

**Arco BPS Holdings
UN Global Compact
Communication on Progress
January-December 2022**



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Welcome

UN Global Compact: Communication on Progress 2022

This document is Arco Business Park Sofia's (BPS) first Communication on Progress (COP) after joining the UN Global Compact (UNGC) in 2021. It outlines our policies, plans, progress and achievements aligned with the UNGC's Ten Principles (the Principles).

To demonstrate our alignment with the Principles we have provided links to relevant policies and documentation.

We feel inspired and are fully committed to learn from and share sustainability reporting insights with the UNGC business community. As a responsible business, we strive to improve our sustainability behaviors and practices to provide value for our stakeholders, business and wider society.

We are proud of all the work that has been accomplished over the past year kickstarting our sustainability journey but will not rest on our achievements in the pursuit to become more sustainable in our operations and across our value chain. We recognize much learning awaits our organization including better measurement of our Environmental, Social and Governance (ESG) outcomes - a critical component of the UNGC - and we strive to find new ways to enhance our COP reporting going forward.

A big thank you again to all colleagues and partners for their hard work and commitment allowing BPS to become a more sustainable organization and helping to launch our first COP.

Arco BPS ESG Committee



About us

Business Park Sofia is the largest office park in Central and Eastern Europe. For over 20 years we have been offering flexible and modern Class A office spaces with 14 standing buildings, and one under development - all with individual office spaces ranging from 150 sqm to 2,800 sqm. Our assets have excellent environmental credentials with above average energy ratings and one LEED platinum certified building. BPS is home to approximately 75% of all Fortune 500 and multinational tenants doing business in the CEE region.

All our office spaces are flexible and can be tailor-made to accommodate diverse and demanding corporate needs. The amenities and services in our business park reflect the needs of our tenants which, among others, include banks, post offices, restaurants, and cafes – all located set inside green areas with inviting water features.

Centrally located, we are easily reachable by metro with a dedicated nearby stop and fast access to the airport, city centre and Sofia Ring Road. We also offer Sofia's only multi-level parking building with over 2700 parking spaces awaiting our tenants, employees and guests.

We embrace flexibility and sustainability

BPS is in the process of transforming our business park into a more sustainable, community-based and flexible hub reflecting the needs of our tenants, visitors and wider stakeholders. The Covid 19 pandemic normalized working from home and hybrid working arrangements. It also elevated the importance of safe office environments and procedures promoting organizational health and wellbeing. We are responding to this need for greater flexibility, social wellbeing and alternative uses of office space by working closely with our stakeholders and experienced advisors. Together we will shape an experience that provides all Park users with spaces for safe social interaction, collaboration and serendipity - whether using offices, green areas or our many services on offer.

A clear and focused sustainability strategy underpins all our value adding activities, investments and positive stakeholder partnerships. Crucially, we support the European Union's goal to become climate-neutral by 2050. BPS will adopt, optimize and report on relevant EU Taxonomy, Energy Directives and other regulation and industry requirements going forward. The European Real Estate Sector provides millions of jobs, homes, convivial office spaces and significant tax receipts - but it is also responsible for an estimated 38% of EU greenhouse gas emissions, produces significant waste volumes and has a range of biodiversity impacts. We want our tenants and Park users to work, meet and enjoy our spaces knowing that BPS takes environmental, social and economic sustainability seriously. We will learn, innovate, invest and work in partnership to not only remain the largest office park in Central and Eastern Europe but also to transform ourselves into the most sustainable one.

Our Core Values

BPS promotes ethical corporate culture by adhering to the following core values and principles. BPS expects executive officers and staff to recognize and adopt the same approach in their day-to-day work:

- *Compliance with applicable legal regulation* - BPS conducts its business activities in various countries. BPS undertakes to fully comply with applicable legal regulations, industry standards and best practices applicable in all countries where its business activities are conducted;
- *Integrity* - BPS values ethical, fair and honest behavior towards its employees, customers, suppliers, competitors, public authorities and regulators as well as any other party involved in its day-to-day activities. BPS provides truthful information regarding its services, experience and references;
- *Objectivity* - BPS expects its executive officers and staff to adopt the highest standards of professional ethics. BPS condemns any forms of bias, conflict of interest or inappropriate favoritism, which could discredit the objectivity of any BPS executive officer and staff;
- *Quality and Sustainability* - BPS commits to provide services of the highest possible quality. BPS continuously deepens and broadens its experience and know-how. BPS supports the personal and professional development of BPS

executive officers and staff. BPS cares about the environmental impact of its activities. BPS aims to become an industry leader in the transition to a carbon-neutral economy;

- *Social responsibility* - BPS promotes socially responsible behavior throughout the countries in which it conducts its business activities. BPS undertakes to make a positive impact on communities and society. BPS supports a wide range of community-based organizations, mainly focused on the education of children and adolescents.

Our sustainability efforts over the past year were rewarded with a public [ESG Risk Rating](#) by Morningstar Sustainalytics - one of the world's leading ESG rating agencies. Our score of 15.4 puts the company well within the low-risk section regarding exposure to industry-specific, material ESG risks and how well we managed these. The analysis shows that BPS is performing well in relation to peers when it comes to minimizing significant ESG risks, for example through strong and structured environmental management processes and governance.



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Since 2021, Arco BPS Holdings Ltd has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, environment, and anti-corruption.



Statement of continued support for Global Compact by BPS's CEO

December 9, 2022

H.E. António Guterres

Secretary-General

United Nations

New York, NY 10017 USA

Dear Mr. Secretary-General,

We are pleased to present you and our stakeholders with the first Communication on Progress report for the year 2022 based on the UN Global Compact COP policy.

I hereby confirm that Arco BPS Holdings Ltd. continues to support the Ten Principles of the United Nations Global Compact on human rights, labor, environment, and anti-corruption.

We renew our commitment to make the UN Global Compact and its principles part of our DNA including our corporate strategy, culture, employee behaviours, stakeholder engagements and day-to-day operations of our company. We continue to look for collaborative projects and learnings within and across our industry to advance our understanding and play our part supporting the effective implementation of the United Nations Sustainable Development Goals.

We fully support public accountability and transparency, and therefore commit and look forward to presenting you and our stakeholders with future annual reports on progress as a contribution to drive the UN Sustainable Development Agenda forward.

Sincerely yours,



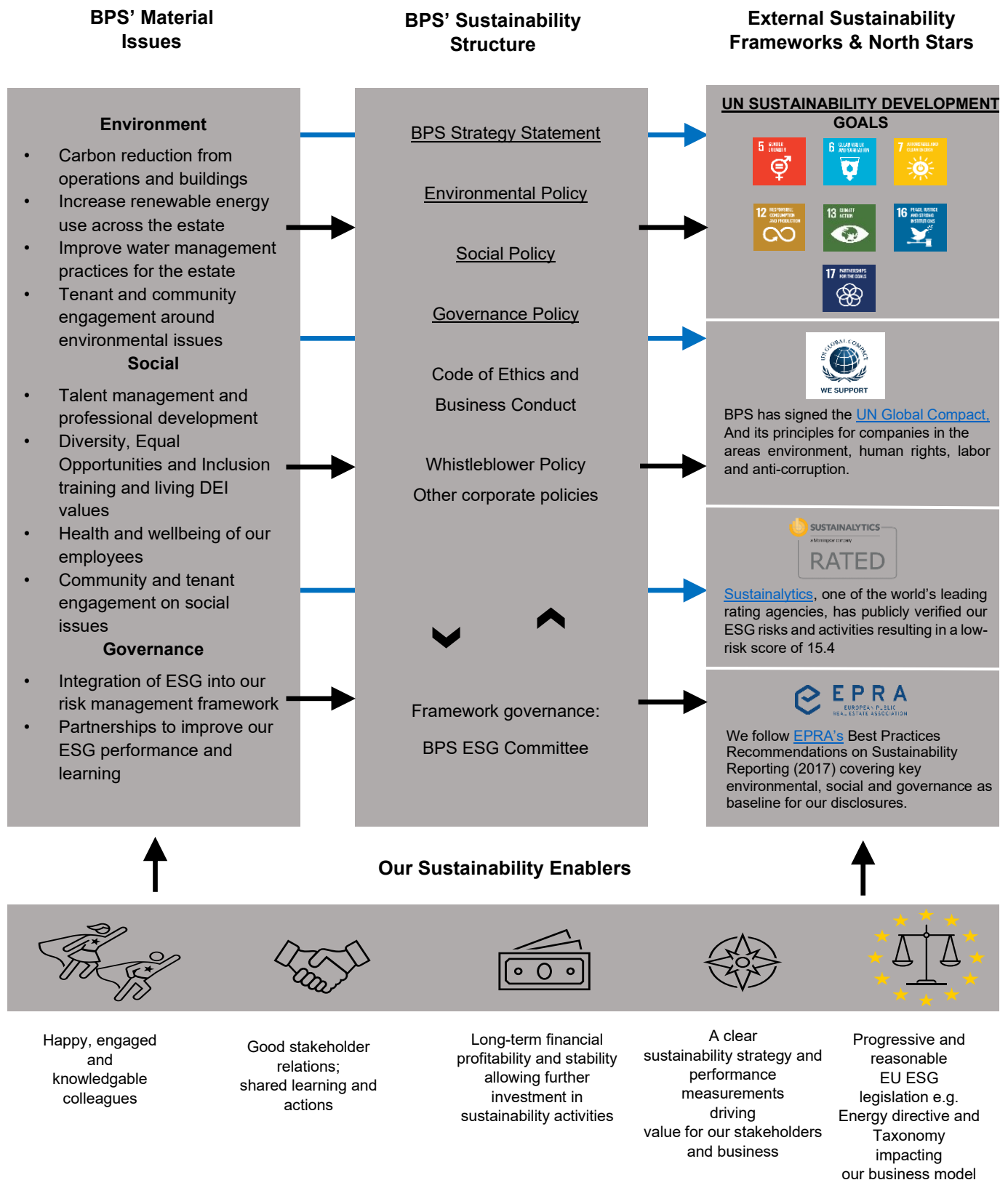
Francesco Piovanetti
Director
Arco BPS Holdings Ltd.

BPS's Sustainability Framework

Our approach to sustainability starts with the company's material issues providing focus for our decision making, resource allocation and passions. All material issues are supported by a solid and transparent governance structure of policies, processes, practices and expected behaviors. Finally, we match our material sustainability issues and governance with suitable reporting frameworks and inspirational "North Stars" concepts which guide our sustainability disclosure.

Sustainability at BPS is always a practical and constantly moving issue - delivering new insights, opportunities, challenges and multiple ways to become a more sustainable company. To succeed today and in the future, we rely on several internal and external "enablers" which can help us release the true value sustainable business practices hold. The below illustration summarizes our sustainability approach:

BPS's "sustainability in action" framework



Human Rights and Labor

Description of Actions: Human Rights and Labor – Principles 1-6

Principle 1: *Businesses should support and respect the protection of internationally proclaimed human rights;*

Principle 2: *Make sure that they are not complicit in human rights abuses.*

Principle 3: *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

Principle 4: *The elimination of all forms of forced and compulsory labor;*

Principle 5: *The effective abolition of child labor;*

Principle 6: *The elimination of discrimination in respect of employment and occupation.*

Human Rights

BPS's approach

Respect for human rights is a fundamental value for BPS. Our aspiration is to create opportunities for local people to realize their potential and help us have a lasting, positive impact across all communities and stakeholders we serve.

BPS' human rights approach is guided by international human rights principles encompassed by the Universal Declaration of Human Rights, including those contained within the International Bill of Rights and the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work. Our approach is further informed by the UN Guiding Principles on Business and Human Rights (UNGP).

Where appropriate, we engage with a wide range of civil society and stakeholders on human rights issues related to our business. These include issues in our company, across our value chain and with our various sponsorships, through which we seek to promote respect for human rights. We always listen first and reflect on stakeholder views, before proposing suitable courses of action including in our pursuit of high levels of quality, efficiency and reliability for our tenants.

Our aim is to act as a responsible business by operating in ways that meet fundamental responsibilities in the areas of human rights, labor, and anti-corruption and establishing a culture of integrity within all the communities where we operate. We strive to always respect and promote human rights in our relationships with all our stakeholders and communities we touch. BPS also expects all suppliers and business partners to uphold these principles and urges them to adopt similar policies within their own businesses.

A safe and healthy workplace

The safety and health of our employees is of paramount importance. Our policy is to provide a safe and healthy workplace and comply with applicable safety and health laws and regulations, as well as internal requirements. We work to provide and maintain a safe, healthy, and productive workplace, in consultation with our stakeholders – including employees, clients, suppliers and business partners. We aim at addressing and remediating identified risks of accidents, injury, and health impacts. Therefore, we promote the dissemination of a safety culture by developing risk awareness and fosters responsible behavior of all employees, including through information and training activities.

Fair remuneration and industry standard wages

We compensate employees competitively relative to the industry and local labor market. We work to ensure full compliance with applicable and adequate living wage, working hours, overtime, and benefits laws. We respect the principle of equal remuneration for all our female, male and other gender identifying employees for work of equal value as well as applying this principle to our suppliers.

Implementation and outcomes of human rights policies

- BPS strives to create workplaces in which open and honest communications among all employees are valued and respected. We are committed to comply with human rights wherever we operate. BPS ensures that all employees are aware of existing human rights policies through formal annual training;
- BPS' ESG Committee will investigate ways to better identify, collect and report material human rights and risks data in future COP disclosures;

- Any employee who believes a conflict regarding human rights arises where he/she/other works, or who has questions about BPS human rights policy or would like to confidentially report a potential violation should raise those questions and concerns with their line manager, or the corporate legal representative. No reprisal or retaliatory action will be taken against any employee for raising concerns under this policy. We will investigate, address, and respond to the concerns of employees and will take appropriate corrective action in response to any violation;
- In the 2022 reporting period no violations of human rights were reported or identified.

Labor

BPS's approach

Freedom of association

We respect our employees' right to join, form or not to join a labor union without fear of reprisal, intimidation, or harassment. We aim at defending and promoting their interests and does not interfere with their choices.

Where employees are represented by a legally recognized union, we are committed to establishing a constructive dialogue with their freely chosen representatives. BPS is committed to bargaining in good faith with such representatives.

We also recognize the right to be represented, within the various work units, by unions or other forms of representation elected in accordance with the legislations and practices in force in the country of employment. We also acknowledge the value of collective bargaining for our suppliers.

Forced Labor and Human Trafficking

We prohibit the use of all forms of forced labor, including prison labor, indentured labor, bonded labor, military labor, modern forms of slavery and any form of human trafficking.

Child Labor

We reject the use of any form of forced or compulsory labor - as defined by the International Labour Organization (ILO) Convention no. 29 - and do not confiscate money or identity papers upon commencing employment relationships to retain workers against their will. We prohibit the hiring of individuals that are under 18 years of age for positions in which hazardous work is required.

Diversity and Inclusion

We reject any form of discrimination and are committed to ensuring that our employees and potential employees are treated with respect for diversity and equal opportunities in line with the ILO Convention 111. We value and advance the diversity and inclusion of the people with whom we work. We are committed to equal opportunities and are intolerant of discrimination and harassment. We work to maintain workplaces that are free from discrimination or harassment based on race,

sex, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, political opinion or any other status protected by applicable law. The basis for recruitment, hiring, placement, development, training, compensation, and advancement at BPS is qualifications, performance, skills, and experience.

BPS encourages initiatives that broaden the scope for attracting and recruiting diverse talent. In recruiting new employees, we use inclusive job descriptions by removing words that communicate gender bias. Our ambition is to attract candidates from more diverse backgrounds and to ensure equality of opportunity exists throughout the recruitment process.

We do not tolerate disrespectful or inappropriate behavior, unfair treatment, or retaliation of any kind. Harassment is not tolerated in the workplace and in any work-related circumstances outside the workplace.

Implementation and measurement of labor policies

- All BPS employees and directors attended a one-hour Diversity, Equality and Inclusion (DEI) training and passed the post training test in July 2022. The online training was delivered by a certified training provider. The training covered the latest DEI developments, acceptable behaviors, and examples of best DEI practice all within the context of the United Nations Global Compact Principles 3, 4, 5 and 6;
- All BPS employees and directors received four hours of environmental, social and governance (ESG) training in August 2022 split into two modules – (1) An introduction to ESG and its use in the European Real Estate Sector; (2) Improving Arco BPS' sustainability reporting performance. The online training was conducted by well-established ESG experts and covered all BPS' social policies, examples of best social industry practice and practical considerations for employees to adopt positive social behaviors. The training modules were recorded for future use e.g. new and returning employees and all training slides were provided in English and Bulgarian ensuring inclusivity and accessibility;
- The Arco BPS ESG Committee (see [ESG Governance Policy](#)) is responsible for monitoring all labor and social performance, practices, and targets. The

Committee will review this policy annually and, if required, adjust its criteria to meet any legal, market, stakeholder and/or societal developments;

- In 2022 BPS established an online Learning Management System platform (“MyLMS”) for all employee training including DEI. The aim is to ensure easy employee access and more effective documentation, tracking, reporting, automation and delivery of material issues training and related materials;
- A dedicated, anonymous employee whistleblower hotline is available to report of suspected and actual breaches of labor and social policies. All employees are made aware of the contact numbers and details on a periodic basis;
- In August 2022 all BPS employees attended a one-hour whistleblower training and passed the post training test. The online training was delivered by a certified training provider;
- Throughout 2022 BPS worked with experienced sustainability experts to review our social, human rights and related policies against best industry practice;
- In 2022 the BPS ESG Committee tasked one of its directors to take ownership of the social (human rights and labor) reporting remit. The Committee will include “social performance” as a standing agenda item on the monthly agenda covering any incidents, feedback, issues and/or updates to policies and procedures;
- In the 2022 reporting period no violation of labor regulations and policies were reported or identified.



Environment

Description of Actions: Environment Principles – Principles 7-9

Principle 7: *Businesses should support a precautionary approach to environmental challenges;*

Principle 8: *Undertake initiatives to promote greater environmental responsibility;*

Principle 9: *Encourage the development and diffusion of environmentally friendly technologies.*

BPS's approach

Taking a precautionary approach to environmental impacts

BPS fully recognizes that environmental considerations must increasingly be integrated into our daily working practices, team deliberations, investment decisions and other critical decision making. Environmental sustainability is increasingly embedded into our company culture, formal policies and stakeholder communication as part of taking a precautionary approach to environmental issues impacted by our activities.

The BPS ESG Committee is tasked with vetting material decisions such as procurement of lower environmental impact materials for building new and upgrading existing buildings evaluated against economic, quality and other commercial considerations.

Promoting greater environmental responsibility - also beyond our business park

Our environmental policy sets the framework for the way that we manage our impact on the environment and 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 our partners to improve joint environmental performance.

BPS is part of the European commercial real estate sector which has a significant environmental footprint and thus an important part to play lowering GHG emissions, air pollution, waste volumes, water use and careful use and reuse of limited natural inputs and resources.

To amplify positive environmental change, 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.

Environmental technologies supporting our environmental efforts

Technology solutions, alongside promoting behavioral and wider systemic changes supporting sustainable business practices across our industry, continue to play an important role for our business.

Increasing the share of BPS' certified renewable energy; investigating effective energy saving technologies across our estate and finding appropriate technology platforms supporting a robust Whole Building Lifecycle Analysis (WBLCA) including carbon reductions during all construction stages remains our focus.

Implementation and measurement of environment policies

- We updated the existing Environmental Policy to reflect the critical importance of:
 - Climate Change including physical and transition risks to the company's estate and value chain. We outlined all mitigation and adaptation risks in relation to changes in policy, legal, technology, market and reputational risk;
 - Understanding and quantifying water risks and reduce water use including physical impacts to the company's estate, disruption of operations and wider value chain;
- Appointment of dedicated ESG Committee Director responsible for all BPS' material environmental issues including climate change, water and waste management. The director is reporting to the ESG Committee on a monthly cycle and works with the company's operational team to ensure tracking all environmental issues are monitored and performance improved against plans;

- We integrated emissions, reduction, water risk management, estate environmental lifecycle analysis and tenant engagement on environmental issues into the 2022 ESG Committee agenda;
- All BPS employees received four hours of environmental, social and governance (ESG) training in August 2022 split into two modules – (1) An introduction to ESG and its use in the European Real Estate Sector; (2) Improving Arco BPS' reporting performance. The online training was conducted by long established ESG experts and covered all BPS' environmental policies, material issues, examples of best environmental industry practice e.g. EPRA guidelines and practical considerations for employees to adopt environmentally positive behaviors;
- A BPS tenant survey examining the possible demand for eco-efficiency solutions and programs as well as park specific sustainability services e.g. more EV charging stations is planned for December 2022. Based on the feedback we plan to set up a dedicated environmental park user group in 2023 discussing challenges and opportunities to make our park even more sustainable;
- We investigated the possibility of increasing the number of green leases incorporating clauses whereby existing and potential tenants together with BPS undertake specific responsibilities/obligations with regards to the sustainable operation / occupation of the buildings e.g. energy efficiency measures, waste reduction management and water efficiency;
- We continue to follow any updates to the EPRA sustainability guidelines as industry best practice and closely study any implications arising from relevant EU legislation such as the Energy Directive and others.



Anti-Corruption

Description of Actions: Anti-Corruption Principles – Principle 10

Principle 10: *Businesses should work against corruption in all its forms, including extortion and bribery.*

BPS's approach

BPS complies, to the extent applicable with all anti-corruption laws, including the Foreign Corrupt Practices Act (FCPA), in all places we do business. All BPS personnel are expected to conduct company business in a legal and ethical manner. The use of BPS's funds or assets for any unlawful, improper, or unethical purpose is prohibited. BPS requires comprehensive FCPA and anti-corruption compliance training for all employees whose job responsibilities involve FCPA and anti-corruption compliance from other countries. BPS is committed to furthering the UN Global Compact in the area of Anti-Corruption.

BPS does not tolerate any kind of bribery or corruption whatsoever. BPS executive officers and staff must refrain from any behavior, that could lead to their direct or indirect involvement in bribery or corruption-related activities and thereby impact BPS's objectivity and impartiality.

In Bulgaria, the legal obligations are governed by the Criminal Code, Section IV. Articles 301-307a as amended ("Criminal Code"), e.g. criminal offences stipulated in Art. 301 Passive Bribery, Art. Abuse of office, Art. 304 Active Bribery, Art. 305 Bribery by and of an arbitrator, expert, defender of trustee, Art. 305a Bribery intermediation, Art. 307 Provocation to bribery.

Implementation and measurement of anti-corruption policies

Outline of BPS Anti-Bribery and Corruption Policy

- Bribery and corruption will not be tolerated;
- Every attempt will be made to deter and prevent bribery and corruption and BPS will have in place the necessary policies and procedures in order to do so;
- Opportunities for bribery and corruption will be reduced to the lowest possible level of risk;
- All employees will be trained on the risks associated with bribery and corruption and those who work in areas within our business identified as being higher risk will receive additional training and support in identifying and preventing corrupt activities;
- Bribes or suspected bribes should be rejected;
- Mechanisms are in place for staff to report bribery or corruption;
- Any suspicion of bribery or corruption will be thoroughly investigated and dealt with appropriately;
- Any evidence of criminal activity will be reported to the police;
- BPS employees should always know the third parties they are dealing with;
- BPS should only deal with reputable third parties;
- Anyone who acts on BPS's behalf must be advised of the existence of, and always operate in accordance with, our anti-bribery and corruption policy;
- In the 2022 reporting period no violations of anti-bribery and anti-corruption were reported or identified.

Appendix

European Real Estate Association (EPRA)

Sustainability Performances Measures*

Environmental sustainability performance measures

Performance Measure	Data (January–October 2022)
Total electricity consumption	9 261 390 kWh
Like-for-like total electricity consumption	N/a
Total district heating & cooling consumption	4 072 kWh
Like-for-like total district heating & cooling consumption	N/a
Total fuel consumption	N/a
Like-for-like total fuel consumption	N/a
Building energy intensity	77 kWh/m ²
Total direct greenhouse gas (GHG) emissions	N/a
Total indirect greenhouse gas (GHG) emissions (Scope2)	3 446 tons CO _{2e}
Greenhouse gas (GHG) emissions intensity from building energy consumption	0,03 tons CO _{2e} /m ²
Total water consumption	20 633 m ³
Like-for-like total water consumption	N/a
Building water intensity	0,170 m ³ / m ²
Total weight of waste by disposal route	7,5 tons
Like-for-like total weight of waste by disposal route	N/a
Type and number of sustainably certified assets	Energy rating certificate 1A, 3, 4, 5, 7, 8, 9, 10, 11, 12, 14, 15; Technical passport for buildings 1, 3, 4, 5, 7 and 9, 8, 10, 11, 12, 14, 15, P1; BPS Building 15 LEED core and shell development Platinum rating (June 2019)

Social performance measures

Performance Measure	Data (January-October 2022)
Employee gender diversity	32% female / 68% male
Gender pay ratio	N/a
Employee training and development	<p>4 hours of online sustainability training for BPS employees covering 2 sessions: (1) introduction to sustainability (2 hours) (2) practical application of sustainability inside BPS (2 hours) date: 23 August 2022 delivered by Sustainability experts In 2022 training platform (MyLMS) was implemented with four modules for employee development and awareness:</p> <ul style="list-style-type: none"> • Anti-Bribery, • Anti-Money Laundering, • Whistleblower • Diversity, Equality and Inclusion (DEI).
Employee performance appraisals	N/a
New hires and turnover	N/a
Employee health and safety	0 injuries
Asset health and safety assessments	N/a
Asset health and safety compliance	0 incidents
Community engagement, impact assessments and development programs	Planned tenant sustainability survey December 2022

Governance performance measures

Performance Measure	Data (January-October 2022)
Composition of the highest governance body	<p>5 members Sustainability is overseen by ESG Committee, chaired by Chief Executive Officer, and attended by General Manager, Chief Financial Officer, Chief Legal Counsel and Independent Director</p>
Process for nominating and selecting the highest governance body	Nominating and selecting the highest governing body was based on the experience, knowledge, and scope of responsibility of members
Process for managing conflicts of interest	<p>Arco BPS Holdings Ltd. and subsidiaries Conduct of ethics and business conduct</p>

*This 2022 COP covers the time period from January to October due to lack of data for the remaining months

We welcome your feedback!



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