

BUSINESS PARK SOFIA

ENVIRONMENTAL POLICY 2022



**BUSINESS
PARK
SOFIA**

ENVIRONMENTAL POLICY

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POLICY CONTEXT

Arco BPS means Arco BPS Holdings Ltd., BPS and all its subsidiaries and parent companies.

Arco BPS recognizes that environmental considerations should be integrated into our daily working practices and embedded into our company culture. This policy sets the framework for the way that we manage our impact on the environment and environmental impacts on the properties we manage.

We are also committed to support our tenants, suppliers, park users and other stakeholders in their environmental efforts and always seek to learn from each other to improve environmental performance.

We are part of the real estate sector which has an important part to play lowering greenhouse gases, pollution, waste and use of critical natural resources including water in the construction, operation and deconstruction phases of buildings and business park infrastructure.

Arco BPS is committed to protect the environment in which we operate by assessing and investing in the mitigation of material environmental risks including climate change causing greenhouse gas emissions, reducing use of natural resources and take a lifecycle analysis (LCA) approach across our value chain and to manage our estate. All environmental considerations will always be balanced with the need to ensure long-term commercial viability and profitability.

This Environmental Policy (EP) describes the company's environmental principles, management approach, material issues, risks, opportunities and practices progressively addressing environmental impacts. The EP is a steppingstone towards realizing our mission to become an industry leader in building and managing energy efficient and net zero emissions buildings.

The EP applies to all entities pertaining to Arco BPS and everyone within the company including:

- Arco BPS executive officers;
- Employees (full-time and part-time), including all temporary staff and individuals providing services to Arco BPS as contractors ("Arco BPS Staff").

ENVIRONMENTAL STATEMENTS

“Arco BPS fully recognizes the threats posed by existing and predicted climate change impacts on our estate, value chain, suppliers, community partners and wider global society. We are working diligently to better understand and respond to the physical climate risks e.g. safe access to and use of our estate and transition risks e.g. regulation and market driven need for lower carbon and resource intensive buildings. We will comply with all relevant Bulgarian, European, US and International legislation as well as meet our obligations to avoid or minimize any harm caused to the environment.”

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“Arco BPS will endeavor to meet best industry practice in regulated and yet non-regulated environmental areas and upskill our directors and employees to understand and act on material environmental issues. This includes instigating programs and initiatives in all material areas including water use, office and building waste reduction, lowering GHG emissions and minimizing energy use across our estate with short, medium and longer-term targets.”

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“To amplify positive environmental change, Arco BPS chooses not to work in isolation but always take a partnership approach by working with our tenants, communities, investors and business partners to boost our environmental performance, learn from others’ experience and where possible achieve synergies benefitting our shared climate and environment.”

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KEY PRINCIPLES & OUR ENVIRONMENTAL MANAGEMENT APPROACH

Environmental scope

- As developer, owner and operator of Business Park Sofia we are committed to measuring, managing and progressively reducing the environmental impacts where we have direct control of operations and buildings;
- Our goal is to maintain environmental practices, policies and standards that meet or exceed Bulgarian and European legal requirements e.g. The EU Directive on the Energy Performance of Buildings and, where feasible, integrate best industry practices across our operations and services;
- We will investigate environmental impacts outside our direct control, but considered part of the Arco BPS value chain, and work with respective parties to encourage ways to measure, manage and progressively reduce emissions, waste and other issues;
- We will increasingly apply an environmental lifecycle approach (LCA) in the design, construction, operation, optimization and subsequent demolition of our buildings;
- We will consider material environmental criteria in our procurement policy and practices such as building materials, lower energy technology and office supplies. Where appropriate, we will recommend any tested products and services to our tenants and stakeholders to consider for their environmental efforts;
- The BPS ESG Committee (also refer to *Arco BPS ESG Governance Policy* document), responsible for monitoring our environmental performance, practices and targets, will

review this Policy annually and, if required, adjust its criteria to meet any legal, market, stakeholder and/or societal developments.

Measurement and management

- To support our efforts towards a better understanding of material issues and impact measurement we will consider the implementation of relevant management systems such as ISO 14001 EMS;
- To manage the increase in environmental data, ensure consistent collection and quality control we will consider implementation of a credible software solution;
- We will identify material environmental impacts associated our operational activities and buildings under our direct control;
- We will set progressive targets to improve environmental performance and identify cost effective ways to mitigate any potential negative impacts;
- We are committed to maintain a continuous improvement plan to minimize environmental risk.

Stakeholder reporting

- We will ensure that relevant information and resources for setting, monitoring and reviewing our environmental objectives and targets is available to the ESG Committee and designated parties to be updated on an annual basis;
- All relevant ESG information including our annual UN Global Compact “Communication on Progress” report will be publicly available on Arco BPS website (<https://businesspark-sofia.com/>);
- We will ensure all Arco BPS staff are aware and educated on relevant environmental policies and expectations relating to the effective, transparent and sustainable operation and growth of Business Park Sofia;
- We will actively communicate our environmental policy, management approach and significant issues to our key stakeholders: clients, business partners, institutions, employees and local communities. We aim to set an example and encourage all our stakeholders to take full responsibility for their environmental obligations and behaviors;
- We will collect data and report on our environmental performance based on the latest recommendations of EPRA (European Public Real Estate Association): *Best Practices Recommendations on Sustainability Reporting, sBPR, third version September 2017*. The issues captured in the EPRA framework will be expanded, where additional data addressing our environmental approach is available.

OUR MATERIAL ENVIRONMENTAL ISSUES AND ACTIVITIES

The ESG Committee undertook a materiality assessment (please refer to *Arco BPS ESG Strategy Statement* document) in 2021 including identifying short- and longer-term environmental issues likely to have an impact on our business strategy, investments and relationship with key stakeholders.

The materiality analysis identified the topics of **carbon reduction in buildings and operations**, of **renewable energy use/energy mix**, **understanding water risk and management** and **tenant engagement on environmental issues and services** as central to our efforts.

Other issues including waste management and biodiversity were identified as important and are part of the ESG Committee’s 2022 agenda.

The below table outlines identified material issues; risks opportunities pursuing/not pursuing them; 2022 activities and link to the relevant UN Sustainable Development Goals (SDGs).

The company’ 2022 environmental activities, supporting all identified material issues, are marked ** and link to a separate Environmental Activity Plan document.

Issue	Opportunities	Risks	2022 Activities	SDG impact
<p>Carbon reduction from buildings and operations</p> <p>Increase renewable energy use across the estate</p>	<p>Demonstrating 2050 Net Zero carbon commitment in line with EU regulations and EPRA recommendations; Lower operational and lending costs through lower impact technology, more energy efficient buildings, more resilient, diverse energy mix and transparent management processes; Access EU, Bulgarian and other grants to mitigate energy and emissions related capital expenditure; Increased tenant, community and investor reputation</p>	<p>Not meeting increasing legislative requirements e.g. EU Energy Performance of Buildings Directive</p> <p>Not meeting increased tenant and park user expectations emissions profile of buildings;</p> <p>Physical impact of climate change on buildings and operations e.g. heat damage to buildings and infrastructure</p>	<p>Appoint responsible director for the environment and incorporate carbon and climate risks on the ESG Committee agenda in October**</p> <p>Arco BPS staff training on material GHG issues in the real estate sector**</p> <p>Arco BPS staff training on practical approaches to GHG data collection and measurement**</p> <p>Join the Bulgarian Green Building Council to learn from and share emissions performance insights**</p> <p>20% of total electricity used across Arco BPS owned buildings from certified renewable energy**</p> <p>Cover all carbon reduction activities in the 2022 UN Global Compact “Communication on Progress” report**</p> <p>Establish a Life Cycle Analysis (LCA) outline for existing and planned buildings and park infrastructure**</p>	  
<p>Improve water management practices for the Arco BPS estate</p>	<p>Improve company decision making and investment flows through better understanding and quantification of water risks from</p>	<p>Asset depreciation and reputational damage through not mitigating water-based risks</p>	<p>Join the Bulgarian Green Building Council to learn from industry peers’ water performance insights**</p> <p>Discussion of the Arco BPS water risk profile</p>	

Issue	Opportunities	Risks	2022 Activities	SDG impact
	climate change and use patterns Understand impacts across our value chain including tenants and park users;	Increased operational costs by not incorporating water saving technology in buildings and encourage water-positive behaviour	and possible programme development needs on ESG Committee agenda in November** Cover all water related activities in the 2022 UN Global Compact “Communication on Progress” report**	
Positive tenant engagement on environmental issues and services	Responding to increasing environmental service and advisory requests by tenants including technological solutions, lower carbon transport options and waste and water reduction campaigns.	Lack of service diversification and advisory to improve tenant’s environmental performance could impact future revenues.	Tenant survey on eco-efficiency programs and specific sustainability services to meet their specific needs** Establish tenant interest for an environmental group exploring joint approaches to sourcing renewable energy, energy efficiency of buildings and building a lower carbon Arco BPS infrastructure including EV charging points and energy storage units**	 

EPRA ENVIRONMENTAL DATA WE USE IN OUR REPORTING

Total electricity consumption	• Annual kWh
Total district heating & cooling consumption	• Annual kWh
Total indirect greenhouse gas (GHG) emissions (scope 2 upstream only)	• Annual metric tons CO _{2e}
Building energy intensity	• kWh/m ² BPS building space
Total water consumption	• Annual cubic meters m ³
Building water intensity	• m ³ per m ² Arco BPS building space
Total weight of waste by disposal route	• Annual metric tons and proportion by disposal route
Type and number of sustainably certified assets	• Total number by certification / rating / labelling scheme

All environmental disclosures, apart from *Type and number of sustainably certified assets (2021)*, are based on 2019 as the baseline year for Arco BPS' future target setting. The Company is discarding the materially challenged data due to the COVID pandemic from 2020-21.

POLICY OWNERSHIP

Arco BPS

