

Reputational Risk Management Procedure in EPP Community Properties JV B.V. (EPP CP)

REPUTATIONAL RISK – GENERAL PRINCIPLES

1. Reputational risk for EPP CP is the risk resulting from failure to meet the legitimate expectations of stakeholders, which are:
 - public authorities, including regulatory authorities,
 - shareholders/partners,
 - financing institutions,
 - counterparties, including the suppliers of EPP CP and premises lessees,
 - users of premisses leased by EPP CP to lessees,
 - EPP CP employees and associates,
 - JV partners.
2. These expectations are identified, according to ESG strategy adopted in EPP CP, in four areas (the ‘**Strategic Areas**’):
 - Trust through transparency (compliance with legal regulations and ethical business principles);
 - Mindful management (cybersecurity, risk management, health and safety);
 - Space for everyone (accessibility, relations with local communities and business partners, care for employees and associates);
 - Earth Citizen (utilities management, green buildings).
3. EPP CP has undertaken to achieve specific goals in the above-mentioned areas, and to externally report about the achievement of goals.
4. In each of the above Strategic Areas, EPP CP conducts activities at the level of:
 - disposing of assets,
 - relations with employees and associates,
 - relations with counterparties, including EPP CP Suppliers,
 - relations with public authorities,
 - intercompany relations (with partners/shareholders and JV partners),
 - relations with financing institutions,
 - relations with the users of leased areas.
5. Thus, the following risk categories exist in the Strategic Areas and areas of EPP CP activity:
 - **Risk of non-compliance with the law** = violation by EPP CP of legal regulations and provisions of agreements binding on EPP CP. It also includes the risk of disclosure of information covered by business secret or personal data or the use of confidential information within the meaning of the provisions on trading in financial instruments in violation of the law or principles specified in the **Code of preventing the use of Confidential Information in trading in financial instruments**;

- **Operational risk** = risk of disruptions in the EPP CP operational activity, including in particular in the provision of services and the implementation of management processes;
 - **Financial risk** = risk of the occurrence of unplanned financial liability or financial loss on the part of EPP CP, including the risk of decreasing the value of or loss of EPP CP assets ;
 - **Human resources risk**;
 - **Risk of committing a crime to the detriment of EPP CP or by persons acting on behalf or for the benefit of EPP CP, including by employees or associates, as well as by counterparties**;
 - **ESG risk** = risk related to the failure to achieve the goals of the ESG strategy or to reporting of unreliable information;
 - **Strategic risk** = resulting from business events or decisions related to strategic goals and methods of their attainment, in particular in terms of investments, directions of development, investing capital (includes the risk of events that will prevent, hinder or postpone the implementation of the strategy) affecting the EPP CP ability to pursue its strategic objectives;
6. All the above risks make up of **the reputational risk of EPP CP**.
7. Risk factors in the EPP CP activity are among others:
- lack of progress in achieving the goals of ESG strategy,
 - lack of reliable information for stakeholders,
 - lack of proper assessment of counterparties when commencing cooperation and in the course of business cooperation,
 - exceeding acceptable limits of particular risk related to the EPP CP activities specified in the risks matrix,
 - lack of proper monitoring of operational processes in the EPP CP activity,
 - lack of proper response to situations of actual or potential exceeding of the acceptable risk.
8. The state of exceeding the risk level specified in the risk matrix as acceptable in the activity EPP CP – is a **crisis situation**.
9. The occurrence of a crisis situation or a failure to properly manage the crisis situation can result in the following consequences for EPP CP, its management, employees or associates:
- legal liability, including civil, administrative or criminal liability,
 - loss of reputation and position on the market,
 - financial losses,
 - loss of sources of financing,
 - decrease of the EPP CP assets value and/ or of the value of EPP CP as a company,
 - loss of business partners.
10. EPP CP has adopted the Reputational Risk Management Policy, consisting of:
- this Reputational Risk Management Procedure (the ‘Procedure’);
 - Anti-Money Laundering and Terrorist Financing Procedure;

- EPP CP Suppliers Code of Conduct including evaluation questionnaires;
 - Whistleblowing Procedure and Rules of receiving reports of misconduct and undertaking follow-up actions;
 - Dawn raid or search policy.
11. An integral part of the Procedure is the risk matrix, which contains the evaluation of the level of risk in the EPP CP activity of, defines the limits of acceptable risk and indicates measures to manage particular risk categories.
 12. The Procedure defines the general principles of reputational risk management related to the EPP CP activities. Specific risks associated with the EPP CP activities of, such as the risk of money laundering or terrorist financing, are covered by separate procedures or policies.

RESPONSIBILITY

1. The EPP CP organisational units participating in the reputational risk management process are:
 - a. the EPP CP Management Board of
 - b. Financial Reporting Director,
 - c. Director of Communication and Marketing Department,
 - d. directors and managers of individual organisational divisions in the EPP CP structure,
 - e. shopping centres managers and office facilities managers.
2. The EPP CP Management Board is fully responsible for managing the risk in the EPP CP activities, including the implementation, application and regular updating of the Procedure and risk matrix.
3. **The EPP CP Management Board responsibilities include, in particular:**
 - a. approving the Procedure and amendments to the Procedure;
 - b. approving and updating the risk matrix;
 - c. approving the risk assessment and risk management methodology, including measures for managing particular risk categories;
 - d. crisis situation management;
 - e. preparation, including verification of reliability and completeness of information submitted as part of the report on the state of implementation of ESG strategy.
4. The EPP CP Management Board may appoint from among its members a person responsible for risk management, who will exercise the rights and obligations of the EPP CP Management Board resulting from the Procedure.
5. In the day-to-day activity of EPP CP, the person responsible for applying the Procedure is the Financial Reporting Director.
6. **The Financial Reporting Director responsibilities include:**
 - a. implementation of risk management principles resulting from the Procedure;
 - b. a cyclical analysis of the risk matrix and the functioning of the risk management system ('cyclical risk analysis');

- c. providing the EPP CP Management Board with information resulting from the cyclical risk analysis, about the occurrence of a new type of risk or a new risk factor in the activity of EPP CP or recommending changes (updates) in the risk matrix and risk management system, including the Procedure;
 - d. updating the risk matrix;
 - e. analysis of the risk resulting from a transaction of acquisition of an important asset or a merger with another legal entity;
 - f. analysis of risk resulting from a material change in the scope or nature of the EPP CP activity;
 - g. facilitating undertaking risk management initiatives and their review at the level of internal units and the entire organisation;
 - h. raising awareness of risk management issues;
 - i. cooperation with the EPP CP Management Board in managing a crisis situation.
7. **The Communication and Marketing Director responsibilities include the management of:**
- a. external and internal communication in the event of a crisis situation;
 - b. internal and external communication in the event of a dawn raid or a search. Guidelines for communication in the case of a dawn raid a search are provided for in the EPP CP Dawn raids and searches Policy.
 - c. internal communication concerning conclusions from the occurring crisis situations, irregularities identified in EPP CP or identified needs to supplement or amend the EPP CP operational processes or procedures and policies applicable in EPP CP. Communication in this respect should be developed jointly with the director of the Legal Department or the director responsible for a specific business division in EPP CP.
8. **Responsibilities of the directors and heads of individual organisational divisions in the EPP CP structure and the shopping centres managers and office facilities managers include:**
- a. ongoing monitoring of risks related to their area of EPP CP activity or the facility operations;
 - b. carrying out the assessment or supervising the assessment of EPP CP suppliers;
 - c. accepting notifications of Misconduct/ Incident which are addressed to them in accordance with the EPP CP Whistleblowing Rules;
 - d. gathering and communicating information on the achievement of the goals of the ESG strategy to the EPP CP Management Board;
 - e. cooperation with the EPP CP Management Board in the event of a crisis situation, in particular immediate informing about the occurrence of an event that may result in a crisis situation, and compliance with the rules of conduct in the event of a crisis situation.

RISK MANAGEMENT STEPS

1. The risk management in EPP CP includes:

- a. defining the areas and levels of EPP CP activities involving risk;
- b. identification of risks categories occurring in particular areas of EPP CP activity;
- c. measuring and estimating risk in particular areas of EPP CP activity;
- d. determining the level of acceptable risk;
- e. risk monitoring;
- f. applying risk mitigation mechanisms;
- g. using measures for managing particular risk categories;
- h. applying appropriate procedure in the case of a crisis situation.

RISK MEASUREMENT AND EVALUATION

1. Measurement and evaluation of risk in specific Strategic Areas and on specific levels of EPP CP operation consists in:
 - determining **the probability** of occurrence of events from a specific risk category in a specific Strategic Area or on the specific level of EPP CP operation;
 - determining **the consequences** of events from a specific risk category in a specific Strategic Area or on the specific level of EPP CP operation;
 and
 - determining **the level of risk** of events from a specific risk category in a specific Strategic Area or on the specific level of EPP CP operation.
2. When assessing **the probability** of an event it is necessary to take into account the existing control mechanisms, their effectiveness and the level of their implementation, as well as the economic, business, political and social environment in which EPP CP conducts its activity.

RISK MITIGATION MECHANISMS

1. In order to limit the risk EPP CP may in particular:
 - a. transfer the risk to a third party, e.g. through insurance or outsourcing (with such outsourcing also requiring the risk assessment);
 - b. tolerating the risk, where there are particular difficulties in counteracting the risk, and when the costs of actions taken may exceed the expected benefits;
 - c. counteract the risk by taking measures to limit the risk to an acceptable level, e.g. by strengthening internal control mechanisms (through procedures, guidelines, rules, supervision, etc.) embedded in the implemented processes;
 - d. apply adequate risk management measures for particular risk categories, e.g. in the risk matrix;
 - e. move the risk in time by suspending, as far as it is possible, the actions giving rise to the risk at a threshold not tolerated by EPP CP;
 - f. apply the appropriate crisis situation management procedure.

GENERAL RULES OF CONDUCT IN THE EVENT OF A CRISIS SITUATION

1. In the event of a crisis situation, it is necessary to:
 - identify the area or areas of activity to which the event relates;
 - determine which EPP CP resources are at risk, in particular whether the life or health of workers, associates or users of the rented space is threatened, or whether EPP CP has suffered material damage or is likely to suffer such damage;
 - what other consequences for EPP CP that event may cause or causes and whether the operational activity of EPP CP is threatened;
 - determine whether sensitive data are at risk;
 - determine whether specific rules of action are in place in a given area, e.g. in the case of a cyber incident, whether it is possible to start an external circulation or back-up, and how the data can be secured;
 - assess and decide whether immediate notification of the event to the competent public authority is necessary;
 - define the team of people in crisis, who will take action in order to manage the crisis situation, divide the tasks and set the timeline when the specific actions should be implemented;
 - assess and decide whether it is necessary to provide information on the event to persons from outside the EPP CP, such as users of rented space;
 - together with the Communication and Marketing Director, determine the content of the internal and external communication concerning the event;
 - determine whether the support of external lawyer is necessary;
 - decide on the communication to EPP CP NV and the shareholders / owner / JV partners;
 - organise coordination meetings;
 - decide whether an internal investigation is necessary;
 - examine the causes of the crisis situation and, on this basis, implement solutions that will reduce the risk of occurrence of the crisis in the future, including, develop amendments to the policies and procedures in force in EPP CP;
2. In the case of an unexpected inspection or search, proceed in accordance with the EPP CP Dawn Raids and Searches Procedure.

RISK MONITORING

1. Risk management is a continuous process requiring ongoing monitoring of existing threats and the proper identification of new phenomena and risks resulting from the conducted business activity.
2. The risk matrix should be assessed and, if necessary, updated in the scope of the type, level of risk and risk management measures of particular risk categories:
 - periodically – each quarter,
 - in the event of a significant change in the scope or nature of the EPP CP activity,
 - upon acquiring a significant asset or a merger with another legal entity,
 - where an event has occurred which resulted in the acceptable risk being exceeded.

3. An element of cyclical analysis of risk matrix and risk management system are interviews with employees, associates or counterparties of EPP CP. The purpose of the interviews is to determine which events affect or may influence the degree or categories of risk for EPP CP in that area of its activity in which the employee or associate or contractor operates, and whether the existing mechanisms of mitigating and managing risk have been effective. The interviews will take into account specific situations that has led to an increase in risk, which has been mitigated by applying specific measures and situations in which the existing measures have proved to be insufficient.
4. Risk measurement consists in determining the current level of risk of all events in a specific risk category in particular areas of activity.
5. Measurement takes place by estimating the probability and effect of an event that may be relevant for a given area of activity of EPP CP, based on the most recent knowledge of the activity of EPP CP and its economic, social, political and legal environment, and its comparison with the level of risk indicated in the risk matrix.
6. Risk measurement and analysis should be carried out taking into account the current and, as far as possible, the forecast economic, social, political and legal environment of EPP CP activity.
7. The EPP CP Management Board of makes decisions on the change of the categories of risks, the degree of risk and the degree of acceptable risk, risk mitigation mechanisms and measures of management of particular risk categories.
8. If, as a result of risk analysis and measurement, it is found that the acceptable level of risk has been exceeded, the EPP CP Management Board is required to take steps to introduce appropriate risk mitigation measures.
9. The current risk monitoring in the EPP CP operational activity should result from continuous supervision of the correctness of the operational process for which the director or head of the organisational division or facility manager is responsible. Monitoring should also include cyclical, at least quarterly, measurements of the level of risk in operating activities.