

NOVAL PROPERTY

re: purpose growth

2022

Task Force on Climate-related
Financial Disclosures Report



TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

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About this report

Noval Property is a subsidiary of Viohalco S.A., a holding company of several leading metal processing companies across Europe. Noval Property is an established Real Estate Investment Company (REIC), and it is regulated by the Hellenic Capital Markets Commission. With a contemporary and diverse asset portfolio that possesses strong market appeal and wide geographical distribution, Noval Property currently holds the position of being the second largest REIC in Greece in terms of property value.

Noval Property's core business is centered on real estate development and management, with a majority of its assets located in Greece, and a selective presence in Bulgaria. The company's real estate portfolio comprises 62 assets, including office buildings, shopping centers, residential and touristic properties (hotels), as well as industrial properties (mainly) warehouses used for logistic purposes.

Noval Property strives to generate added value for its shareholders through several means, including:

- Efficiently managing and expanding its existing asset portfolio, ensuring their continuous development.
- Enhancing the portfolio by acquiring high-quality real estate properties with diverse commercial uses.
- Designing and executing real estate development and redevelopment projects that transform properties into modern and energy-efficient facilities, adhering to international sustainability standards that benefit the environment and local communities.

The Company prioritizes sustainable development practices, including:

- Developing buildings that are LEED-certified, demonstrating a commitment to high environmental standards.
- Ensuring that their design respects the surrounding landscape and addresses the specific needs of the local communities.
- Adhering to all relevant local and international environmental laws and regulations.
- Conducting assessments to identify and mitigate any negative environmental impacts of its buildings, such as the use of inappropriate materials that could harm the environment or the health of the building's users.

These efforts reflect Noval Property's dedication to promoting sustainability while ensuring the well-being of both the natural surroundings and the communities they serve.

TCFD implementation

Noval Property is firmly committed to investing in assets that foster the sustainable transition of the industry, incorporating sustainable practices wherever possible. The company is aware of the potential impacts of climate change on its operations and recognizes the opportunities it presents. Recognizing the importance of climate change, Noval Property has undertaken the assessment of its climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD framework).

This is Noval Property's first TCFD report, which outlines the approach that Noval Property follows to managing climate-related risks and opportunities, and the measures that it is taking to mitigate these risks, while leveraging the opportunities of transitioning to a low-carbon economy. Additionally, Noval Property has emphasized the potential financial impacts of climate-related risks on its business, along with the metrics to track progress towards the climate-related goals.

Through our TCFD report, we aim to provide our stakeholders with a transparent and comprehensive view of our climate-related risks and opportunities, and the actions we are taking to manage them. We recognize the importance of climate-related financial disclosures in building trust with investors, customers and other stakeholders.

The report includes the Company's disclosures against the four core elements of TCFD recommendations, as presented in the table below, for all our operations and businesses.



We remain committed to addressing the challenges of climate change and transitioning to a more sustainable future, and we believe that our TCFD report represents a significant step towards achieving these goals.

Governance

At present, Noval Property acknowledges the absence of a formal governance structure specifically dedicated to discussing climate-related topics. To address this, we are committed to establishing a robust governance structure that prioritizes climate-related matters and aligns with industry best practices and emerging global standards, including the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As part of our commitment to proactive climate risk management, we are in the process of evaluating and determining the most appropriate measures to establish an effective governance framework. This includes considering options such as establishing a dedicated committee consisting of internal and external experts in climate change mitigation and adaptation. We recognize the importance of aligning our governance practices with industry best practices and emerging global standards, including the recommendations of TCFD.

Our goal is to establish a robust governance structure that will enable us to systematically address climate-related risks and opportunities, enhance our decision-making processes, and strengthen our resilience in the face of the evolving climate landscape. We will provide updates on our progress in subsequent TCFD reports, demonstrating our commitment to advancing climate governance within our organization.

Strategy

As a company that embraces the importance of managing climate-related risks and impacts, we are proud to say that we have already established goals for future assets related to energy efficiency performance and taken steps to incorporate climate change and sustainability into our overall strategy. This includes implementing environmental standards for new properties and planning to retrofit existing properties to enhance their environmental sustainability. The company's strategy is focused on achieving a more environmentally conscious portfolio, and our sustainability criteria are aligned with our broader business strategy and vision.

While we have made progress towards managing climate-related risks and impacts, we recognize the importance of a formalized sustainability strategy to effectively manage these risks and impacts. We are actively working to establish a structured process that will ensure that these risks and other criteria are fully integrated into our overall decision-making process.

We have clear goals related to climate, including implementing energy-efficient technologies, increasing our use of renewable energy sources, and optimizing our building designs to reduce energy consumption. Moreover, we have committed to have at least one fully operationally decarbonized building by 2030 and to have on site PV installations on at least 50% of our office buildings and retail assets. In addition, we promote the implementation of Power Purchase Agreements (PPAs) for our income producing retail and non-retail assets and align our strategy and operations with Greece's 2050 Net Zero targets.

We are engaging with external stakeholders and seeking input from experts in sustainability to help us develop a more robust and effective approach to managing climate-related risks and impacts. We remain committed to setting targets that are aligned with our overall business strategy and vision, and we are determined to take concrete steps to address any strategy gaps, since we believe that the benefits of a more sustainable portfolio will create long-term value for our stakeholders and contribute to a more sustainable future.

The organization integrates climate-related trends, along with their corresponding risks and opportunities, into its strategic vision and planning for climate-related matters. Through extensive analysis, Noval Property has identified the significant climate-related risks and opportunities that could have an impact on its business. The risks that are presented in the tables below, play an important role in shaping the company's strategy, financial planning, and operational decision-making on a daily basis. With this comprehensive understanding, Noval Property can proactively address climate challenges, enhance financial performance, and successfully leverage sustainable opportunities.

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Climate-related risks					
Type	Category	Title	Description	Time horizon	Impact and management
Physical	Chronic	Adverse weather events (extreme high/low temperatures due to longer-term shifts in weather patterns)	Longer-term shifts in weather patterns (extreme high/low temperatures) may lead to increased demand for air conditioning or heating by building tenants. The company may have to install additional heating and cooling capacity in existing building to ensure consistent temperature levels which may increase capital investments.	Long-term (10+ years)	The Company monitors properties that lack cooling/heating and where cooling needs may have to be increased in the future and focus on including this in the properties' maintenance and investment plan. When improvement renovations are required, such as measures for energy improvement, Noval Property will simultaneously analyze and where possible implement improvement necessary to prohibit future damages caused by extreme weather.
Physical	Acute	Adverse weather events (flooding due to heavy rainfall, heatwave)	Adverse weather events (such as extreme low/high temperature, flooding due to heavy rainfall, heavy snowfall) may lead to property damage, business disruption, increased insurance costs, and potential loss of asset value.	Long-term (10+ years)	Noval Property analyzes the assets that are at risk of flooding as part of technical inspections. The Company is continuously reviewing property damages (when they occur and the potential likelihood of occurrence) and map its portfolio in areas with higher risks. When improvement renovations are required, such as measures for energy improvement, Noval Property will simultaneously analyze and where possible implement improvement necessary to prohibit future damages caused by extreme weather.
Transition	Policy and Legal	Changes in building standards regarding sustainable buildings	Increased capital investments due to changes in building standards.	Medium/long-term (5-10+ years)	Noval Property continuously monitors building standards requirements as part of maintaining a competitive portfolio and ensuring that the company is complying with all relevant laws and regulations.

Climate-related opportunities			
Type	Description	Time horizon	Impact and management
Products & Services	Increased occupancy rates and income from sustainable assets due to increased marketability from tenants	Short/medium-term (0-10 years)	Developing certified and sustainable buildings with high energy efficiency, renewable energy integration that generate some of the energy onsite, smart building technology, will result in increase in their marketability due to the lower operating costs and their resilience to climate-related impacts. The increased demand for the sustainable buildings will result to increased occupancy rates, lease rates and increased revenue.

This analysis serves as the foundation for assessing the resilience of the organization's strategy, considering various climate-related scenarios, including a 2°C or lower scenario. Noval Property acknowledges the importance of reviewing a wide range of external factors in order to gain further insights into the potential effects of different climate scenarios on the company, while maintaining consistent financial metrics. To evaluate the impact of climate risks on the company's assets and operations, climate risks have been assessed under two distinct climate scenarios across multiple time horizons. Additional information regarding these scenarios is provided in the table below.

	Scenario 1	Scenario 2
	Moderate climate change scenario	High climate change scenario
Scenario	RCP 4.5 / SSP2-4.5	RCP 8.5 / SSP5-8.5
GHG emissions	Intermediate GHG emissions. GHG emissions gradually decline after peaking in 2030-2050, then falling but not reaching net zero by 2100.	Very high GHG emissions. GHG emissions continue to grow up through 2100. CO ₂ emissions triple by 2075 compared with 2020.
Policy reaction	Transition risks are relatively high. <ul style="list-style-type: none"> Governments will meet their current commitments to reduce climate impact. Economic development goals are achieved despite a slowdown in the growth of resource consumption and energy consumption. Climate policy is likely to boost the demand considerably for metals by 22%. 	<ul style="list-style-type: none"> Transition risks are relatively low. Only currently implemented policies are preserved, leading to high physical risks. The global development patterns remain unchanged. Some countries introduce decarbonization measures, but this is not sufficient to reduce the resource and energy intensity of the global economy. Climate policy regulations are weak and insufficient to combat climate change and its adverse impacts.
Energy & Resources	Moderately intensive use of resources and energy. <ul style="list-style-type: none"> Global oil consumption would peak by 2030-2035, gas consumption would continue growing through 2022-2050 and coal consumption would continue to decline without recovery. The price of electricity will be in the middle range due to the use of various sources of energy production. The resource intensity and energy intensity of the global economy declines as a result of decarbonization measures taken by developed countries and subsequent similar actions introduced by developing countries with a delay of several decades. All metals face strong growth in annual demand, regardless of the scenario, mostly as a result of population and GDP growth. 	Intensive use of resources and energy. <ul style="list-style-type: none"> Usage of fossil energy sources will increase. Electricity prices will be lower compared to other scenarios. Economic development is achieved through intensive growth, which entails increased consumption of materials and energy and exploitation of natural resources. All metals face a strong growth in annual demand, regardless of the scenario, mostly as a result of population and GDP growth.
Sea level rise	A significant decrease in anthropogenic GHG emissions leads to moderate physical impacts of climate change. Average global sea-level rise will reach 0.44-0.76 m by 2100.	The increase in GHG concentrations leads to significant physical impacts of climate change. Average global sea-level rise will reach 0.63-1.01 m by 2100.
Relevant forecasts and scenarios used	<ul style="list-style-type: none"> <u>IPCC AR5 Representative Concentration Pathway (RCP) 4.5</u> <u>Shared Socioeconomic Pathway 2 (SSP 2)</u> <u>NGFS Nationally Determined Contributions (NDCs)</u> 	<ul style="list-style-type: none"> <u>IPCC AR5 Representative Concentration Pathway (RCP) 8.5</u> <u>Shared Socioeconomic Pathway 5 (SSP 5)</u> <u>NGFS Current Policies</u>

In the tables below, the evaluation of risks and their potential impact on financial performance, based on the climate scenario analysis performed for the transition and the physical risks, is presented.

Climate impact legend

High ● | Medium ● | Low ●

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Type	Category	Title	RCP 4.5 / SSP2-4.5		RCP 8.5 / SSP5-8.5	
			2030	2050	2030	2050
Physical	Chronic	Adverse weather events (extreme high/low temperatures due to longer-term shifts in weather patterns)	●	●	●	●
Physical	Acute	Adverse weather events (flooding due to heavy rainfall, heatwave)	●	●	●	●
Transition	Policy and Legal	Changes in building standards regarding sustainable buildings	●	●	●	●

In this analysis, the results of the multiple climate scenarios are presented for assessing the climate-related risks identified for each segment. The potential impacts have been classified through 3 climate impact areas, namely high, medium, and low, in an effort to shed light on the potential consequences of climate change. It is important to note that these scenarios are based on current understanding and projections, and while they provide valuable insights, uncertainties in predicting the exact impacts still exist. Based on the results of the scenario analysis, under both scenarios and for all timeframes, the financial impacts identified, are considered to be low.

Risk Management

The company's commitment lies in implementing robust risk management processes that facilitate the identification, assessment, and mitigation of climate-related risks and opportunities across business operations. To achieve this, Noval Property follows a comprehensive framework that incorporates the recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD) and adheres to industry-leading practices. Under this framework, centralized risk management processes have been implemented within the company. This approach enables seamless coordination of risk management efforts, facilitates the sharing of best practices, and ensures consistency in risk management practices across our operations.

Metrics & Targets

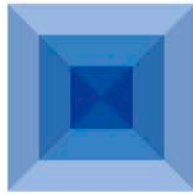
Noval Property understands the utmost significance of measuring and disclosing various environmental Key Performance Indicators (KPIs) to proactively manage climate-related risks and opportunities. In addition to closely monitoring our greenhouse gas (GHG) emissions, we actively track metrics related to energy consumption. The company remains committed to regularly assessing and reporting our advancements in achieving these targets. By doing so, we aim to continuously enhance our environmental performance, aligning it with industry best practices and meeting the expectations of our stakeholders. Through transparent reporting, we emphasize the company's dedication to sustainable practices and a proactive approach to effectively managing climate-related challenges.

Noval Property's portfolio (excluding headquarters)

Impact area	Unit	Indicator	2021	2022
Energy	MWh	Electricity for landlord shared services	6,013	6,181
Energy	MWh	Electricity (sub)metered exclusively to tenants	16,775	12,268
Energy	MWh	Total electricity consumption	22,788	18,449
Energy	MWh	Proportion of total electricity consumption from renewable sources	0%	0
Energy	MWh	Natural gas for landlord shared services	0.00	218
Energy	MWh	Natural gas (sub)metered exclusively to tenants	1,251	1,812
Energy	MWh	Total fuel consumption	1,251	2,030
Energy	MWh	Proportion of total fuels consumption from renewable sources	0%	0%
Energy	kWh/m ² /year	Energy intensity	71	66
Energy	No. of applicable properties	Energy and associated GHG disclosure coverage	21 out of 25	20 out of 25
Energy	%	Proportion of energy and associated GHG estimated	0%	0%
Carbon emissions	tCO ₂ e	Direct (Scope 1) GHG emissions	0	40
Carbon emissions	tCO ₂ e	Indirect (Scope 2) GHG emissions	2,645	3,279
Carbon emissions	tCO ₂ e	Indirect (Scope 3) GHG emissions	8,452	6,848
Carbon emissions	kgCO ₂ e/m ² /year	Scope 1 and 2 GHG emissions - intensity	12	17

Noval Property's headquarters

Impact area	Unit	Indicator	2021	2022
Energy	MWh	Total consumed electricity	234	227
Energy	MWh	Proportion of landlord obtained electricity from renewable sources	0%	0%
Energy	MWh	Total consumed natural gas	0.00	0
Energy	MWh	Proportion of landlord obtained fuels from renewable sources	0%	0%
Energy	kWh/m ² /year	Landlord-obtained energy	140	137
Energy	No. of applicable properties	Energy and associated GHG disclosure coverage	1	1
Energy	%	Proportion of energy and associated GHG estimated	0%	0%
Carbon emissions	tCO ₂ e	Direct (Scope 1) GHG emissions	0	0
Carbon emissions	tCO ₂ e	Indirect (Scope 2) GHG emissions	115	121
Carbon emissions	kgCO ₂ e/m ² /year	Scope 1 and 2 GHG emissions - intensity	69	73



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