RISK MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

RISK MANAGEMENT AT CA IMMO

Successful management of existing and emerging risks is crucial to the sustainable economic success of CA Immo and the achievement of strategic goals. In order to exploit existing market opportunities and harness the potential for success they offer, risks must also be borne to an appropriate extent. Risk management and the internal control system (ICS) therefore form an integral part of the Group's corporate governance, which is understood as a principle of responsible corporate management.

CA Immo's risk management system is based on the following elements:

– Risk culture: CA Immo's reputation is central to our identity and our business success. Compliance with established principles of corporate governance and our value management (Code of Ethics, Code of Conduct) is therefore a matter of course. For CA Immo, risk culture means creating risk awareness and consciously addressing risks in day-to-day business – both for management and for each individual employee.

– Risk strategy: The risk strategy describes the handling of risks resulting from the corporate strategy and business model of CA Immo. It sets out the framework for the type, extent and appropriateness of risks and thus reflects the company's own definition of a 'sensible' approach to risk.

Strategic alignment and risk tolerance

The Management Board, with the involvement of the Supervisory Board, determines the strategic orientation of the CA Immo Group and the nature and extent of the risks that the Group is prepared to assume in order to achieve its strategic goals. The Management Board is supported by the Risk Management Department in assessing the risk landscape and developing potential strategies to increase long-term stakeholder value. In addition, an internal risk committee has been set up with representatives from all divisions and the Chief Financial Officer, which meets quarterly or, if necessary, in special meetings. The aim of this committee is to additionally establish a regular, cross-functional valuation of the Group's risk situation, including the initiation of any necessary measures. This is intended to ensure that the company's orientation is optimized against the background of available alternatives.

Identification of risks and valuation

At CA Immo, the opportunity/risk situation is assessed on a quarterly basis by the risk committee and every six months as part of reports prepared on the basis of the risk committee's findings, among other things. Risk evaluation takes place both at individual property and project level and at (sub)portfolio level. Early warning indicators such as rental forecasts, vacancy analyses, continuous monitoring of lease terms and termination options as well as continuous monitoring of construction costs for project realizations are included. Scenarios relating to the value development of the real estate portfolio, exit strategies and liquidity planning supplement risk reporting and increase planning certainty. CA Immo takes account of the precautionary principle in that multi-year planning and investment decisions cover the entire time horizon of capital expenditure.

In addition, CA Immo now carries out an annual inventory and evaluation of individual risks according to content, impact and probability of occurrence. An annual update is also carried out with regard to the estimated impact on the result, assets and liquidity of CA Immo ('extent of damage') and the probability of occurrence within a year. Measures and controls already implemented are taken into account in order to determine the net risk. This data serves the Management Board as a basis for determining the level and type of risk it deems acceptable in the pursuit of strategic goals. Once the Executive Board has approved the strategy, it is incorporated into the Group's three-year plan and helps to communicate the Group's risk appetite and expectations both internally and externally.

CA Immo's risk policy is specified by a series of guidelines. Compliance with these guidelines is continuously monitored and documented by means of control and management processes. Risk management is implemented on a binding basis at all levels of the company. The Management Board is involved in all risk-related decisions, takes risk-related aspects into account in its decisions and bears overall responsibility. Decisions are made at all levels in accordance with the principle of dual control. As an independent department, Internal Audit audits the operational and business processes; external experts are consulted if necessary. It is not bound by instructions when reporting and evaluating the audit results.

Evaluation of the functionality of risk management
The effectiveness of risk management is assessed annually by the Group auditor in accordance with the requirements of C-Rule 83 of the Austrian Code of Corporate Governance. The results are reported to the Management Board and the Audit Committee.

KEY FEATURES OF THE INTERNAL CONTROL SYSTEM (ICS)

CA Immo's internal control system encompasses all principles, procedures and measures designed to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal provisions and corporate guidelines. Taking management processes into account, the ICS is integrated into the individual business processes. The aim is to prevent or detect errors in accounting and financial reporting and thus ensure that they are corrected at an early stage. Transparent documentation enables the processes for accounting, financial reporting and auditing activities to be presented. All operational areas are integrated into the accounting process. Responsibility for implementing and monitoring the ICS lies with the relevant local management. The managing directors of the subsidiaries are required to evaluate and document compliance with the controls through self-audits. The effectiveness of the ICS is reviewed on a random basis by Group Internal Audit and the efficiency of the business processes is continuously evaluated. The results of the audit are reported to the respective management, the CA Immo Management Board as a whole and the audit committee at least once a year.

INVESTMENT PROPERTY RISKS

Risks arising from the market environment and portfolio composition (portfolio risk)
The economic success of CA Immo depends in part on the development of the real estate markets relevant to the Group. Key factors influencing economic development include the global economic situation as a whole, rental price trends, the rate of inflation, the level of national debt and interest rates. In the office real estate segment, factors such as economic growth, industrial activity, the unemployment rate, consumer confidence and other elements relevant to economic development also play a key role. All of these factors are outside the company's sphere of influence. They could have a negative impact on the entire European economy and thus also on economically strong nations such as Germany and Austria or have a negative impact on the financial and real estate sector as a whole. Any negative change in the economic situation could result in a decline in demand for properties, which in turn could affect the occupancy rate, property values or the liquidity of properties. Economic instability and limited access to debt and equity financing can lead to possible defaults by business partners and a general slowdown in market activity. If the real estate investment market lacks liquidity, there is a risk that it may not be possible to sell individual properties or only at unattractive conditions.

In addition to the development of general economic conditions and, in particular, rental prices, the value of properties is also dependent on initial yields in the real estate industry. The commercial real estate markets continue to be affected by a global economic downturn, which was originally triggered by the Covid-19 pandemic and has been prolonged, expanded and intensified by the Russian invasion of Ukraine, the trade dispute between China and the United States and, most recently, the conflict in the Middle East. The entire Group could be significantly impacted by these macroeconomic developments. Any such negative change in these or similar factors relating to the economic situation may lead to a decline in demand for both the Group's properties for sale and those let, thereby adversely affecting the Group's letting levels or the liquidity of the Group's properties. Due to the current uncertain macroeconomic situation in Europe, it is possible that the real estate market in the countries in which the Group operates will continue to develop unfavorably for the Group. This could result in rental income falling or being lower than expected or the occupancy rate of the Group's properties being lower than expected. The 2023 financial year was characterized by a further increase in the general interest rate level, which led to a further increase in property yields and a decline in **property values**. Depending on further market and interest rate developments, rising capital costs may also necessitate additional value adjustments at CA Immo level.

In view of the risks outlined above, CA Immo regularly reviews its own **property valuations.** Following an almost complete external valuation of the Group's portfolio in the fourth quarter of 2023, the values for the property assets as at the reporting date of December 31, 2023 were adjusted on the basis of binding purchase agreements and external valuations. Taking into account the current exceptional market conditions and the current low level of transactions, a higher degree of caution than usual must continue to be applied to property valuations. Further information on the changes in fair values can be found in the "Property valuation" section.

CA Immo counters market risk through broad diversification across various countries. CA Immo counters **country risk** by concentrating on strategic core markets with local branches and its own employees on the ground, and by adjusting regional allocation within the core markets. The focus here is on cities that exhibit long-term structural trends such as increasing urbanization, positive demographic change and structural supply shortages, as well as high investment liquidity. Market knowledge, ongoing evaluation of the strategy, continuous monitoring of the portfolio and targeted portfolio management as part of strategic decisions (e.g. definition of exit strategies, medium-term planning for sales) enable a timely response to economic and political events.

CA Immo prevents any **transfer risk** through the targeted repatriation of liquid funds from investment markets with weaker credit ratings. Active portfolio management is designed to prevent **concentration risks** and maintain a balanced portfolio structure. CA Immo currently operates in Germany, Austria and selected CEE markets. With a share of around 66% of the total portfolio, Germany is currently CA Immo's largest single market. CA Immo is part of the EPRA Developed Europe Index, which supports capital market positioning and the overall rating. The aim is to achieve an aggregate EBITDA contribution of more than 50% from Germany, Austria and Poland. In terms of asset classes, CA Immo concentrates on modern, high-quality office properties with a focus on prime inner-city locations. The development business area primarily develops high-quality office properties for its own portfolio. It also develops land and, to a lesser extent, construction projects with other types of use such as residential, which are generally sold following successful development or completion.

Individual investments should not permanently exceed 5% of total property assets. Exceptions are possible subject to approval (e.g. the ONE building in Frankfurt). As at the balance sheet date, only the existing Skygarden building in Munich and ONE in Frankfurt fall into this category. Overall, the portfolio shows a high degree of diversification: The Group's top 10 investment properties represent around 41% of the entire portfolio. The concentration risk in relation to **individual tenants** is also manageable: as at December 31, 2023, 27,6% of rental income was generated by ten top tenants. With a share of around 6% of total rental income, KPMG followed by PricewaterhouseCoopers with 3,4% were the largest single tenants in the portfolio. In general, no more than 5% of total annual rental income should be attributable to single tenants over a longer period of time, although tenants with excellent credit ratings (AAA/AA) may be an exception. The following applies to **single-tenant buildings**: such scenarios should be avoided unless the tenant's credit rating is classified as excellent (AAA/AA). Single-tenant scenarios are defined as cases in which more than 75% of the annual rental income (individual property level) is attributable to a single tenant. In principle, rental income from single-tenant properties may not exceed 20% of total annual rental income. In addition, the average lease term for single-tenant properties should be more than ten years.

Other risk concentrations resulting from factors such as the portfolio of several properties with a fair value of more than €100m in the same city, the sector mix of tenants, the identity of contractual partners, suppliers or lenders, etc., which cannot be effectively measured or limited in quantitative terms, are subject to regular review.

Political and economic developments in countries in which CA Immo operates also have a significant impact on **occupancy rates** and rent defaults. If the Group is unable to extend expiring leases on favorable terms and to find suitable creditworthy tenants or retain them on a long-term basis, this impairs the earning power and fair value of the properties concerned. The creditworthiness of a tenant, especially during an economic downturn, can fall in the short or medium term, which can affect rental income. In critical situations, the Group may decide to reduce rents in order to maintain an acceptable occupancy rate.

All of CA Immo's core markets continued to experience a challenging operating environment due to the current economic conditions and the effects of the Russia/ Ukraine conflict, characterized in particular by a significant slowdown in transaction activity. If there is also a significant slowdown in letting activity, longer marketing and vacancy periods for units that have not been let can also be expected in the future. As demand for office space is primarily dependent on macroeconomic developments, it remains to be seen how office space turnover will develop in the 2024 financial year. This is particularly relevant for Germany, where the majority of CA Immo's existing portfolio is located and for which the majority of economists forecast extremely weak GDP growth in 2024. Although the trend towards flexible or hybrid working ("work-from-home") has now become established, it remains unclear how this trend will affect demand for office properties in the medium term. It cannot be ruled out that the trends towards flexible office space rentals and co-working could have an even greater impact on the office market in the future.

CA Immo counters the risk of rent defaults by analyzing the property portfolio, tenant structure and cash flow, among other things, and carries out various analysis scenarios to assess the risks. A case-by-case assessment is always required here. Thanks to targeted monitoring and proactive measures (e.g. requiring security deposits, checking tenants for creditworthiness and reputation), the Group's **rent default risk** has remained at a low level despite the recent negative impact of the pandemic on individual tenants. All outstanding receivables are valued on a quarterly basis and adjusted according to their risk content. A default risk was adequately taken into account in the recognition of the property value. By far the majority of the Group's rental agreements contain value protection clauses, mostly with reference to the country-specific consumer price index. As a result, the amount of income from such rental agreements and from new rentals is heavily dependent on inflation (**value protection risk**).

In the letting market, **competition** for well-known tenants has become even more intense in the 2023 financial year; rents are under pressure in many markets. CA Immo may be forced to accept lower rents in order to remain attractive to tenants. In addition, misjudgements about the attractiveness of a **location** or its potential **use** could make letting more difficult or severely impair the desired rental conditions.

To a lesser extent, the Group's portfolio also includes **other asset classes** such as shopping centers and hotels, the operation of which is associated with its own risks. Poor management of the building or its tenants, falling visitor numbers and the increasingly competitive situation can lead to falling rents or the loss of important tenants and thus to rent losses and problems with new lettings. Although CA Immo does not operate any hotels itself, its earnings position is influenced by the quality of external hotel management and developments on the hotel markets.

RISKS ASSOCIATED WITH DEVELOPMENTS

Real estate development projects typically only incur costs in the initial phase. Income is only generated in later project phases. Development projects can often involve **cost overruns** and **delays** in completion, frequently caused by factors outside the control of CA Immo. This can impair the commercial success of individual projects and lead to **contractual penalties** or **claims for damages.** If no suitable tenants can be found, this can lead to vacancies after completion.

The Group's development projects are generally associated with numerous risks, some of which are exacerbated by the current inflationary environment. Developments may take longer than expected due to delays caused by various factors. These include a shortage of labor and suitable contractors and other general problems related to construction work, supply chain constraints or saturation of the construction industry, particularly in Germany, one of the Group's core markets, and even weather or environmental conditions. This could affect the (timely) availability of construction services. The construction industry has also recently experienced massive price increases for essentially all relevant construction materials, products and services.

Any such delay in the commencement or completion of construction work may result in local and regional authorities refusing to renew the Group's temporary or expired land use agreements or building permits for the Group's properties, and such authorities or third parties may assert repurchase rights or cancel existing land use agreements or building permits on the grounds that construction work was not completed by a specified date or that other material terms or provisions of land use agreements, building permits or purchase agreements have been breached.

CA Immo has taken a number of measures to manage these risks as far as possible (cost controls, variance analyses, multi-year liquidity planning, etc.). With few exceptions, projects are only launched once a corresponding pre-letting rate has been achieved that can cover future debt service through rental income. An exception is only made in special constellations of the project and/or market situation (e.g. extreme regional shortage of rentable areas with foreseeable rising rents and low letting risk during the project phase). Such exceptions require explicit examination when obtaining project approval.

The recent high level of capacity utilization in the construction industry poses risks for CA Immo in terms of the (timely) availability of construction work, construction prices and quality. This has recently been noticeable not only in Germany – the core market for investment properties under development - but in all of CA Immo's core regions. Despite pricing in project reserves, it cannot be ruled out that a further rise in **construction costs** could pose risks to budget compliance and overall project success. Despite defensive project costing, there is also a risk that current real estate yields will change and reduce the targeted project profit (developer profit). CA Immo is therefore also increasingly relying on appropriate market and cost analyses in the development sector. Particularly in the current market conditions, which have been tested by high inflation, high interest rates, supply bottlenecks and a general increase in market uncertainty and volatility, the addition of a higher uncertainty factor is unavoidable for investment properties under development with rising construction costs, supply and timing problems, fluctuating financing rates, uncertain marketing periods and a lack of current comparative values. Property values could therefore fluctuate much more than would be the case under normal circumstances.

CA Immo creates sustainable value through a comprehensive value chain ranging from letting and management to construction, planning and development of investment properties with strong competencies within the company. This reduces functional (performance) risks and maximizes opportunities along this value chain (developer profit). However, **land reserves** and **projects to create building rights** entail specific risks (e.g. approval risk) due to their high capital commitment without ongoing inflows, but at the same time offer considerable potential for value appreciation by obtaining or improving building rights. The risks are regularly reduced through the sale of non-strategic land reserves. On the remaining areas, land development is being driven forward rapidly using the company's own capacities. Overall, CA Immo strives for a balanced portfolio; on the basis of book values, this means around 85-90% high-yield investment properties and around 10-15% developments under construction, including land reserves. By far the largest project currently under construction, upbeat (scheduled for completion in Q1 2026) in Berlin, is 100% pre-let and is continuously evaluated in terms of cost risk. In recent quarters, a large number of projects have been successfully completed – in particular ONE in Frankfurt and, most recently, Hochhaus am Europaplatz at the end of Q3 2023 – which means that this risk can be regarded as significantly reduced due to the much smaller development pipeline and that CA Immo has improved its overall risk profile in this respect.

CA Immo also realizes investment properties under development in **joint ventures** and is partly dependent on partners and their ability to pay and perform (**partner risk**). The Group is also exposed to the **credit risk of** its counterparties. Depending on the respective agreement, CA Immo may also be jointly and severally liable with its co-investors for costs, taxes or other third-party claims and may have to bear their credit risk or their share of costs, taxes or other liabilities in the event of default by its co-investors.

FINANCIAL RISKS

Risk of interest rate changes

Interest rates are highly dependent on external factors that are beyond CA Immo's control, such as fundamental monetary and fiscal policy, national and international economic and political developments, inflation factors, budget deficits, trade surpluses or deficits and regulatory requirements. The cost of servicing interest rates increases when the respective reference interest rate rises. Driven by several increases in the ECB's key interest rate to combat the sharp rise in inflation in the eurozone, there was an unexpectedly rapid rise in the 3-month Euribor from around -0.60% at the end of December 2021 to around 4% at the end of 2023. This economic climate had a negative impact on the real estate market and subsequently on the valuation of properties and deinvestment projects. Despite refraining from further increases between October 2023 and the end of the 2023 reporting year, further interest rate hikes by the ECB to combat high inflation cannot be ruled out, although most forecasts assume the first interest rate cuts to take place in 2024. The increased interest rate level has made it considerably more difficult to raise equity and debt capital on the capital market in the 2023 financial year, particularly in comparison to the financial years prior to 2022, meaning that growth aspects were or still are only partially feasible.

Market-related fluctuations in interest rates affect both the level of the financing rate and the fair value of interest rate hedges entered into. CA Immo relies on the use of domestic and foreign banks and the issue of corporate bonds for financing and ensures that the interest rate hedging ratio is as high as possible. Derivative financial instruments (interest rate caps, interest rate swaps and interest rate floors) are increasingly being used to hedge against the threat of **interest rate changes** and the associated fluctuations in financing costs. However, such hedging transactions could turn out to be inefficient or unsuitable for achieving targets or lead to losses affecting the income statement. Furthermore, the **valuation of derivatives** could have a negative impact on earnings or shareholders'equity. The extent to which the Group makes use of derivative instruments depends on the assumptions and market expectations with regard to future interest rate levels, in particular the 3-month Euribor. If these assumptions prove to be incorrect, this can lead to a considerable increase in interest expenses.

Permanent monitoring of the **risk of interest rate changes** is therefore essential. There are currently no risks that pose a significant and sustained threat to CA Immo. CA Immo's financing strategy is based on a balanced mix of secured bank financing and unsecured capital market financing. At present, around 91% of the total financing volume is accounted for by fixed-interest financing (including in the form of corporate bonds) or financing secured by derivatives.

Capital market, liquidity, investment and refinancing risk

(Re)financing on the financial and capital markets is one of the most important measures for real estate companies. CA Immo requires debt in particular to refinance existing financial liabilities and to finance investment properties under development and acquisitions. As a result, it is dependent on the willingness of banks and the capital market to provide additional capital or to extend existing financing on reasonable terms. The market conditions for real estate financing are constantly changing. The attractiveness of financing options depends on a number of factors, not all of which can be influenced by the Group (market interest rates, collateral required, etc.). This can significantly affect the Group's ability to increase the percentage of completion of its development portfolio, to invest in suitable acquisition projects or to meet its obligations under financing agreements.

From today's perspective, the CA Immo Group has sufficient liquidity. Nevertheless, restrictions must be taken into account at the level of individual subsidiaries, as access to cash and cash equivalents is restricted due to commitments on current projects or there is a need for liquidity in some cases to stabilize loans. There is also the risk that planned sales activities cannot be realized or can only be realized with a delay or below price expectations. Other risks include unforeseen **additional funding obligations** for project financing and breaches of covenants in the area of property financing or corporate bonds issued by CA Immo. If these covenants are breached or in the event of default, the respective contractual partners would be entitled to call in financing and demand immediate repayment. This could force the Group to sell properties or take out refinancing on unfavorable terms.

CA Immo has fluctuating holdings of liquid funds, which it invests in line with operational and strategic requirements and objectives. In order to maintain or improve the long-term issuer **investment grade rating** from Moody's (currently Baa3 with a negative outlook), the company must also have an adequate equity base, solid interest cover and a sufficiently large pool of unencumbered properties.

CA Immo counters any risk with the continuous monitoring of covenant agreements and extensive liquidity planning and hedging. The financial impact of strategic objectives is also taken into account. To manage liquidity peaks, the Group also has a revolving credit facility (RCF) with a volume of €300m at the level of the parent company. This ensures that unforeseen liquidity requirements can also be met throughout the Group. This RCF is currently undrawn. In line with the investment horizon for properties, loans are generally concluded on a long-term basis. The basic rule is that appropriate financing (e.g. loan, bond) must be guaranteed before binding contracts are concluded in connection with property purchases. In the past, capital partnerships (joint ventures) were also entered into at project level as an alternative and supplement to the previous sources of (equity) capital procurement.

Despite careful planning, a liquidity risk cannot be ruled out due to the inability to draw down funds, particularly from joint venture partners. In addition, CA Immo Germany has a high capital commitment, which is typical for investment properties under development. The financing of all projects already under construction is secured. Additional financing is required for new projects to be launched.

Tax risks

All companies are generally subject to income tax in the respective country with regard to both current income and capital gains. Significant discretionary decisions must be made in connection with the amount of tax provisions to be recognized. The extent to which deferred tax assets are to be recognized must also be determined.

Income from the sale of investments may be fully or partially exempt from income tax if certain conditions are met. Even if the intention is to meet the conditions, deferred tax liabilities are still recognized in full for the property assets in accordance with IAS 12.

Significant assumptions must also be made as to the extent to which deductible temporary differences and loss carryforwards can be offset against taxable profits in the future and thus deferred tax assets can be recognized. Uncertainties exist regarding the amount and timing of future income and the interpretation of complex tax regulations. In the case of uncertainties regarding the income tax treatment of transactions, an assessment is required as to whether the competent tax authority is likely to accept the interpretation of the tax treatment of the transaction or not. On the basis of this assessment, the CA Immo Group recognizes the tax obligations in the event of uncertainty at the amount classified as most probable. However, uncertainties and complexities may result in future tax payments being significantly higher or lower than the obligations currently assessed as probable and recognized in the balance sheet.

The CA Immo Group holds a significant portion of its real estate portfolio in Germany, where numerous complex tax regulations must be observed. These include in particular (i) regulations on the transfer of hidden reserves to other assets, (ii) statutory provisions on real estate transfer tax and the possible incurrence of real estate transfer tax in the case of direct and indirect changes of shareholders in German partnerships and corporations, (iii) the tax recognition of outsourcing of operating facilities, (iv) the allocation of trade income to several business premises or (v) the deduction of input tax on construction costs for development projects. The CA Immo Group takes every step to comply with all tax regulations. Nevertheless, there are circumstances - including those outside the sphere of influence of the CA Immo Group - such as changes in the structure of equity investments, changes in legislation or changes in interpretation by the tax authorities and courts, which may result in the aforementioned tax issues having to be treated differently than before and may therefore have an impact on the recognition of taxes in the consolidated financial statements.

Furthermore, there are uncertainties regarding the possible retroactive application of retrospective tax changes in connection with past restructurings in Central and Eastern Europe. However, CA Immo considers the probability of an actual burden to be low.

With regard to the tax deductibility of service charges within the Group, CA Immo always endeavors to charge an arm's length price for internal services and to document this adequately in order to meet all legal requirements (transfer pricing documentation). However, there is also the possibility that the tax authorities may take a different view and come to their own conclusions that could lead to tax consequences with regard to the deductibility of internal service charges made in the past and thus trigger subsequent tax payments.

Currency risks

A possible reintroduction of national currencies by individual members of the eurozone would have serious consequences for the European economies and the already volatile financial markets. Ultimately, the exit of individual countries from the European Monetary Union could lead to a complete collapse of the monetary system.

CA Immo operates on a number of markets outside the eurozone and is therefore exposed to various currency risks. To the extent that rental payments on these markets are made in currencies other than the euro and are not fully adjusted to current exchange rates, changes in exchange rates may result in a **reduction in incoming payments.** If expenses and capital expenditure are not made in euros, exchange rate fluctuations can affect the **solvency** of Group companies and have a negative impact on the Group's results and earnings.

CA Immo counters any risk by generally hedging foreign currency inflows by pegging tenants to the euro, so there is currently no significant direct risk.

There is an indirect currency risk due to the fact that rents are linked to the **tenants'** economic **creditworthiness,** which could lead to payment bottlenecks or even rent defaults. However, incoming payments are predominantly made in local currency, which is why the available free liquidity (incoming rent less operating costs) is converted into euros immediately after receipt. This process is continuously monitored by the responsible country manager. There is no currency risk on the liabilities side. Currency risks from construction projects are hedged as required and on a case-by-case basis. This is based on the contract and rental agreement currency, the expected exchange rate development and the calculation rate.

Transaction risk and risks from sales transactions
After many years of high demand and record transaction volumes on the European real estate market as well as on CA Immo's core markets, particularly in Germany, the **transaction markets** already slumped in 2022 due to the significant change in the general conditions for real estate investments. Transaction activity on the real estate market was also extremely low in 2023. The risk of transactions being paused or even canceled due to problems with pricing, availability and financing costs remains high.

Sales may give rise to risks from contractual agreements and assurances that are based on a **guarantee** of certain rental cash flows that could subsequently reduce the agreed or received purchase prices. Sufficient provisions have been made in the balance sheet for known income risks from sales and any liquidity risk has been taken into account in liquidity planning. Contractual obligations in the form of subsequent costs (e.g. residual construction work) are recognized in corresponding project cost estimates.

OTHER RISKS

Operational and organizational risks
Weaknesses in the CA Immo Group's **structural and procedural organization** may lead to unexpected losses or result in additional expenditure. This risk may be based on inadequacies in **IT** and other **information systems**, human error and inadequate internal control procedures. Faulty program sequences and automated IT and information systems that do not take account of the business volume in terms of type and scope or are vulnerable to cybercrime (**IT and cyber risks**) pose a high operational risk. Human risk factors include a lack of understanding of the corporate strategy, a lack of internal risk controls (particularly business process controls), excessive decision-making authority at an individual level, which can lead to ill-considered actions, or too many decision-making bodies, which prevent a flexible response to market changes. Some property management and other administrative tasks are outsourced to external third parties. It is possible that know-how about the real estate under management and administrative processes is lost in the course of transferring administrative tasks, or that CA Immo is unable to identify and contractually bind suitable service providers within the required time frame.

The **expertise** of a company and its employees represents a significant competitive factor and is a unique selling point compared to the competition. The departure of employees in key functions therefore poses an acute risk of loss of expertise, which can usually only be compensated for with a high investment of company resources (money, time, recruitment of new staff) (**HR risk**).

CA Immo counters these risk factors with various measures: In the case of company mergers, attention is paid to structured processes for organizational integration. Process organization (system/process integration) is clearly anchored; continuous activities are undertaken to ensure the sustainability of operational processes. The Group structure is regularly scrutinized and checked to ensure that the prescribed structures take account of the size of the company. CA Immo prevents personnel know-how risks that may arise from the termination of central knowledge carriers through regular know-how transfer (training) and documentation of know-how (manuals, etc.) as well as forward-looking personnel planning.

Legal risks
The Group companies are involved in **legal disputes** on both the plaintiff and defendant side in the course of their ordinary business activities. These are conducted in different jurisdictions. The applicable law in each case, the varying degrees of efficiency of the competent courts and the complexity of the matters in dispute may in some cases result in considerable length of proceedings or other delays. CA Immo assumes that it has made adequate provisions for legal disputes. There are currently no pending or imminent court or arbitration proceedings that entail existential risks.

In spring 2020, CA Immo filed two claims for damages against the Republic of Austria and the State of Carinthia for a preliminary amount of €1.9 billion due to unlawful and culpably biased influencing of the best bidder procedure in the context of the privatization of the federal housing companies in 2004 ("**BUWOG**") and the unlawful non-award to CA Immo. In November 2023, one of these civil proceedings for the amount of €1m was dismissed by the competent civil court due to the statute of limitations; CA Immo's appeal against this judgment is pending. The second civil proceeding is suspended pending a final judgment in the first proceeding. The first-instance criminal judgments of the "BUWOG criminal proceedings" of January 2022 against the defendants former Federal Minister of Finance Grasser et al., which are relevant to these civil proceedings and - due to the pending appeal proceedings - not legally binding, essentially confirmed from CA Immo's point of view that unlawful and biased actions to the detriment of CA Immo were taken in connection with the BUWOG privatization proceedings. An assessment of the impact of the criminal proceedings on the pending civil damages proceedings will only be possible once all appeal proceedings have been concluded with a legally binding criminal judgment.

Changes in **legal norms**, case law or administrative practice and their impact on economic results and operations are unpredictable and may have a negative effect on the value of properties or the cost structure of the CA Immo Group in particular. CA Immo takes numerous proactive measures to counter such legal risks. These include the regular valuation of historical and existing legal risks, the ongoing monitoring of legislative changes and changes in case law, the implementation of lessons learned in our business processes and continuous information and training measures.

ESG RISKS

Current developments on the capital market (e.g. EU Green Deal) and new legal requirements are creating pressure for companies to report more strongly than before on ESG risks resulting from their business activities. Environmental, social and governance aspects also play a key role in the real estate sector as a whole. Due to their high energy consumption, buildings are seen as one of the key factors for climate protection, which is why the focus is currently still primarily on environmental issues, but social and governance factors are also becoming increasingly relevant, for example as a result of the expected Corporate Sustainability Due Diligence Directive ("CSDDD").

Environmental risks

The use of energy in buildings for lighting, heating or cooling leads to direct or indirect CO_2 emissions. Building materials contain carbon, which is generated during their extraction, production, transportation and processing. As carbon is present in almost every phase of the construction and operation of buildings, companies should start implementing appropriate programmes to **decarbonize properties** in good time in order to contribute to the ambitious goal of climate neutrality in Europe by 2050.

As a responsible player in the European real estate sector, CA Immo fully supports the **United Nations climate targets** and the associated transition to a low-carbon, sustainable economy. In order to best meet the associated requirements and secure its long-term competitiveness, CA Immo is anchoring corresponding targets, measures, processes and systems in its strategic orientation (e.g. sustainability certifications, ESG ratings, reporting, green financing, etc.).

For CA Immo, improving **energy efficiency** in existing buildings and converting building operations to energy from renewable sources is a key factor in achieving **climate neutrality**. In this way, we are preventing higher energy consumption and the associated increase in operating costs. As the results of carbon efficiency depend to a large extent on decisions made in the planning phase, we pay attention to future environmental impact at a very early stage in our investment properties under development. Where possible, we focus on increasing the proportion of sustainable materials, paying attention to the CO_2 footprint of conventional materials and generating energy from renewable sources on site (solar panels, heat pumps, heating networks, etc.). Our procurement process also ensures that the high ecological requirements are met in accordance with the respective certification standard for the planned building. We require our construction service providers to comply with certification standards at least in accordance with DGNB Gold or LEED Gold (e.g. material declaration, worker protection).

Detailed information on this – in particular on climate risks and opportunities, including risk assessment - can be found in the ESG Report.

Other environmental and climate risks

Environmental and safety regulations include both actual and latent obligations to remediate contaminated real estate. Compliance with these regulations may entail considerable capital expenditure and other costs. These obligations could relate to properties that are currently or were in the past owned, managed or developed by CA Immo. In particular, this relates to **contamination** with previously undiscovered harmful materials or pollutants, war material or other environmental risks such as soil contamination, etc. Some regulations sanction the release of emissions into the air, soil and water, which form the basis of CA Immo's **liability** towards third parties and can have a significant impact on the sale, letting or rental income of the properties concerned. **Natural disasters** and extreme weather events can also cause considerable damage to properties. In principle, insurable risks are insured to the usual extent (e.g. all-risk insurance for development projects). However, if there is insufficient **insurance cover** for such damage, this could have adverse effects. In order to minimize risk, CA Immo also includes these aspects in its due diligence prior to every purchase. The seller is required to provide appropriate guarantees. Where possible, the CA Immo Group uses environmentally friendly materials and energy-saving technologies. CA Immo takes account of the precautionary ecological principle by carrying out investment properties under development and (re-)developments exclusively on the basis of certification.

Social risks

In the social area, our strategic focus is on the following topics in particular: Wellbeing, health and safety, employee empowerment, diversity, community impact and social aspects of a sustainable supply chain and urban neighborhood development. In the case of construction services, CA Immo obliges and monitors its contractors to comply with statutory regulations on occupational health and safety, workplace and working time regulations and collective bargaining agreements, for example. Information on the material social risks for CA Immo employees, tenants and on CA Immo construction sites can be found in the ESG Report.

Governance risks

For CA Immo, exemplary corporate governance represents an opportunity for long-term value enhancement. Conversely, failure to observe governance and compliance standards entails high risks ranging from penalties and fines to loss of reputation. These include not only compliance with legal requirements, governance rules and (internal) guidelines, but also the transparent handling of conflicts of interest, the granting of appropriate remuneration, the promotion of open communication with all stakeholders, respect for human rights and adherence to our ethical principles and corporate values.
CA Immo takes a clear stance against any form of unequal treatment, human rights violations, organized crime (e.g. fraud, extortion, bribery and corruption), money laundering or the financing of terrorism. By contrast, we aim to promote integrity and diversity at all levels.

The **risk of corruption** is taken into account, for example, by the Code of Conduct ("Zero Tolerance") and the associated Guideline on Gifts and Donations. Employees are required to report any suspicions internally. In addition, employees and external third parties have the option of reporting suspected misconduct anonymously via the electronic **whistleblowing system** set up by CA Immo on the company website (www.caimmo.com/en/whistleblower). The Supervisory Board is informed of measures taken to combat corruption at least once a year. Matters relevant to corruption are audited on the basis of the audit plan approved by the audit committee or on the basis of special audit mandates from the Management Board, audit committee or full Supervisory Board. All operating Group companies are regularly audited for corruption risks.

To reduce the **risk of money laundering and prevent the financing of terrorism**, relevant processes are firmly established within the company and are continuously monitored by the Corporate Office & Compliance department. In the 2023 financial year, the company's KYC questionnaires were comprehensively evaluated and adapted in line with the national requirements of various jurisdictions as part of money laundering prevention and the business departments concerned were informed of the latest developments as part of a special training course.

We require our **contractors and suppliers (providers)** to recognize and comply with our core values and the governance, social and environmental standards we have defined as early as the tendering process. CA Immo examines its business partners - and construction companies in particular - not only in terms of their professional qualifications and economic situation, but also with regard to social aspects. As part of a **third-party compliance** review, questionnaires and the use of company and risk databases for undesirable media, sanctions, watch lists, etc. are used to check compliance with governance, social and environmental standards, which are then taken into account in award processes. In the area of governance, we pay particular attention to compliance with laws, our internal guidelines for contractual partners, for example with regard to corporate ethics, ensuring compliance and measures to combat corruption, money laundering and the financing of terrorism. Details on our standards and control mechanisms can be found on our website (www.caimmo.com/values).