

Emerging risks

Castellum regularly evaluates new and evolving risks that could affect the business over time. These emerging risks are marked by uncertainty and the potential for significant impact. The following outlines examples of two risks seen as emerging, along with their implications and how Castellum is responding.

Regulatory uncertainty in the construction industry

The identified risk is considered emerging due to the significant uncertainty surrounding future political and regulatory developments that could materially impact the construction industry. For example, the potential introduction of mandatory carbon performance thresholds, such as limits on CO₂e per square meter, which would require the industry to meet stricter environmental and performance standards.

The anticipated regulations may require significant adjustments in construction techniques, material choices, and project planning. Castellum already imposes rigorous standards on our suppliers, setting a high bar for quality and sustainability. Should stricter regulations be implemented across the construction industry, it would align well with our existing practices and strategy, potentially simplifying compliance and enhancing our competitive advantage. However, if these political and regulatory initiatives are postponed or not implemented, it introduces strategic uncertainty that challenges our ability to plan, adapt, and scale our operations over the long term.

To address these challenges, Castellum has implemented proactive measures. The company closely monitors political and regulatory developments to stay ahead of potential changes. Maintaining an ongoing dialogue with stakeholders is also a key priority, enabling Castellum to better understand evolving expectations and align its strategies accordingly. In support of long term sustainability goals, Castellum continues to invest in low carbon technologies and sustainable building materials, helping to future proof its projects against stricter environmental standards. Additionally, all employees are required to complete mandatory sustainability training, ensuring that environmental considerations are embedded across all levels of the organization.

Increased external demands for sustainable governance

The risk of increased external demands for sustainable governance is considered emerging due to rising expectations from legislators, investors, and other key stakeholders. Regulatory frameworks such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) are driving a shift toward greater transparency, accountability, and responsible business conduct. Recent developments, including the omnibus proposal introducing significant amendments to these frameworks, have added further uncertainty. While the proposal aims to streamline requirements and reduce reporting burdens, it also introduces ambiguity regarding future compliance expectations, the scope of obligations, and implementation timelines. This evolving regulatory landscape increases the complexity of strategic planning and exposes Castellum to emerging reputational, legal, and financial risks if the company does not adapt in a timely and effective manner.

The increasing demands for sustainable governance could result in significant impacts for Castellum. As regulatory frameworks evolve, the complexity of compliance and the associated administrative burden are likely to grow. Failure to meet these emerging requirements could expose the company to legal and financial risks, as well as reputational damage among stakeholders who expect high standards of transparency and accountability. Moreover, the lack of clarity around future regulatory expectations introduces strategic uncertainty, making long term planning and decision making more challenging.

To manage these risks, Castellum has established a robust internal framework. This includes clear policies such as the company's sustainability policy, code of conduct, and supplier code of conduct, which set expectations for ethical and responsible behavior across the value chain. Castellum also continuously monitors regulatory developments, including the CSRD, CSDDD, and the evolving omnibus proposal, to ensure timely adaptation to new requirements