech Republic	Retail	Implemented
Shopping City Deva	Romania	Retail	Implemented
Shopping City Targu Mures	Romania	Retail	Implemented
Braila Mall	Romania	Retail	Partially implemented (70%)
Solaris Shopping Centre	Poland	Retail	Implemented
Forum Liberec Shopping Centre	Czech Republic	Retail	Implemented
Pogoria Shopping Centre	Poland	Retail	Implemented
Platan Shopping Centre	Poland	Retail	Implemented
Vulcan Value Centre	Romania	Retail	Partially implemented (90%)
Aura Centrum	Poland	Retail	Pending
Galeria Wołomin	Poland	Retail	Implemented
Shopping City Buzau	Romania	Retail	Implemented
Shopping City Satu Mare	Romania	Retail	Implemented
Shopping City Piatra Neamt	Romania	Retail	Implemented
Shopping City Targu Jiu	Romania	Retail	Implemented
Shopping City Ramnicu Valcea	Romania	Retail	Implemented
Kragujevac Plaza	Serbia	Retail	Implemented
Focus Mall Piotrków Trybunalski	Poland	Retail	Implemented
Aupark Shopping Center Piestany	Slovakia	Retail	Pending
Korzo Shopping Centrum	Slovakai	Retail	Implemented
Severin Shopping Center	Romania	Retail	Implemented
Galeria Tomaszów	Poland	Retail	Implemented
Krusevac Shopping Park	Serbia	Retail	Implemented
Serdika Office	Bulgaria	Office	Implemented
Aupark Kosice Tower	Slovakia	Office	Implemented
Rasnov Industrial Facility	Romania	Industrial	Implemented
Otopeni Warehouse	Romania	Industrial	Implemented

HVAC consumption optimisation measures
- Reducing temperatures during closed hours.
- Free cooling management.
- Equipment frequency management.

Measures implemented for water consumption management
- Daily consumption monitoring, as a basis for water conservation.
- Rainwater recovery and reuse.
- Water leak/consumption sensors.
- Deployment of industrial equipment for water treatment and recirculation.
- Installation of advanced water-saving appliances.

Pest control
- Integrated methods based on monitoring and non-toxic preventive measures are used to proactively manage and minimise pest issues.

Safe, non-harming cleaning products
- Cleaning products and materials, including hard floor and carpet-care products, meet the requirements of Green Seal, Environmental Choice Programmes or European Eco-Label Programs.
- Adopted the Deep Cleaning Procedure, in order to adequately train staff to efficiently apply cleaning procedures, as well as to use safe cleaning products.

"Less paper, more air", "less plastic, more life" principles remained essential during 2020
- No paper towels in the toilets, only high efficiency dryers.
- Less printed contracts for Group's operations and electronic signature implemented.
- Selective waste management.
- Recycled materials replacing plastic accessories.
- Ceramics, metal or recycled paperboard accessories in the food courts.

Efficient waste reduction achieved through an integrated waste management system applied across the core portfolio. The success of this initiative is highly dependent on public waste management programmes necessary to raise awareness in the communities where the Group's shopping centres are located.

Centralised building operating system
During 2020, the Group continued the development and integration of a centralised building operating system. The system is meant to integrate building management systems, life and safety systems, security systems and other technical equipment from all buildings into a single Building Operating Center. The Building Operating Center will allow consumption optimisation, extended equipment lifespan, instant response to weather changes, predictive maintenance, costs predictability and traceability.

Shopping City Satu Mare in Romania was the first property to be integrated into the Building Operating Center as a pilot and the Group is in process of performing system integration, optimisation and evaluating results.

The Group is targeting an average of 14% electricity consumption reduction, after full implementation and integration. By the end of 2021, the Group plans to implement the system across 40% of its portfolio (depending on the results of the pilot) analysing and calibrating the real-time results, while in the second phase, by the end of 2023, the system is planned to cover 100% of the assets.

Responsible operations practices
NEPI Rockcastle has implemented proficient health and safety measures:
- safety audits are performed regularly and supervised by specialised independent companies, ensuring that NEPI Rockcastle's properties are safe shopping destinations;
- emergency procedures are tested in real-life simulations (evacuation drills);
- good-quality materials with low emissions of volatile organic compounds and low content of harmful substances are used. Technical specifications are considered for a large range of products: finishing materials, paints, adhesives, floor coverings, carpets and other largely utilised products; and
- the technical teams ensure that fresh air is constantly available in the Group's buildings, through the use of Building Management Systems. Ventilation ducts are checked regularly and filter replacement is carried out at least twice a year, while the risk of Legionella disease is controlled by undertaking regular tests.

In order to safely manage the COVID-19 crisis, the Group prepared and implemented the following:
- close control of visitors' access in order to comply with authorities' requirements regarding the maximum allowed capacity;
- temperature control devices were installed at main access points of all shopping centres;
- where technically possible, shopping centres used natural ventilation at all times, following WHO recommendations;
- all shops were verified in terms of cleaning and disinfection procedures;
- the staff's state of health is regularly checked in compliance with safety norms and procedures in accordance with authorities' instructions, while staff is permanently wearing masks;
- sanitising dispensers were installed in key areas;
- handles and other frequently touched areas have been 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 all relevant areas;
- the date of reopening was communicated to all relevant authorities; and
- signage for specific COVID-19 safety initiatives, aiming to increase visitors awareness of risks and safety measures, was installed in visible areas.

Sustainability report

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Key figures for consumption

- **427,409** energy (MWh)
- **87,076** gas (MWh)
- **40%** share of renewable energy from total energy consumption
- **1.5m** water (m³)
- **21,238** waste generated (tons)
- **33%** recycled waste
- **20%** decline in CO2 emissions (tons)
- **121,907** the equivalent of barrels of oil saved from CO2 emissions decrease*
- **109,667** trees saved due to paper recycled**

** Equivalent of barrels of oil: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator*
*** Trees saved by recycling of paper: https://www.usi.edu/recycle/paper-recycling-facts/*

During 2020, due to the restrictions imposed as a response to COVID-19 pandemic, utilities consumption and GHG emissions decreased significantly in all properties. Since the restrictions differed from one country to another, in terms of duration and impact, the Group was not able to quantify the proportion of the consumption optimisation attributable to its proactive management efforts compared to the one induced by the COVID-19 context.

Energy

Energy and gas consumption

Based on close monitoring of energy consumption, the Group enables the following:

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

NEPI Rockcastle's largest environmental impact is represented by the properties' energy consumption. Consequently, the Group is working continuously on optimsing the energy consumption in its properties, as one of the Group's top environmental priorities.

During 2020, the Group continued to implement the planned measures envisaged to reduce energy consumption. In anticipation of the measures implemented by national authorities in the context of COVID-19 pandemic (such as closing of non-essential stores), the Group implemented new technology to intelligently modulate electricity consumption, depending on the outside temperature and footfall (traffic) respectively.

Energy consumption (MWh)

	Total				Like-for-like			
Country	number of properties 2020	2020	2019*	% (2020-2019)	number of properties	2020	2019*	% (2020-2019)
Retail	**54**	**402,554**	**497,726**	**-19%**	**35**	**294,897**	**383,766**	**-23%**
Romania	26	149,974	178,750	-16%	14	114,489	153,284	-25%
Poland	12	86,904	116,961	-26%	8	46,854	64,454	-27%
Slovakia	5	30,198	34,840	-13%	5	30,198	34,840	-13%
Bulgaria	2	37,238	51,965	-28%	2	37,238	51,965	-28%
Hungary	2	33,352	39,607	-16%	2	33,352	39,607	-16%
Serbia	3	21,884	25,105	-13%	2	20,559	24,537	-16%
Lithuania	1	5,613	6,701	-16%	1	5,613	6,701	-16%
Croatia	1	21,427	23,606	-9%	0	-	-	-
Czech Republic	2	15,964	20,191	-21%	1	6,594	8,378	-21%
Office	**6**	**20,027**	**30,992**	**-35%**	**2**	**3,844**	**4,353**	**-12%**
Romania**	4	16,183	26,639	-39%	0	-	-	-
Slovakia	1	1,230	1,246	-1%	1	1,230	1,246	-1%
Bulgaria	1	2,614	3,107	-16%	1	2,614	3,107	-16%
Industrial	**2**	**4,828**	**5,095**	**-5%**	**2**	**4,828**	**5,095**	**-5%**
Romania	2	4,828	5,095	-5%	2	4,828	5,095	-5%
TOTAL	**62**	**427,409**	**533,813**	**-20%**	**39**	**303,569**	**393,214**	**-23%**

** Figures revised further to the standardised modelling of consumption data in a unitary digital platform (Measurabl) across the portfolio.*
*** In August 2020, the Group disposed of the Romanian office portfolio, with a total leasable area of 117,500m². The associated consumption data up to August 2020 was included in the reported figures above.*

Energy intensity (kWh/m², kWh/1,000 visitors)

Country	number of properties 2020	2020 Energy Intensity kWh/m²	2019 Energy Intensity kWh/m²	% (2020-2019)	2020 Energy Intensity kWh/1,000 visitors	2019 Energy Intensity kWh/1,000 visitors	% (2020-2019)
Retail	**54**	**103.5**	**130.9**	**-21%**	**1,818.9**	**1,530.0**	**19%**
Romania	26	113.5	141.0	-20%	1,700.1	1,471.5	16%
Poland	12	91.4	126.0	-27%	1,892.4	1,655.5	14%
Slovakia	5	108.9	125.7	-13%	1,261.1	897.9	40%
Bulgaria	2	106.0	147.9	-28%	3,427.1	2,844.7	20%
Hungary	2	114.9	136.5	-16%	1,902.4	1,487.5	28%
Serbia	3	104.1	119.5	-13%	2,357.5	2,137.5	10%
Lithuania	1	40.9	48.9	-16%	1,428.8	1,119.0	28%
Croatia	1	99.8	109.9	-9%	2,928.7	2,422.2	21%
Czech Republic	2	115.8	159.9	-28%	1,115.9	917.6	22%
Office	**6**	**76.0**	**117.6**	**-35%**	**-**	**-**	**-**
Romania**	4	78.7	129.6	-39%	-	-	-
Slovakia	1	66.5	67.4	-1%	-	-	-
Bulgaria	1	66.3	78.8	-16%	-	-	-
Industrial	**2**	**98.9**	**104.4**	**-5%**	**-**	**-**	**-**
Romania	2	98.9	104.4	-5%	-	-	-
TOTAL	**62**	**101.7**	**129.7**	**-22%**	**1,818.9**	**1,530.0**	**19%**

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Sustainability report
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Gas consumption (MWh)

Country	Total: number of properties	Total: 2020	Total: 2019*	Total: % (2020-2019)	Like-for-like: number of properties	Like-for-like: 2020	Like-for-like: 2019*	Like-for-like: % (2020-2019)
Retail	**54**	**67,604**	**82,814**	**-18%**	**35**	**51,458**	**63,741**	**-19%**
Romania	26	37,227	42,439	-12%	14	28,064	36,272	-23%
Poland	12	1,437	1,953	-26%	8	1,202	1,642	-27%
Slovakia	5	6,702	5,905	13%	5	6,702	5,905	13%
Bulgaria	2	4,525	5,398	-16%	2	4,525	5,398	-16%
Hungary	2	8,216	12,153	-32%	2	8,216	12,153	-32%
Serbia	3	2,005	1,443	39%	2	2,005	1,443	39%
Lithuania	1	744	928	-20%	1	744	928	-20%
Croatia	1	3,310	3,017	10%	0	-	-	-
Czech Republic	2	3,438	9,578	-64%	1	-	-	-
Office	**6**	**9,857**	**14,177**	**-30%**	**2**	**7,221**	**8,876**	**-19%**
Romania**	4	2,636	5,301	-50%	0	-	-	-
Slovakia	1	7,221	8,876	-19%	1	7,221	8,876	-19%
Bulgaria***	1	-	-	-	1	-	-	-
Industrial	**2**	**9,615**	**9,286**	**4%**	**2**	**9,615**	**9,286**	**4%**
Romania	2	9,615	9,286	4%	2	9,615	9,286	4%
TOTAL	**62**	**87,076**	**106,277**	**-18%**	**39**	**68,294**	**81,903**	**-17%**

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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 of its portfolio, reduce consumption and, in addition, work towards ensuring the energy independence of some of its buildings.
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 to consume 50% of its energy from renewable sources by 2030. Thus, starting August 2020, the Group's aggregate energy consumption includes 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 the Group will continue to increase the use of energy from renewable sources, in line with its carbon neutrality objective.

Renewable energy (MWh)

Country	number of properties 2020	Total energy consumption (MWh) 2020	Renewable energy (MWh) 2020	% of renewable energy 2020	number of properties 2019	Total energy consumption (MWh) 2019*	Renewable energy (MWh) 2019*	% of renewable energy 2019*
Retail	**54**	**402,554**	**164,775**	**41%**	**53**	**497,726**	**136,453**	**27%**
Romania	26	149,974	56,487	38%	25	178,750	69,199	39%
Poland	12	86,904	15,579	18%	12	116,961	21,051	18%
Slovakia	5	30,198	16,465	55%	5	34,840	6,787	19%
Bulgaria	2	37,238	13,000	35%	2	51,965	6,910	13%
Hungary	2	33,352	21,043	63%	2	39,607	7,921	20%
Serbia	3	21,884	20,151	92%	3	25,105	15,885	63%
Lithuania	1	5,613	5,613	100%	1	6,701	1,340	20%
Croatia	1	21,427	14,493	68%	1	23,606	4,721	20%
Czech Republic	2	15,964	1,944	12%	2	20,191	2,639	13%
Office	**6**	**20,027**	**4,948**	**25%**	**6**	**30,992**	**12,602**	**41%**
Romania**	4	16,183	4,282	26%	4	26,639	12,477	47%
Slovakia	1	1,230	123	10%	1	1,246	125	10%
Bulgaria	1	2,614	543	21%	1	3,107	-	0%
Industrial	**2**	**4,828**	**1,933**	**40%**	**2**	**5,095**	**1,747**	**34%**
Romania	2	4,828	1,933	40%	2	5,095	1,747	34%
TOTAL	**62**	**427,409**	**171,656**	**40%**	**61**	**533,813**	**150,802**	**28%**
% of renewable energy out of total energy consumption			**40%**				**28%**	

** Figures revised further to the standardised modelling of consumption data in a unitary digital platform (Measurabl) across the portfolio.*
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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 our properties are the food processors and the visitors.
Prevention of water waste, careful monitoring of consumption, leak detection and signalling, are the main measures integrated into the properties.
The decrease in water consumption in 2020 is partly attributable to management efforts on optimisation of resource usage and partly to the context of the COVID-19 pandemic and the restrictions imposed on some tenants' activities.
By continuing the implementation of the measures proposed in the previous years, as well as implementing additional actions, we get closer to meeting our proposed targets. The following were deployed:

- perform studies to check if underground water can be used instead of the conventional system, for specific operations (i.e., water wells for cooling towers and reverse osmosis system pumps);
- collect rainwater for irrigation and other activities such as cleaning;
- install diffusers on water taps to reduce the flow;
- fit toilet areas with water shutoff systems;
- eliminate leakage from the fire systems and HVAC and install leak prevention and monitoring systems, with BMS alert sensors;
- implement a proactive maintenance and revision schedule for the equipment; and
- perform regular water analysis to determine the risk of Legionella contamination and ensure water quality as well as the integrity of water distribution systems.

Despite the COVID-19 context, the Group implemented new technology to intelligently conserve water use and optimise water consuption (being able to react timely to measures implemented by national authorities, such as closing of non-essential stores and distancing measures).

Water consumption (m³)

Country	Total: number of properties 2020	Total: 2020	Total: 2019*	Total: % (2020-2019)	Like-for-like: number of properties	Like-for-like: 2020	Like-for-like: 2019*	Like-for-like: % (2020-2019)
Retail	**54**	**1,428,550**	**1,867,787**	**-24%**	**35**	**1,095,020**	**1,521,000**	**-28%**
Romania	26	638,904	821,544	-22%	14	481,024	697,107	-31%
Poland	12	254,598	353,052	-28%	8	140,178	203,536	-31%
Slovakia	5	93,405	139,907	-33%	5	93,405	139,906	-33%
Bulgaria	2	113,530	155,320	-27%	2	113,530	155,320	-27%
Hungary	2	117,700	160,877	-27%	2	117,700	160,877	-27%
Serbia	3	75,934	77,648	-2%	2	66,759	77,274	-14%
Lithuania	1	40,681	56,379	-28%	1	40,681	56,379	-28%
Croatia	1	31,564	45,356	-30%	0	-	-	-
Czech Republic	2	62,234	57,704	8%	1	41,743	30,601	36%
Office	**6**	**48,810**	**125,213**	**-61%**	**2**	**13,508**	**27,694**	**-51%**
Romania**	4	35,302	97,519	-64%	0	-	-	-
Slovakia	1	4,983	8,205	-39%	1	4,983	8,205	-39%
Bulgaria	1	8,525	19,489	-56%	1	8,525	19,489	-56%
Industrial	**2**	**14,670**	**16,783**	**-13%**	**2**	**14,670**	**16,783**	**-13%**
Romania	2	14,670	16,783	-13%	2	14,670	16,783	-13%
TOTAL	**62**	**1,492,030**	**2,009,783**	**-26%**	**39**	**1,123,198**	**1,565,477**	**-28%**

** Figures revised further to the standardised modelling of consumption data in a unitary digital platform (Measurabl) across the portfolio.*
*** In August 2020, the Group disposed of the Romanian office portfolio, with a total leasable area of 117,500m². The associated consumption data up to August 2020 was included in the reported figures above.*

Water intensity (m³/m²/year)

Country	number of properties 2020	2020	2019	%(2020-2019)
Retail	**54**	**0.37**	**0.49**	**-25%**
Romania	26	0.48	0.65	-25%
Poland	12	0.27	0.38	-30%
Slovakia	5	0.34	0.50	-33%
Bulgaria	2	0.32	0.44	-27%
Hungary	2	0.41	0.55	-27%
Serbia	3	0.36	0.37	-2%
Lithuania	1	0.30	0.41	-28%
Croatia	1	0.15	0.21	-30%
Czech Republic	2	0.45	0.46	-1%
Office	**6**	**0.19**	**0.48**	**-61%**
Romania**	4	0.17	0.47	-64%
Slovakia	1	0.27	0.44	-39%
Bulgaria	1	0.22	0.49	-56%
Industrial	**2**	**0.30**	**0.34**	**-13%**
Romania	2	0.30	0.34	-13%
TOTAL	**62**	**0.36**	**0.49**	**-27%**

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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 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 Group properties are:
- domestic wastewater from sanitary areas, offices and showers;
- tenants' technological wastewater from the 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 performant equipment and strict internal procedures, to make sure that our 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 all 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, all properties being in compliance with the relevant laws. Due to a few cities' technical restrictions on the takeover capacity, some NEPI Rockcastle properties are not connected to the city's public sewage system, and discharge the 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 legal regulations in force. Even so, in these locations the wastewaters are discharged after being treated in wastewater plants, under the supervision of environmental authorities. The Group takes responsibility and minimises as much as possible the effects of its activities, by constantly monitoring the water quality both before reaching the plant and before discharge.

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.

Recycling and waste management

In 2020 the Group implemented complex actions meant to reduce the waste generated in its properties and to ensure a higher recycling rate. Thus, adequate actions were carried out to create a solid and long-term cooperation with tenants and waste management providers, to educate the members of the communities, all these initiatives were supported by updates in the internal regulations and investments in equipment that enables selective collection of waste.

All collection containers have been replaced with selective collection systems, including in food-court areas, allowing proper separation between waste and recyclable fractions, by adequate labelling. Moreover, from July 2020, the Group is no longer disposing of recyclable waste. 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.

Generated Waste (tons)

	Total			Like-for-like		
Type of waste	2020**	2019*	% (2020-2019)	2020	2019*	% (2020-2019)
Unrecycled waste	**14,226**	**23,611**	**-40%**	**10,669**	**18,860**	**-43%**
Household waste	14,098	23,611	**-40%**	10,565	18,860	-44%
Incineration waste	128	-	-	104	-	-
Recycled waste	**7,012**	**8,565**	**-18%**	**4,563**	**5,686**	**-20%**
Paper waste	6,451	7,880	**-18%**	4,198	5,231	-20%
Plastic waste	421	514	**-18%**	274	341	-20%
Other recyclable waste	140	171	**-18%**	91	114	-20%
Total	**21,238**	**32,176**	**-34%**	**15,232**	**24,546**	**-38%**
% Recycled waste of total waste	**33%**	**27%**	**24%**	**30%**	**23%**	**29%**

** Figures revised further to the standardised modelling of consumption data in a unitary digital platform (Measurabl) across the portfolio.*
*** In August 2020, the Group disposed of the Romanian office portfolio, with a total leasable area of 117,500m^2. The associated consumption data up to August 2020 was included in the reported figures above.*

PHOTO: SHOPPING CITY TARGU MURES, ROMANIA

Environmental Compliance

The Group meets its environmental obligations and fully complies with applicable laws and standards. All properties abide by with the environmental laws and norms of the countries in which they operate, while compliance is monitored and endorsed by the environmental protection authorities.
Our partners are encouraged to send their feedback, including communications that highlight non-compliance with environmental laws or regulations or environmental risks. During 2020, the Group has not been involved in material matters concerning environmental non-compliance.

Carbon Footprint and Climate Change

Financial implications and other risks and opportunities due to climate change

NEPI Rockcastle is aware that climate change will impact both its operations and those of its value chain partners.

Developing an action plan on climate change is a key step in addressing the challenges involved. The Group's development 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. The Group will implement necessary measures to mitigate risks that may result in significant pollution or notable negative effects on protected flora or fauna.

Biodiversity and Deforestation

NEPI Rockcastle aims to have a unitary approach towards the conservation of biodiversity and minimising its impacts, therefore has planned to:
- develop a Biodiversity Strategy at Group level by 2025; and
- implement a Biodiversity action plan for all properties in operation by 2023 and for all properties under development by 2025.

CLIMATE RISKS						
	Physical risks		Transition-related risks			
	Acute risks	Chronic risks	Policy and legal risks	Technology risks	Market risk	Reputation 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		Increase in operating and/or litigation costs	Value loss of existing assets Costs of procuring new technology	Increased costs from unexpected market changes in supply chains	Reduced revenue

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	Reduced energy and resource dependency
Financial implications	Reduced operating costs Value gains of fixed assets	Increased capital availability and positive returns from low-carbon technology investments Reduced operational costs and exposure to future carbon policies Potential revenue stream from produced green energy	Increased revenue and better competitive position	Increased revenue through access to new markets and diversification	Increased resilience resulting in reduced costs

Climate change targets and actions

NEPI Rockcastle aims to contribute to a more sustainable environment, by reducing the carbon (CO_2) footprint of its buildings during both construction and operation. In 2020, the Group decreased its CO_2 footprint by 20% compared to 2019, however, a part of this may be attributed to the reduced operations of the shopping centres.
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 heating and cooling, waste disposal and indirect emissions from the transportation used by its visitors.

NEPI Rockcastle discharges mainly gas emissions generated by the HVAC equipment in 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 impact on the environment.

The Group's sustainability strategy sets ambitious targets for the next decade of activity, the main and most important being to achieve net zero carbon emissions until 2030, materially adjusting the previous target of carbon footprint reduction by 20%. The decision comes in the vanguard of the European Union's plan to make Europe the first climate-neutral continent by 2050.
The Group made a long-term commitment to become carbon neutral by 2030, with the following measures to be implemented:

- Implement carbon footprint calculation methodology in line with ISO 14064 principles
- Deploy a carbon offsetting strategy and implement innovative technical solutions to reduce greenhouse gas emission
- Plan for "eco-friendly" buildings early in the design phase
- Use alternative low carbon-emission materials
- Replace old equipment with new more energy-efficient equipment
- Continue to implement and upgrade LED lighting and sensors solutions
- Invest in green energy sources such as solar panels, photovoltaic parks and electrical cars charging facilities
- Advocate electric ride sharing concepts

The Group is carefully analysing the costs and requirements for the implementation of alternative energy solutions in the next 3 to 5 years, which may enable achieving energy autonomy in the next 10 years.

Carbon emissions

Carbon emissions vary according to building type and are linked to particular use and operation of each building, as well as structure, area, location and climate.

Country	number of properties 2020	Scope 1 2020	Scope 2 2020	Scope 3 2020	Total 2020	Scope 1 2019	Scope 2 2019	Scope 3 2019	Total 2019	% (2020-2019)	Emissions intensity 2020 (kg CO_2/m^2)
Retail	**54**	**10,561**	**63,372**	**102,207**	**176,140**	**20,364**	**81,455**	**124,581**	**226,400**	**-22%**	**45**
Romania	26	3,437	20,625	33,224	57,286	6,092	24,366	37,226	67,684	-15%	43
Poland	12	4,097	24,583	39,606	68,286	8,273	33,091	50,556	91,920	-26%	72
Slovakia	5	292	1,753	2,825	4,870	484	1,936	2,958	5,378	-9%	18
Bulgaria	2	1,178	7,067	11,384	19,629	2,427	9,706	14,828	26,961	-27%	56
Hungary	2	648	3,891	6,268	10,807	1,211	4,845	7,402	13,458	-20%	37
Serbia*	3	-	-	-	-	-	-	-	-	-	-
Lithuania	1	-	-	114	114	-	-	137	137	-17%	1
Croatia	1	312	1,870	3,013	5,195	503	2,013	3,075	5,591	-7%	24
Czech Republic	2	597	3,583	5,773	9,953	1,374	5,498	8,399	15,271	-35%	72
Office	**6**	**476**	**4,920**	**2,706**	**8,102**	**722**	**6,472**	**5,376**	**12,570**	**-36%**	**31**
Romania	4	460	2,592	2,706	5,758	695	3,703	5,376	9,774	-41%	28
Slovakia	1	16	1,100	-	1,116	27	1,309	-	1,336	-16%	60
Bulgaria	1	-	1,228	-	1,228	-	1,460	-	1,460	-16%	31
Industrial	**2**	**84**	**-**	**4,336**	**4,420**	**97**	**-**	**4,304**	**4,401**	**-**	**91**
Romania	2	84	-	4,336	4,420	97	-	4,304	4,401	-	91
TOTAL	**62**	**11,121**	**68,292**	**109,249**	**188,662**	**21,183**	**87,927**	**134,261**	**243,371**	**-22%**	**45**
			188,662				**243,371**				

Disclosed as per GRI 305 Standard and related topics: Scope 1 - Direct greenhouse gas emissions; Scope 2 - Energy indirect greenhouse gas emissions
**CO2 emissions intensity at country level not available, as Serbia is not part of EU.*

Sustainability report
» continued

Pillar 2: Sustainability through green buildings

Status of portfolio certification

COVID-19 Certification

The Safe Asset Group, an independent Swedish company that accredits the safety of shopping centres around the world, is using clear standards to verify properties and certifying shopping centres as compliant with COVID-19 prevention rules.

Obtaining this accreditation certifies that malls are operating in accordance with international health standards and providing customers with a safe and controlled space. At the same time, the COVID-19 compliant certification is a positive sign for stakeholders.

COVID-19 properties certified by Safe Asset Group

Name	Country
Bonarka City Center	Poland
Arena Mall	Hungary
Mega Mall	Romania
Mammut Shopping Centre	Hungary
Paradise Center	Bulgaria
Arena Centar And Retail Park	Croatia
City Park	Romania
Promenada Mall	Romania
Galeria Warmińska	Poland
Serdika Center	Bulgaria
Karolinka Shopping Centre	Poland
Ozas Shopping and Entertainment Centre	Lithuania
Shopping City Sibiu	Romania
Shopping City Timisoara	Romania
Promenada Novi Sad	Serbia
Focus Mall Zielona Góra	Poland
Promenada Sibiu	Romania
Alfa Centrum Białystok	Poland
Forum Ústí nad Labem	Czech Republic
Shopping City Targu Mures	Romania
Solaris Shopping Centre	Poland
Forum Liberec Shopping Centre	Czech Republic
Pogoria Shopping Centre	Poland
Platan Shopping Centre	Poland
Aura Centrum	Poland
Galeria Wołomin	Poland
Shopping City Satu Mare	Romania
Shopping City Targu Jiu	Romania
Kragujevac Plaza	Serbia
Focus Mall Piotrków Trybunalski	Poland
Severin Shopping Center	Romania
Galeria Tomaszów	Poland

BREEAM certification

The Group is constantly striving to improve the quality of its buildings, invest in sustainable constructions both from a structural and operational point of view and increase the number of assessed and certified properties. NEPI Rockcastle uses the Building Research Establishment Environmental Assessment Method (BREEAM) to assess, rate and certify the sustainability of its buildings.

The BREEAM evaluates multiple sectors covering energy and water use, health and wellbeing, pollution, transport, materials, waste, ecology and management processes.

The certification status of NEPI Rockcastle properties as at 31 December 2020 is set out below. The certification process was impacted (progressed more slowly) by the COVID-19 pandemic and travel restrictions.

As at 31 December 2020, 71% of the eligible portfolio by GLA is BREEAM certified, obtaining Very Good and Excellent scores. Out of the BREEAM uncertified portfolio, 25% of the properties are under registration proceedings. The Group is not pursuing BREEAM certification for 4% of its portfolio, consisting of small strip centres/retail parks and two industrial properties.

Property	Country	Property Type	Status	Scoring obtained/targeted
Bonarka City Center	Poland	Retail	Certified	excellent
Arena Mall	Hungary	Retail	Certified	very good
Mega Mall	Romania	Retail	Recertification in progress	excellent
Mammut Shopping Centre	Hungary	Retail	Certification in progress	very good
Paradise Center	Bulgaria	Retail	Certification in progress	excellent
Arena Centar	Croatia	Retail	Certified	very good
City Park	Romania	Retail	Certified	excellent
Promenada Mall	Romania	Retail	Certified	excellent
Aupark Kosice Mall	Slovakia	Retail	Certified	very good
Galeria Warmińska	Poland	Retail	Certified	excellent
Serdika Center	Bulgaria	Retail	Certification in progress	excellent
Karolinka Shopping Centre (1)*	Poland	Retail	Certified	excellent
Karolinka Shopping Centre (2)*	Poland	Retail	Certification in progress	excellent
Ozas Shopping and Entertainment Centre	Lithuania	Retail	Certified	excellent
Shopping City Sibiu	Romania	Retail	Recertification in progress	excellent
Shopping City Timisoara	Romania	Retail	Recertification in progress	excellent
Galeria Mlyny	Slovakia	Retail	Certified	very good
Aupark Zilina	Slovakia	Retail	Recertification in progress	very good
Promenada Novi Sad	Serbia	Retail	Certification in progress	excellent
Focus Mall Zielona Góra	Poland	Retail	Certification in progress	excellent
Shopping City Galati	Romania	Retail	Certified	excellent
Promenada Sibiu	Romania	Retail	Certification in progress	excellent
Iris Titan Shopping Center	Romania	Retail	Certified	excellent
Alfa Centrum Białystok	Poland	Retail	Certified	excellent
Forum Ústí nad Labem	Czech Republic	Retail	Recertification in progress	very good
Shopping City Deva	Romania	Retail	Certified	very good
Braila Mall	Romania	Retail	Certified	very good
Solaris Shopping Centre	Poland	Retail	Certification in progress	excellent
Forum Liberec Shopping Centre	Czech Republic	Retail	Certification in progress	excellent
Pogoria Shopping Centre	Poland	Retail	Certified	excellent
Platan Shopping Centre	Poland	Retail	Certified	excellent
Vulcan Value Centre	Romania	Retail	Certified	excellent
Aura Centrum	Poland	Retail	Certification in progress	excellent
Galeria Wołomin (1)*	Poland	Retail	Certified	very good
Galeria Wołomin (2)*	Poland	Retail	Certification in progress	excellent
Shopping City Buzau	Romania	Retail	Recertification in progress	excellent
Shopping City Satu Mare	Romania	Retail	Certified	excellent
Shopping City Piatra Neamt	Romania	Retail	Certified	excellent
Shopping City Targu Jiu	Romania	Retail	Certified	excellent
Shopping City Ramnicu Valcea	Romania	Retail	Certified	excellent
Kragujevac Plaza	Serbia	Retail	Certification in progress	excellent
Focus Mall Piotrków Trybunalski	Poland	Retail	Certified	excellent
Aupark Shopping Center Piestany	Slovakia	Retail	Certified	very good
Korzo Shopping Centrum	Slovakia	Retail	Recertification in progress	very good
Severin Shopping Center	Romania	Retail	Certified	very good
Galeria Tomaszów	Poland	Retail	Certified	excellent
Pitesti Retail Park	Romania	Retail	Certified	excellent
Serdika Office	Bulgaria	Office	Certification in progress	excellent
Aupark Kosice Tower	Slovakia	Office	Recertification in progress	very good

**Karolinka Shopping Centre and Galeria Wołomin consists of two buildings with different stages of BREEAM certifications.*

Assessments

The Group started to assess the impact of its activities on the environment and the associated risks through ecology reports. These reports will also support with outlining the Biodiversity Strategy (to be developed by 2025).

The properties that have achieved and implemented the recommendations provided in the ecological reports (prepared as part of the BREEAM certification assessment process) are set out below:

Name	Country	Type	Ecology and Habitat Report	Legionella Report
Bonarka City Center	Poland	Retail	Customised Report	Customised Report
Arena Mall	Hungary	Retail		Customised Report
Mega Mall	Romania	Retail	Customised Report	Customised Report
Mammut Shopping Centre	Hungary	Retail	Customised Report	Customised Report
City Park	Romania	Retail	Customised Report	Customised Report
Promenada Mall	Romania	Retail	Customised Report	Customised Report
Karolinka Shopping Centre	Poland	Retail	Customised Report	
Ozas Shopping and Entertainment Centre	Lithuania	Retail	Customised Report	Customised Report
Shopping City Sibiu	Romania	Retail	Customised Report	Customised Report
Shopping City Timisoara	Romania	Retail	Customised Report	Customised Report
Shopping City Galati	Romania	Retail	Customised Report	Customised Report
Promenada Sibiu	Romania	Retail	Customised Report	Customised Report
Iris Titan Shopping Center	Romania	Retail	Customised Report	Customised Report
Alfa Centrum Białystok	Poland	Retail		Customised Report
Shopping City Deva	Romania	Retail	Customised Report	Customised Report
Shopping City Targu Mures	Romania	Retail	Customised Report	Customised Report
Braila Mall	Romania	Retail	Customised Report	Customised Report
Pogoria Shopping Centre	Poland	Retail	Customised Report	Customised Report
Platan Shopping Centre	Poland	Retail		Customised Report
Vulcan Value Centre	Romania	Retail	Customised Report	Customised Report
Shopping City Satu Mare	Romania	Retail	Customised Report	Customised Report
Shopping City Piatra Neamt	Romania	Retail	Customised Report	Customised Report
Shopping City Targu Jiu	Romania	Retail	Customised Report	Customised Report
Shopping City Ramnicu Valcea	Romania	Retail	Customised Report	Customised Report
Focus Mall Piotrków Trybunalski	Poland	Retail		Customised Report
Severin Shopping Center	Romania	Retail	Customised Report	Customised Report
Galeria Tomaszów	Poland	Retail	Customised Report	Customised Report
Pitesti Retail Park	Romania	Retail	Customised Report	Customised Report

The Group ensures the consistent compliance of operational procedures with applicable legislation, and continuous monitoring of landscape change, habitat and property ecosystems requirements.

Environmental due diligence procedures performed upon property acquisition are fully integrated and implemented at Group level. In addition, the BREEAM certification process led to the implementation of ecological studies and habitat status reports across the Group's portfolio. Thus, the Group has environmental assessment processes in place on its entire portfolio, either through due diligence exercises or ecological studies and habitat status reports.

Pillar 3: Community engagement

Local Communities

As a premier developer, owner and operator of commercial real estate in the Central and Eastern Europe, the Group makes every effort for a sustainable growth, maturing together with the local communities and their inhabitants.. To support and continue implementing a wide range of environmental, cultural, educational, and humanitarian initiatives, NEPI Rockcastle has developed the **#ResponsiblyTogether** platform, which comprises the Group's social responsibility projects from all nine countries it operates in.

#ResponsiblyTogether represents NEPI Rockcastle's commitment to support communities development, be close to customers and bring together initiatives dedicated to three major sustainability directions: **education, community and environment protection**.

#ResponsiblyTogether is centred around the confidence, integrity of the business and the people contributing to it. The platform has the purpose to engage community by creating shopping venues meeting the needs of the people in the catchment areas through:

- creating sustainable initiatives to minimise the carbon footprint;
- supporting educational projects; and
- investing in the culture of the urban living.

Despite the unexpected COVID-19 challenges, the Group adapted its approach to the new context and continued previous years' work, with a clear vision to empower people and enrich communities for the world of the future.

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

Priorities of the Community Engagement strategy:

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

A. Social and Health – Despite the unprecedented impact of COVID-19, NEPI Rockcastle continues to strategically invest in scalable social and health education projects across its network. The Group strongly believes that a community represents a responsible and engaged part of the society and should be well informed, connected with its relevant bodies, with strong inner networks. At the heart of its communities, the Group is actively supporting their growth and development by bringing together players, authorities, and people and facilitating sustainable engagement.

The beginning of 2020 steered the Group's sustainable initiatives towards COVID-19 health and safety issues. The programmes implemented across the shopping venues aimed to ensure a safe environment for customers, employees, and partners. By 31 December 2020, 74% (by GLA) of the centres have obtained the Safe Shopping Centre Certificate, an international confirmation that they meet the highest standards of health and safety in relation to COVID-19, enabling customers to shop safely, and the first such accreditations received by any mall operator in Bulgaria, Croatia, Poland, Romania, Lithuania and Serbia.

B. Environment – Climate change and environment protection are not just global priorities but also local and community issues. Tackling environmental matters starts at individual level and the community as a whole. The Group believes that it should also be a practice in everyday life of companies and people to bring their contribution. In this respect, environment responsible actions have been implemented across all countries. Moreover, the Group continuously engages with the tenants and business partners to encourage them to join in this initiative, build awareness and boost support. Synergies and good outcomes of the numerous campaigns, initiatives and actions implemented over the last years give NEPI Rockcastle the chance to build working environmental networks, engage multiple stakeholders, and contribute to addressing environmental and climate challenges.

Sustainability report

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PHOTO: ROMANIA

C. Educating communities – The Group places education at the heart of a healthy, developed and modern society. Knowledge is a powerful tool for a sustainable future and thus, the Group invests in educational programmes for children and parents. The topics are aligned with the local communities, instilling or enhancing relevant information from present fields of interest: science, medical care, road safety, bullying and parenting. This approach supports young generations grow into ethical, responsible professionals, who will later become part of the business environment in which the Company itself operates. The educational needs are researched and set-in place with the help of local private and institutional partners, with an important role attributed to non-governmental organisations ('NGO') such as the Red Cross, UNICEF, United Way, Save the Children and many more.

In 2020, the Group's efforts focused on providing means of education for vulnerable community members, through support and financing for NGOs.

Key non-profit partners in 2020

unicef for every child	Societatea Națională de Cruce Roșie din România	WWF
MagiCAMP	Asociația Valori Educație	World Vision România
Salvați Copiii	United Way	hope and homes for children

Community projects in 2020 - key facts

25 Number of partner NGOs	**54** Shopping centres involved
9 countries Geographical spread	over **€450,000** Total donations/sponsorships

SOCIAL AND HEALTH

Group-wide, national and local support projects related to COVID-19

Group-wide projects

All the properties in the Group's portfolio were involved in providing masks and disinfectants in several phases of the pandemic, in partnership with local authorities.

The Group contributed to the fight against the spread of COVID-19 by providing support to the Red Cross and Red Crescent Movement in CEE.

National and local projects

Romania - over 90% of the malls implemented programmes helping local communities cope with the pandemic, for instance: doneaza.nepirockcastle.com facilitated donations to the Romanian Red Cross and was promoted on all Romanian shopping centres' websites. Sanitary containers were provided for the country's first private COVID-19 hospital set-up by Auchan and Leroy Merlin, and more than ten shopping centres ran community campaigns rewarding front-line medical workers with vouchers.

Serbia - a platform was implemented in shopping centres raising money for the Red Cross of Vojvodina.

Bulgaria - NEPI Rockcastle supported the United Against COVID-19 fund.

Poland - the initiative #MallsOpenForHelp provided personal protection equipment, including masks, face shields and disinfectant to medical units.

Non-COVID-19 health-supporting projects

While most of the efforts and initiatives in 2020 focused on the COVID-19 pandemic, the Group maintained its long-term commitment to address a wide range of community health needs. Thus, the Group supported and promoted health and social partnerships with local and global social stakeholders, aiming to reduce the effects of health issues and social inequality.

On Rare Diseases Awareness Day, **Mega Mall** (Bucharest, Romania) carried out a campaign to raise awareness for children with Batten illness.

Bonarka City Center (Krakow, Poland) provided support, protective accessories, and packages with healthy food to four hospitals in Krakow; it also developed the "G-Healthy Girl" educational campaign, aimed at promoting knowledge of women's health.

City Park (Constanta, Romania) became the second mall in the Group's portfolio, easily accessible to customers with disabilities, by implementing the STEP-HEAR system. STEP-HEAR system was first launched in **Mega Mall** (Bucharest, Romania). The STEP-HEAR orientation system is a technological innovation for audio guidance available for the customers with impaired eyesight, making venues easily accessible for blind people. Moreover, **City Park** (Constanta, Romania) responded to the initiative of the Marta Maria Foundation and launched the first restroom with a changing bed for people with complex disabilities ('Changing Places' room). **Arena Centar** (Zagreb, Croatia), also developed initiatives for disabled and visually impaired people.

PHOTO: DONATION CAMPAIGN, POLAND

Sustainability report

» continued

Donations and fundraising campaigns continued to take place in all nine countries where the Group operates.

Paradise Center (Sofia, Bulgaria), directed €40,000 towards the association of children with onco-haematological diseases, contributing to the completion of a special rehabilitation centre for kids with onco-haematological diseases near Sofia.

Serdika Center (Sofia, Bulgaria), through its "Caps for the Future" campaign, raised money for 14 incubators to be purchased and donated to hospitals in small towns.

In Poland, the nationwide charity entertainment and media event, the Final of the Great Orchestra of Christmas Charity, hosted, and supported by all our commercial centres, directed funds for the purchase of medical equipment.

The need for blood in hospitals continues to be critical, and thus, blood donation campaigns remain a critical part of NEPI Rockcastle's socially aware policies. Such initiatives continued in 2020 across our portfolio, with the most representative blood donation campaigns in **Romania (City Park), Poland (Galeria Tomaszow, Galeria Wołomin and Pogoria Shopping Centre) and Hungary (Mammut Shopping Centre)**.

The Group is also involved in promoting community sports programmes, healthy lifestyle and physical prowess for a healthy life.

One of the most important community sports programme was the Classical Power Triathlon Championship, co-organised by **Ozas Shopping and Entertainment Centre** (Vilnius, Lithuania) to promote and encourage physical activity.

Similarly, **Serdika Center** (Sofia, Bulgaria), in partnership with Street Fitness Federation, hosted a stage of the Bulgarian Street Fitness Championship, in partnership with the three-times Olympic champion, Yordan Yovchev. This partnership, together with associated fundraising campaigns, led to the setup of a street fitness zone in Sofia in November 2020, which enables the community to engage in affordable sports.

PHOTO: UNICEF PARTNERSHIP

PHOTO: PAZAR CONCEPT STORE, BULGARIA

UNICEF partnership: World Children's Day awareness
Promoting children's rights is of utmost importance, particularly during these unprecedented times, such as the COVID-19 pandemic. In 2020, all NEPI Rockcastle shopping centres in Romania joined UNICEF's initiative to raise awareness of children's rights during World Children's Day. The campaign messages have been displayed on digital totems and in social media. Moreover, during World Children's Day, the radio messages promoting safety measures against COVID-19 infection, were broadcast by children in all shopping centres across Romania.

PROJECTS IN AID OF SOCIAL CAUSES: Support for less privileged people

Promenada Novi Sad (Novi Sad, Serbia) and **Kragujevac Plaza** (Kragujevac, Serbia) continued the "Empty Shop campaign", one of the Group's most valuable and high-performing initiatives, collecting 5.1 tonnes of donated second-hand clothes and distributing them to people in need.

Arena Centar (Zagreb, Croatia), deployed "I shop, and I donate" campaign, on behalf of the *"Ljubav na djelu"* association, which provides financial assistance for children and parents in need.

Since the beginning of the pandemic, supporting local businesses also became a priority for communities. **Serdika Center** (Sofia,Bulgaria), opened the conceptual pop-up store Pazar helping to build brand awareness and consolidate the businesses of several small Bulgarian brands, with no brick-and-mortar stores.

As the pandemic severely impacted the cultural and art venues, our commercial centres provided their support by hosting various events: ballet school performances and concerts for the local philharmonics at **Shopping City Timisoara** (Timisoara, Romania), **Shopping City Satu Mare** (Satu Mare, Romania) and **Ploiesti Shopping City** (Ploiesti, Romania), concerts and art performances on **Shopping City Sibiu's** terrace (Sibiu, Romania), and **Shopping City Targu Mures** (Targu Mures, Romania) financed the painting of an urban mural in the city centre.

ENVIRONMENT

"THE NATURE OF THANK YOU"

Under the **#ResponsiblyTogether** platform, NEPI Rockcastle has developed a Group wide recycling campaign, called **"The Nature of THANK YOU".** It embraces a new waste management approach and selective recycling through personalised branding materials in shopping centres.

In the first stage of the project, selective collection containers by type of waste were placed in the shopping centres: paper and cardboard, plastic and metal, and household waste. **Mega Mall** (Bucharest, Romania) implemented the BigBelly technology, a smart recycling solution that communicates data in real time to allow the efficiency of selective collection. By adhering to the selective collection process, customers of NEPI Rockcastle malls may contribute to reducing energy consumption, pollution and the amount of waste to landfill, maintaining a cleaner environment.

Based on the **4R rule: Reuse, Reduce, Recycle, Repeat!,** the initiative is an example of a circular economy and an effective way to protect the environment by reducing plastic in the food court area, and to selectively collect food waste.

STRATEGIC ENVIRONMENT ACTIONS

Collection, recycling and upcycling

Communities started to grasp and understand the long-term benefits of a functional circular economy and integrating creativity and art into environmental initiatives proved to be a successful tool for groups of all ages. In 2020, Romanian **Promenada Mall and Mega Mall** hosted the **"Can Art & Design Festival"** competition, which brought to the attention of communities the importance of aluminium cans as a recyclable material.

Less-plastic awareness campaigns

Following on the significant impact of the plastic food packaging, the Group partnered with World Wildlife Fund ('WWF') for the second year to further develop the initiative **"Don't Be Plastic"**, launched in 2019 in Poland. In 2020, our shopping centres in Poland, Hungary, the Czech Republic and Lithuania, further nurtured and spread awareness on the responsible use of plastic and its long-term damaging impact. Increasing customer awareness of the harmfulness of plastics and driving positive changes in tenants, for instance, introducing alternatives to plastic for restaurants and takeaways and special discounts for customers not using plastic straws and cups, the "Don't be plastic" campaign was nominated for a prestigious PRCH Retail Award.

Moreover, in Poland, several centres promoted **"A Day without foil packaging"**, and in Slovakia, **Galeria Mlyny** (Nitra, Slovakia) **and Aupark Zilina** (Zilina, Slovakia) showed their customers the way towards environmentally neutral shopping behaviour through a purchase-motivated campaign with an eco-gift, i.e., an eco-bag that incorporated a reusable bottle.

Nature preservation

Key environmental and nature preservation partnerships were established by the Romanian and Bulgarian shopping centres in 2020. **Serdika Center** (Sofia, Bulgaria) contributed to *gorata.bg's* campaign to plant 18,000 saplings, reaching the foundation's goal of planting 1 million trees, while **City Park** (Constanta, Romania) and its partner, *Constanta Restart* NGO, managed to restore a 54 new trees plantation in the park of Ovidius University during the 2020 fall season.

Clean and healthy waters are among our top environmental and nature preservation initiatives implemented in 2020. **City Park** (Constanta, Romania) together with Zoom Beach and *Constanța Restart* NGO initiated the **"What do you want to feel on the beach"** campaign, collecting approximately 9,500 cigarette butts from the beach, during the summer season. The cigarette butts were transformed into unique works of art envisaged to raise concern over irresponsible behaviour at the beach.

Serdika Center (Sofia, Bulgaria) supported the WWF in addressing the issue of illegal fishing and its devastating consequences, through a dedicated awareness and educational campaign.

Serdika Center (Sofia, Bulgaria), one of the most active supporters of the environmental and nature preservation initiatives in Bulgaria, organised the **"Change. Installation Air"** campaign. Serdika Center partnered with *Air.BG Foundation*, the largest non-governmental organisation and platform reporting measurements of air pollution in Sofia. Four air-quality measuring stations were installed in the shopping mall and the measurements, registered during three consecutive weeks, proved that the air inside the mall was cleaner than outside.

Environmental and nature preservation was also the focus of the **"Save the Bees "**campaign, aimed at raising awareness on the role of bees in the ecosystems. The campaign was launched in 2019 and continued in 2020 with the involvement of three shopping centres in Poland (**Galeria Tomaszów, Galeria Wołomin and Focus Mall Piotrków Trybunalski**). The apiaries, built in 2019, next to the shopping centres with the purpose of educating local communities about the importance of protecting bees, provided the first honey harvest in 2020. Around 70 litres of honey were produced and distributed to customers and other stakeholders. Ten apiaries were added to those built in 2019 and a flower meadow was created around the shopping mall, providing the best environment for bees.

Renewable energy plays a key role in reaching circular economy status and so the "**Spark and El Drive"** scheme was developed as part of the sustainability programme of **Paradise Center in Bulgaria**. This will stimulate the use of renewable energy sources as 10 fast charging electrical stations for electric cars will be built in the mall's parking lot.

EDUCATION

NEPI Rockcastle believes that education is one of the most powerful and efficient instruments that can shape and build the future of communities. In line with the local communities' needs for educational development, we provide annual events, seminars and campaigns on various topics: health, science, parenting, technology, road safety, safeguarding and respecting traditions, enticing children and youngsters to participate, learn and explore.

Although the COVID-19 pandemic drastically affected mobility and social interactions, commercial centres in our 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.

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

- **Shopping City Satu Mare** (Satu Mare, Romania) managed to keep its family-oriented programmes in 2020, with workshops for kids, robotics demos, chess competitions and introductions and demonstrations of scouts' life;
- **Shopping City Piatra Neamt** (Piatra Neamt, Romania) managed to collect and donate 1,600 books for schools and libraries located in rural areas;
- **Arena Centar** (Zagreb, Croatia) donated over 100 computers and tablets, numerous educational and sports equipment and over 500 books for children;
- **Forum Liberec Shopping Centre** (Liberec, Czech Republic) supported local high schools to promote their pupils' crafts;
- in cooperation with **MagiCamp Romania** NGO, the Group donated 40 computers and laptops (previously used by NEPI Rockcastle's employees) to support children from vulnerable communities participate in online classes;
- **Serdika Center** (Sofia, Bulgaria) partnered with Teach for Bulgaria, and, through donations, they succeeded in covering the annual scholarships for 121 teachers and conducting online seminars and trainings for teachers' professional qualification. For the second year, **Serdika Center** made donation towards "Teo's Foundation", for their "Support for gifted children" campaign - funds raised to build the first school dedicated to children with exceptional skills in mathematics and physics;
- environmental education and support of the educational system were also the focus of "Stories to Recycle", a special project implemented by **Ploiesti Shopping City** (Ploiesti, Romania) to encourage and support reading. In exchange for used books, the shopping centre offered discounts new books. The campaign also included donations of online school equipment for students in rural area;
- the Group supported the Bookland Association in Romania with donations for the renovation and equipment of 14 schools in rural areas and vulnerable communities; and
- in Slovakia and Czech Republic, our shopping centres continued to deploy awareness campaigns on First Aid and Road Safety.

Assessments

Consumers satisfaction surveys represent a significant tool for understanding issues and for the development of our relationship with local communities. All our shopping centres (100%) have a designated info desk representative, dealing with customers' inquiries, their request for information and their formal notices or complaints. The feedback received is promptly acted upon.

In the future, the Group intends to conduct social and environmental impact studies that focus on the results created and the value generated for society by various sustainability initiatives. Social Return on Investment ('SROI') represents a framework for measuring and accounting the effect of sustainability initiatives in a relevant way to people and organisations.

PHOTO: "THE NATURE OF THANK YOU" CAMPAIGN

Sustainability report

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Pillar 4 – People and business integrity

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 the most qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability.

The Group is committed to ensuring ethical behaviour throughout its business practices, in relation to all internal and external stakeholders. NEPI Rockcastle's ethical standards are based on trust, sound morality, confidentiality, reliability and sustainability. The Group reinforces and reminds its employees on at least an annual basis of the core values which are embedded in all its internal and external processes, **Integrity, Excellence, Teamwork and Communication, Innovation and Learning**. As the Group places paramount importance on ethical behaviour, a specific 360 feedback component, aligned with its values, is embedded in the performance evaluation process for all employees on an annual basis. The core values are constantly reiterated and communicated by the Group's Executive Directors, translated into practice based on 'tone from the top' principle and embedded in the various trainings and workshops throughout the year.

The Group's sustainability strategy is at the core of its business approach and it recognises good progress in relation to Pillar 4, People and business integrity.

Strategic initiatives	Objective /Commitment	KPIs	Term	
			Medium	Long
People and business integrity	Ensure compliance with regulations, policies and procedures	• Timely monitoring, reporting and remediation • Consequence management	Permanent	
	Collaborate with responsible and sustainable partners (clients and suppliers)	• Supplier risk assessment performed for any new supplier and revised periodically • Know Your Customer due diligence performed for new customers and revised periodically	Permanent	
	Ethical relationship with authorities and government representatives	• Reports through whistleblowing channel, if any, timely addressed • No financial support to any political party/political exposed person • No gifts/benefits/other form of payment to public officials/ political exposed persons	Permanent	

During 2020, the Group implemented or further developed the following tools, as part of its commitment to the highest ethical standards:

- review and update of Code of Ethical Conduct and Whistleblowing Policy;
- design and implementation of Compliance Policy;
- design and implementation of Declaration of Interests Policy;
- awareness campaigns (internal and external);
- publication of Compliance Statement; and
- anti money-laundering, counter-terrorism and anti-corruption clauses in standard contract templates.

The Group implemented a comprehensive Code of Ethical Conduct (the Code). The Code is reviewed at least annually by management, or whenever necessary. In 2020, the Code was revised and aligned with best practices, under the direct coordination of the Executive Directors, reviewed by the Audit Committee and approved by the Board. The Code is made available to all employees on the Company's unified engagement and communication platform, and it demonstrates the Company's commitment to strong values, ethical principles and human rights. It applies seamlessly to Directors, officers and employees, permanent or temporary and consultants and contractors in every country and entity that is consolidated in the Group's financial statements or otherwise controlled by the Group.

A Group-wide awareness campaign was launched in 2020, in order to remind the Group's personnel of the values and ethical principles and further enhance a strong ethical culture. The campaign included the approval by the Directors, employees and key partners, in order to confirm that the Code has been read and understood.

The Code defines expected principles and behaviour in 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 & competition;
- communications, records, claims, statements and certifications;
- confidentiality principles;
- preserving privacy; and
- sponsorships and donations.

The Code addresses in detail the conflict of interest topic and management conducted annual campaigns in order to raise personnel' s awareness of the risks deriving from conflict of interest and reporting requirements. According to the Code, a conflict of interest arises whenever one's position or responsibilities present an opportunity for personal benefit, inconsistent with the Group's best interests. Individuals are responsible for their own ethical behaviour and are expected to act in the best interest of the Company. When they consider that a conflict of interest (potential or actual) may exist, the Risk and Compliance Officer is to be notified immediately. The Risk and Compliance Officer offers advice on how the conflict of interest can be avoided, addressed or mitigated, as the case may be. Undisclosed, materialised conflict of interest may trigger consequences for employees, and all management processes and disciplinary measures are considered by the Disciplinary Committee. A Group-wide campaign for collecting and advising on how to mitigate potential conflict of interest was rolled-out in 2020 to cover all Directors, employees and key contractors (external project managers covering Group's development projects and outsourced property managers responsible for managing properties in the Group's portfolio), as a continuation of the efforts started in 2019.

To complement the Code of Ethical Conduct provisions on the conflict of interest with a holistic view, the Group implemented the Declaration of Interests Policy. Such policy covers, besides the conflict of interest arising from a business situation, also the declaration of various interests the Directors of the Company hold. The policy was implemented in order to foster a transparent flow of information and provide a comprehensive overview of all interests held by Directors, either directly or indirectly, regardless of their nature. According to the policy, Directors will 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 8% 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;
- participations in companies acting in the same line of business or industry; and
- any other direct/indirect material interest related to the Group's business and operations.

Positions held in other companies, including directorship engagements are also reported and analysed by the Board.

Besides conflict of interest, the Code of Ethical Conduct has strong and clear provisions regulating the following:

- 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;
- 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 proactively by the Risk and Compliance Officer, at key points during the year, in order to raise awareness and prevent misconduct;
- acceptable behaviour towards public officials, i.e., under no circumstance can any gifts, facilitation payments or money be offered or promised;
- acceptable behaviour in terms of other ethical and compliance requirements (i.e., health and safety, use of narcotics and alcohol, antitrust policy, creating a non-discrimination and inclusion environment for all employees, etc.). Promoting a non-discrimination environment and the diversity of mindsets and opinions has been on Group's agenda in 2020; workshops have been organised, covering senior and middle management positions, to foster an acceptance and inclusive culture. No discrimination incidents were claimed or investigated in 2020. If such incidents were to occur, based on a zero-tolerance policy for such acts, the Group would immediately take the necessary measures, including consequence management, to deter such behaviour;
- the Group's approach towards lobbying and political involvement; and
- the Groups' standards related to sponsorships and donations.

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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 in any way 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 any other in-kind benefits may be offered in such context).

The Group never gets involved in political issues or controversies, or targets countries where such situations currently exist, nor does it engage in lobbying for political purposes. The Group and its Directors consider that all employees and representatives are entitled to their own personal political opinions, however they should be cautious when expressing such opinions publicly, so that these are not viewed or interpreted as the opinions of the Group.

For transparency reasons, a Compliance Statement has been published on Group's corporate website, summarising the main principles and rules defined in the Group's Compliance Framework (e.g., 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. Any questions regarding for advice, potential risks or uncertainties may be directed through dedicated communication channels which are advertised to all employees on the unified Group engagement and communication internal platform. 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 quickly.

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. In order to promote full transparency, as well as to provide a mechanism to report concerns, NEPI Rockcastle has implemented the Whistleblowing Policy, which describes the reporting channels, while guaranteeing non-retaliation against the whistle-blower and confidentiality. The policy is reviewed and revised periodically, at least annually, and revisions are approved by the Board.

The reporting channels available to both employees and any external party 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, operated independently by a third-party service provider.

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. Issues may be reported separately, and advice may be sought from the Risk and Compliance Officer or the Internal Audit Director.

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 whistleblower's identity supports the efficiency and effectiveness of the investigation process by allowing the investigation team to obtain clarification, follow up leads 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 proactively to all employees by the Compliance department on an annual basis and are available also on the Group's website, while employees onboarding process covers also whistleblowing awareness.

During 2020, the Group launched a campaign for communicating and advertising its reporting channels also to its suppliers and tenants, in all jurisdictions, in order to increase effectiveness and reach of its reporting mechanisms. This awareness campaign was dedicated to the Group's active suppliers and tenants, as a sign of trust in the partnership and with the confidence that an ethical culture in the business environment can be preserved based on collaborative relationships. The partners were encouraged to raise any ethical issues or serious concerns they had in relation to the Group's personnel, during the collaboration, so that inappropriate conduct may be addressed and corrected.

The Group received tip-offs in 2020 from both inside the Company (from current and former employees), as well as from some of its tenants and suppliers in a number of jurisdictions, concerning specific operational matters. The channels used by the whistleblowers were, in their order of use: the online portal, e-mail to the CEO/CFO, information/e-mail to Internal Audit, and e-mail to 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. Tip- offs were investigated following a plausibility check performed by Internal Audit, while the reports together with conclusions and recommendations were presented and discussed in the Audit Committee. Where the whistleblowers disclosed their identity, Internal Audit engaged with them, solicited details during the investigation and communicated on the status of the investigation, while carefully preserving privacy and confidentiality principles. Consequence management has been implemented for proven incompliance with the Code of Ethical Conduct.

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, and are all applicable at Group level. 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 providing an extraordinary experience in its shopping centres.

The Group has implemented compliance clauses covering anti-money laundering, counter terrorism and anti-corruption in its standard contract templates. Part of the Group's commitment to strong ethics was to emulate its consequence management approach in relation to third parties the Group is doing business with, in the context of non-ethical practices. As a result, based on a transparent and objective process where several functions from the Company may provide input, any supplier or customer with proven unethical behaviour or with significant adverse media reports, will be excluded from the list of partners that the Group is willing to further engage with. The process is independently coordinated by the Compliance department.

All Group guidelines, policies and procedures are available to its personnel in a shared location and on the Group's unified communication and engagement platform, therefore making sure expectations are known and properly communicated, regardless of borders and geographical spread. When repeated or gross incompliance is detected, a consequence mechanism is in place in order to deter employees' unethical behaviour.

PHOTO: MEGA MALL, ROMANIA

Sustainability report

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Diversity policy

The Group supports the principles of gender diversity at both Board level and on Group-wide basis. No voluntary target has been set, however, the approach to gender diversity adopted by the Group is that as long as a vacancy on the Board arises, consideration will be given to the appointment on the Board of female Director(s). Consideration criteria such as expertise, knowledge and competence should be fully met and the candidate should be appropriately qualified for the role. NEPI Rockcastle is a diverse group with over 400 professionals in 10 countries, with different backgrounds and cultures. Inspired by the diversity of its own team, in 2020, the Group launched a **Diversity and Inclusion (D&I) Programme** encompassing initiatives set out below:

- supporting and empowering the development of women in leadership positions, by starting a collaboration with the **Professional Women's Network;**
- getting to understand how D&I impacts people's daily life and work through **dedicated workshops for all employees, "Create a diverse and inclusive workplace"**;
- working with **management teams** on how to embed D&I into their work;
- the "Working across diversity" three days training programme was launched in 2020 and will continue in 2021; and
- adhering to the core principles of D&I by **signing the Diversity Charter** in Romania and Poland.

The Diversity Charter is based on a set of general principles promoting multiculturality, aiming at:

- developing a cultural organisation based on respect, trust and recognition;
- supporting diversity as a source of progress and innovation; and
- improving economical performance.

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

At 2020 year-end, a total of 433 employees (including Executive directors) were active, with 64% of them being women and 36% men.

Gender	Definite contract	Indefinite contract	Full time	Part time
F	14	264	278	-
M	2	153	153	2
	433		433	

Top and middle management level is represented by 53% women and 47% men.

Details of gender distribution across the Group is presented below:

Level	Gender	Distribution
Senior management team (functions leads)	F	44%
	M	56%
Middle management and subject matter expert	F	58%
	M	42%
Non-managerial	F	69%
	M	31%

Ratio of basic salary and remuneration of women to men
Another 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 location. However, due to the limited number of employees in some locations and positions, the disclosure of results by each category might lead to compromising confidentiality.

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

Collective bargaining

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

PHOTO: PROMENADA SIBIU, ROMANIA

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:

- 65% of the staff are represented by professionals with 20 years or more of professional experience; and
- 27% of the staff are represented by a younger generation of Millennials, growing and developing their careers, enabling the Group to maintain a strong succession pipeline.

Generation	Age range	Headcount at 31 Dec 2020	Average Age	% of Total Headcount at 31 Dec 2020
Generation Z	up to 24 Y	5	23.4	1%
Millennials	25-34 Y	116	30.7	27%
Generation X	35-49 Y	281	40.0	65%
Baby Boomers	50-65 Y	31	56.0	7%
TOTAL		**433**	**38.5**	**100%**

Benefits provided to employees

To ensure reward and compensation market alignment, the Group accesses market data from reliable providers for benchmark purposes.

The benefits package is applied 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 and parental leave;
- one off allowance for parents when a child is born;
- one off allowance for other special 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.

Parental leave

A total of 4,753 days were granted in 2020 for parental leave, across all countries.

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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 affect employees, customers and other partners (if applicable). All programs/rules/documents/measures are updated and modified in accordance with the applicable legislation. In 2020, 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 within NEPI Rockcastle.

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 2020, there were no accidents at work, reported occupational diseases or deaths. Consequently, no days of sick leave or absenteeism have been reported due to accidents at work. Employees training on occupational health and safety is applied across the Group, in line with the local legislation requirements.

People approach during COVID-19

The pandemic led to significant adjustment to the envisaged 2020 development plans for employees. During COVID-19, the Group's efforts were focused on keeping staff safe, while ensuring business continuity and productivity. In April, when most of the countries were in lockdown, the Group's focus was to connect with teams and ensure access to all required resources.

A Wellbeing Programme was launched, consisting of three pillars: Health, Hobbies, Personal Development.

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

- regular communication from CEO (bi-monthly/monthly once the situation settled) updating staff on people's state of health, Working from Home ('WFH')/Working from Office ('WFO') recommendations;
- flexibility and 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 on WFH at the level of top management team members (with Human Resources function to agree planning at the level of the respective teams).

Safety of the employees under COVID-19 circumstances required extra measures to be implemented in relation to the workspace, work conditions, information and communication, such as:

- promote, facilitate and signal appropriately the hygiene measures;
- regular office disinfections;
- limit physical interaction with visitors, restricted number of people in meeting rooms and social areas (meetings held primarily online, with travel restricted);
- monitor employees for 14 days after returning home from a holiday or business trip;
- closely monitoring of COVID-19 cases and isolation of those in contact/direct contact with suffers; and
- COVID-19 test required as per the local jurisdictions requirements.

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

- workshops/keeping in touch;
- emotional impact of COVID-19 workshops such as “Emotional Agility”, with general coverage;
- managing work during COVID-19/WFH including “Productivity and focus/remote working routines”, with general coverage;
- updates with team leaders (regular HR check-ins with specific team leaders, on a need basis); 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 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 nurturing people's pride to work for the Group.

Despite the physical limitations in 2020, the Group continued to reinforce management communication to its teams, in both regular meetings, as well as through top management communication, online strategy discussions and business updates. A new communication concept was introduced within the context of the pandemic – Friday Talks - aimed to ensure closer connection with management. To facilitate the online communication with the staff, the Group implemented a digitalised engagement and communication platform, **SPOT**. Since its launch in August 2020, the platform reached a 95% access rate, with more than 250 messages posted both by business and HR. SPOT brings together the information that used to be spread in different places, from messages from CEO to staff, to strategy and financial updates, news about the Group's portfolio and people related matters. The platform is modern and inviting for staff to access it, enabling them to stay informed and participate in the different internal challenges which are launched.

The Group continues to engage its staff by celebrating important business milestones or traditional holidays through online team social gatherings for staff and for staff's children (Children's Day, Christmas). In addition, the employees are involved in various charity and environmental protection campaigns, and educational actions with impact on local communities.

In the past year, NEPI Rockcastle managed to attain a rate of almost 100% retention of staff during their first 12 months, a promising rate that the Group will continue to focus on.

During 2020, the need for the business to have constant meetings and adjust priorities was paramount. The Group engaged the staff on key functions in planning and discussions about 2020 tactics, in order to ensure business continuity and success.

Recruitment and selection

Having the right people in the right place and the appropriate skillset in the Group is a business imperative for leadership as well as a core HR responsibility. Moreover, considering the CEE market is very competitive in terms of workforce, recruitment and selection remain a strategic areas of focus for the business. The Company uses people analytics to make decisions in relation to the Group's personnel strategy. The data is stored in the HR administrative internal system.

The Group's range of initiatives for managing recruitment continued to be developed during 2020, especially given the unforeseen challenges of the pandemic, 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, further ensuring that their onboarding is directly coordinated by their respective managers. Moreover, during 2020, the Group reinforced, as part of the recruitment process, an efficiency approach which requires management to support decision to hire on business case. This allowed the Group to reorganise activities, leverage more and better on internal available resources and support career growth of its existing people.

During 2020, a total number of 65 professionals joined the Group in either new positions or as replacements. Out of these, 64 are still employed in the Group, translating into a retention rate of almost 100% for the first 12 months.

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 in the new work context imposed by the pandemic. Such efforts lead to more engaged, motivated and committed employees.

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

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

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New employee hires and employee turnover

Category	New employees						Employee turnover					
	Number			Ratio			Number			Ratio		
Gender	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Female	50	32	49	75%	68%	75%	41	53	34	55%	62%	60%
Male	17	15	16	25%	32%	25%	34	32	23	45%	38%	40%
Total	**67**	**47**	**65**	**100%**	**100%**	**100%**	**75**	**85**	**57**	**100%**	**100%**	**100%**
Age												
<30	11	9	15	16%	19%	23%	13	14	10	17%	16%	18%
30-50	55	36	45	82%	77%	69%	57	61	43	76%	72%	75%
>50	1	2	5	1%	4%	8%	5	10	4	7%	12%	7%
Total	**67**	**47**	**65**	**100%**	**100%**	**100%**	**75**	**85**	**57**	**100%**	**100%**	**100%**

Employee turnover

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

For 2020, the blended voluntary turnover rate across all jurisdictions was 5.9%, while the non-voluntary rate was 7.1%. The Group had also a 3.4% of leavers as a result of areas of business being outsourced or discontinued (i.e., as a result of the disposal of specific office building and outsourcing of specific services in property management structure). 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 tolerate lack of commitment, excellence in delivery or compromising on values and business integrity.

Management level	Leavers reason	Number of leavers	Average headcount**	% of TOTAL
Top management business function leaders*	Voluntary	-	11*	0.0%
	Non-voluntary	1		0.2%
Middle management and subject matter experts	Voluntary	2	154	0.5%
	Non-voluntary	4		0.9%
	Business discontinued/outsourcing	2		0.5%
Non-managerial	Voluntary	24	274	5.5%
	Non-voluntary	11		2.5%
	Business discontinued/outsourcing	13		3.0%
TOTAL		**57**	**439****	**13%**

**Including 3 Executive Directors, CEO, CFO and Executive Director.*
*** Average headcount 31 December 2019 - 31 December 2020.*

Transition assistance programme

The Group implemented a transition assistance programme (individual career discussion) applicable to all employees in case of involuntary termination of the employment agreement. The programme main aim is 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 2020, NEPI Rockcastle continued to promote and implement consistent development programmes for all staff and management. The professional learning curriculum was adapted to COVID-19 requirements and staff were 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. Each programme consisted of live online group sessions with articles, podcasts and videos materials as pre- and post-work, to ensure the highest impact.

Upgraded learning methods and sources

Recent research on the learning and development market 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 the 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.

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 2020:

	Male		Female	
	Number	Percentage	Number	Percentage
Top management	5	100%	4	100%
Middle management	43	100%	50	100%
Other management positions	24	100%	42	100%
Specialists	83	100%	182	100%
Total	**155**	**100%**	**278**	**100%**

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. For middle management positions and specific key roles, e.g., subject matter experts, the Group ran a 360 feedback evaluation structured along its values: Teamwork & Communication, Innovation & Learning, Excellence and Integrity – Leadership skills.

The training and development opportunities offered by the Group in 2020 reached 10,420 learning hours at Group level.

Sustainability report
» continued

Development programme category	Development programme	Competencies developed
Customised programmes soft skills and hard-skills	• Communication skills – “Think on your feet” programme • Win-win negotiation skills • Diversity and inclusion programme • Consumer behaviour • Consumer trends for the future • Remote working and productivity	• Communication skills • Negotiation skills • Remote working • Productivity • Cognitive biases • Flexibility • Open-mindedness • Marketing and consumer trends
Certifications and conferences	• CIPD certification • Cybersecurity certification • ACCA certification • Tickets to professional conferences, relevant for different employee functions (Brand-Minds, Compliance, Governance, Risk, etc.)	• Human Resources management • Cybersecurity and protection against cyber-attacks • Financial and tax skills • Technical competencies depending on the function: budgeting, procurement, risk, business and digital skills, finance and tax
Mentoring and coaching	• Individual coaching programme • Relationship coaching programme • Women as future leaders mentoring programme	• Business skills • Building relationship • Networking • Flexibility and adaptability • Workforce of the future

Staff development facts and figures	
Total number of hours of training attended (cumulative for all hours attended by all staff)	10,420
Total number of training participations (cumulative for all participations)	1,088
Average number of training hours per trained employee	9.6
Total training days/employee	1.2
Overall feedback score	4.7/5

Way forward in staff training and development

NEPI Rockcastle will continue to digitalise HR activity and give access to all employees across the Group to the same opportunities for blended learning, by implementing an e-learning platform. The main purpose of such a platform is to keep the staff well connected to market trends and innovations in the industry in order to bring added value and reach an excellent level of delivery for the strategy. The focus will be to develop both technical and business competencies through leadership programmes and hard-skills trainings.

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 aspects in motivating employees, in giving back to its professionals, as well as in increasing loyalty and commitment.

PHOTO: CITY PARK, ROMANIA

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	11 739	402 166 390	66.04
Non-public	2	197 813 240	32.48
Directors and employees	48	2 145 522	0.35
Other	-	6 869 755	1.13
TOTAL	**11 789**	**608 994 907**	**100**

Size of holding	Number of shareholders	Number of shares held	Percentage of issued shares (%)
1 to 2 500 shares	9 041	5 442 825	0.89
2 501 to 10 000 shares	1 317	6 525 290	1.07
10 001 to 100 000 shares	987	33 417 877	5.49
100 001 to 1 000 000 shares	356	115 317 115	18.94
1 000 001 to 3 500 000 shares	56	97 864 200	16.07
More than 3 500 000 shares	32	343 557 845	56.41
Other	-	6 869 755	1.13
TOTAL	**11 789**	**608 994 907**	**100**

Registered shareholders owning 5% or more of issued shares	Number of shares held	Percentage of issued shares (%)
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**
2019		
Fortress REIT Limited	140 000 000	23.3
Resilient REIT Limited	75 522 449	12.6
Public Investment Corporation	46 822 045	7.8
TOTAL	**262 344 494**	**43.7**

Beneficial shareholding of 5% or more of issued shares	Number of shares controlled	Percentage of issued shares (%)
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**
2019		
Fortress REIT Limited	140 000 000	23.3
Resilient REIT Limited	75 522 449	12.6
Public Investment Corporation	46 822 045	7.8
TOTAL	**262 344 494**	**43.7**

Beneficial shareholding of Directors

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 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 2019	Direct Holding	Indirect Holding	Associates	Total Shares Held	Percentage of issued shares (%)
Alex Morar	254 484	887 213	-	1 141 697	0.19
Mirela Covasa	202 413	191 961	-	394 374	0.07
Marek Noetzel	180 019	-	-	180 019	0.03
Robert Emslie	-	-	-	-	-
George Aase	-	-	-	-	-
Antoine Dijkstra	4 667	-	-	4 667	-
Andreas Kiingen*	-	-	-	-	-
Andre van der Veer**	109 762	-	8 111	117 873	0.02
Sipho Vuso Majija	-	-	-	-	-
Desmond de Beer**	-	9 394 166	-	9 394 166	1.57
TOTAL	**751 345**	**10 473 340**	**8 111**	**11 232 796**	**1.88**

**Andreas Klingen - appointed as independent non-Executive Director on 17 April 2019*
***Between year-end and the publication of this annual report, the Directors changed their beneficial shareholding by making the following disposals:*
Desmond de Beer - 500,000 shares;
Andre van der Veer - 7,772 shares.

PHOTO: OZAS SHOPPING AND ENTERTAINMENT CENTRE, LITHUANIA

Financial Statements

Financial Statements

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 Isle of Man Companies Act 2006 and International Financial Reporting Standards (IFRSs).

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 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 after due, careful and proper consideration that:
- the annual consolidated financial statements set out on pages 220 to 273 present fairly in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- the Directors' Commentary includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces;
- 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 220 to 273 were approved and authorised for issue by the Board of Directors on 24 February 2021 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
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 2020, 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 2020;
- 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: €67 million which represents 1% of the Group's total assets.

Specific materiality: €17 million which represents 5% of the Group's EBITDA, as defined in the consolidated statement of comprehensive income

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

Impact of COVID-19

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	€67 million.	€17 million.
How we determined it	1% of Total assets per the Consolidated statement of financial position as at 31 December 2020.	5% of average EBITDA as included in the Consolidated statement of comprehensive income for the years ended 31 December 2020, 2019 and 2018.
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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,350,000, 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 a number of 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 large components were subject to an audit over certain account balances (including investment property), 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 or other networks 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**
Valuation of investment property 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. COVID-19 further contributed to the subjectivity for the year ended 31 December 2020. 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. The directors used external appraisers to support their determination of the individual fair values of the investment property semi-annually. For more information on the valuation of the investment property reference is made to notes 4.3, 4.4, 4.5, 5, 9, 10 and 16 in the financial statements.	Our procedures in relation to the directors' valuation of investment property included: • 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, vacancy rates, non-recoverable expenses, maintenance costs, discount rates and estimated 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.); and • checking the mathematical accuracy of the valuation models used. 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. 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.

Independent Auditor's report

to the shareholders of NEPI Rockcastle plc

» continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 Refer to Note 2 a) 'Statement of compliance' and Note 3 'Significant events in the year'. The COVID-19 outbreak is having a major impact on economies and financial markets and continues to evolve. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be continuing recessions in many of the Group's countries of operation. In order to assess the impact of COVID-19 on the Group, the directors have updated their analysis of the potential impact on the Group's revenues, profits, cash flows, operations, liquidity position and debt facilities. This analysis and related assumptions have been used by the directors in their assessment of the Group's going concern analysis. As a result of the analysis, the directors have concluded that preparing the financial statements on a going concern basis remains appropriate and that no material uncertainty in relation to going concern exists. The most significant impact to the financial statements has been in relation to the valuation of investment properties through the assumptions affecting both short-term cash flows and greater uncertainty over long-term cash flows and values. In addition, the recognition of rental concessions given to tenants as a result of COVID-19, as well as provisions recorded in respect of trade receivables from lessees has warranted additional audit focus due to their non-standard nature.	We evaluated the Group's analysis and considered whether it addresses the relevant threats posed by the COVID-19 pandemic. We corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. In respect of going concern, we assessed the directors' going concern analysis and the key assumptions used in preparing the going concern model in light of COVID-19, including assessing covenant headroom. We challenged the key assumptions and the reasonableness of the mitigating actions used in preparing the analysis. In conjunction with the above, we have reviewed the directors' analysis of liquidity and reviewed loan covenant compliance to satisfy ourselves that no breaches are anticipated over the going concern period of assessment. We considered the disclosures presented in the financial statements in relation to the impact of COVID-19 including the appropriateness of the disclosures around the increased uncertainty on its accounting estimates. We used substantive testing procedures to ensure that a sample of rental concessions offered to tenants had been correctly accounted for within the requirements of IFRS 9 'Financial instruments' and IFRS 16 'Leases'. We assessed the recoverability of trade receivables from lessees by evaluating the financial viability of the major tenant balances and ensured provisions made are accounted for within the requirements of IFRS 9 'Financial Instruments'.

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 scepticism 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 12 August 2020 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

Nicholas Mark Halsall, Responsible Individual
For and on behalf of
PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
24 February 2021

Consolidated Statement of financial position

in € thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets		**5,966,723**	**6,169,170**
Investment property		5,802,398	6,022,600
— Investment property in use	9	5,591,463	5,800,759
— Investment property under development	10	210,935	221,841
Goodwill	12	76,804	76,804
Deferred tax assets	23	34,678	15,209
Investments in joint ventures	33	21,757	22,844
Long-term loans granted to joint ventures	33	22,620	21,220
Other long-term assets	11	7,447	7,590
Derivative financial assets at fair value through profit or loss	20	1,019	2,903
Current assets		**702,681**	**467,191**
Trade and other receivables	14	59,384	89,383
Financial investments at fair value through profit or loss	13	-	169,062
Cash and cash equivalents	15	643,297	208,746
Assets held for sale	16	**1,752**	**337,739**
TOTAL ASSETS		**6,671,156**	**6,974,100**
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		**3,692,323**	**4,096,880**
Equity attributable to equity holders		**3,687,068**	**4,090,672**
Share capital	17	6,090	5,998
Share premium	17	3,550,061	3,625,348
Other reserves		(6,456)	(3,627)
Accumulated profit		137,373	462,953
Non-controlling interest		**5,255**	**6,208**
Total liabilities		**2,978,833**	**2,877,220**
Non-current liabilities		**2,621,386**	**2,687,397**
Bank loans	19	232,635	574,112
Bonds	19	1,969,385	1,677,779
Deferred tax liabilities	23	341,324	354,756
Other long-term liabilities	22	72,612	74,036
Derivative financial liabilities at fair value through profit or loss	20	5,430	6,714
Current liabilities		**357,447**	**150,785**
Trade and other payables	21	96,595	130,411
Bank loans	19	249,952	9,815
Bonds	19	10,900	10,559
Liabilities held for sale	16	**-**	**39,038**
TOTAL EQUITY AND LIABILITIES		**6,671,156**	**6,974,100**
Net Asset Value per share (euro)	24	6.05	6.83
EPRA Net Reinstatement Value per share (euro)	24	6.45	7.32
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		608,994,907	599,797,201

The Group's consolidated financial statements on pages 220 to 273 were approved and authorized for issue by the Board of Directors on 24 February 2021 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Consolidated Statement of comprehensive income

in € thousand	Note	31 Dec 2020	31 Dec 2019
Gross rental income		379,810	407,139
Service charge income		156,685	176,841
Property operating expenses		(166,482)	(183,242)
Partial forgiveness of receivables (COVID-19 forgiveness)		(47,049)	-
Net rental and related income*	**25**	**322,964**	**400,738**
Administrative expenses	26	(20,838)	(21,550)
EBITDA**		**302,126**	**379,188**
Net result from financial investments		**(88,250)**	**23,651**
Income from financial investments at fair value through profit or loss	13	5,517	12,560
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	13	(93,767)	11,091
Transaction fees	27	-	(5,411)
Fair value adjustments of investment property	28	(345,253)	134,709
Foreign exchange loss		(1,665)	(907)
Gain on acquisition of subsidiaries		-	446
Gain on disposal of assets held for sale		2,310	123
Gain on disposal of joint venture	33	-	3,588
(Loss)/Profit before net finance expense and other items		**(130,732)**	**535,387**
Net finance expense	29	**(60,045)**	**(52,517)**
Interest income		1,641	1,938
Interest expense		(58,705)	(52,494)
Other net finance expense		(2,981)	(1,961)
Other items		**(11,625)**	**(23,827)**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	30	(10,539)	(23,743)
Share of (loss)/profit of joint ventures	33	(1,086)	5,872
Impairment of goodwill	12	-	(5,956)
(Loss)/Profit before tax		**(202,402)**	**459,043**
Income tax credit/(expense)		**26,528**	**(42,701)**
Current tax expense	23	(5,912)	(11,331)
Deferred tax income/(expense)	23	32,440	(31,370)
(Loss)/Profit after tax		**(175,874)**	**416,342**
Total comprehensive (loss)/income for the period		**(175,874)**	**416,342**
(Loss)/Profit attributable to:			
Non-controlling interest		(953)	107
Equity holders		(174,921)	416,235
Total comprehensive (loss)/income attributable to:			
Non-controlling interest		(953)	107
Equity holders		(174,921)	416,235
Weighted average number of shares in issue***	31	624,960,803	611,303,384
Diluted weighted average number of shares in issue***	31	624,960,803	611,303,384
Basic/diluted (loss)/earnings per share (euro cents) attributable to equity holders***	31	(27.99)	68.09

**Out of the total rental and related income, €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.*
****Weighted average number of shares has been adjusted for each 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

in € thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2019	**5,778**	**3,625,568**	**-**	**208,426**	**6,101**	**3,845,873**
Transactions with owners	**220**	**(220)**	**(3,627)**	**(161,708)**	**-**	**(165,335)**
— Issue of shares (Note 17)	220	(220)	-	-	-	-
— Shares purchased for LTSIP*(Note 4.17(b))	-	-	(3,842)	-	-	(3,842)
— Share based payment expense (Note 4.17)	-	-	215	-	-	215
— Earnings distribution	-	-	-	(161,708)	-	(161,708)
Total comprehensive income	**-**	**-**	**-**	**416,235**	**107**	**416,342**
— Profit for the year	-	-	-	416,235	107	416,342
Balance at 31 December 2019	**5,998**	**3,625,348**	**(3,627)**	**462,953**	**6,208**	**4,096,880**
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 4.17(b))	-	-	(3,696)	-	-	(3,696)
— Share based payment expense (Note 4.17)	-	-	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	**6,090**	**3,550,061**	**(6,456)**	**137,373**	**5,255**	**3,692,323**

**LTSIP = debt free Long-Term Share Incentive Plan with a vesting component*

Consolidated Statement of cash flows

in € thousand	Note	31 Dec 2020	31 Dec 2019
CASH FLOWS FROM OPERATIONS	35	**295,998**	**381,316**
Interest paid on loans and borrowings	19, 22	(12,467)	(19,034)
Interest paid on lease liabilities	22	(588)	(559)
Bond coupon paid	19	(37,936)	(28,414)
Income tax paid		(7,179)	(11,798)
Bank charges paid		(2,949)	(1,460)
Interest received		1,536	1,567
CASH FLOW FROM OPERATING ACTIVITIES		**236,415**	**321,618**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**172,995**	**(248,048)**
Expenditure on investment property under development*		(124,705)	(283,695)
Settlements of deferred consideration for prior years acquisitions		(3,323)	(2,463)
Proceeds from disposal of assets held for sale		301,023	2,309
Proceeds from disposal of joint venture		-	35,801
Other investments		**(1,400)**	**-**
Loans granted to joint ventures		(1,400)	-
Net cash flow from investments in financial assets		**80,812**	**51,121**
Income from financial investments at fair value through profit or loss	13	5,517	12,560
Payments for equity swap resettlement		-	(39,029)
Cash flows from cash collateral/equity derivative collateral	13	-	27,784
Proceeds from sale of financial investments at fair value through profit or loss	13	75,295	49,806
CASH FLOW FROM/(USED) IN INVESTING ACTIVITIES		**252,407**	**(196,927)**
FINANCING ACTIVITIES			
Payment to acquire shares under LTSIP		(3,696)	(3,842)
Repurchase of shares	17	(75,195)	-
Net movements in bank loans, bonds and other long-term liabilities		**176,091**	**159,202**
Proceeds from bank loans	19	520,000	216,936
Proceeds from bonds	19	490,858	985,372
Repayment of bank loans	19	(622,400)	(827,594)
Repurchase of bonds	19	(202,800)	(202,200)
Premium paid on repurchase of bond	30	(9,372)	(11,893)
Repayment of other long-term liabilities	22	(195)	(1,419)
Other payments		**(812)**	**(2,348)**
Repayments of lease liabilities		(245)	(229)
Premium paid on acquisitions of derivatives		(567)	(2,119)
Earnings distribution		(150,659)	(161,708)
CASH FLOW USED IN FINANCING ACTIVITIES		**(54,271)**	**(8,696)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**434,551**	**115,995**
Cash and cash equivalents brought forward	15	208,746	96,924
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		**643,297**	**212,919**
Cash and cash equivalents classified as asset held for sale		**-**	**(4,173)**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**643,297**	**208,746**

** Expenditure on investment property under development includes also the VAT cash inflow relating to development projects of €18 million (2019: cash outflow of €8 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 Johannesburg Stock Exchange Limited ("JSE"), Euronext Amsterdam and A2X.

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with the Directors' resolution on 24 February 2021.

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"). They comprise the Company and its subsidiaries, as detailed in "Basis of consolidation" in Note 4.2.

The principal 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 2019, except for the new mandatory standards and interpretations described below:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards.

These standards, amendments and interpretations do not have a significant impact on the consolidated financial statements as at 31 December 2020.

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 COVID-19 pandemic during 2020 and subsequent to the year-end, there are no material uncertainties relating to the Group's ability to continue as a going concern. For further details on the impact of COVID-19 on the Group's business, please refer to section *"Operating performance – Trading summary"* in the Directors' Commentary, Note 3 "*Significant events in the year*" and Note 38 "*Subsequent events*".

(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, financial investments at fair value through profit or loss, interest rate derivatives and financial assets and liabilities at fair value through profit or loss, which are measured at fair value.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs 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

Since mid-March 2020, local governments in the nine Central and Eastern European countries where NEPI Rockcastle operates have implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of all stores except those selling "essential" goods (such as groceries, other food stores and pharmacies). Such measures negatively impacted the Group's business.

Except for "essential" retailers, the tenants in the Group's centres were unable to trade for a period beginning mid-March and ending between early May to mid-June, depending on the country ("spring lockdown").

Subsequent to the spring lockdown, restrictions remained in place in various countries of the Group, affecting less than 5% of the gross leasable area ("GLA") and prohibiting the activity of selective retail sectors, mainly entertainment. As at mid-September 2020, 100% of the Group's GLA became operational, as the restrictions were lifted in all countries of operations.

Towards the end of October 2020, Governments in CEE started to adopt new measures to contain the spread of the virus which impacted on the Group's operations, which continued during November and December, depending on the infection rate in each country or region. A summary of the restrictions throughout the year 2020 is set out in the section "Operating performance – Trading summary" from the Directors Commentary.

As at 31 December 2020, 65% of the Group's total property portfolio by GLA was operational.

During 2020, the Group results reflected rent concessions worth €69.5 million out of a total of €72.0 million concessions granted in the year. The difference of €2.5 million is subject to straight-lining in accordance with the accounting policies described below (refer to "*Contractually agreed and signed modifications subject to straight-lining from the effective date of the modification"* section below) and will be reflected in the Statement of comprehensive income over the associated lease term, which on average approximates three years.

Reduction of gross rental income

The Polish government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency. Such relief without changes to the lease contract, covered by the law in force, have been recognised in the Statement of comprehensive income, as a reduction of Gross rental income (impact of €12.6 million) and Service charge income (impact of €3.7 million), and as a decrease of Trade and other receivables, in the Statement of financial position.

In some instances, the Group has agreed to variable discounts contingent upon tenants' performance dropping below a certain threshold. In 2020 these discounts amounted to a total of €5 million, recognised in the Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Partial forgiveness of receivables

In order to maintain a long-term functioning retail environment, and based on tenant negotiations, the Group granted voluntary rental concessions for lockdown, and/or immediately after lockdown. Discussions with retailers regarding COVID-19 support continued in all countries throughout the year end and by 31 December 2020 lease modifications (see definition below) were signed by tenants representing 97% of Gross rental income.

For the period up to the signing of lease modifications, the receivables already accrued in accordance with the 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 €47.0 million, were fully accounted for in the Statement of comprehensive income as "Partial forgiveness of receivables (COVID-19 Forgiveness)", and "Trade and other receivables" in the 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 and requires rental modifications to be accounted for prospectively from the effective date of the modification. 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 overage/turnover rents, 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 Statement of comprehensive income as a reduction of Gross rental income. The reduction recognised in the Statement of comprehensive income was €1.2 million, further to the impact of straight-lining over future reporting periods of €2.5 million (cash discounts of €3.7 million).

Tenant receivables

As at 31 December 2020, tenant receivables amounted to €36.4 million (VAT included, net of provisions) out of which €14.9 million were overdue. This balance is adjusted for provisions and rent reliefs and concessions, either imposed by law or negotiated. The collection rate for 2020, adjusted for concessions granted, was 95% as at 31 December 2020 (this increased to 97% as at mid of February 2021). The Group expects to collect the outstanding tenant receivable balance.

Valuation of investment property

As at 31 December 2020, the entire property portfolio was independently valued by external appraisers, in line with the Group's policy to perform independent valuations on a semi-annual basis.

As at 30 June 2020, the portfolio valuation has been performed in a context of uncertainties associated with the COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects. As at that time, the appraisers included a "material valuation uncertainty" statement in their reports, following guidance from RICS.

As at 31 December 2020, the property appraisals continued to be performed in a context of COVID-19 pandemic and restrictions implemented to contain the virus. However, at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of markets evidence exists upon which to base opinions of value. Thus, the valuation reports did not include any "material valuation uncertainty". The appraisers factored in their valuation reports the expected future impact of COVID-19 by modifying two specific sets of assumptions.

Assumptions affecting short-term cash flows: depending on the country and specific asset performance, the appraisers considered various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2021/2022. The appraisers also factored in lower levels of tenants' sales-based rents and of ancillary income over the same period.

Assumptions affecting long-term cash flows and values: the appraisers increased discount rates and exit yields in all countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity, value and growth prospects on exit.

For the year-ended 31 December 2020, the fair value loss recognised in relation to investment property portfolio amounted to €345.3 million (out of which €236.6 million incurred for the six-month period ended 30 June 2020).

4 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal 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 2020 (%)	Effective interest 2019 (%)
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	Aviatorilor 8 Office Building SRL (disposed of in August 2020)	Romania	Property-owning	100	100
12	Białystok Property Sp. z o.o.	Poland	Property-owning	100	100
13	Bonarka City Center Sp. z o.o.	Poland	Property-owning	100	100
14	Braila Promenada Mall SRL	Romania	Property-owning	100	100
15	Brasov Shopping City SRL	Romania	Property-owning	100	100
16	Bulfeld EOOD	Bulgaria	Property-owning	100	100
17	CEE Property Bulgaria EOOD	Bulgaria	Property-owning	100	85

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
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
23	E-power Supply Czech s.r.o. *(wound up in April 2020)*	Czech Republic	Services	100	100
24	E-Power Supply d.o.o. Beograd	Serbia	Services	100	100
25	E-power supply EOOD	Bulgaria	Services	100	100
26	E-power supply management d.o.o.	Croatia	Services	100	100
27	E-Power Supply s.r.o.	Slovakia	Services	100	100
28	Expo Real Estate Project SRL	Romania	Services	100	100
29	FDC Braila B.V. *(wound up in December 2020)*	Netherlands	Holding	100	100
30	Festival Shopping Center SRL	Romania	Property-owning	100	100
31	Floreasca Business Park SRL *(disposed of in August 2020)*	Romania	Property-owning	100	100
32	Floreasca Center SRL	Romania	Holding	100	100
33	FORUM Usti s.r.o.	Czech Republic	Property-owning	100	100
34	Galati Shopping City SRL	Romania	Property-owning	100	100
35	General Building Management SRL	Romania	Property-owning	100	100
36	General Investment SRL	Romania	Property-owning	100	100
37	Gontar Sp. z o.o.	Poland	Property-owning	100	100
38	HANSA Immobilien EOOD	Bulgaria	Property-owning	100	100
39	Ingen Europe B.V. *(wound up in December 2020)*	Netherlands	Holding	100	100
40	INLOGIS VI s.r.o.	Slovakia	Property-owning	100	100
41	Iris Titan Shopping Center SRL	Romania	Property-owning	100	100
42	Karolinka Property Sp. z o.o.	Poland	Property-owning	100	100
43	Lakeview Office Building SRL *(disposed of in August 2020)*	Romania	Property-owning	100	100
44	Liberec Property s.r.o.	Czech Republic	Property-owning	100	100
45	Mammut Zrt	Hungary	Property-owning	100	100
46	Mammut Management Kft	Hungary	Services	100	100
47	Mammut Real Estate Kft	Hungary	Property-owning	100	100
48	Marapi Sp. z o.o.	Poland	Property-owning	100	100
49	Marketing Advisers SRL	Romania	Services	100	100
50	Mega Mall Bucuresti SRL	Romania	Property-owning	100	100
51	Milvus Sp. z o.o.	Poland	Property-owning	100	100
52	Mlyny a.s.	Slovakia	Property-owning	100	100
53	Modatim Business Facility SA *(disposed of in August 2020)*	Romania	Property-owning	100	100
54	Monarda Sp. z o.o.	Poland	Property-owning	90	90
55	NE Property B.V.	Netherlands	Holding	100	100
56	NEPI Bucharest One SRL	Romania	Property-owning	100	100
57	NEPI Bucharest Two SRL	Romania	Property-owning	100	100
58	NEPI Croatia Management d.o.o.	Croatia	Services	100	100
59	NEPI Czech Management s.r.o.	Czech Republic	Services	100	100
60	Nepi Four Real Estate Solutions SRL	Romania	Holding	100	100
61	Nepi Holdings Ltd	Isle of Man	Holding	100	100

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
62	NEPI Investment Management SRL	Romania	Services	100	100
63	Nepi Investments Ltd	Isle of Man	Holding	100	100
64	NEPI Project Four EOOD	Bulgaria	Property-owning	100	100
65	NEPI Project One EOOD	Bulgaria	Property-owning	100	100
66	NEPI Project Three EOOD	Bulgaria	Services	100	100
67	NEPI Project Two EOOD	Bulgaria	Holding	100	100
68	NEPI Real Estate Development d.o.o.	Serbia	Services	100	100
69	NEPI Real Estate Project One d.o.o.	Serbia	Property-owning	100	100
70	Nepi Real Estate Project Three d.o.o.	Serbia	Services	100	100
71	NEPI Real Estate Project Two d.o.o.	Serbia	Property-owning	100	100
72	NEPI Rockcastle Hungary Kft.	Hungary	Services	100	100
73	NEPI Rockcastle Lithuania UAB	Lithuania	Services	100	100
74	NEPI Rockcastle Securities B.V. *(merged with NE Property B.V.in December 2020)*	Netherlands	Holding	100	100
75	Nepi Seventeen Land Development SRL	Romania	Services	100	100
76	NEPI Six Development SRL	Romania	Services	100	100
77	Nepi Sixteen Real Estate Investment SRL	Romania	Holding	100	100
78	Nepi Slovak Centres One a.s.	Slovakia	Services	100	100
79	NEPI Slovakia Management s.r.o.	Slovakia	Services	100	100
80	NEPI Ten Development Solutions SRL	Romania	Property-owning	100	100
81	Nepi Three Building Management SRL *(wound up in July 2020)*	Romania	Services	100	100
82	Nepi Twenty Real Estate Development SRL	Romania	Services	100	100
83	Nepi Twenty-One Investment Estate SRL	Romania	Services	100	100
84	Nepi Twenty-Three Investment Solutions SRL	Romania	Services	100	-
85	NEPIOM Ltd	Isle of Man	Holding	100	100
86	New Energy Management SRL	Romania	Services	100	100
87	Nobilia Sp. z o.o.	Poland	Services	100	100
88	NRE Sibiu Shopping City SRL	Romania	Property-owning	100	100
89	Olsztyn Property Sp. z o.o.	Poland	Property-owning	100	100
90	Otopeni Warehouse and Logistics SRL	Romania	Property-owning	100	100
91	Piotrków Property Sp. z o.o.	Poland	Property-owning	100	100
92	Platan Property Sp. z o.o.	Poland	Property-owning	100	100
93	Ploiesti Shopping City SRL *	Romania	Property-owning	50	50
94	Plovdiv Project 1 EOOD	Bulgaria	Property-owning	100	100
95	Pogoria Property Sp. z o.o.	Poland	Property-owning	100	100
96	Promenada Mall Bucuresti SRL	Romania	Property-owning	100	100
97	Ramnicu Valcea Shopping City SRL	Romania	Property-owning	100	100
98	Real Estate Asset Management SRL	Romania	Services	100	100
99	Retail Park Pitesti SRL	Romania	Property-owning	100	100
100	Rockcastle Europe Limited	Mauritius	Holding	100	100
101	Rockcastle Global Real Estate Company UK Limited**	UK	Services	100	100
102	Rockcastle Global Real Estate Holdings B.V.	Netherlands	Holding	100	100
103	Rockcastle Global Securities Limited**	Mauritius	Services	100	100
104	Rockcastle Poland Sp. z o.o.	Poland	Services	100	100
105	Rockcastle UK Property SPV Limited	Mauritius	Property-owning	100	100

No	Subsidiary/joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
106	Satu Mare Shopping City SRL	Romania	Property-owning	100	100
107	SCP s.r.o.	Slovakia	Property-owning	100	100
108	SEK d.o.o.	Serbia	Property-owning	100	100
109	Serenada Property Sp. z o.o.	Poland	Services	100	100
110	Severin Shopping Center SRL	Romania	Property-owning	100	100
111	Shopping City Piatra Neamt SRL	Romania	Property-owning	100	100
112	Sibiu Shopping City 2 SRL	Romania	Property-owning	100	100
113	Shopping City Timisoara SRL	Romania	Property-owning	100	100
114	Sofia Commercial Centre EOOD	Bulgaria	Services	100	100
115	Symmetry Arena Kft	Hungary	Property-owning	100	100
116	Targu Jiu Development SRL	Romania	Property-owning	100	100
117	Targu Mures Shopping City SRL	Romania	Property-owning	100	100
118	Timisoara City Business Center One SRL (disposed of in August 2020)	Romania	Property-owning	100	100
119	Timisoara Office Building SRL (disposed of in August 2020)	Romania	Property-owning	100	100
120	Tummam Kft	Hungary	Property-owning	100	100
121	Uždaroji akcinė bendrovė Ozantis	Lithuania	Property-owning	100	100
122	Vulcan Residential Park SRL	Romania	Property-owning	100	100
123	Vulcan Value Centre SRL	Romania	Property-owning	100	100
124	Zielona Góra Property Sp. z o.o.	Poland	Property-owning	100	100

*joint venture companies.
**dormant 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 properties are 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 properties in use are 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.

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount and recognised 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.

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 amortised 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 amortised cost and impaired based on expected credit losses ("ECL") model (Note 4.17).

4.9 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially recognised at acquisition cost, subsequently carried at acquisition cost less accumulated depreciation or amortization and accumulated impairment losses. They are tested for impairment when indicators exist.

For property, plant and equipment the costs of minor repairs and maintenance are expensed when incurred while gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Both are recognised in the Statement of comprehensive income for the year.

The cost of computer licenses and property, plant and equipment is depreciated on a straight-line basis over the length of their useful lives:

	Useful lives in years
Computer licences	1–3
Office improvements	over the term of the underlying lease
Office equipment	2–16
Equipment used in owner-managed activities	3–22

4.10 Financial assets

4.10.1 Classification

In line with IFRS 9 "Financial instruments", the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt 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 recognised 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 the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks of the host contract.

(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 income statement. 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 recognised 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. In addition to equity financial investments at FVTPL (classified as "Financial investments at fair value through profit or loss" on the Consolidated statement of financial position), other financial assets at FVTPL comprise: Derivative financial assets at FVTPL and financial liabilities at FVTPL.

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 recognised and measured according to one of two approaches: general approach or simplified approach.

Expected credit losses for trade receivables are recognised 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 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 amortised 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 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, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

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 and cash collateral

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 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 the Share capital, with the corresponding difference up to their purchase price (including any attributable incremental cost, net of taxes) debited from the 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 4.17 (b)).

4.17 Share-based payment

To date, NEPI Rockcastle has initiated two types of incentive programmes 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 programme was put in place before the 2017 merger of the former groups New Europe Property Investments plc (“NEPI”) and Rockcastle Global Real Estate Company Ltd (“Rockcastle”). Costs under this programme are accounted for by recognising the fair value of the shares issued at grant date as an asset, classified as “loan to participants under the Share Purchase Scheme” (Note 18) and respectively as 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 programme was put in place after the 2017 merger of the former groups New Europe Property Investments plc (“NEPI”) and Rockcastle Global Real Estate Company Ltd (“Rockcastle”). Under this incentive, 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 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 recognised 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.

4.18 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.

4.19 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.

4.20 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 recognised when they arise.

Service charges income from tenants

Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services.

As specified in the lease agreements, the Group has the primary responsibility for providing services to tenants (electricity, water and gas utilities, interior and exterior cleaning, security, maintenance, repairs, etc.). The Group 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.

4.21 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

4.22 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 recognised 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. It relates to the investments in listed securities, shown as “Financial investments at fair value through profit or loss”, as well as “Derivative financial assets at fair value through profit or loss” and “Derivative financial liabilities at fair value through profit or loss”.

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)/gain and net result on sale of financial investments at fair value through profit or loss”.

4.23 Earnings distribution

A distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 34.

4.24 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is determined using the liability method and is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the Statement of financial position, which are expected to apply to the period when the temporary differences will reverse or the tax loss carried forward will be utilised.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries that are unlikely to reverse in the foreseeable future.

A deferred tax asset is recognised based on the assumption that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The current tax expense incurred by the Group reflects tax accrued in the subsidiaries of the Group located in Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, 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.

4.25 Segment reporting

Management decisions and consequent allocation of resources are based on individual property level reports, which are analysed in detail. Management has a hands-on approach and is involved in day-to-day activities. Regular management meetings are held at least monthly for each property, where the senior management of the Group and each property manager analyse the financial results, decide whether any repairs or improvements are necessary, review rent collection issues and allocate resources to resolve any delays with tenants and review maintenance plans, vacancies and the status of any contract negotiations, as well as other operational matters. The results of these discussions ensure management decisions are specific to each of the properties. The Segmental Reporting in Note 34 summarises the results recorded by the properties held by the Group. The properties can be classified as retail, office 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 four 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, Slovakia and United Kingdom;
- Industrial segment: acquires and leases industrial facilities in Romania, and
- Corporate segment: head office, administrative offices, Group financing expenses and listed securities.

The properties have been aggregated into four reportable segments (retail, office, 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, currently Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia, United Kingdom, and a Corporate segment which includes entities located in Isle of Man, 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.

4.26 Earnings per share

The Group presents basic and diluted earnings per share.

Basic and diluted earnings 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.

4.27 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).

4.28 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. 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.

4.29 Standards issued but not yet effective and not early adopted

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.

In its tentative agenda decision of 1-2 December 2020, the IFRS Interpretations Committee clarified that classifying debt with future conditions as current or non-current would be based on a hypothetical test at the reporting date – a test that the lender might not require until a later date. This means that the Group would classify its debt as non-current only when it complies at the reporting date with conditions that exist at the reporting date, as well as conditions that are due to be tested within 12 months after that date. No remedies might be available for a breach of a hypothetical test, because a lender typically provides a waiver only for an actual breach of the loan conditions that occurs prior to or at the reporting date. The amendments would cause a significant change in practice. More debt would be classified as current, even when the Group would not have the contractual obligation to repay a liability within 12 months after the reporting date.

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 properties

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 6.90% and 11.65% (2019: 6.65%% and 11.60%). 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 properties is presented in Note 9.

Impairment of assets

The Group tests whether assets are subject to impairment, in accordance with the 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 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 2020 the market value of the outstanding bonds issued by the Group was as follows:

- €499 million bonds issued in November 2017 were trading on the market at 102.70% (31 December 2019: 101.85%)
- €496 million bonds issued in May 2019 were trading on the market at 104.16% (31 December 2019: 105.19%)
- €500 million bonds issued in October 2019 were trading on the market at 100.74% (31 December 2019: 99.9%)
- €500 million bonds issued in July 2020 were trading on the market at 108.74% (31 December 2019: not applicable)

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 *in € thousand*	Note	31 Dec 2020	31 Dec 2019
Loans granted to joint ventures	33	22,620	21,220
Tenant receivables	14	36,365	45,201
Cash and cash equivalents	15	643,297	208,746
Loans to participants in the Share Purchase Scheme	11	4,988	5,063
TOTAL		**707,270**	**280,230**

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% of the rental income as at 31 December 2020 (31 December 2019: 21%).

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 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:

in € thousand	Note	31 Dec 2020	31 Dec 2019
Tenant receivables – gross		46,118	49,748
Less: Impairment provisions		(9,753)	(4,547)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION*	**14**	**36,365**	**45,201**

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 €72 million, of which €69.5 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 *in € thousand*	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	**(4,547)**	**(6,949)**
Additional expected credit losses	(7,450)	(1,898)
Reversal of impairment provisions*	2,015	4,206
Foreign exchange gain	229	94
CARRYING VALUE	**(9,753)**	**(4,547)**

**Reversal of provisions and allowances for doubtful debts was due to the recovery of previously expected credit losses and the write-off of receivables previously provided for. The amount of the expense associated to the receivables previously provided for and subsequently written-off is €835 thousand. The net amount of expected credit losses in the period was €6,269 thousand (Note 25). 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 2020 was determined as follows for trade receivables.

31 December 2020 *in € thousand*	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 impairment provision for trade receivables as at 31 December 2019 is set out below:

31 December 2019 *in € thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	3%	3%	87%	
Gross carrying amount – trade receivables	37,125	6,479	567	424	5,153	49,748
Impairment provision	**(4)**	**(11)**	**(19)**	**(14)**	**(4,499)**	**(4,547)**

The expected loss rate for the trade receivable overdue over 90 days as at 31 December 2020 amounts to 70%, lower than the one as at 31 December 2019, due to the concessions granted in the year and referred to above.

By using the simplified expected credit loss model, the Group assessed its receivables for impairment and concluded that a net amount of expected credit losses of €6,269 thousand (2019: €785 thousand) (Note 25) are unlikely to be recovered, therefore an expected credit loss expense, including reversal of provisions as a result of the receivables write-off, was charged to the Statement of comprehensive income.

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 cash management, the Group has deposit accounts with a number of banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 31 December 2020, 95% of the Group's cash was held with investment-grade rated banks (31 December 2019: 91%), as detailed below:

Cash and cash equivalents	31 Dec 2020	31 Dec 2019
Held with investment-grade rated banks (rated by Moody's)		
A1	3%	1%
A2	5%	7%
A3	20%	7%
Aa2	–	1%
Aa3	17%	22%
Baa1	39%	20%
Baa2	2%	–
Baa3	9%	33%
Held with not rated banks	5%	9%
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 2020 *in € thousand*	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including estimated future interest)		51,225	263,749	1,361,325	1,030,440	2,706,739
Derivative financial liabilities at fair value through profit or loss	20	–	–	5,430	–	5,430
Trade and other payables (excluding tenant deposits)	21	18,852	75,410	–	–	94,262
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		–	2,150	19,375	8,572	30,097
Lease liabilities related to right of use assets (recognised as per IFRS 16) (including estimated future interest)		833	–	3,328	54,111	58,272
Borrowings from third parties (including estimated future interest)		317	578	6,065	5,657	12,617
TOTAL		**71,227**	**341,887**	**1,395,523**	**1,098,780**	**2,907,417**

31 Dec 2019 *in € thousand*	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including estimated future interest)		27,859	30,989	1,868,581	515,381	2,442,810
Derivative financial liabilities at fair value through profit or loss	20	–	–	6,714	–	6,714
Trade and other payables (excluding tenant deposits)	21	26,081	101,825	–	–	127,906
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		–	2,864	20,076	10,159	33,099
Lease liabilities related to right of use assets (recognised as per IFRS 16) (including estimated future interest)		788	–	3,152	52,020	55,960
Borrowings from third parties (including estimated future interest)		317	665	7,048	6,441	14,471
TOTAL		**55,045**	**136,343**	**1,905,571**	**584,001**	**2,680,960**

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 was presented in Note 6 above.

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 2020 and 31 December 2019, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

in € thousand	31 Dec 2020	31 Dec 2019
Bank loans*	**259,353**	**359,446**
— Rate capped	108,928	242,753
— Rate swapped	124,490	116,693
— Rate variable**	25,935	–

**The remaining balance relates to short-term loans (31 December 2020: €18 million, 31 December 2019: NIL) and loans and borrowings with fixed interest rate (31 December 2020: €225 million, 31 December 2019: €227 million).*

****The balances exposed to variable rates 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.

Loans and borrowings with fixed or swapped interest rates are not affected by market changes in interest rates.

in € thousand	31 Dec 2020	31 Dec 2019
Loans to participants in the Share Purchase Scheme (including accrued interest) (Note 18)	4,988	5,063
Loans and borrowings (variable or capped rate)	(134,864)	(242,753)
TOTAL	**(129,876)**	**(237,690)**

31 Dec 2020 in € thousand	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.*

31 Dec 2019 in € thousand	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)	51	(51)	51	(51)
Loans and borrowings (variable or capped rate)*	(703)	–	(703)	–
TOTAL	**(652)**	**(51)**	**(652)**	**(51)**

**Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax.*

6.3.3 Market risk for financial investments at fair value through profit or loss (direct investments in listed securities)

During November 2020, the Group disposed of its full shareholding in Unibail-Rodamco-Westfield, whose carrying value became NIL as at 31 December 2020 (31 December 2019: €169,062 thousand) (Note 13).

A change of 500 basis points in the market values of the investment in listed property shares held by the Group, classified as Financial investments at fair value through profit or loss, would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the market values of the listed property shares' outstanding balances as at 31 December 2019. This analysis assumes that all other variables remain constant.

31 Dec 2019 in € thousand	Profit or loss 500bps increase	Profit or loss 500bps decrease	Equity 500bps increase	Equity 500bps decrease
Financial investments at fair value through profit or loss	8,453	(8,453)	8,453	(8,453)
TOTAL	**8,453**	**(8,453)**	**8,453**	**(8,453)**

7 INTERNAL CONTROLS TO MANAGE RISKS

The Board 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 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 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, the policy related to dividend distribution for the first six-months ended 30 June 2020 differed compared to previous periods, due to the exceptional economic circumstances and in order to maintain a strong balance sheet and ample liquidity. As a result, the Group did not declare a dividend for the six-month period ended 30 June 2020 but returned value to shareholders during the present operating environment through a *capitalisation issue* (Note 17).

Capital is primarily monitored using the gearing ratio (Loan-to-value), which decreased to 31.5% (31 December 2019: 32%). The ratio is computed as interest bearing debt less cash divided by investment property (including investment property held for sale) and net listed securities, excluding the right-of-use assets and related lease liabilities computed as per IFRS 16.

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. 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 further investment opportunities.

9 INVESTMENT PROPERTY IN USE

Movement in investment property in use in € thousand	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	5,800,759	5,688,610
Carrying value of right-of-use asset related to leased land areas (recognised as per IFRS 16)	-	32,524
Restated carrying value at beginning of year	**5,800,759**	**5,721,134**
Remeasurement of right-of-use asset	1,812	**-**
Additions from business combinations and asset deals	405	912
Transferred from investment property under development (Note 10)	131,341	253,604
Fair value adjustments (Note 28)	(342,609)	133,804
Fair value adjustment of right-of-use asset (Note 28)	(245)	(229)
Investment property reclassified as held for sale (Note 16.1)	**-**	(308,466)
CARRYING VALUE	**5,591,463**	**5,800,759**

Investment property is carried at fair value and is assessed on a semi-annual basis, as at 30 June and 31 December.

For the year ended 31 December 2020, the Group commissioned independent year-end appraisal reports on its investment property in use from Cushman&Wakefield, Colliers International and Jones Lang LaSalle, and for the year ended 31 December 2019, the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, 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 2017 (the "Red Book").

All investment property in use is valued by the Income Method. For the years ended 31 December 2020 and 31 December 2019 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 properties, 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, among which detailed tenancy schedules, including 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 2020 valuations, except for investment property in Bulgaria and Serbia due to travel restrictions. The Group's auditors have performed audit procedures on the valuation of investment property, as part of the audit of the consolidated financial statements.

As at 31 December 2020, the investment property in use had an EPRA Vacancy Rate of 4.3% (31 December 2019: 2.1%).

As at the same date, the Group's portfolio included retail, office and industrial properties.

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a 'fair value hierarchy' (as per IFRS 13) which categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The fair value hierarchy is explained below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: use of a model with inputs (other than quoted prices included within Level 1) that are directly, or indirectly, observable market data, and
- Level 3: use of a model with inputs not based on observable market data.

The Group's investment property is categorised as Level 3. There were no transfers between hierarchy levels during the year.

The significant unobservable inputs used in the fair value measurement categorised 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 2020 is presented in the table below:

Segment	Valuation technique	Estimated 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

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2019 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	245 – 23,436 (12,628*)	6.65% – 10.60% (8.13*)	5.10% – 9.00% (6.77*)
Office^^	Discounted cash flow	1,554 – 7,831 (4,238*)	8.00% – 9.25% (8.55*)	6.25% – 7.90% (7.47*)
Industrial	Discounted cash flow	545 – 1,536 (1,253*)	10.60% – 11.60% (11.29*)	9.00% – 10.00% (9.71*)

**Amounts or percentages represent weighted averages.*
^Excluding joint ventures.
^^ Including Romanian office portfolio held for sale.

Assumptions taken by external appraisers for the portfolio valuation

To incorporate the impact of COVID-19, appraisers have modified several assumptions in their valuation reports, such as:

- Cash flows for 2021 and 2022: lower base rent and short-term rent, prolonged current/future void periods, increased provisions for bad debt and lower sales-based rents;
- Future cash flows: lower long-term indexation. Estimated rental values have not been materially changed considering the lack of leasing agreements concluded in the period;
- Adjustment of the structural vacancy for some properties;
- Increase of the Discount Rate ("DR") due to rental risk and increase of the cost of funding;
- Increase of the Exit Capitalisation Rate ("ECR") on a case by case basis.

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%	-2.5%	-4.9%
Poland	6.4%	3.1%	-2.9%	-5.6%
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	7.4%	3.6%	-3.3%	-6.5%
Lithuania	5.8%	2.8%	-2.7%	-5.2%
Hungary	6.9%	3.3%	-3.1%	-6.1%
TOTAL	**6.1%**	**3.0%**	**-2.8%**	**-5.4%**

**Excluding joint ventures and held for sale portfolio.*

	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	**7.4%**	**3.6%**	**-3.3%**	**-6.5%**

**Excluding joint ventures and held for sale portfolio.*

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development *in € thousand*	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	221,841	222,460
Additions from construction in progress	122,143	250,490
Fair value adjustments (Note 28)	(1,708)	2,495
Assets which became operational and were transferred to Investment property in use (Note 9)	(131,341)	(253,604)
CARRYING VALUE	**210,935**	**221,841**

Land included in Investment property under development is carried at fair value and is assessed on semi-annual basis. For the year ended 31 December 2020, the Group commissioned independent year-end reports from Cushman&Wakefield, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property under development was adjusted. For the year ended 31 December 2019, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, 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). 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 2020 amount to €2,611 thousand (2019: €5,221 thousand) and were calculated using an average annual interest rate of 2.3% (2019: 2.4%).

As a result of the COVID-19 pandemic, during the year the Group temporary suspended the works on non-committed development projects. Consequently, in line with IAS 23 provisions, no borrowing costs have been capitalised on the respective projects during the idle period.

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 *in € thousand*	**31 Dec 2020**	**31 Dec 2019**
Land (at fair value)	134,920	136,628
Construction works (at cost)	76,015	85,213
TOTAL	**210,935**	**221,841**

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

in € thousand	**31 Dec 2020**	**31 Dec 2019**
Loans to participants in the Share Purchase Scheme (Note 18)	4,988	5,063
Property, plant and equipment and intangible assets	2,459	2,527
TOTAL	**7,447**	**7,590**

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

in € thousand	**Segment**	**Balance at 1 Jan 2019**	**Transfers to assets held for sale**	**Impairment of goodwill**	**Balance at 31 Dec 2019**	**Additions**	**Disposals**	**Balance at 31 Dec 2020**
Pitesti Retail Park	Retail	1,671	–	–	1,671	–	–	1,671
Floreasca Business Park	Office	1,664	(1,664)	–	–	–	–	–
Internalisation of NEPI Investment Management	Corporate	5,882	–	–	5,882	–	–	5,882
City Business Centre	Office	4,747	(4,747)	–	–	–	–	–
The Lakeview	Office	3,899	(3,899)	–	–	–	–	–
Aupark Kosice Mall	Retail	5,189	–	–	5,189			5,189
Iris Titan Shopping Center	Retail	934	–	–	934	–	–	934
Forum Usti nad Labem	Retail	5,646	–	–	5,646	–	–	5,646
Shopping City Sibiu	Retail	9,850	–	–	9,850			9,850
Korzo Shopping Centrum	Retail	2,899	–	–	2,899	–	–	2,899
Aupark Shopping Center Piestany	Retail	2,497	–	(912)	1,585			1,585
Arena Centar	Retail	13,512	–	–	13,512	–	–	13,512
Energit	Retail	6,976	–	–	6,976	–	–	6,976
Paradise Center	Retail	9,311	–	–	9,311	–	–	9,311
Arena Mall	Retail	7,905	–	–	7,905	–	–	7,905
Galeria Mlyny	Retail	10,488	–	(5,044)	5,444	–	–	5,444
TOTAL		**93,070**	**(10,310)**	**(5,956)**	**76,804**	**–**	**–**	**76,804**

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 2020, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2019: €5,956 thousand goodwill impairment)

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.

In 2019 an amount of €10,310 thousand from goodwill has been reclassified as assets held for sale, belonging to the disposal group constituted by the Romanian office portfolio (Note 16). In August 2020 the Romanian office portfolio was disposed.

13 INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

in € thousand	**31 Dec 2020**	**31 Dec 2019**
Financial investments at fair value through profit or loss	-	169,062
TOTAL	**-**	**169,062**

(A) Financial investments at fair value through profit or loss

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's shares, which were subsequently cancelled (Note 17). Further to the above transaction, the outstanding value of the financial investments at fair value through profit or loss as at 31 December 2020 was nil (31 December 2019: €169,062 thousand).

The listed securities measured at fair value being the quoted closing price at the reporting date and are categorised as Level 1 investments, according to IFRS 13 - Fair value measurement. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise. Attributable transaction costs are recognised in the Statement of comprehensive income as incurred.

(B) Net result from financial investments

Income from financial investments at fair value through profit or loss relates to dividend income on physical listed security investments as well as returns related to equity swap derivatives.

Dividends are recognised in profit or loss when the right to receive payments of dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend distribution can be measured reliably. The net income from financial investments at fair value through profit or loss of €5,517 thousand (31 December 2019: €12,560 thousand) is represented by the dividends received from URW shareholding (31 December 2019: it included finance costs of €76 thousand relating to the funding leg of equity swap derivatives terminated in February 2019).

The fair value and net result on sale of financial investments shows the change in fair value of the financial instruments as well as the net result on sales of such instruments. During 2020, the net fair value and realised loss from the sale of investment in listed securities amounted to €93,767 thousand (31 December 2019: net fair value and realised gain of €11,091 thousand).

14 TRADE AND OTHER RECEIVABLES

in € thousand	31 Dec 2020	31 Dec 2019
Tenant receivables	36,365	45,201
VAT receivable	15,101	33,461
Prepaid property expenses	4,641	7,928
Other receivables	2,895	2,129
Other prepaid fees	382	664
TOTAL	**59,384**	**89,383**

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency *in € thousand*	31 Dec 2020	31 Dec 2019
EUR	524,855	146,900
RON	48,734	22,170
PLN	14,140	14,162
BGN	17,117	6,143
HUF	7,269	6,819
HRK	17,220	5,736
CZK	5,052	3,123
RSD	8,324	3,099
ZAR	548	92
USD	9	21
GBP	29	481
TOTAL	**643,297**	**208,746**

Cash and cash equivalents by type *in € thousand*	31 Dec 2020	31 Dec 2019
Current accounts	569,028	174,702
Deposits	70,000	28,708
Restricted cash	3,700	4,700
Petty cash and other values	569	636
TOTAL	**643,297**	**208,746**

16 ASSETS AND LIABILITIES HELD FOR SALE

Investment property held for sale is carried at fair value and is 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.

In December 2019, the Group entered into an agreement to dispose of the Romanian office portfolio, consisting of four type A office buildings, to AFI Europe NV ("AFI Europe", "purchaser"), a wholly owned subsidiary of Africa Israel Properties Limited.

The unconditional approval of the Romania Competition Council was obtained and the formalities with Trade Registry were successfully implemented in February 2020; the transaction was scheduled to become effective at the end of March 2020, with a potential postponement to the end of April 2020. The disposal was not completed as the purchaser's obligations related to the completion procedures were not fulfilled, leading to a breach in the agreement which entitled the Group to terminate the agreement and claim the contractual guarantee.

However, in August 2020, the Group concluded a new agreement with AFI Europe to dispose of the Romanian office portfolio, effective from 27 August 2020, with a preliminary net cash consideration, fully settled, of €294 million. Further to the final purchase price adjustment based on the subsidiaries' financial statements at the date of completion, an additional €0.8 million is subject to be settled by the buyer, leading to a net gain on disposal of €2.6 million.

As at 31 December 2020, the assets and liabilities held for sale included two non-core properties located in Romania. As at 31 December 2019, the assets and liabilities held for sale included the Romanian office portfolio, an office building located in the UK and five non-core properties located in Romania. During the year, the Romanian office portfolio, UK office building and three of the non-core properties were sold. The UK office building and the three non-core properties were sold for a net cash consideration of €7.0 million, incurring a loss on disposal of €0.3 million.

The major classes of assets and liabilities of subsidiaries which are presented as held for sale at the end of the reporting period are as follows:

in € thousand	Romanian Office Portfolio	Other Portfolio	31 Dec 2020	31 Dec 2019
Non-current assets	–	**1,752**	**1,752**	**327,514**
Investment property at fair value (Note 16.1)	–	1,752	1,752	317,204
Goodwill (Note 12)	–	–	–	10,310
Current assets	–	–	–	**10,225**
Trade and other receivables	–	–	–	6,052
Cash and cash equivalents	–	–	–	4,173
Assets held for sale	–	**1,752**	**1,752**	**337,739**
Non-current liabilities	–	–	–	**(32,986)**
Deferred tax liabilities	–	–	–	(29,271)
Other long-term liabilities	–	–	–	(3,715)
Current liabilities	–	–	–	(6,052)
Liabilities held for sale	–	–	–	**(39,038)**
Net asset held for sale	–	**1,752**	**1,752**	**298,701**

16.1 INVESTMENT PROPERTY HELD FOR SALE

in € thousand	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	317,204	11,957
Disposals	(315,074)	(2,232)
Transfer from investment property in use (Note 9)	–	308,466
Additions during the period	313	374
Fair value adjustments (Note 28)	(691)	(1,361)
CARRYING VALUE	**1,752**	**317,204**

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares *in € thousand*	Share capital €0.01/share	Share premium
Issued as of 1 January 2020 (Outstanding number of shares: 599,797,201)	**5,998**	**3,625,348**
— Issued 1,123,932 ordinary shares at €7.32/share[1]	11	(11)
— Issued 25,791,534 ordinary shares at €4.2920/share[2]	258	(258)
— Repurchase of shares 17,717,760 ordinary shares representing 2.95% of the Company issued shared capital[3]	(177)	(75,018)
CARRIED FORWARD AS AT 31 DECEMBER 2020 (Outstanding number of shares: 608,994,907)	**6,090**	**3,550,061**
CARRIED FORWARD AS AT 31 DECEMBER 2020	**6,090**	**3,550,061**

1.The shares were issued in respect of the return of capital on 6 April 2020.
*2.The shares were issued in respect of **capitalisation issue** on 21 September 2020.*
3.The 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.

During 2020, shareholders had the option to receive:

- 27.31-euro cents per share distribution for the six months ended 31 December 2019 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 3.7309 new shares for every 100 shares.

Shares were issued from the share premium account.

In addition, the Company allotted and issued fully paid ordinary shares as a *capitalisation issue* to its shareholders, pro-rata to their shareholding, in lieu of a cash distribution for the first six months ended 30 June 2020.

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 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 programmes 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 programme, 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 2020 and 2019 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 2020	31 Dec 2019
No of shares outstanding, collateralising the Loans to participants under the Share Purchase Scheme	789,389	802,307
Loans to participants under the Share Purchase Scheme (in € thousand)	4,988	5,063

(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 2020 and their fair value at grant date are summarised below:

LTSIP	31 Dec 2020	31 Dec 2019
No of shares granted but unvested at year-end	1,078,591	588,864
Fair value at the grant date (€ thousand)	7,612	4,751

The maximum number of shares which could be offered for subscription under the 2017 Incentive Plan is 27,403,086. The accounting policy with respect to Share-Based Payments is described in Note 4.17.

19 BORROWINGS (BONDS AND BANK LOANS)

The Group is currently assigned a long-term corporate credit rating of BBB (negative outlook) from Standard & Poor's Rating Services and BBB (stable outlook) from Fitch Ratings.

In 2020, the Group repaid in full the equity repurchase agreement and sold its portfolio of listed securities. Also, the Group extended the availability of two unsecured committed revolving credit facilities:
- the revolving credit facility from Raiffeisen Bank International was extended for two years, until 31 December 2022;
- the revolving credit facility from a four banks syndicate was extended with an additional year, until 2023.

As at 31 December 2020, the Group had undrawn amounts of €575 million from the unsecured revolving credit facilities (31 December 2019: €575 million).

The average interest rate of the Group's debt, including hedging costs, was approximately 2.3% during 2020, slightly lower from 2.4% in 2019. As at 31 December 2020, fixed-coupon bonds represented 80% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor, 42% was hedged with interest rate caps and 48% 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 2020, the €499 million bonds issued in 2017 were trading on the market at 102.70% (31 December 2019: 101.85%), the €496 million bonds issued in May 2019 were trading on the market at 104.16% (31 December 2019: 105.19%), the €500 million bonds issued in October 2019 were trading on the market at 100.74% (31 December 2019: 99.9%) and the €500 million bonds issued in July 2020 were trading on the market at 108.74% (31 December 2019: not applicable). 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 2020 *in € thousand*	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 (2019: €218 thousand) for other assurance services rendered by PwC.*

Interest bearing borrowings 31 Dec 2019 *in € thousand*	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	–	1,197,800	500,000	1,697,800
Netherlands	Secured loan	–	92,223	–	92,223
Poland	Secured loans	2,307	300,978	–	303,285
Slovakia	Secured loans	7,460	143,070	–	150,530
Czech Republic	Secured loans	410	40,283	–	40,693
Accrued interest on loans and deferred loan costs		(361)	(2,442)	–	(2,803)
Accrued coupon on bonds		17,249	–	–	17,249
Deferred bond costs*		(2,662)	(6,553)	(1,108)	(10,323)
Issue discount on bonds		(4,029)	(11,071)	(1,289)	(16,389)
Total		**20,374**	**1,754,288**	**497,603**	**2,272,265**

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.

in € thousand	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**

in € thousand	Bank loans	Bonds	Total*
Debt as at 31 December 2018	**1,195,054**	**903,038**	**2,098,092**
Cash repayments of principal	(827,594)	(202,200)	**(1,029,794)**
Cash proceeds from bank loans or bonds	216,936	985,372	**1,202,308**
Cash payments of interest on bank loans or coupon on bonds	(17,981)	(28,414)	**(46,395)**
Interest expense	17,242	32,164	**49,406**
Amortisation of capitalised borrowing costs	1,687	2,351	**4,038**
Amortisation of bond discount	–	2,634	**2,634**
Additional capitalised borrowing costs in the period	(1,437)	(6,567)	**(8,004)**
Other non-cash items	20	(40)	**(20)**
Debt as at 31 December 2019	**583,927**	**1,688,338**	**2,272,265**

**The tables above do not contain interest bearing loans from third parties in amount of €8,653 thousand as at 31 December 2020 (2019: €8,642 thousand) (included in Other long-term liabilities in Note 22), and the associated finance cost. The above finance costs do not include interest capitalised on developments of €2,611 thousand (refer to Note 10) (2019: €5,221 thousand), and interest on lease liabilities related to the right of use assets of €588 thousand (2019: €559 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 2020), 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 2020, there are €575 million revolving facilities available for drawdown.

Covenants
- Solvency Ratio of maximum 0.60;
- 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 (Debt/Assets) of maximum 0.60;
- 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 2020 and 2019. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 40% (31 December 2019: 37%);
- Consolidated Coverage Ratio: 4.78 (31 December 2019: 6.58); and
- Unsecured Ratio: 261% (31 December 2019: 290%).

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:

in € thousand	31 Dec 2020	31 Dec 2019
Derivative financial assets	1,019	2,903
Derivative financial liabilities	5,430	6,714

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

in € thousand	31 Dec 2020	31 Dec 2019
Property related payables	39,914	46,505
Advances from tenants	32,145	39,199
Payable for assets under construction	14,306	28,534
Deferred consideration on business combinations	4,139	7,462
Accrued administrative expenses	3,758	6,206
Tenant security deposits	2,333	2,505
TOTAL	**96,595**	**130,411**

22 OTHER LONG-TERM LIABILITIES

in € thousand	31 Dec 2020	31 Dec 2019
Lease liabilities related to right of use assets (recognised as per IFRS 16)	33,862	32,295
Borrowings from third parties*	8,653	8,642
Tenant security deposits	29,081	32,012
Other long-term payables	1,016	1,087
TOTAL	**72,612**	**74,036**

Reconciliation of lease liabilities (recognised as per IFRS 16)

in € thousand	31 Dec 2020	31 Dec 2019
Carrying value of the lease liabilities related to right of use assets (recognised as per IFRS 16)	32,295	32,524
Remeasurement of lease liability	1,812	–
Interest expense (Note 29)	588	559
Lease liability payment	(833)	(788)
Lease liabilities related to right of use assets	**33,862**	**32,295**

***Reconciliation of borrowings from third parties**

This section sets out the movements in borrowings from third parties for the periods presented.

in € thousand	Borrowings from third parties
Borrowings as at 31 December 2019	**8,642**
Cash repayments of principal	(195)
Cash proceeds	–
Cash payments of interest	(733)
Interest expense	939
Borrowings as at 31 December 2020	**8,653**

in € thousand	Borrowings from third parties
Borrowings as at 31 December 2018	**10,035**
Cash repayments of principal	(1,419)
Cash proceeds	–
Cash payments of interest	(1,053)
Interest expense	1,079
Borrowings as at 31 December 2019	**8,642**

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.

in € thousand	31 Dec 2020	31 Dec 2019
Current tax expense	5,912	11,331
Deferred tax (income)/expense	(32,440)	31,370
INCOME TAX (CREDIT)/EXPENSE	**(26,528)**	**42,701**
Deferred tax brought forward	368,818	337,448
Other adjustments (deferred tax liability released further to sale of office portfolio, included in the disposal proceeds) - no P&L effect	(29,732)	–
Deferred tax (income)/expense	(32,440)	31,370
Net deferred tax liability carried forward, out of which:	**306,646**	**368,818**
Deferred tax asset (other than related to held for sale portfolio) (*)	(34,678)	(15,003)
Deferred tax asset (related to held for sale portfolio)	–	(206)
Deferred tax liability (other than related to held for sale portfolio) (*)	341,324	354,756
Deferred tax liability related to held for sale portfolio	–	29,271

(*)Deferred tax assets and liabilities presented in this table, in amount of €34,120 thousand, have been offset at the level of the Group entities.

Net deferred tax liability results from the following types of differences:

in € thousand	31 Dec 2020	31 Dec 2019
Fiscal losses	228,066	217,923
Other deductible temporary differences (*)	146,496	75,841
Deferred tax asset	**68,798**	**50,479**
Temporary differences between accounting and fiscal value of investment property	(2,483,477)	(2,754,959)
Other taxable temporary differences (*)	(2,138)	(14,757)
Deferred tax liability	**(375,444)**	**(419,297)**
Net deferred tax liability	**(306,646)**	**(368,818)**

(*) 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 2020 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

in € thousand	*Consolidated Statement of financial position*		*Consolidated Statement of comprehensive income*	
Deferred tax liability (net)	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Valuation of investment property at fair value	(375,039) *	(416,495)	11,724	(23,768)
Recognised unused tax losses	41,197	36,171	5,026	(12,005)
Deductible/Taxable temporary differences (including corrections)	27,196	11,506	15,690	4,403
TOTAL	**(306,646)**	**(368,818)**	**32,440**	**(31,370)**

**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.*

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	31 Dec 2020	31 Dec 2019
Isle of Man	0%	0%
Netherlands	25%	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%

A reconciliation between the current year income tax charge (current and deferred tax) and the Group consolidated (loss)/profit before tax for the years 2020 and 2019 is presented below:

(Loss)/Profit Before Tax Reconciliation *in € thousand*	31 Dec 2020	31 Dec 2019
Consolidated (Loss)/Profit Before Tax	(202,402)	459,043
Weighted tax rate on consolidated (Loss)/Profit Before Tax	10.1%	16%
Group income tax credit/(charge) based on Group weighted tax rate	20,450	(73,447)
Effect in corporate income tax resulting from the following items:		
Group share in earnings from companies accounted for under equity method	(174)	1,855
Effect of losses at Holding level without tax impact /Income from dividends and FV gains on listed securities recognised only at holding level	(1,838)	3,784
DTA recognised as gain on acquisition of subsidiaries and additional deferred tax liability from newly acquired land	–	203
Tax value adjustments in local jurisdictions related to previous years (including foreign exchange impact on non-financial tax base and statutory adjustments) and tax impact between Group weighted tax rate and operating/holding tax rate	3,385	8,408
Tax depreciable goodwill recognised in local subsidiaries and not recognised at Group level	–	13,491
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	(7,050)	(1,890)
Deferred tax asset recognised for prior year tax losses	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	1,339	3,348
Others	(1,279)	1,547
TOTAL Group tax credit/(expense)	**26,528**	**(42,701)**
Effective tax rate (Group consolidated (Loss)/Profit Before Tax)	**13%**	**9%**

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 €228,066 thousand (31 December 2019: €217,923 thousand), which are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose. 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 €50,920 thousand (31 December 2019: €8,314 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, especially in the current COVID-19 pandemic context, or the profits tax legislation recently introduced will allow such losses to be recovered.

The Group does not withhold taxes on distribution paid.

24 NET ASSET VALUE PER SHARE

in € thousand, unless otherwise stated	31 Dec 2020	31 Dec 2019
Net Asset Value (per the Statement of financial position)	3,687,068	4,096,880
Deferred tax liabilities for controlled subsidiaries	341,324	384,028
Deferred tax assets for controlled subsidiaries	(34,678)	(15,209)
Goodwill	(76,804)	(87,114)
Derivative financial assets at fair value through profit or loss	(1,019)	(2,903)
Derivative financial liabilities at fair value through profit or loss	5,430	6,714
Deferred tax liabilities for joint ventures	5,487	5,301
Derivatives at fair value through profit or loss for joint ventures	688	810
EPRA Net Reinstatement Value	**3,927,496**	**4,388,507**
Net Asset Value per share (euro)	6.05	6.83
EPRA Net Reinstatement Value per share (euro)	6.45	7.32
Number of shares for Net Asset Value/EPRA Net Reinstatement Value (Note 31)	608,994,907	599,797,201

25 NET RENTAL AND RELATED INCOME

in € thousand	31 Dec 2020	31 Dec 2019
Gross rental income	379,810	407,139
Service charge income	156,685	176,841
Gross rental and service charge income	**536,495**	**583,980**
Property management fees, tax, insurance and utilities	(96,400)	(108,720)
Property maintenance cost	(63,813)	(73,737)
Net expected credit losses	(6,269)	(785)
Property operating expenses	**(166,482)**	**(183,242)**
Partial forgiveness of receivables (COVID-19 forgiveness)	(47,049)	–
TOTAL NET RENTAL AND RELATED INCOME	**322,964**	**400,738**

Property management fees, tax, insurance and utility costs presented above are split as follows:

in € thousand	31 Dec 2020	31 Dec 2019
Utility expenses^	(49,023)	(61,564)
Property related taxes	(23,985)	(23,584)
Property management fees	(21,561)	(21,745)
Property insurance expenses	(1,831)	(1,827)
Property management fees, tax, insurance and utilities	**(96,400)**	**(108,720)**

^As described in note 4.20, 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:

in € thousand	31 Dec 2020	31 Dec 2019
Cleaning and security	(28,165)	(29,220)
Maintenance and repairs	(18,792)	(20,582)
Marketing	(10,620)	(16,204)
Services and related costs	(3,541)	(3,670)
Other	(2,695)	(4,061)
Property maintenance cost	**(63,813)**	**(73,737)**

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% (€11,761 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 31 December 2020 (31 December 2019: 3.3% (€13,436 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:

in € thousand	31 Dec 2020	31 Dec 2019
No later than 1 year	367,239	380,181
Between 1-2 years	301,280	303,874
Between 2-3 years	247,983	253,983
Between 3-4 years	184,795	194,816
Between 4-5 years	116,299	123,639
Later than 6 years	228,474	239,420
TOTAL	**1,446,070**	**1,495,913**

The breakdown of the net rental and related income by country is disclosed in Note 34.

26 ADMINISTRATIVE EXPENSES

in € thousand	31 Dec 2020	31 Dec 2019
Staff costs*	(7,496)	(10,719)
Directors' remuneration (Note 37)	(3,315)	(3,677)
Advisory services	(4,524)	(3,033)
Audit services	(1,224)	(1,117)
Companies administration	(1,064)	(1,115)
Travel and accommodation	(394)	(901)
Stock exchange expenses	(569)	(773)
Share based payment expense (Note 4.17)	(867)	(215)
Transaction fees	(1,385)	–
TOTAL	**(20,838)**	**(21,550)**

**Staff costs capitalised on investment property under development in 2020 amount to €1,473 thousand (2019: €3,243 thousand).*

Out of the above administrative services, fees related to PwC, the Group's auditor, are summarised below:

in € thousand	31 Dec 2020	31 Dec 2019
Audit fees*	(1,224)	(1,117)
Other assurance services	(42)	(23)
Other consulting services**	(65)	(42)
TOTAL^	**(1,331)**	**(1,182)**

**The audit fees include €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.

27 TRANSACTION FEES

The Group incurred transaction fees in respect of the following:

€ thousand	31 Dec 2020	31 Dec 2019
Fees for finalised transactions	–	(4,850)
Fees for ongoing transactions	–	(561)
TOTAL	**–**	**(5,411)**

Out of the fees for finalised transactions, an amount of € 3,551 thousand was in connection to a transfer tax paid for the acquisition of Mammut Shopping Centre. While the transaction was completed in 2018, the amount of the transfer tax resulted from decision issued by tax authorities in 2019.

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

in € thousand	31 Dec 2020	31 Dec 2019
Fair value adjustments of investment property in use (Note 9)	(342,609)	133,804
Fair value adjustments of investment property under development (Note 10)	(1,708)	2,495
Fair value adjustments of investment property held for sale (Note 16.1)	(691)	(1,361)
Fair value adjustments of right-of-use assets (Note 9)	(245)	(229)
TOTAL	**(345,253)**	**134,709**

29 NET FINANCE EXPENSE

in € thousand	31 Dec 2020	31 Dec 2019
Interest income on loans granted to joint ventures	1,468	1,551
Interest on Loan to participants under Share Purchase Scheme	112	216
Interest on bank deposits	61	171
Finance income	**1,641**	**1,938**
Bonds borrowing costs*	(46,485)	(37,149)
Interest expense on bank borrowings	(13,305)	(18,929)
Interest expense on borrowings from third parties (Note 22)	(939)	(1,079)
Interest expense on lease liabilities related to right of use assets (recognised as per IFRS 16) (Note 22)	(588)	(559)
Interest expense capitalised on developments	2,612	5,221
Bank charges	(2,981)	(1,960)
Finance expense	**(61,686)**	**(54,455)**
TOTAL	**(60,045)**	**(52,517)**

**Bonds borrowing costs include coupon, amortisation of borrowing costs and debt discount.*

30 FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND LOSSES ON EXTINGUISHMENT OF FINANCIAL INSTRUMENTS

in € thousand	31 Dec 2020	31 Dec 2019
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(10,539)	(23,743)

Out of the fair value adjustments of derivatives and losses on extinguishment of financial instruments, a loss of €9,372 thousand (31 December 2019: €11,893 thousand) was incurred in relation to the €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). The remaining amount of €1,428 thousand corresponded mainly to the net fair value adjustment in relation to the interest rate derivatives (31 December 2019: €11,850 thousand).

31 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2020 was based on the loss attributable to equity holders of € 174,921 thousand (31 December 2019: €416,235 thousand) and the weighted average of 624,960,803 (31 December 2019: 611,303,384) ordinary shares in issue during the year (weighted average number of shares has been adjusted for each period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

€ thousand, unless otherwise stated	31 Dec 2020	31 Dec 2019
(Loss) /Profit for the year attributable to equity holders	(174,921)	416,235
Weighted average number of shares in issue*	**624,960,803**	**611,303,384**
Diluted weighted average number of shares in issue*	**624,960,803**	**611,303,384**
Basic/diluted (loss)/earnings per share (euro cents) attributable to equity holders	(27.99)	68.09

**Weighted average number of shares has been adjusted for each period presented in respect of the capitalisation issue on 21 September 2020, as required by IAS 33 Earnings per Share and detailed below.*

Weighted and diluted weighted average number of shares for basic and diluted earnings per share purposes:

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 *capitalisation issue* on 21 September 2020	583,203,373		599,169,269
	Adjustment for the *capitalisation issue* on 21 September	25,791,534		25,791,534*
31/12/2020	Closing balance after the adjustment for *capitalisation issue* 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.*

2019	Event	Cumulative number of shares after equity-related transactions	% of period	Weighted average
01/01/19	Opening balance	577,800,734	33	188,896,394
29/04/2019	Return of capital	585,838,887	51	297,747,786
01/11/2019	Return of capital	599,797,201	16	98,867,670
31/12/2019	Closing balance before adjustment for *capitalisation issue* on 21 September 2020	599,797,201		585,511,850
	Adjustment for the *capitalisation issue* on 21 September	–		25,791,534*
31/12/2019	Closing balance after the adjustment for *capitalisation issue* on 21 September 2020	599,797,201		611,303,384*

** Adjustment as per IAS 33 Earnings per Share.*

32 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2020 was based on headline earnings of €113,230 thousand (31 December 2019: €301,066 thousand) and the weighted average of 624,960,803 (31 December 2019: 611,303,384) ordinary shares in issue during the year (weighted average number of shares has been adjusted for each period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

Reconciliation of (loss)/profit for the year to headline earnings *€ thousand, unless otherwise stated*	31 Dec 2020	31 Dec 2019
(Loss)/Profit for the year attributable to equity holders	(174,921)	416,235
Fair value adjustments of investment property (Note 28)	345,253	(134,709)
Gain on disposal of assets held for sale	(2,310)	(123)
Gain on acquisition of subsidiaries	–	(446)
Impairment of goodwill	–	5,956
Gain on disposal of joint venture	–	(3,588)
Tax effects of adjustments for controlled subsidiaries	(56,373)	20,453
Fair value adjustment of investment property for joint ventures	1,882	(3,227)
Tax effects of adjustments for joint ventures	(301)	515
HEADLINE EARNINGS	**113,230**	**301,066**
Weighted average number of shares in issue*	624,960,803	611,303,384
Diluted weighted average number of shares in issue*	624,960,803	611,303,384
Headline earnings per share (euro cents)	18.12	49.25
Diluted headline earnings per share (euro cents)	18.12	49.25

**Weighted average number of shares has been adjusted for each period presented in respect of the capitalisation issue on 21 September 2020, as required by IAS 33 Earnings per Share and detailed below.*

33 JOINT VENTURES

In April 2019, the Group signed an agreement for the sale of its 50% stake in The Office Cluj-Napoca. Following the fulfilment of several conditions precedent, the transaction was finalised in May 2019, for a pro-rata consideration of €35,801 thousand, resulting in a profit on disposal of joint venture of €3,588 thousand.

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 (loss)/profit of joint ventures" line on the Consolidated Statement of comprehensive income represents 50% of the line "Total comprehensive (loss)/income attributable to equity holders", as presented below.

Statement of financial position

31 Dec 2020	Ploiesti Shopping City	Total
Non-current assets	110,387	**110,387**
Current assets	14,666	**14,666**
Total Assets	125,053	**125,053**
Non-current liabilities	(78,206)	**(78,206)**
Current liabilities	(3,333)	**(3,333)**
Total Liabilities	**(81,539)**	**(81,539)**
Equity attributable to equity holders	**(43,514)**	**(43,514)**
TOTAL EQUITY AND LIABILITIES	**(125,053)**	**(125,053)**
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)		**21,757**

31 Dec 2019	Ploiesti Shopping City	Total
Non-current assets	113,777	**113,777**
Current assets	12,532	**12,532**
Total Assets	**126,309**	**126,309**
Non-current liabilities	(76,537)	**(76,537)**
Current liabilities	(4,084)	**(4,084)**
Total Liabilities	**(80,621)**	**(80,621)**
Equity attributable to equity holders	**(45,688)**	**(45,688)**
TOTAL EQUITY AND LIABILITIES	**(126,309)**	**(126,309)**
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)		**22,844**

Statement of comprehensive income

31 Dec 2020	Ploiesti Shopping City	Total
Revenue from rent and recoveries	10,972	10,972
Property operating expenses	(3,498)	(3,498)
Partial forgiveness of receivables (COVID-19 forgiveness)	(1,358)	(1,358)
Administrative expenses	(268)	(268)
Fair value adjustment investment property	(3,765)	(3,765)
Foreign exchange loss	(16)	(16)
Profit before net finance expense and other items	**2,067**	**2,067**
Net finance expense	**(4,087)**	**(4,087)**
Interest income	59	59
Interest expense	(4,140)	(4,140)
Other net finance expense	(6)	(6)
Other items	**244**	**244**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	244	244
(Loss) before tax	**(1,776)**	**(1,776)**
Income tax expense	(396)	(396)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS	**(2,172)**	**(2,172)**
Share of (loss) of joint venture (50% of the Loss of the period)		**(1,086)**

31 Dec 2019	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	11,996	5,152	17,148
Property operating expenses	(3,212)	(952)	(4,164)
Administrative expenses	(173)	(105)	(278)
Fair value adjustment investment property	6,454	–	6,454
Foreign exchange (loss)/gain	(208)	10	(198)
Profit before net finance expense and other items	**14,857**	**4,105**	**18,962**
Net finance expense	**(4,274)**	**(1,019)**	**(5,293)**
Interest income	86	–	86
Interest expense	(4,359)	(694)	(5,053)
Other net finance expense	(1)	(325)	(326)
Other items	**88**	**14**	**102**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	88	14	102
Profit before tax	**10,671**	**3,100**	**13,771**
Income tax expense	(1,818)	(209)	(2,027)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS	**8,853**	**2,891**	**11,744**
Share of profit of joint venture (50% of the Profit for the year)			**5,872**

Shareholder loans to Ploiesti Shopping City were granted by NE Property BV (formerly NE Property Cooperatief UA). Interest income from joint ventures in 2020 amounted to €1,468 thousand (2019: €1,567 thousand).

31 Dec 2020	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	22,620	**22,620**

31 Dec 2019	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	21,220	**21,220**

Included within the balances above from the Statement of financial position are the following:

31 Dec 2020	Ploiesti Shopping City	Total
Cash and cash equivalents	11,722	**11,722**
Bank loans (non-current liabilities)	(19,458)	**(19,458)**
Bank loans (current liabilities)	(2,144)	**(2,144)**

31 Dec 2019	Ploiesti Shopping City	Total
Cash and cash equivalents	10,990	**10,990**
Bank loans (non-current liabilities)	(21,598)	**(21,598)**
Bank loans (current liabilities)	(2,142)	**(2,142)**

Secured term loans

The joint venture Ploiesti Shopping City has contracted a secured term loan.

Securities
- General security over the properties (weighted fair value as at 31 December 2020), 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, 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 2020 *€ thousand*	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	(10,483)	176	(34)	(10,497)	(20,838)
EBITDA*	**290,173**	**20,706**	**1,744**	**(10,497)**	**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 expense and other items	**(55,087)**	**18,371**	**1,371**	**(95,387)**	**(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 results 31 Dec 2019 *€ thousand*	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**369,067**	**29,756**	**1,915**	**–**	**400,738**
Gross rental income	375,378	29,830	1,931	–	407,139
Service charge income	164,894	11,728	219	–	176,841
Property operating expenses	(171,205)	(11,802)	(235)	–	(183,242)
Administrative expenses	(13,602)	(897)	(56)	(6,995)	(21,550)
EBITDA*	**355,465**	**28,859**	**1,859**	**(6,995)**	**379,188**
Net result from financial investments	**–**	**–**	**–**	**23,651**	**23,651**
Income from financial investments at fair value through profit or loss	–	–	–	12,560	12,560
Fair value gain and net result on sale of financial investments at fair value through profit or loss	–	–	–	11,091	11,091
Transaction fees	(5,375)	(36)	–	–	(5,411)
Fair value adjustments of investment property	132,555	929	1,225	–	134,709
Foreign exchange (loss)/gain	(1,168)	(181)	(22)	464	(907)
Gain on acquisition of subsidiaries	446	–	–	–	446
Gain on disposal of assets held for sale	–	-	–	123	123
Gain on disposal of joint venture	–	-	–	3,588	3,588
Profit before net finance expense and other items	**481,923**	**29,571**	**3,062**	**20,831**	**535,387**

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*

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**

Segment assets and liabilities 31 Dec 2019 *€ thousand*	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**6,059,553**	**76,518**	**16,870**	**16,229**	**6,169,170**
Investment property	5,931,230	74,500	16,870	–	6,022,600
— Investment property in use	5,709,389	74,500	16,870	–	5,800,759
— Investment property under development	221,841	–	–	–	221,841
Goodwill	70,922	–	–	5,882	76,804
Deferred tax assets	13,191	2,018	–	–	15,209
Investments in joint ventures	22,844	–	–	–	22,844
Long-term loans granted to joint ventures	21,220	–	–	–	21,220
Other long-term assets	146	–	–	7,444	7,590
Derivative financial assets at fair value through profit or loss	–	–	–	2,903	2,903
Current assets	**177,053**	**3,343**	**1,706**	**285,089**	**467,191**
Trade and other receivables	83,628	845	136	4,774	89,383
Financial investments at fair value through profit or loss	–	–	–	169,062	169,062
Cash and cash equivalents	93,425	2,498	1,570	111,253	208,746
Assets held for sale	**1,178**	**336,561**	**–**	**–**	**337,739**
TOTAL ASSETS	**6,237,784**	**416,422**	**18,576**	**301,318**	**6,974,100**

Segment assets and liabilities 31 Dec 2019 *€ thousand*	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	**910,616**	**4,019**	**2,559**	**1,770,203**	**2,687,397**
Bank loans	482,968	–	–	91,144	574,112
Bonds	–	–	–	1,677,779	1,677,779
Deferred tax liabilities	350,586	3,223	947	–	354,756
Other long-term liabilities	71,626	796	1,612	2	74,036
Derivative financial liabilities at fair value through profit or loss	5,436	–	–	1,278	6,714
Current liabilities	**117,286**	**6,166**	**336**	**26,997**	**150,785**
Trade and other payables	107,471	6,166	336	16,438	130,411
Bank loans	9,815	–	–	–	9,815
Bonds	–	–	–	10,559	10,559
Liabilities held for sale	–	**39,038**	–	–	**39,038**
TOTAL LIABILITIES	**1,027,902**	**49,223**	**2,895**	**1,797,200**	**2,877,220**

The Group's geographical breakdowns per country are detailed below:

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.*

Country results 31 Dec 2019 *€ thousand*	Net rental and related income	Profit/(Loss) before tax	Investment property
Romania**	160,293	251,324	2,091,484
Poland	80,242	56,495	1,465,364
Slovakia	37,037	27,686	554,872
Bulgaria	35,862	38,922	514,770
Hungary	35,215	44,155	603,900
Croatia	18,718	27,376	275,600
Serbia	13,130	15,959	201,130
Czech Republic	10,650	6,297	182,900
Lithuania	9,595	12,143	132,580
United Kingdom**	(4)	170	–
Corporate*	–	(21,484)	–
Total	**400,738**	**459,043**	**6,022,600**

**The Corporate segment represents head office, administrative offices, and listed securities entity.*
***Investment property excludes held for sale portfolio.*

RECONCILIATION OF (LOSS)/PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS *€ thousand, unless otherwise stated*	31 Dec 2020
(Loss) per IFRS Statement of comprehensive income attributable to equity holders	**(174,921)**
Accounting specific adjustments	**407,336**
Fair value adjustments of investment property for controlled subsidiaries	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	580
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	10,539
Amortisation of financial assets	(759)
Deferred tax income for controlled subsidiaries	(32,440)
Income from financial investments at fair value through profit or loss	(5,517)
Gain on disposal of assets held for sale	(2,310)
Adjustments related to joint ventures:	**1,946**
Fair value adjustment investment property for joint ventures	1,882
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	(122)
Deferred tax expense for joint ventures	186
Adjustments related to non-controlling interest:	**(1,064)**
Fair value adjustment investment property for non-controlling interest	(1,186)
Deferred tax income for non-controlling interest	122
Antecedent earnings	**(2,659)**
Distributable earnings	**232,415**
Interim distributable earnings	(118,168)
Final distributable earnings	(114,247)
Distributable earnings per share (euro cents)	**38.42**
Interim distributable earnings per share (euro cents)	19.66
Final distributable earnings per share (euro cents)	18.76
Distribution declared	**102,822**
Interim distribution	–
Final distribution	102,822
Distribution declared per share (euro cents)	**16.88**
Interim distribution per share (euro cents)	–
Final distribution per share (euro cents)	16.88
Earnings not distributed	**129,593**
Earnings not distributed per share (euro cents)	**21.54**
Number of shares entitled to interim distribution	**600,921,133**
Number of shares entitled to final distribution	**608,994,907**

**Distributable earnings per share for 2020 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.*

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS *€ thousand, unless otherwise stated*	31 Dec 2019
Profit for the year attributable to equity holders	**416,235**
Reverse indirect result	**(97,402)**
Foreign exchange loss	907
Transaction fees	5,411
Fair value adjustments of investment property for controlled subsidiaries	(134,709)
Gain on acquisition of subsidiaries	(446)
Fair value gain and net result on sale of financial investments at fair value through profit or loss	(11,091)
Income from financial investments at fair value through profit or loss	(12,560)
Gain on disposal of assets held for sale	(123)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	23,743
Deferred tax expense for controlled subsidiaries	31,370
Gain on disposal of joint venture	(3,588)
Impairment of goodwill	5,956
Fair value adjustments of investment property for joint ventures	(3,227)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(51)
Deferred tax expense for joint ventures	907
Foreign exchange loss for joint ventures	99
Company specific adjustments	**10,916**
Amortisation of financial assets	(1,533)
Realised foreign exchange loss for controlled subsidiaries	(30)
Realised foreign exchange loss for joint ventures	(7)
Accrued income from financial investments at fair value through profit or loss	12,349
Fair value adjustment of investment property for non-controlling interest	138
Deferred tax expense for non-controlling interest	(1)
Antecedent earnings	4,062
Distributable earnings	**333,811**
Less: Distribution declared	(333,811)
Interim distribution	(170,030)
Final distribution	(163,781)
Earnings not distributed	–
Number of shares entitled to interim distribution	585,838,887
Number of shares entitled to final distribution	599,797,201
Distributable earnings per share (euro cents)	**56.33**
Less: Distribution declared per share (euro cents)	(56.33)
Interim distribution per share (euro cents)	(29.02)
Final distribution per share (euro cents)	(27.31)

35 CASH FLOW FROM OPERATIONS

in € thousand	Note	31 Dec 2020	31 Dec 2019
OPERATING ACTIVITIES			
(Loss)/Profit after tax		(175,874)	416,342
Adjustments		**477,494**	**(36,693)**
Fair value adjustments of investment property	28	345,253	(134,709)
Fair value loss/(gain) and net result on sale of financial investments at fair value through profit or loss	13	93,767	(11,091)
Income from financial investments at fair value through profit or loss	13	(5,517)	(12,560)
Foreign exchange loss		1,665	907
Gain on disposal of joint venture		–	(3,588)
Gain on disposal of assets held for sale		(2,310)	(123)
Gain on acquisition of subsidiaries		–	(446)
Impairment of goodwill	12	–	5,956
Net finance expense	29	60,045	52,517
Fair value adjustments of derivatives and losses on extinguishment of financial instruments		10,539	23,743
Deferred tax (income)/expense	23	(32,440)	31,370
Current tax expense	23	5,912	11,331
Depreciation expense for property, plant and equipment		580	–
Changes in working capital		**(5,622)**	**1,667**
Decrease in trade and other receivables		11,158	2,415
(Decrease) in trade and other payables		(16,780)	(748)
Cash flow from operations		**295,998**	**381,316**

36 CONTINGENT ASSETS AND LIABILITIES

Guarantees

As at 31 December 2020, the Group had received letters of guarantee from tenants worth €105,939 thousand (31 December 2019: €114,053 thousand) and from suppliers worth €12,627 thousand (31 December 2019: €31,900 thousand) related to ongoing developments.

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. 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. The Group is confident that its subsidiary has lawfully terminated the agreement and therefore has a solid defence against the potential sellers' claim. Despite the above, the arbitration proceedings and their outcome (similarly to litigation proceedings) are subject to the independent deliberation of the arbiters engaged with the dispute.

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.

		31 Dec 2020			31 Dec 2019
	Directors' fees	Performance bonus (related to 2019 performance)	Directors' fees	Performance bonus (related to 2018 performance)	Exit grants
Alex Morar	600	690	580	344	–
Spiro Noussis[1]	–	–	–	–	640
Mirela Covasa	400	475	395	266	–
Nick Matulovich[2]	–	–	–	–	493
Marek Noetzel	300	313	293	169	–
Robert Emslie*	113	–	122	–	–
Antoine Dijkstra*	70	–	66	–	–
Andre van der Veer*	90	–	95	–	–
George Aase*	70	–	59	–	–
Andreas Klingen[3]*	68	–	38	–	–
Sipho Vuso Majija[4]*	27	–	57	–	–
Desmond de Beer[5]*	36	–	60	–	–
Steven Brown[4]	38	–	–	–	–
Andries de Lange[5]	25	–	–	–	–
TOTAL	**1,837**	**1,478**	**1,765**	**779**	**1,133**

[1]Mr. Spiro Noussis has retired from his position as Executive Director (formerly co-CEO) with effect from 31 December 2018.
[2]Mr. Nick Matulovich has retired from his position as Executive Director by not standing for re-election at the Annual General Meeting of shareholders held on 28 August 2018.
[3]Mr. Andreas Klingen was appointed as an Independent non-Executive Director of the Company with effect from 17 April 2019.
[4]Mr. Sipho Vuso Majija has terminated his appointment as a non-Independent non-Executive Director effective from 28 April 2020. The Board 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.
[5]Mr. Desmond de Beer has retired from his position as a non-Independent non-Executive Director effective from 27 May 2020. The Board appointed Andries de Lange as non-Independent non-Executive Director of the Company with effect from 27 May 2020.
**The remuneration of the non-Executive Directors for 2020 includes a cumulative amount of €73.3 thousand paid for special duties or services performed during 2019.*

(a) Shares held under the Share Purchase Schemes^:

Name of Director	Number of shares held as at 31 Dec 2020**	Number of shares held as at 31 Dec 2019
Marek Noetzel	88,358	84,721
TOTAL	**88,358**	**84,721**

^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 2020**	Number of shares unvested as at 31 Dec 2019
Alex Morar	357,740	222,028
Mirela Covasa	258,501	173,706
Marek Noetzel	105,188	71,686
TOTAL	**721,429**	**467,420**

^ None of the unvested shares of the directors are subject to security, guarantee, collateral and they are not encumbered in any way.
***There were no changes to the Directors' unvested shares from 31 December 2020 to the approval of the annual audited consolidated financial statements.*

The directors of the Group hold 2,340,538 shares as at 31 December 2020 (31 December 2019: 11,232,796 shares), which represents 0.38% of the outstanding shares (31 December 2019: 1.88% of the outstanding shares). Out of the above-mentioned shareholding, 176,726 shares (31 December 2019: 9,516,706 shares) which represent 0.03% of the outstanding shares (31 December 2019: 1.59% of the outstanding shares) are held by the non-Executive Directors.

38 SUBSEQUENT EVENTS

As already mentioned in Note 3, COVID-19 pandemic had a significant impact on the market conditions and Group's business in 2020. Subsequent to the year-end, restrictions adopted by various Governments to contain the spread of COVID-19 continued in some of the Group's countries of operations. During January 2021, approximately 80% of the Group's GLA was operational, mainly due to the lockdowns affecting Poland, Bulgaria, Slovakia, Czech Republic and Lithuania from mid- or end of December 2020 and restrictions affecting specific retail activities in Romania and Croatia. Starting 1 February, the restrictions in Poland, Romania and Bulgaria were eased, leading to 85% of the GLA becoming operational.

From late December 2020, the CEE governments have started immunising their population against COVID-19, with the pace of vaccination expected to accelerate in the upcoming months. Such measures are expected to lead to easing of various ongoing restrictions and allow retail activities to continue their trading, with positive effect on the Group's operational GLA. However, COVID-19 pandemic will continue to affect the economic conditions and Group's business at least during the first part of the year 2021.

The impact of the current and potential future restrictions is likely to include additional rental concessions granted to tenants, disruption to turnover rents, a longer than usual time for re-letting the vacant units, and the prospect of further tenant bankruptcies.

NEPI Rockcastle is confident in the quality of its assets and its strong balance sheet, with €1.2 billion in liquidity (€643 million as cash and cash equivalents and €575 million as revolving credit facilities) and limited short-term debt (short-term bonds and bank loans amounting to €261 million).

Except for the above, the Directors are not aware of any other subsequent events from 31 December 2020 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.

APPENDIX

Schedule of properties

Properties located in Lithuania, Poland and Hungary 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	Valuation/Cost to date	Annualised passing rent^	Average rental	EPRA Occupancy~
							m^2	€m		€/m^2/month	
	INCOME PRODUCING PROPERTIES						**2 029 700**	**5 557.6**	**390.4**	**16.0**	**95.7%**
	RETAIL						**1 961 100**	**5 467.4**	**382.6**	**16.3**	**95.8%**
1	Bonarka City Center^^	2009/2016	2020	Super-Regional Mall	Poland	100%	74 700	388.5	19.9	27.2	90.1%
2	Arena Mall	2007/2017		Super-Regional Mall	Hungary	100%	65 900	302.9	19.8	25.6	97.9%
3	Mega Mall	2015	2019	Super-Regional Mall	Romania	100%	75 900	279.0	17.6	20.3	93.7%
4	Mammut Shopping Centre^^^	1998-2001/2018		Regional Mall	Hungary	100%	56 200	269.0	15.0	26.2	83.1%
5	Paradise Center	2013/2017	2019	Super-Regional Mall	Bulgaria	100%	80 500	255.1	18.8	20.9	93.9%
6	Arena Centar And Retail Park	2010/2016/2019	2018/2019	Super-Regional Mall	Croatia	100%	75 300	254.3	18.2	21.2	97.7%
7	City Park	2008/2013	2015/2016	Regional Mall	Romania	100%	51 900	187.5	13.2	22.0	96.2%
8	Promenada Mall	2013/2014		Lifestyle Centre	Romania	100%	39 400	181.6	12.8	28.2	96.8%
9	Aupark Kosice Mall	2011/2014		Regional Mall	Slovakia	100%	33 100	162.5	10.6	27.6	96.2%
10	Galeria Warminska	2014/2016		Regional Mall	Poland	100%	42 800	158.3	10.0	19.6	99.2%
11	Serdika Center	2010/2017		Regional Mall	Bulgaria	100%	51 600	153.7	12.2	20.0	98.6%
12	Karolinka Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	67 500	150.4	9.4	12.8	93.3%
13	Ozas Shopping and Entertainment Centre	2009/2018	2020	Regional Mall	Lithuania	100%	67 700	141.7	10.8	13.3	99.5%
14	Shopping City Sibiu	2006/2016	2019	Super-Regional Mall	Romania	100%	83 400	140.5	11.5	11.6	98.8%
15	Shopping City Timisoara	2015-2016		Regional Mall	Romania	100%	57 000	129.9	9.5	14.1	97.9%
16	Galeria Mlyny	2009/2018		Regional Mall	Slovakia	100%	32 500	124.6	8.3	22.3	96.7%
17	Aupark Zilina	2010/2013		Regional Mall	Slovakia	100%	25 000	123.6	8.4	28.8	98.8%
18	Promenada Novi Sad	2018		Regional Mall	Serbia	100%	49 200	123.1	9.7	17.2	97.3%
19	Focus Mall Zielona Gora	2008/2016	2020	Regional Mall	Poland	100%	29 100	120.2	6.7	19.4	99.6%
20	Shopping City Galati	2013	2017	Regional Mall	Romania	100%	49 200	112.4	8.5	14.6	97.9%
21	Promenada Sibiu	2019		Regional Mall	Romania	100%	42 500	102.1	8.3	16.8	97.0%
22	Iris Titan Shopping Center	2008/2015		Community Centre	Romania	100%	43 000	101.0	8.7	16.9	99.7%
23	Alfa Centrum Bialystok	2008/2017		Regional Mall	Poland	100%	37 000	92.6	6.7	17.2	91.0%
24	Forum Ústí nad Labem	2009/2016	2019	Regional Mall	Czech Republic	100%	27 800	88.6	5.8	17.6	98.5%
25	Shopping City Deva	2007/2013	2015	Regional Mall	Romania	100%	52 700	88.0	6.9	11.1	98.1%
26	Shopping City Targu Mures	2020		Regional Mall	Romania	100%	40 200	86.3	6.4	14.0	95.8%
29	Braila Mall	2008/2009	2011/2012/2016/2019	Regional Mall	Romania	100%	52 900	83.3	6.7	10.8	98.1%
28	Solaris Shopping Centre	2009/2015	2019	Regional Mall	Poland	100%	26 400	83.1	5.8	19.6	93.3%
29	Forum Liberec Shopping Centre	2009/2016	2019/2020	Regional Mall	Czech Republic	100%	46 500	82.4	4.7	11.1	80.3%
30	Pogoria Shopping Centre	2008/2015	2019	Regional Mall	Poland	100%	37 700	71.6	5.2	11.6	97.5%
31	Platan Shopping Centre	2003/2015	2018	Regional Mall	Poland	100%	39 900	71.3	4.7	10.3	91.5%
34	Vulcan Value Centre	2014		Community Centre	Romania	100%	25 000	69.2	4.5	15.1	99.5%
33	Aura Centrum	2005/2018		Regional Mall	Poland	100%	25 400	65.8	5.8	20.3	95.4%
34	Galeria Wolomin*	2016	2017	Regional Mall	Poland	90%	30 700	56.4	4.1	11.4	97.9%
35	Shopping City Buzau	2008/2014	2019/2020	Regional Mall	Romania	100%	23 700	55.5	4.0	14.3	97.5%
36	Shopping City Satu Mare	2018		Regional Mall	Romania	100%	29 400	52.1	4.3	12.3	98.8%
37	Shopping City Piatra Neamt	2016		Regional Mall	Romania	100%	28 000	51.0	3.9	11.7	98.9%
38	Shopping City Targu Jiu	2014		Regional Mall	Romania	100%	27 200	51.0	3.8	11.8	99.6%
39	Shopping City Ramnicu Valcea	2017		Regional Mall	Romania	100%	28 200	47.3	4.0	11.9	99.0%
40	Kragujevac Plaza	2012/2014		Regional Mall	Serbia	100%	22 300	44.5	4.0	15.3	98.5%
41	Focus Mall Piotrkow Trybunalski	2009/2016		Regional Mall	Poland	100%	35 100	44.2	4.3	11.2	90.6%
42	Aupark Shopping Center Piestany	2010/2016		Community Centre	Slovakia	100%	10 300	39.2	2.6	21.6	96.3%
43	Korzo Shopping Centrum	2010-2011/2016		Community Centre	Slovakia	100%	16 100	38.9	3.1	16.3	97.9%
44	Severin Shopping Center	2009/2013	2015/2016	Regional Mall	Romania	100%	23 200	35.8	2.7	9.9	98.2%
45	Galeria Tomaszow*	2016		Regional Mall	Poland	85%	18 400	28.3	2.6	12.2	96.7%
46	Pitesti Retail Park	2007/2010	2011	Community Centre	Romania	100%	24 800	26.3	4.0	13.5	99.7%
47	Krusevac Shopping Park	2019		Community Centre	Serbia	100%	8 600	11.3	1.0	9.7	100.0%
48-54	Regional strip centres	2007-2014	2018/2019	Strip Centres	Romania	100%	30 200	41.5	3.1	8.6	100.0%
	OFFICE						**41 300**	**73.7**	**5.9**	**11.9**	**90.8%**
55	Serdika Office	2011/2017		Office	Bulgaria	100%	28 500	52.8	4.2	13.8	89.7%
56	Aupark Kosice Tower	2012/2014		Office	Slovakia	100%	12 800	20.9	1.7	11.9	93.3%
	INDUSTRIAL						**27 300**	**16.5**	**1.9**	**5.8**	**97.0%**
57	Rasnov Industrial Facility	2007		Industrial	Romania	100%	23 000	11.9	1.4	5.2	97.4%
58	Otopeni Warehouse	2010		Industrial	Romania	100%	4 300	4.6	0.5	10.0	95.7%
2	**Other properties *Held for sale***				Romania	100%	**2 100**	**1.8**	**0.2**	**9.9**	

The Schedule of properties excludes joint venture property fair valued at €53million (weighted by ownership), and non-core properties held for sale fair valued at €1.8million as at 31 Dec 2020
** 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.*
^ Annualised passing rent was computed based on the contractual rents effective as at 31 Dec 2020
^^ Auchan, a major tenant, owns their premises of 20,600m^2. Total GLA of the property including this premises is 95,300m^2.
^^^ The centre offers 61,200m^2 of total GLA, out of which 56,200m^2 owned by the Group
~ EPRA Occupancy excludes 3,300m^2 GLA under refurbishment in Poland
Occupancy ratio = 1 - EPRA Vacancy ratio

	Property name	Extension/Refurbishment	Location	Ownership	GLA of existing property	GLA of development	Valuation/Cost to date
	TOTAL DEVELOPMENTS AND LAND BANK				**143 200**	**196 900**	**211**
	DEVELOPMENTS UNDER CONSTRUCTION				**103 800**	**19 800**	**53**
19	Focus Mall Zielona Gora	Extension and Refurbishment	Poland	100%	29 100	15 700	53
1	Bonarka City Center	Refurbishment	Poland	100%	74 700	4 100	-
	DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING*				**39 400**	**177 100**	**87**
8	Promenada Mall	Extension	Romania	100%	39 400	62 300	35
59	Promenada Plovdiv	Development	Bulgaria	100%	-	58 300	24
60	Promenada Craiova	Development	Romania	100%	-	56 500	28
	Land held for developments						**71**

** Amounts included in this schedule are estimates and may vary according to permitting, pre-leasing and final configuration of the completed development projects. The Schedule of developments excludes land held for developments related to joint ventures valued at €1.8 million*

EPRA Sustainability Performance Measures

Total Portfolio

	EPRA Code	Units of measure	Indicator		Absolute performance (Abs) 2020	Absolute performance (Abs) 2019	Like-for-like performance 2020	Like-for-like performance 2019	Like-for-like performance % (2019-2020)
Energy	Elec-Abs	MWh	Electricity		427,409	533,813	303,569	393,214	-23%
	DH&C-Abs	MWh	District heating and cooling		34,354	47,546	28,663	41,527	-31%
	Fuels-Abs	MWh	Fuels (Gas)		87,076	106,277	68,294	81,903	-17%
	Energy-Int	kWh/m^2/year	Energy intensity		101.7	129.7			
	No. of applicable properties			Energy and associated GHG disclosure coverage	62 of 62		39 of 39		
Greenhouse gas emissions	GHG-Dir-Abs	tonnes CO_2e	Direct	Scope 1	11,121	21,183			
	GHG-Indir-Abs	tonnes CO_2e	Indirect	Scope 2	68,292	87,927			
			Indirect	Scope 3	109,249	134,261			
	GHG-Int	kg CO_2e/m^2/year	GHG emissions intensity	Scope 1, 2, 3 emissions	45	58			

Office

	EPRA Code	Units of measure	Indicator		Absolute performance (Abs) 2020	Absolute performance (Abs) 2019	Like-for-like performance 2020	Like-for-like performance 2019	Like-for-like performance % (2019-2020)
Energy	Elec-Abs	MWh	Electricity		20,027	30,992	3,844	4,353	-12%
	DH&C-Ab	MWh	District heating and cooling		3,708	17,881	3,708	17,881	-79%
	Fuels-Abs	MWh	Fuels (Gas)		9,857	14,177	7,221	8,876	-19%
	Energy-Int	kWh/m^2/year	Energy intensity		76.0	117.6			
	No. of applicable properties			Energy and associated GHG disclosure coverage	6 of 6		2 of 2		
Greenhouse gas emissions	GHG-Dir-Abs	tonnes CO_2e	Direct	Scope 1	476	722			
	GHG-Indir-Ab	tonnes CO_2e	Indirect	Scope 2	4,920	6,472			
			Indirect	Scope 3	2,706	5,376			
	GHG-Int	kg CO_2e/m^2/year	GHG emissions intensity	Scope 1, 2, 3 emissions	31	40			

Retail

	EPRA Code	Units of measure	Indicator		Absolute performance (Abs) 2020	Absolute performance (Abs) 2019	Like-for-like performance 2020	Like-for-like performance 2019	Like-for-like performance % (2019-2020)
Energy	Elec-Abs	MWh	Electricity		402,554	497,726	294,897	383,766	-23%
	DH&C-Abs	MWh	District heating and cooling		30,646	29,665	24,956	23,646	6%
	Fuels-Abs	MWh	Fuels (Gas)		67,604	82,814	51,458	63,741	-19%
	Energy-Int	kWh/m^2/year	Energy intensity		103.5	130.9			
	No. of applicable properties			Energy and associated GHG disclosure coverage	54 of 54		35 of 35		
Greenhouse gas emissions	GHG-Dir-Abs	tonnes CO_2e	Direct	Scope 1	10,561	20,364			
	GHG-Indir-Abs	tonnes CO_2e	Indirect	Scope 2	63,372	81,455			
			Indirect	Scope 3	102,207	124,581			
	GHG-Int	kg CO_2e/m^2/year	GHG emissions intensity	Scope 1, 2, 3 emissions	45	59			

Industrial

	EPRA Code	Units of measure	Indicator		Absolute performance (Abs) 2020	Absolute performance (Abs) 2019	Like-for-like performance 2020	Like-for-like performance 2019	Like-for-like performance % (2019-2020)
Energy	Elec-Abs	MWh	Electricity		4,828	5,095	4,828	5,095	-5%
	DH&C-Abs	MWh	District heating and cooling		n/a	n/a	n/a	n/a	n/a
	Fuels-Abs	MWh	Fuels (Gas)		9,615	9,286	9,615	9,286	4%
	Energy-Int	kWh/m^2/year	Energy intensity		98.9	104.4			
	No. of applicable properties			Energy and associated GHG disclosure coverage	2 of 2		2 of 2		
Greenhouse gas emissions	GHG-Dir-Abs	tonnes CO_2e	Direct	Scope 1	84	97			
	GHG-Indir-Abs	tonnes CO_2e	Indirect	Scope 2	-	-			
			Indirect	Scope 3	4,336	4,304			
	GHG-Int	kg CO_2e/m^2/year	GHG emissions intensity	Scope 1, 2, 3 emissions	91	90			

APPENDIX

GLOSSARY

Collection rate: operational performance indicator computed as at 31 December 2020 as cash collected relative to the Gross rental income and Service charge income as recognised in the consolidated financial statements (adjusted for concessions granted in the year); as at 31 December 2019, the collection rate was computed as 100%- default rate. The default rate was computed as the net expected credit losses (as recognised in the Statement of comprehensive income) divided by the Gross rental income and service charge income

Committed projects: projects currently under construction, for which the Group owns the land or building rights and has obtained all necessary authorizations and permits

Like-for-like: operational measure computed based on the investment property excluding acquisitions, divestments, transfers to and from investment property under development and all other changes resulting in significant change to the square meters of a property

Loan-to-value ('LTV'): (Interest bearing debt – Lease liabilities associated to right of use assets – Cash) /(Investment property (including investment property held for sale) – Right of use assets + Listed securities)

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

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