

BUSINESS APRK SOFIA

ESG GOVERNANCE POLICY 2022



**BUSINESS
PARK
SOFIA**

ESG GOVERNANCE

TABLE OF CONTENTS

POLICY CONTEXT	3
GOVERNANCE STATEMENT	4
KEY PRINCIPLES & OUR GOVERNANCE APPROACH	5
ESG COMMITTEE	7
ENGAGEMENT AND COLLABORATION WITH STAKEHOLDERS.....	9
OUR MATERIAL ISSUES AND ACTIVITY	10
EPRA GOVERNANCE DATA WE USE IN OUR REPORTING	10
ADDITIONAL CORPORATE GOVERNANCE DATA	12
POLICY OWNERSHIP.....	12

POLICY CONTEXT

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

Arco BPS recognizes that governance and corporate responsibility 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 ESG governance issues on the properties we manage.

Governance can be defined as a framework of rules and practices governing the way Arco BPS is directed, managed and controlled. ESG governance also includes the relationships among the many stakeholders involved and the goals for which the company is governed.

A key area of strategic focus is the optimization of Arco BPS' ESG decision-making. The creation of an ESG Committee to support management risk analysis and decision-making is the cornerstone of our approach.

This Governance Policy (GP) describes the company's governance principles, management approach, material issues, communication with stakeholders' risks, opportunities and practices progressively addressing governance impacts.

The GP 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 BPS as contractors ("Arco BPS Staff").

GOVERNANCE STATEMENT

“Arco BPS undertakes to fully comply with applicable legal regulations, industry standards, and best practices applicable where its business activities are conducted. Arco BPS aims to become an industry leader in supporting the transition towards a more transparent, sustainable business. Our aim is to ensure the same robustness for ESG governance that we apply to managing our financial and corporate risks. To ensure a consistent approach we will integrate the identified of ESG risks into our existing risk management practices.”

<>

Arco BPS basic principles are to follow ethical business behavior and to ensure the transparency and credibility of external and internal communication. We aim to build partnership with relevant stakeholders and business partners to improve our overall ESG performance.”

<>

KEY PRINCIPLES & OUR GOVERNANCE APPROACH

General governance approach

- Arco BPS will promote an ethical corporate culture by adhering to the Arco BPS' core values and principles. Arco BPS is committed to maintaining strong foundations of good governance and high ethical standards;
- We aim to have a positive influence doing business, working with tenants and all third parties to raise the bar on issues such as human rights and ethics, anti-bribery and corruption, responsible consumption, and precautionary measures;
- We aim to improve and adjust the work of the ESG Committee (see page 6) to achieve our goals, regulate and review our strategy and develop relevant KPIs and KRIs. Members of our ESG Committee are carefully selected to ensure different backgrounds, expertise, and varying levels of seniority and work experience are present;
- Arco BPS will increase awareness and skills of Executives and Staff to manage ESG risks and issues in order to contribute corporate resilience and robustness. We will achieve this through internal training and by working with appropriate ESG experts where appropriate;
- Arco BPS will review this governance policy and management approach annually and, if required, adjust its criteria to meet any material legal, market, stakeholder, and/or societal developments;
- We are committed to review the ESG strategy and initiatives guided by an overarching vision and mission to incorporate all material ESG aspects into our strategic planning. We will continue to implement ESG in our day-to-day operations and decision-making at all levels of our business;
- All of Arco BPS' operations and wholly owned buildings are encompassed by the ESG Initiatives. The company uses a management system that consists of policies and guidelines and will develop short-medium and long-term measurable ESG goals and detailed action plans by the end of 2022. The aim of this systematic approach is to document, monitor, evaluate and improve Arco BPS' ESG activities underpinning the ESG strategy;
- Arco BPS' ESG governance approach must ensure we are an efficient organization that develops cost effective and impactful sustainability initiatives which support the realization of Arco BPS' sustainability strategy. Arco BPS is a responsible business park community developer that intends to be part of promoting sustainable development.

Communication and material issues

- Arco BPS supports the SDGs that were identified as our material issues. Arco BPS' contribution aims to develop a more transparent and open business;
- Arco BPS will ensure all staff are aware and educated on relevant governance policies and expectations relating to the effective, transparent and sustainable operation of our business;
- Arco BPS aims to collect data and report on our governance performance based on the latest recommendations of EPRA (European Public Real Estate Association): *Best Practices Recommendations on Sustainability Reporting, sBPR, third version September 2017*;
- Arco BPS aims to enable the measurement and management of ESG factors such as GHG emissions, workforce diversity, and stakeholder relations;
- 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/>).

Risk management and internal control

- Arco BPS will integrate all material ESG risks into its enterprise risk management system;

- With a clear understanding of ESG risks, Arco BPS can better allocate its resources, combat rising operating expenses, boost employee retention, and remain compliant with all relevant regulations;
- Robust data analytics will enable Arco BPS to weigh specific risks and respond appropriately to movements in the environmental, social, and governance domains;
- Sustainability is embedded into Arco BPS' values and purpose statements because it is effective tool to drive behaviors that are aligned to our values.

ESG COMMITTEE

Arco BPS understands the necessity of reviewing and defining business decisions by considering also ESG criteria, timely response and appropriate decision making in line with current industry trends and UN SDGs.

To properly manage ESG issues we set up an ESG Committee which is responsible for analyzing ESG risks, opportunities and take the appropriate actions. Sustainability is overseen by our ESG Committee, chaired by our Chief Executive Officer, and attended by our General Manager, Chief Financial Officer, Chief Legal Counsel and an Independent Director. The ESG Committee is important to scan Arco BPS' legal, industry and societal horizon in order to respond to current and future challenges. Their extensive experience in the real estate field, knowledge, and backgrounds are essential to deliver well-informed responses and provide advanced decisions to material ESG issues.

The Committee structure and reporting lines are as follows:



Committee members meet quarterly to discuss all ESG issues pertaining to Arco BPS. Where required extraordinary Committee meetings will be convened to discuss sudden developments and material decisions such a change in relevant emissions legislation and additional capital expenditure to lower the energy intensity of Arco BPS owned building.

The ESG Committee is responsible for the company's ESG strategy execution, managing risks, setting Arco BPS approach, and updating social and environmental policies and corporate governance policies. General responsibilities of the ESG Committee include:

- Evaluate and review social sustainability programs, environmental management system and procedures, any possible actions to reduce and/or mitigate energy and waste consumptions;
- Review the performance and results of Arco BPS' ESG criteria and global benchmarks;
- Identify key material issues, risks and opportunities to also ensure continuous dialogue with stakeholders;
- Oversee the implementation of identified areas of improvement;
- Consider emerging ESG issues to understand their materiality with regard to long-term value creation for the business and our stakeholders;
- Identify ESG monitoring and controlling systems as well as technical capabilities that may be required in the future.

In May 2022 ESG Committee appointed the responsible director for each line of ESG development:

- **Governance**

To enable greater focus and oversight Arco BPS' ESG Committee appointed Francesco Piovanetti as the responsible director for all governance matters in May 2022. Francesco Piovanetti will be responsible for all governance activities including strategy development, target setting, performance monitoring, risk assessment and mitigation, transparency and public disclosure of ESG matters, Bribery & Corruption Program, Business Ethics Program, Whistleblower Program and Political Involvement Policy.

- **Social governance**

Arco BPS' ESG Committee appointed Borislav Hristov as the responsible director for all social matters in May 2022. Borislav Hristov will be responsible for all social activities including strategy development, target setting, performance monitoring, risk assessment and mitigation, Social Programs.

- **Environmental governance**

To enable greater focus and stronger oversight Arco BPS' ESG Committee appointed Tomasz Radwanski as the responsible director for all environmental matters in its May 2022 meeting. Tomasz Radwanski will be responsible for all environmental activities including strategy development, target setting, performance monitoring, risk assessment and mitigation, tracking of relevant legislation e.g. EU Taxonomy and Energy Performance in Buildings Directive, reporting to the Committee, addressing material issues including climate, water, waste, LCA approach and stakeholder engagement. Where applicable the CSR Committee will seek the advice of environmental specialists to support the company's environmental performance and increasingly embed suitable structures and processes.

ESG Performance Targets remuneration

Arco BPS's Board of Directors, on annual basis, provides incentive discretionary remuneration to all employees involved in all ESG matters. This additional compensation is correlated with the implementation of new regulations, and policies, as well as the execution of them by employees, suppliers, cooperators and other contractors. Based on the annual review, a final decision about bonuses compensation is taken into account.

ESG Committee will discuss updating the Governance policy on ESG remuneration targets for Arco BPS executives for 2023 in the October 2022 ESG Committee meeting.

ENGAGEMENT AND COLLABORATION WITH STAKEHOLDERS

Dialogue with our stakeholders constitutes an integral part of Arco BPS' business activities. It is therefore crucial that we demonstrate integrity, professionalism, objectivity and fair behavior while engaging with our stakeholders.

To set and achieve the targets defined in our ESG Statement, we engage with external stakeholders and partners to ensure we understand their needs. We aim to create more formalized stakeholder engagement guidelines that will help us to engage, collaborate and learn in a more consistent way, which in turn strengthens the robustness of Arco BPS' ESG programs. Our approach to stakeholder engagement is based on our core values:

- Compliance with applicable legal regulation
- Integrity
- Objectivity
- Quality and Sustainability
- Social responsibility

Arco BPS identified different modes to conduct effective stakeholder engagements:

- **Inform.** Open communication is key to a more transparent business. We aim to provide to our stakeholders with information explaining our ESG approaches and achievements.
- **Listen.** Any feedback from our stakeholders will help us to shape and improve the overall operations and ESG approach. We aim to have regular internal and external communication with key stakeholders.
- **Involve.** Identifying material ESG issues with our stakeholders and arrive at activities which enable us to meet commitments and goals.
- **Collaborate.** Working with our communities will help to achieve ESG goals faster and lead to shared ownership towards more sustainable business practices and ways of working.
- **Progress.** Good governance requires providing great clarity about stakeholder engagement roles and responsibilities based on active communication.

Through our dynamic stakeholder communication, we aim to:

- Engage with our stakeholder groups to develop and maintain positive, productive relationships
- Inform all key stakeholders about our business and ESG activities
- Involve our stakeholders in identifying material issues and possible directions to improve existing achievements
- Benchmark our stakeholder engagement performance and continuously identify areas for improvement
- Implement initiatives and programs that contribute to the achievement of our material sustainable development goals

OUR MATERIAL ISSUES AND ACTIVITY

Materiality analysis helps us to identify and prioritize current and future ESG trends, risks and opportunities. The analysis further enables the ESG Committee to focus on potential shifts in the importance of issues due to legislation or industry practices.

Our first step towards the Arco BPS Materiality Matrix (see **ESG Strategy Statement**) started with creating solid ESG awareness and buy-in from Arco BPS Executives. We listed and defined all possible ESG issues and their impact on the SDGs with the CSR Committee before grouping them in order of priority. Finally, we checked our material issues against use and application across many national and international commercial real estate businesses before deciding on the final list. The final set of issues are the reporting foundation of our materiality matrix and constitute our business' ESG pillars, as already described in the **ESG Strategy Statement**.

The company' 2022 governance activities, supporting all identified material issues, are marked ** and linked to a separate Governance Activity Plan document

Issue	Opportunities	Risks	2022 Activities	SDG impact
Integration of ESG issues into Arco BPS' risk management framework	Openness around: Anti-Bribery, corruption, and anti-competitive behavior Safety and security issues Accountability and rule of law	Regulatory breaches Reputational damage Increase stakeholders' expectations towards openness and reporting on material governance issues Loss of license to operate	Arco BPS will prepare and submit a Communication on Progress (COP) report as part of its commitment to public reporting and transparency ** Annual review of governance principles and policies to reflect up to date developments and expectations ** All Arco BPS employees will attend 2 ESG training sessions**	
Partnership approach for internal and external key stakeholders to improve overall ESG performance	Synergies through a multi-stakeholder approach Co-funding and investment opportunities Reputation and brand benefits Access to networks, learnings, and solutions	Unilateral actions and isolation of approach Loss of innovative capabilities toward finding sustainable solutions Cost and funding disadvantage	Open, dynamic communications with all stakeholders including tenant survey on eco-efficiency programs and specific sustainability services to meet their specific needs**	

EPRA GOVERNANCE DATA WE USE IN OUR REPORTING

Governance plays a critical role in the formation and operation of our sustainable business. Embedded ESG governance helps Arco BPS implement sustainability strategy across the entire business, manage the goal-setting process, determination of material issues, conducting an open dialogue and build strengthen the relationship with our stakeholders.

Composition of the highest governance body	• Total number
--------------------------------------------	----------------

Process for nominating and selecting the highest governance body	<ul style="list-style-type: none">• Narrative on process
Process for managing conflicts of interest	<ul style="list-style-type: none">• Narrative on process

ADDITIONAL CORPORATE GOVERNANCE DATA

Arco BPS has a well-created number of procedures and policies to make sure we act responsibly and transparently according to all applicable laws.

Performance Measure	Disclosure
Core Values	The information is disclosed in the Conduct of Ethics and Business Conduct
Business Ethics	The information is disclosed in the Conduct of Ethics and Business Conduct
Anti-Bribery, Gifts, and Entertainment	The information is disclosed in the Conduct of Ethics and Business Conduct, Anti-Bribery and Corruption Policy
Conflict of Interest	The information is disclosed in the Conduct of Ethics and Business Conduct
Participation in Public and Other Tenders	The information is disclosed in the Conduct of Ethics and Business Conduct
Fair competition	The information is disclosed in the Conduct of Ethics and Business Conduct
Anti-Money Laundering	The information is disclosed in the Conduct of Ethics and Business Conduct
Confidentiality and Security	The information is disclosed in the Conduct of Ethics and Business Conduct
Handling Company's Assets	The information is disclosed in the Conduct of Ethics and Business Conduct
Whistleblowing channel	The information is disclosed in the Conduct of Ethics and Business Conduct, Whistleblower Policy and Procedures
Anti-Money Laundering	The information is disclosed in the AML Rules
GDPR and Data Privacy	The information is disclosed in the Policy on information safety and protection

POLICY OWNERSHIP

Arco BPS

