SOFIA AIRPORT

Strategy and Management Approach Report

ON THE RUNWAY TO A 5-STAR REGIONAL AIRPORT: TAKE-OFF

2023

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Our Business

About SOF Connect

SOF Connect is the operator of the largest international airport in Bulgaria - a major gateway for the country. We took over the management of Sofia Airport in 2021 for a period of 35 years. With Meridiam as the main shareholder with full capital ownership and Munich Airport as our partner operator, we aim to modernize the airport and bring services and facilities to a high standard. Since the founding of our company, climate considerations have been integrated into our four strategic pillars. Our holistic approach to sustainability prioritizes benefits for passengers, employees and partners, while contributing to Bulgaria's economic prosperity and minimizing our environmental impact. Guided by our core values, we ensure honorable conduct, mutual respect, continuous self-development and responsible, sustainable practices in our daily performance.

The transition from state to private management brought significant changes as we moved to an entirely new business model to achieve our goal of becoming a 5-star regional airport. The ongoing changes are evident as our experienced leadership team manages entirely new projects for Sofia Airport. We now operate with a fully functional ESG department, transparent procurement procedures, and a new Executive Secretary's office to coordinate our internal rules and structure. We have appointed a risk manager who has implemented new risk management procedures. SOF Connect reports on KPIs never before monitored at the airport, demonstrating our progress towards becoming a 5-star regional airport.

Our Business and Value Chain

An airport is a crucial place where airlines, ground handling operators, customers, and service providers interact to give the passenger a seamless experience. As an airport operator, SOF Connect is responsible for:

- **managing and maintaining the airport's infrastructure**
- **handling the airport's finances**
- **overseeing the airport's operations**
- **ensuring the safety and security of passengers**

Aeronautical revenues

Airport charges to airlines, such as:

- Landing fees
- Ground handling fees
- Fuel and de-icing service fees
- Noise fees

Non-aeronautical revenues

Fees for services, such as:

- Retail and food & beverage (F&B)
- Rent & real estate
- Car parking
- VIP lounge

Our Business

Activities at the airport

Midstream

1 Airport operator

- Providing facilities and services to airlines and passengers, including terminal facilities, runways, taxiways, and parking areas.
- Ensuring compliance with safety and security regulations and maintaining a safe operating environment.
- Managing airport finances, including budgeting, revenue management, and cost control.
- Developing and implementing plans for airport expansion and improvement.
- Ensuring efficient use of airport resources and optimizing airport capacity.

Downstream

2 Airline

- Scheduling and operating flights.
- Providing ticketing and reservation services to customers.
- Ensuring compliance with safety regulations and maintaining a safe flight.
- Providing in-flight services to passengers.

Midstream

3 Ground handling

- Providing baggage handling services including airport check-in.
- Loading and unloading cargo.
- Marshalling aircraft.
- Providing aircraft cleaning and maintenance services.
- Assisting passengers with boarding and disembarking.

Midstream

4 Air Traffic Control

- Managing and coordinating the movement of aircraft in and out of the airport, ensuring the safe and efficient flow of air traffic.

Downstream

5 Food and beverage, specialty shops, and other service providers

- Retailers and restaurants: businesses that operate within the airport terminals and provide services such as food and beverage, retail, and duty-free shopping to passengers and visitors.
- Transportation providers: deliver transportation services to and from the airport, such as rental car companies, taxis, and shuttle services.
- Cargo and logistics companies: provide services to airlines and other businesses operating at the airport, including freight forwarding and warehousing.

Our Business

The following businesses are part of our value chain:

Our Business

SOFIA AIRPORT

Strategic Purpose

As a member of Airports Council International, we work with other airport operators, national airport associations, global business partners and educational institutions. Our aim is to facilitate effective communication and advocacy on a range of matters including legislative, technical, commercial, environmental and passenger affairs.

Presence in the global context

We have endorsed the Toulouse Declaration, a landmark public-private initiative to achieve net-zero carbon emissions from aviation by 2050 and a milestone in Europe's efforts to decarbonize the aviation sector. SOF Connect has joined the Aviation Alliance Fit for 55, alongside major airports such as Schiphol, Vienna and Rome, to advocate for Europe's efforts to decarbonize aviation while maintaining connectivity and competitiveness.

Toulouse Declaration | Aviation Alliance Fit for 55

AIRPORTS COUNCIL INTERNATIONAL

Targets

Achieve a score in the top half of the Airport Customer Experience (ASQ) Survey compared to similar size airports in Europe	Accomplish key financial metrics by 2026: • EBITA margin of 65% • Aero revenue of 11 EUR/PAX • Non-aero revenue of 6 EUR/PAX • OPEX of 6 EUR/PAX	Achieve 28% CO2 emission reduction compared to 2019 by 2026 and reach climate neutrality by 2036. Receive ACA Level 4 Carbon accreditation by 2026	Reach at least 8.2 mio passengers in 2026 Increase GDP per capita by 0.8% in the long run

Strategic objectives

Become a 5-star regional airport	Achieve a margin like best-in-class airports	Put positive impact on the environment at the center of our activity	Support local social and economic development

Focus areas

• Techonology and Innovation • Airport Access • Cybersecurity and Privacy	• Operational efficiency • Talent management • Non-discrimination, Diversity & Inclusion	• Decarbonisation & Climate Change • Sustainable Supply Chain • Noise Pollution	• Traffic Growth & Expansion • Business Ethics & Anti-corruption • Corporate governance

Strategic pillars

Customer experience	**Efficiency**	**Environment**	**Economic and Social Contribution**

Core UN SDGs Endorsement

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 15 LIFE ON LAND | 17 PARTNERSHIPS FOR THE GOALS

Values

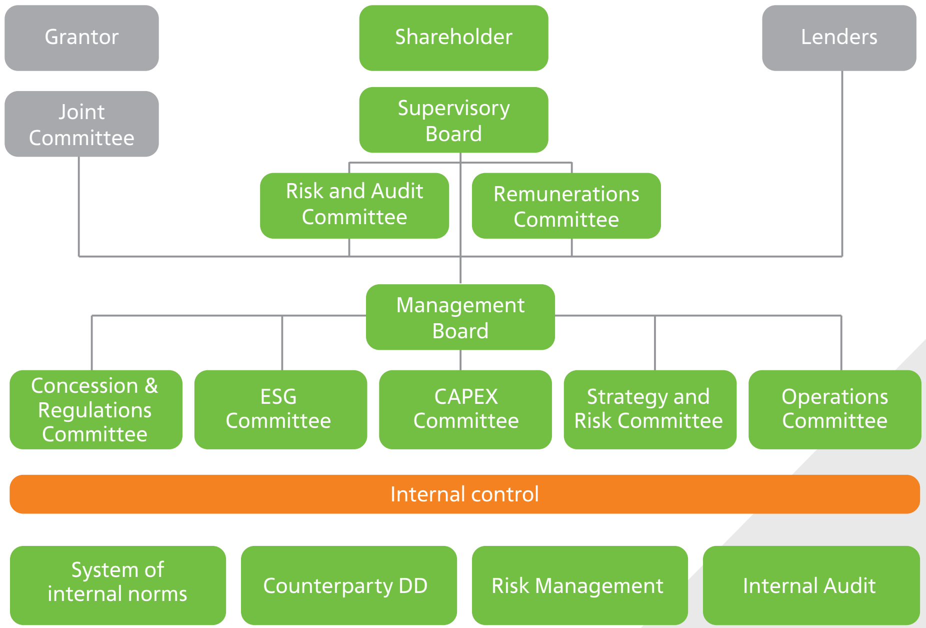
Integrity	**Respect**	**Agility**	**Sustainability**
We behave honorably in all aspects of our daily performance	We respect each other's values and contributions	We constantly develop ourselves and think ahead	We perform our activities in a responsible and sustainable way

Our Business

Governance Structure

Corporate governance

SOF Connect Corporate governance



Supervisory board:

- Consists of 7 external non-executive members and includes representatives of the investor.
- One of the independent members also participates in meetings of the external ESG expert board.
- Approves plans, policies, and programs mandated by the Concession Agreement, and any necessary updates and amendments requested by Bulgarian authorities.
- Oversees the commissioning and adoption of environmental assessment reports, environmental impact assessments, decarbonization projects, and investments.
- Quarterly meetings to approve investment projects and management decisions, monitor operational progress, and address issues arising from the grievance collection mechanism.
- Chair of the Supervisory Board - Thierry Déau, Founding Partner and Chief Executive Officer at Meridiam.

The Management Board:

- Consists of 5 executives.
- Approves significant topics and resolutions on the company's governance.
- Monitors the progress of the company's strategic pillars.
- Members of the board participate in each of the five committees.
- Weekly meetings to discuss management decisions, track the progress and assess the work in key strategic areas.
- Receives monthly reports on key topics raised in complaints with issues related to the quality of service from ground staff, security checks, and accompanying services at the airport.

The ESG division:

- Manages the impacts.
- Provides regular reports to the Audit and Risk Committee, which addresses topics such as financial commitments related to additional ESG expenditure and an examination of ESG risks.

External ESG Expert Group:

- Consists of public figures with expertise in their respective fields.
- Contributes to the airport's sustainable development initiatives.
- Meets regularly to consult, discuss, and provide expert opinions on significant topics related to SOF Connect's work toward sustainability.

Our Business

We have created 2 types of committees to serve SOF Connect's development and operation needs:

1 Permanent committees which support the management, compliance, or implementation of regulatory and concession long-term requirements:

- **Concession and Regulation Committee** oversees compliance with concession contract obligations, creditor commitments, and banking agreements, ensuring timely adherence to regulatory requirements and internal audits, including those from the Meridiam group. This committee confirms board-level oversight of these responsibilities.
- **CAPEX Committee** monitors the implementation of our investment program.
- **ESG Committee** comprising Directors from all divisions and all members of the management board, it has both decision-making and advisory roles. Meeting monthly, they address ESG topics and division-specific issues, determine the most suitable solutions, and settle on execution plans. Depending on the agenda, the committee also invites additional attendees to support the discussion with insights and expertise.
- **Operations Committee** which tracks the development of operational teams with a focus on airport safety and security.
- **Strategy and Risk Committee** monitors the execution of our 2027 strategy. It oversees the progress of each separate initiative and manages the risks related to the implementation plan, as well as company risks and SOF Connect's overall risk management process.
- **The Customer Experience Committee** analyzes Airport Service Quality (ASQ) scores to improve passenger satisfaction. They strategize for better experiences and monitor project progress. Insights from surveys are presented to management and improvements are suggested. The committee collaborates on initiatives to enhance service and operations, promoting cross-departmental alignment for exceptional customer experiences.

2 Project-based committees that function according to a specific and time-bound need. These ad hoc committees coordinate specific projects and are not confined by corporate governance:

- **Dedicated Health & Safety Committee** (separate from the permanent one required by law) is attached to the Management board. Its main function is to address issues related to improvements of the Health and Safety conditions at work.
- **Schengen Committee** managed and monitored the implementation of necessary processes and changes in structure, procedures, and operations of the related divisions until Bulgaria joined the Schengen area.
- **Terminal 3 Committee** supports and monitors the construction of the new terminal building.

ESG matters permeate various Committees, such as environmental procedures discussed in the CAPEX Committee, and ESG risks addressed in the Strategy and Risk Committee. Additionally, a dedicated Health and Safety Committee handles Operational Health and Safety topics related to ESG. A working group is tasked with implementing the Environmental and Social Action Plan of SOF Connect, comprising participants from different divisions. An external advisory council of volunteers with expertise in various ESG roles provides additional support. ESG activities and achievements are overseen by the Supervisory Board and the Risk and Audit Committee of Meridiam from the investor's perspective.

Our Runway to Sustainability

The restructuring undertaken last year, marked the next phase in SOF Connect's lifecycle. 2023 was pivotal towards establishing a company with a defined culture, structure, goals, and internal resources to achieve them.

In 2023, during the consolidation of our organization's resources, we established and aligned on two clear focal points:

- **Updating the master plan.**
- **Constructing Terminal 3.**

We have revised our carbon management plan to comply with the ACA Level 4 Transformation certification requirements. This plan outlines our strategic approach to carbon management from January 2024 to December 2026, using 2014 as the baseline year.

We also considered the results of our climate-related risk assessment. For instance, when reviewing the risk of "Inability to achieve the 0-emissions target due to lack of funding and lack of projects", we included new initiatives for the 2024-2026 period, presented the associated funding opportunities and obtained the Supervisory Board's approval for implementation.

In 2024, the main elements of the implementation of the master plan and investment program are still ahead of us.

Growth (up to mid 2025)

- Reach the business full potential and embed digital solutions
- Expand destination airport and airlines network
- Build a customer-focused organizational structure
- Develop new revenue sources

Leadership (from 2026 onwards)

- Become a best-in class airport reaching upper quartile results
- Develop differentiated business lines
- Become a leader in ESG and a key player in the local business community

Goals:

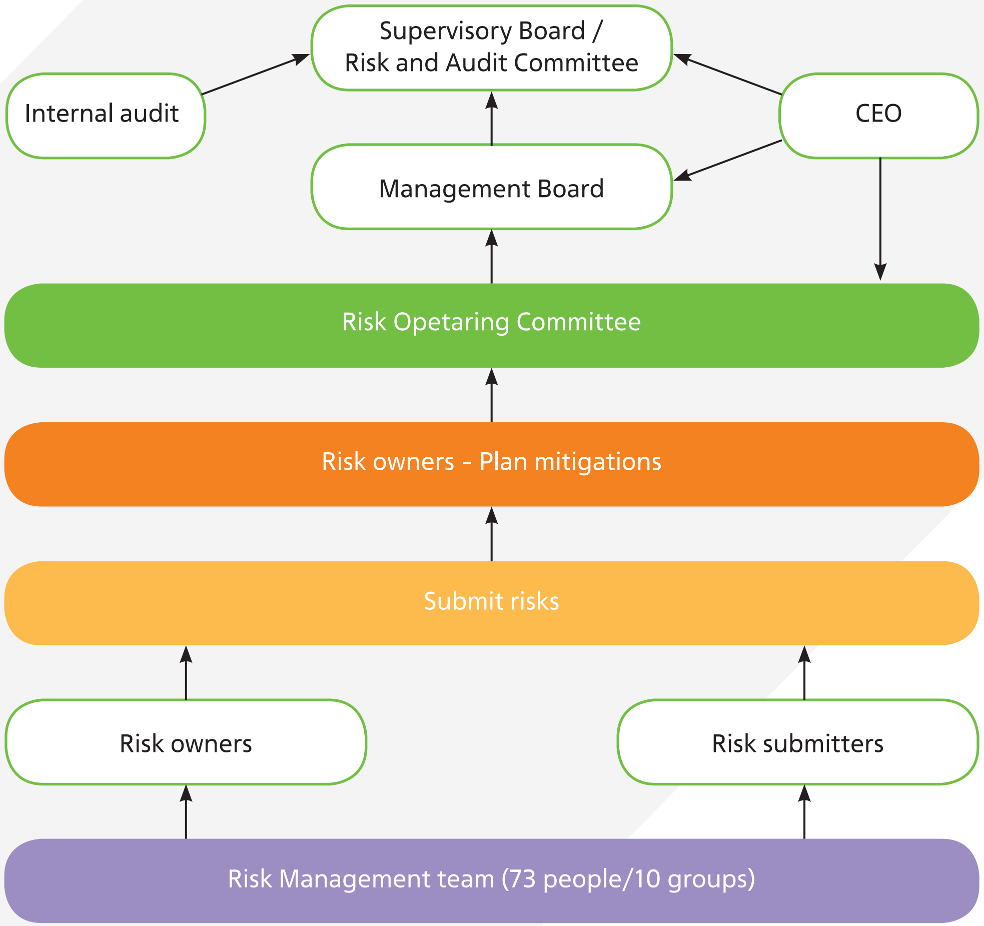
- In the top half of the Airport Customer Experience (ASQ) score compared to similar size airports
- ACA level 4 accreditation
- 8.2 million passengers
- 28% reduction of CO_2 emissions
- EBITA margin of 65%: optimized operational expenditure and aero and non-aero revenue

2036

- Carbon neutrality
- Increased GDP per capita by 0.8%

Risk Management

Risk Management Structure



We have implemented a structured risk management facilitated by a new cloud-based platform with the goal to maintain a safe work environment, minimize losses and maximize opportunities. Together with the support of the Management Board and senior management, we have made a significant leap in establishing an advanced risk system, novel for our organization which previously had no capability to formally identify, register, steer and monitor risks. We ensure that all employees understand and recognize risk that is present in our activities and promotes consistency and transparency in all risk management processes.

The SOF Connect Risk Management Policy outlines the main principles and processes for managing risk. It applies to all employees, including executive managers and contractors, and everyone is required to report identified risks in a timely manner, following their business area procedures, using the appropriate systems and channels.
Our principles are implemented in the company's vision, mission, operational, strategic, and financial plans. We ensure the Risk Management Policy is followed using three lines of control:

1. Management
2. Compliance and Risk Management (through the Risk Operating Committee)
3. Internal audit

Since 2023, we have a risk manager who collaborates with directors from various divisions to identify and assess risks and formulate risk management plans. The management determines which strategy to apply for individual risks and decides if current controls are effective or additional ones are needed. The whole process is not yet fully streamlined and functional, however, our managers and project managers have been trained on risk management and trainings are still ongoing.

Our Business

Risk Management responsibilities

Our core risk management team consists of key people within the entire company and includes leaders from all divisions and departments. These people are further divided into risk owners and risk submitters.

The risk management process begins with the identification and reporting of a risk that may be posed to oneself or others. A risk owner is to each risk and ensures mitigation measures are documented and implemented. All risks are assessed based on their livelihood and impact which gives the overall risk score that represents the severity of the risks. Risk management is an ongoing process in which risks are reported, assessed, and appropriate actions are taken. The Risk Manager makes a final assessment of all risks as they enter the risk register.

The Strategy and Risk Committee monitors our development as an organization, the number of risks we have, the mitigation measures and whether there is an accumulation of risks. It meets once a month and includes the CEO, CFO and Risk Manager, with other employees invited depending on the nature of the risks being discussed. The committee assesses and escalates major risks that affect several departments, monitors KPIs and decides on company-wide mitigation measures, such as organizational restructuring.

The Risk Manager reports regularly to the Risk and Audit Committee, which is part of the Supervisory Board, on the development of SOF Connect’s risk management. The whole process is managed in a modern software that captures all activities from risk submission to evaluation, notification and reporting.

Our Approach to Material Topics

Governance

Corporate Governance and Business Ethics

Background

Corporate governance permeates every tier of management and department within the company. It extends across all levels of management and all departments.

Management and Accountability

Last year, we focused on aligning management and operations during the restructuring of all divisions. This was achieved by setting annual goals that addressed both collective and individual needs, with a focus on prioritizing critical business issues. Through regular meetings designed to increase efficiency and transparency, we discussed the company's strategy, financial performance, ongoing projects, and issues related to our corporate values. These efforts strengthened the direct link between senior management and frontline managers.

Public-private partnership

SOF Connect cooperates in great synchrony with the Ministry of Regional Development and Public Works, as well as the Ministry of Transport and Communications through a **Joint Committee.** Regular monthly meetings enable a dialogue and their involvement in projects and initiatives related to their competence at an early stage e.g. the development of the master plan, the implementation of facilities such as the baggage handling system.

The Ministries' active participation supports not only monitoring progress but also solutioning on topics relevant to the respective period.

Policies and Standards

Our **Code of Ethics** sets out our general principles for respecting human rights, the law, people, privacy, and the environment; our commitments to customers, partners, and employees; our internal standards of conduct, and our responsibility to uphold our ethical principles.

SOF Connect is a provider of high-quality airport services and is committed to maintaining the highest standards of ethical behavior and to comply with all applicable laws and regulations. Our **Anti-Fraud, Bribery and Corruption Policy** sets zero tolerance towards fraud, bribery, and corruption. The Policy is in conjunction with the Code of Ethics of SOF Connect and is also designated to promote a culture of integrity and consistent organizational behaviour and consistent organizational behavior across the company when dealing with cases of suspected fraud, bribery, or corruption.

Procedure for Internal Inspection of Reports - SOF Connect is obligated to establish an internal reporting channel and to conduct internal inspection of the reports of breaches within the scope of the **Law on Protection of Persons Reporting or Publicly Disclosing Information on Breaches (Whistleblower Protection Act)**. SOF Connect has also committed to conducting an internal inspection of all reports of breaches of the Code of Ethics and Anti-Fraud, Bribery and Corruption Policy.

Our Approach to Material Topics

SOFIA AIRPORT

Economic

Flight Security and Safety

Background

Flight safety and security are at the heart of the aviation industry and airport operations, and are therefore rated as the most material of all sustainability issues in SOF Connect's double materiality matrix.

Aviation **safety** focuses on the prevention of accidents and incidents in the aviation industry. Safety encompasses the processes, programs and training required to ensure safe airport operations.

Flight **security** is concerned with protecting against intentional acts of unlawful interference.

Management and Accountability

SOF Connect is committed to fostering a safety culture where employees at all levels actively participate in maintaining and improving airport safety. Employees are encouraged to report safety hazards and incidents without fear of retaliation. Safety incidents are analyzed and investigated, and lessons learned are shared throughout the organization to prevent similar incidents from occurring in the future. SOF Connect's safety culture is based on the practice of a:

- **Reporting Culture:** Fostering a culture of reporting means creating an environment where individuals feel empowered to report safety concerns without fear of retaliation. It is critical that employees are assured of confidentiality and understand that their reports will be acted upon; otherwise, they may not see the value in reporting.

- **Learning Culture:** An organization with a learning culture is adept at learning from mistakes and implementing necessary changes. This ensures that individuals understand and engage with the Safety Management System (SMS) processes on a personal level.

- **Just culture:** In a just culture, errors and unintentional unsafe acts are not met with punitive action. However, individuals who demonstrate recklessness or take deliberate and unjustifiable risks will face disciplinary action.

The safety governance structure at SOF Connect is established in accordance with European Union Aviation Safety Agency (EASA) regulations where the Accountable Manager is responsible for safety matters at Sofia Airport and the Safety Board oversees and coordinates their work. The Safety Department operates under the management of the Main Operations Division and reports to the Chief Operating and Services Officer (COSO) and to the Chief Executive Officer (CEO), as the issue of safety is of the highest level of executive responsibility. In 2023, part of the Safety Division was transferred to the Airside Division, including Operational Safety, Medical Services and Wildlife Control, in order to increase site level oversight and improve the efficiency of day-to-day safety operations on the airfield.

Safety assessments, risk analysis and annual reports as required by Bulgarian legislation to the General Directorate of Civil Aviation Administration (GD CAA) and the National Accident Investigation Board (to the Bulgarian Ministry of Transport), including audits and inspections, campaign checks related to vehicle and aircraft maintenance are performed by the Safety Department. Cases of non-compliance are reported to the management and the GD CAA for appropriate action. The Safety Review Board is responsible for assessing and mitigating risks, allocating resources and improving overall safety levels. The annual Safety Review Board meeting includes key members of senior management such as the Chief Executive Officer, Chief Operating and Services Officer, Chief Human Resources Officer, Safety Director, Security Director, Chief Finance Officer and ESG Director. Goals are set for continuous improvement of the SMS with defined actions and results. An annual safety analysis, approved by the CEO, details all recorded aviation occurrences and breaches of rules and procedures, analyzes the main factors affecting safety during the period and proposes mitigation measures.

Enforced safety: Members of the Safety Division are deployed to Airside to conduct checks and ensure that safety measures are not just theoretical, but are actively enforced on the ground, contributing to the overall efficiency and safety of our operations. This segregation of duties underscores our commitment to maintaining the highest safety standards in all our operations (see the Operational Efficiency section for details).

Our Approach to Material Topics

Policies and standards

Flight Safety:
SOF Connect has implemented a Safety Management System (SMS) to identify, assess and manage safety risks associated with airport operations. The SMS adheres to the highest safety standards mandated by the International Civil Aviation Organization (ICAO), EU regulations, and national civil aviation standards. A key component of our SMS is the Safety Risk Assessment procedure, which analyzes the potential hazards and risks associated with various airport operations. We use a risk matrix to assess the level of risk associated with each hazard and determine appropriate mitigation measures. The effectiveness of our SMS is continuously monitored through key performance indicators (KPIs), audits and regular reviews.

Our SMS includes:
- safety policy and objectives;
- safety responsibilities of key safety personnel;
- documentation control procedures;
- safety assessment process;
- monitoring of implementation and effectiveness of safety actions, and risk mitigation measures;
- safety performance monitoring;
- safety reporting and investigation;
- coordination of emergency response planning;
- management of change;
- safety promotion.

Safety management system covers all processes and staff involved in airfield operations, such as (but not limited to):
- Apron management services;
- Airfield maintenance procedures;
- Aircraft ground handling services and procedures;
- Emergency planning and operations.

External suppliers and contractors are also required to comply with our SMS, and these requirements are incorporated into the tendering and contracting process. We regularly post safety alerts and bulletins on information boards, showcasing concrete safety cases at different severity levels that have been recently investigated and providing guidance prevention and mitigation of risks. Furthermore, confidential safety reports can be submitted via dedicated mailboxes, and investigation results are presented to the CEO.

Flight Security:
SOF Connect maintains a robust security program designed to prevent, detect and respond to unlawful interference in accordance with stringent international, European and national regulatory requirements, including those established by ICAO and other aviation industry bodies. Due to the sensitive nature of security measures, our security program is confidential.
To ensure continued security success, we track and report key indicators on a regular basis and we provide an annual report to the General Directorate of Civil Aviation (GD CAA) on the status of security measures.

Our Approach to Material Topics

Traffic Growth and Expansion

Background

Our marketing and business development team is committed to fostering airline partnerships, expanding destinations and developing commercial activities. Our strategic growth and expansion initiatives stimulate economic activity, create employment opportunities and enhance regional connectivity. We are constantly looking for new opportunities, whether they are underserved destinations, new airlines or increased flight frequencies. Our primary goal is to increase air connectivity at Sofia Airport and provide our passengers with routes to all desired destinations for business, leisure and visiting friends and relatives.

Management and Accountability

The Marketing and Business Development department is responsible for identifying and implementing strategies that facilitate passenger growth and operational expansion at the airport. This includes maintaining existing airline partnerships, introducing new routes and exploring potential service markets. Regular updates, including market research results, new airline partnerships and key strategic opportunities, are shared with the Chief Operating and Services Officer (COSO) and the Chief Executive Officer (CEO). These updates inform decision-making regarding SOF Connect's commercial strategy, ensuring alignment with the airport's overall goals and objectives. The Division consists of two departments:

- Aviation Marketing: Focuses on better positioning and negotiating with airlines. It looks ahead to business development for the next several years, strategizing for traffic growth, expansion into new destinations, and identifying strategic opportunities through market research.
- Statistics, Analysis and Forecasting: Produces statistics and forecasts by analyzing historical data to predict passenger flows. It provides information to numerous departments to make decisions regarding the investment plan, operational services, cargo, baggage, passengers, etc. It also sends monthly reports to all departments and to external bodies such as the General Directorate of Civil Aviation (GD CAA).

Policies and standards

The change of our airline operations is a key component of our strategic transformation program. We aim to increase our EBITDA margin by growing traffic and attracting primarily low-cost airlines with competitive fees to meet the growing demand for affordable air travel from budget-conscious travelers. Our strategic goal is to expand Sofia Airport's network of destinations and become a preferred choice among regional airports.

For more information on our progress in increasing passenger numbers and expanding destinations and partner airlines, refer to the Traffic Growth and Expansion chapter of our 2023 Performance report.

Our Approach to Material Topics

Operational Efficiency

Background

Main Operations is the nerve center of the airport, critical to the smooth operation of the airport and facilitating SOF Connect's primary revenue generating activities. It is responsible for coordinating aircraft landing, take-off, refueling, cargo and passenger handling in collaboration with the Bulgarian Air Traffic Services Authority (BULATSA).

The Division also:
- Monitors and maintains airport facilities, including runways, taxiways, and aprons.
- Provides timely information to stakeholders regarding slot coordination, aircraft documentation, and operational changes.
- Terminal Operations - Provides passenger information, manages queues, and other aspects of the passenger experience.
- Aviation security - passenger and baggage screening.
- Bird and wildlife control.
- Aircraft rescue and response and support in case of fires.

All procedures adhere to specific terminology, regulations and agreements in accordance with the General Directorate of Civil Aviation (GD CAA), BULATSA requirements and our Airport Emergency Plan. We undergo regular audits to ensure compliance and excellence.

Management and Accountability

The Main Operations Division reports directly to the Chief Operating and Services Officer (COSO), who in turn reports to the Chief Executive Officer (CEO). In 2023, the Division underwent significant structural changes as the Operations Center was split into two departments: Duty Airside and Airport Operations Control Center. Responsibilities have been separated from the Terminals Operational Management Division, which manages and operates terminal buildings, baggage belts and aircraft bridges, and the Fuel Farm and Transport Division, which maintains vehicles and provides transportation within the airport and fuel farm. To ensure effective quality assurance, we have made a clear distinction between the Safety Division and the Airside Division. Safety functions independently from Main Operations to ensure that all activities are carried out in accordance with Standard Operating Procedures (SOPs). This independence is critical for unbiased monitoring and enforcement of safety standards.

The reorganization is representative of the operational structure of best-in-class European airports and has allowed us to clarify responsibilities, streamline processes and improve communication within departments. Previously dispersed processes and people are now focused and managed within one department by the responsible Duty Airside Managers. The results are part of our efforts to establish clear management structures, adopt a dynamic work approach, improve operations, reduce costs and enhance the customer experience.

Policies and standards

Efficiency is one of our four strategic pillars, and we aim to achieve an EBITDA margin in line with best-in-class airports, thereby improving our profitability and competitiveness.

The SOF Connect strategic transformation program addresses four areas of operational efficiency:

I. Structure and management
- Clear performance and accountability
- Quick decision-making

II. Processes
- Flexible way of working
- Clear responsibility

III. Digitalization
- Digital tools for internal and external users and partners
- Contactless travel

IV. Partners and resources
- Combination of opportunities from internal resources and external partners

To achieve our transformation goals, we are focusing on two key areas: growing our revenues and reducing our operating expenses. We are doing this through strategic investments, digitalization efforts, and business process improvements.

Our Approach to Material Topics

Digitalization and Technology

Background

Technology is an essential part of maintaining operational readiness at the airport, it underpins the smooth running of our day-to-day operations, and passengers are becoming increasingly accustomed to digital solutions and the features of systems that facilitate their movement. Up-to-date information and communications technology (ICT) systems are critical to business continuity management and must meet increasingly stringent requirements as cybersecurity threats become more sophisticated.

Management and Accountability

Our ICT department, reporting to the Chief Operating and Services Officer (COSO), is responsible for the development and implementation of our ICT Master Plan. The ICT department is responsible for the day-to-day management, maintenance and improvement of IT services throughout the airport, as well as customer service requests from relevant stakeholders using digital systems at the airport (internal staff, but also external users - in conjunction with our Media and Digital Communications department). The ICT department works closely with an external information security team which provides to our organization the role Chief Information Security Officer (CISO) as a service. Our ICT is focused on solutions design activities, which includes access control, CCTV, visual docking guidance systems, back-office and network IT, business solutions, analytics & knowledge management, and customer services (account management, outsourced service desk and technical support).

Policies and standards

Our ICT Master Plan is the strategic blueprint for all ICT initiatives. ICT requirements are horizontally integrated into divisional and departmental policies and standards where relevant, such as Procurement, Media & Digital Communications (e.g. GDPR) and our main operations department (which includes all departments reporting to the COSO). The ICT Master Plan includes all requirements arising from relevant legislation and our concession agreement, as well as wider operational improvements required to meet core business objectives.

For more details on the implementation of our ICT Master Plan, refer to the Digitalization and Technology chapter of our 2023 Performance report

Our Approach to Material Topics

Social

Customer Experience

Background

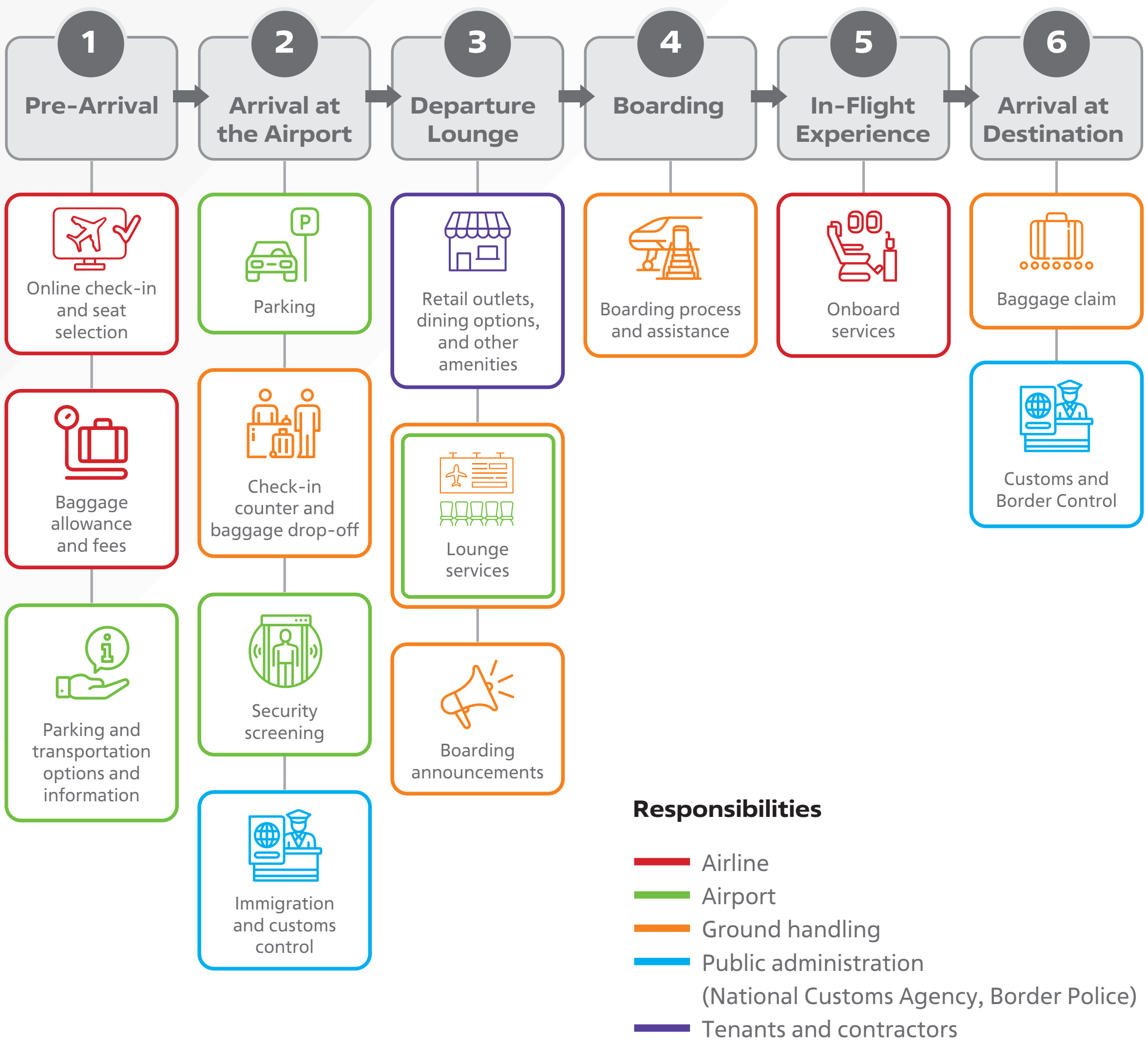
Commercial services redevelopment and new services implementation play a crucial part in the overall company strategy of becoming a 5-star airport. Adherence to international standards in commercial services such as retail, food and beverage, business lounges, VIP service, parking services and others, either delivered by experienced operators or managed internally through digital solutions, proactive quality control, and effective management, enhances the passenger experience and generates significant added value for the company. Projects focused on the development of commercial activities hold a very high priority within the strategy of becoming a 5-star airport.

Management and Accountability

Passenger journey

Enhancing the passenger journey is within the remit of our Main Commercial Division, which is responsible for services offered by 3rd party tenants on premises, parking services, advertisement, key account management, and VIP & guest lounges. This team reports to the Chief Executive Officer. We have implemented significant restructuring of our Commercial department in 2023, cutting down the number of staff from 300 to 70, while enhancing staff engagement and overall performance.

Passenger journey and the touchpoints with the airport



Our Approach to Material Topics

Grievances and remediation

Our Media and Digital Communications department is responsible for public relations issues, including grievances and remedial action. This team reports to the Chief Executive Officer. Our grievance and remediation procedures include not only passengers, but also the wider stakeholder community within which the airport operates.

Policies and standards

Passenger journey

We have integrated a formal Customer Experience Committee (consisting of C-level management) which convenes monthly and reviews the airport's Airport Service Quality (ASQ) scoring. ASQ – operated by Airport Councils International – is the world's leading airport passenger service program, benchmarking customer satisfaction of services at the airport, and providing us with a valuable source of passenger feedback. Airport services are a joint endeavor, with responsibilities shared between the airport operator, airlines, and ground handling companies. Recognizing this, the Customer Experience Committee's remit is to ensure cross-departmental collaboration, underpinned by a common goal of delivering exceptional services to our passengers.

Our Customer and User Feedback Management Procedure establishes the formal channels for two-way feedback on grievances. Our Supervisory Board meets quarterly to address issues arising from our grievance collection mechanism, and our Media and Digital Communications department is responsible for liaising with parties who have filed grievances with feedback on efforts toward remediation.

Our Approach to Material Topics

SOFIA AIRPORT

Workforce Health and Safety

Background

The safety of our people always comes first. SOF Connect's senior management recognizes the social, ethical, and economic importance of a safe working environment and is focused on the prioritization of occupational health and safety, across all corporate activities and processes.

Management and Accountability

The Occupational Health and Safety department is within the main HR Administration & Social Activities Division, which reports to the CEO.

Policies and standards

- We have an Occupational Health and Safety Policy in accordance with ISO 45001:2018 based on four principles: prevention, effectiveness, integrated activities and proactivity and commitment.
- Our Safety Management System (SMS) includes rules, operating principles, continuous monitoring and assessments and is aligned with Regulation (EU) 139/2014, the Easy Access Rules of the European Union Aviation Safety Agency (EASA), and the Safety Management Manual of the International Civil Aviation Organization (ICAO).
- We are accredited for a safe environment by the Airports Council International (ACI) Airport Health Accreditation (AHA) program.

Talent Management

Background

The successful continuation of the transformation will determine for our sustainable development. Working across the board to change and better manage people relationships is at the heart of making the airport a preferred destination. We are persistently transforming SOF Connect by taking people-centric decisions that will ensure the company's stability and set it on a trajectory for success.

Management and Accountability

The Main HR Administration & Social Activities Division, reporting to the CEO, encompasses various departments. These departments, including Recruitment, Training and Development, Employee Relations, Payroll and Benefits, among others, each handle different aspects of employee care. A key objective of HR is to design new processes and procedures to support the evolution of our corporate culture.

Policies and standards

- Social and Human Resources Policy: This policy outlines key principles to support a culture of trust, transparency, fairness, inclusion, and respect for human rights.
- Performance Management Process: Forms the foundation of effective people management, encompassing performance reviews, engagement reviews, hiring practices, and goal setting.
- Recruitment Policy: Outlines our commitment to open, competitive, and competency-based recruitment and selection practices. It ensures uniform treatment of all employees.
- Remuneration and Benefits Policy: Aimed at building a robust framework for the organization's remuneration and benefits structure, this policy fosters a competitive work environment and transparency for all employees.
- Labor Regulations Policy: Serves as the foundation for all our relationships with employees. It regulates labor activities for effective and lawful implementation, defining the fundamental rights of employees to ensure their fair and lawful treatment by the employer.

Our Approach to Material Topics

Noise pollution

Background

Sofia Airport, once on the outskirts of the capital city, is now in the heart of an urban area, close to residential neighborhoods and public spaces. We are part of the urban environment, and we know that the noise from aircraft taking off and landing has a negative impact on local residents. Although we have no control over flight routes, which are managed by the Bulgarian Air Traffic Services Authority (BULATSA), we continuously strive to reduce noise pollution and are committed to an open dialog with the community.

Management and Accountability

The Sustainability/ESG Division, which reports directly to the CEO, consists of two departments: Environmental Affairs and Integrated Management System (IMS) and ESG Policies & Projects. As part of our restructuring, we have combined the ESG and Environmental departments into a single division to streamline operations, improve communication and increase efficiency in managing environmental issues.

The Environment department oversees various environmental issues, including waste, hazardous chemicals, water, biodiversity, air and noise. They manage the automated noise measurement system, handle noise complaints and provide quarterly noise reports to the Executive Environmental Agency and the Regional Environmental and Water Inspectorate. They are also responsible for the IMS and the Airport Carbon Accreditation (ACA) program.

Policies and standards

We follow a detailed action plan to the Strategic Noise Map, which is based on a thorough analysis of noise exposure and is continuously updated. Our noise management plan complies with European legislation, good industry practice and the ICAO balanced approach. We have been monitoring noise levels for many years and publish monthly noise reports.

For more information on our progress in noise management, refer to the Noise Pollution chapter of our 2023 Performance report

Our Approach to Material Topics

Environment

Decarbonization and Climate Change

Background

Decarbonization is one of the chief strategic focuses of Sofia Airport and is underpinned by comprehensive legislation under the EU Green Deal, transposed into national regulations, and also an integral part of the requirements of our concession and our lenders.

In 2023, we began incorporating the recommendations of the Task-Force for Climate-Related Financial Disclosures (now part of the IFRS Foundation) in our climate-related risk & opportunities identification and management process. Herein we present our inaugural TCFD disclosure and progress to date. Further strengthening of our climate risks & opportunities management via TCFD recommendations is ongoing.

For more details on our TCFD disclosure, refer to the Decarbonization and Climate Change chapter of our 2023 Performance report.

TCFD aspect	Actions	2023 progress
Governance	• Incorporate climate risk considerations into strategic planning.	●○○
Strategy	• Implement climate change considerations into business strategy. • Assess the climate resilience of our strategy. • Assess climate risks and integrate them into company risk management.	●○○ ●○○ ●●○
Risk management	• Develop a climate risk assessment methodology. • Estimate financial impacts of climate risks - to be developed next year along with the company's risk assessment methodology update.	●●● ○○○
Metrics and targets	• Track energy consumption and GHG emissions and develop interim and long-term climate targets	●●●

○○○ Not achieved ●○○ In progress ●●○ Significant progress ●●● Achieved

Governance

We have consolidated our Environment and IMS & Sustainability Policies and Projects departments into a single ESG Division, reporting directly to the CEO. The ESG Division liaises horizontally across our other divisions toward implementation of our Sustainability Roadmap. Decarbonization transition planning is managed via a dedicated Carbon Management Plan which we updated in early 2024, with a budget allocation of approximately 50.7 million EUR for 2023-2040. Implementation of the Carbon Management Plan is part of the yearly goals of our ESG and Main Technical divisions, while all other divisions have ESG components integrated into their goals (specifically decarbonization and health & safety components). 10% of the renumeration of Sofia Airport management (C-level and levels -1 and -2) is contingent on meeting these goals. Operational steering is managed via a monthly ESG committee, comprising all directors and management board members. Our Concession & Regulations Committee discusses decarbonization matters which relate to requirements stemming from our concession and from funding bodies.

Since mid 2024, Sofia Airport holds Airport Carbon Accreditation Level 4 (Transformation). In addition to the above, our Sustainability Roadmap also includes measures toward increasing the provision of Sustainable aviation fuels (SAF) following EU Regulation 2023/2405 (RefuelEU).

Our Approach to Material Topics

Strategy

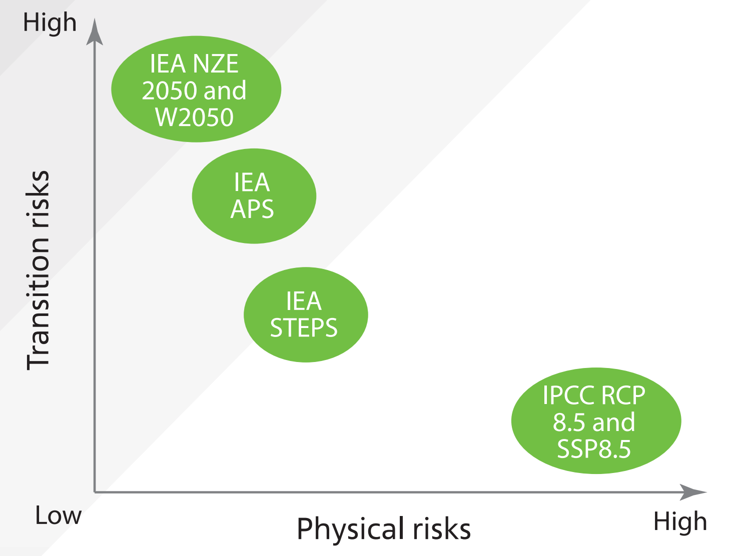
We use scenario analysis to determine the potential climate-related risks and opportunities for our business in the short, medium, and long-term, defined based on milestones outlined by our airport concession agreement. The short-term time horizon is our default operational horizon, with an investment program created every 5 years by SOF Connect, reflecting also medium and longer-term issues dictated by our concession and informed by climate-related issues.

Short term: toward 2030
Terminal 3 becomes operational.

Medium term: toward 2040
Reaching the middle of our airport concession.

Long term: toward 2050
Aligned with the planned end of the concession.

Our assessment of climate-related risks and opportunities involves a combination of scenarios. The summary table below outlines these scenarios, and the accompanying graph illustrates the relationship between scenarios and the corresponding levels of physical and transition risks.



Our Approach to Material Topics

Climate scenario	Temperature change in 2100 (above preindustrial levels)	Description	Type of risks assessed	Source
Stated Policies (STEPS)	2.4 °C	Governments actually implement the policies and measures that are in place or that have been announced. Aspirational energy or climate targets are not automatically assumed to be met.	Transition risks	International Energy Agency's (IEA) World Energy Outlook (WEO) 2023
Announced pledges (APS)	1.7 °C	Governments meet in full and on time their announced climate-related commitments including long term net zero emissions pledges even if they are not underpinned by specific policies.	Transition risks	International Energy Agency's (IEA) World Energy Outlook (WEO) 2023
Net Zero Emissions by 2050 (NZE)	1.5 °C	The world takes actions to meet the Paris Agreement targets and reach global net zero carbon emissions by 2050, achieving key energy-related UN Sustainable Development Goals (UN SDGs).	Transition risks	International Energy Agency's (IEA) World Energy Outlook (WEO) 2023
Aspirational and aggressive technology perspective (Waypoint 2050)	1.5 °C	Ambitious technological advancements include electric aircraft up to 100 seats, zero-emissions aircraft powered by green hydrogen for the 100-200 seat segment, and hybrid-electric configurations for larger, unconventional aircraft.	Transition risks	Air Transport Action Group (ATAG) Waypoint 2050 report (2021)
Aggressive sustainable fuel deployment (Waypoint 2050)	1.5 °C	Ambitious technology improvements in aviation, like blended wing body options, focus on sustainable fuels rather than a significant shift to electric or hybrid. To meet the 2050 carbon goal, sustainable aviation fuels play a crucial role, requiring substantial amounts with high emissions reduction factors.	Transition risks	Air Transport Action Group (ATAG) Waypoint 2050 report (2021)
RCP-8.5 high emission scenario	4.0 °C	The Representative Concentration Pathway 8.5 stands as one of the four fundamental greenhouse gas concentration trajectories evaluated by the Intergovernmental Panel on Climate Change (IPCC) in its fifth assessment report (AR5). This pathway posits a scenario in which global emissions persistently increase over the course of the 21st century.	Physical risks	IPCC Fifth Assessment Report (2014)
SSP5-8.5 high emission (business as usual) scenario	4.0°C	This "Shared Socioeconomic Pathway" scenario has been modelled by taking into consideration how global society, demographics and economics might change over the next century. It suggests that there will be growing reliance on competitive markets, innovation, and participatory societies as the driving forces behind rapid technological progress and the development of human capital, seen as the key to sustainable development.	Physical risks	IPCC Sixth Assessment Report (2021)

Our Approach to Material Topics

Climate Risk Management

The Supervisory Board is the highest governance body responsible for overseeing ESG matters including the commissioning and adoption of environmental impact assessments, decarbonization projects and investments and evaluates climate change issues when reviewing and guiding business strategy, plans and budgets.

The Supervisory Board has the final oversight for the risk management process and the ESG Division and the ESG director, in particular, is responsible for managing the climate topic and its impacts and escalating identified risks to the Board. The Division provides regular reports to the Audit and Risk committee, which addresses topics such as financial commitments related to additional ESG expenditure and an examination of ESG risks. Refer to the Risk Management section of this report for more details of the Supervisory Board and our risk management structure.

As outlined in the previous Strategy section, for the evaluation of climate risks, we have considered climate scenario analysis. Though accurately forecasting the future policies and climate impacts poses challenges, scenario analysis can assist in emphasizing the spectrum of risks associated with climate change. To evaluate the physical risks associated with our operations, we have relied on data concerning local-scale climate change projections provided by the Intergovernmental Panel on Climate Change (IPCC), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and the Climate Change Knowledge Portal by The World Bank. Specifically, we have utilized the IPCC's RCP8.5 and SSP5-8.5 projections, representing a "business as usual" scenario characterized by uncontrolled increases in emissions in the future. This assumption reflects a worst-case scenario, chosen to conduct a highly conservative assessment of potential risks. For transition risks we have considered two sources – the International Energy Agency's World Energy Outlook scenarios for a broad-market picture, and the Air Transport Action Group (ATAG) Waypoint 2050 scenarios for a sector-specific perspective.

The table below provides a broad view of how different significant risks drivers are expected to develop under different scenarios. See the Strategy section of this report for a description of the scenarios themselves.

		International Energy Agency			Waypoint 2050		IPCC
		STEPS	APS	NZE	Aggressive	Aspirational and aggressive	SSP8.5 RCP8.5
Transition risks	Carbon pricing	↑	↑	↑			
	Technology developments				↑	↑	
	Operational improvements				↑	↑	
	Use of SAF				↑	↑	
	Carbon offset pricing	↑	↑	↑			
Physical risks	Temperature change						↑
	Precipitation						↑↓
	Droughts						↑↓
	Extreme rainfall						↑↓

Legend:

↑↓ Small change ↑↓ Medium change ↑↓ Large change

Up-arrow indicates an increase in risks and vice-versa, while size of arrow indicates the magnitude of expected change. Combinations of arrows indicate that the direction of change is uncertain – changes in both directions may be plausible and have been considered in our analysis.

Our Approach to Material Topics

We prioritize risks based on a Probability x Impact matrix, with risk scoring determined as the product of the two.

Impact has four different pillars, that SOF Connect voted on separately. They are finance, operation, reputation, strategy. After discussion with the risk manager, the ESG, financial, technical and operations departments, the highest score of the four pillars was taken for the total impact value. We have separately ranked inherent risk (without management intervention) and residual risk (considering also adaptation measures).

Probability	Impact					Risk Rating: Probability x Impact
	1. Insignificant	2. Minor	3. Significant	4. Major	5. Catastrophic	
1. Very Unlikely	1	2	3	4	5	Minimal 1-2
2. Low Likelihood	2	4	6	8	10	Low: 3-9
3. Possible	3	6	9	12	15	Medium: 10-15
4. Very Likely	4	8	12	16	20	High: 16-20
5. Almost Certainly	5	10	15	20	25	Extreme: 25

Following this exercise, we are in the process of further refining and enhancing our formal risk management process.

Metrics & Targets

We have adopted both medium and long-term GHG targets, in addition to performance goals for year-on-year reductions in emissions and achievement of milestones in our Carbon Management Plan – applicable for C-level management and management levels -1 and -2. See section Governance of this report's Decarbonization and Climate Change section for further details. For specific information on targets and progress to date, see the Decarbonization and Climate Change chapter of our 2023 Performance report.

Supply Chain Management

Background

Procurement is a significant source of potential ESG risks, as well as a significant opportunity to improve our ESG performance. Sofia Airport conducts over 400 tenders annually, out of approximately 2 000 supply requests. From the daily procurement of office supplies to major infrastructure projects, sustainability is integrated into our decision-making as part of our commitment to develop as a 5-star regional airport.

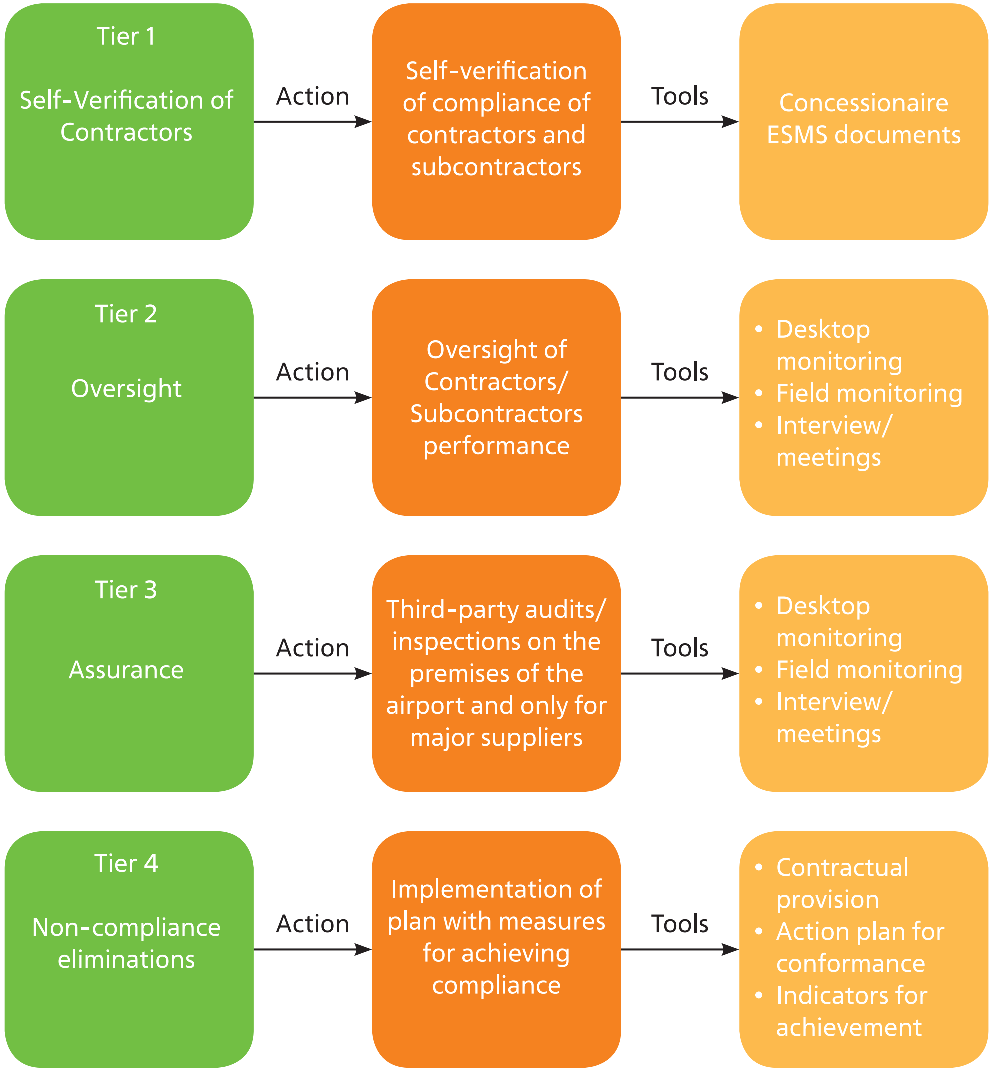
Management and Accountability

Supply chain management falls under the remit of our Purchasing and Tendering department, which is part of our Main Finance Division and reports to the CFO. Over the course of 2023, we fully digitized our procurement process as part of a broader ERP implementation, allowing us to better manage and track performance. Our procurement department is responsible for requesting ESG information from suppliers. ESG requirements are part of all tender procedures at Sofia Airport, working closely with our ESG Division, which has the right to disqualify tenderers if their declared ESG credentials are found to be lacking. Conversely, we include ESG scoring requirements in our tenders, allowing suppliers with better credentials to stand out in the supplier selection process. Our contracts incorporate clauses covering ESG, including operational health and safety. Suppliers are contractually required to report yearly on ESG indicators, which are then included in our reporting to the investor, banks and in the annual report.

Policies and standards

Sustainability requirements are formalized in our supply chain management through our Environmental and Social Management Monitoring Plan (ESMMP) process, to which all contractors and subcontractors must adhere. The process integrates requirements from national legislation, relevant international standards (such as the International Finance Corporation), and requirements imposed by our concession agreement and lenders. Supplier performance tracking follows a four-tiered process with escalating levels of non-compliance, validating not only the existence of policies but also the management approach applied to each issue.

Our Approach to Material Topics



Sustainable Building

Background

SOF Connect is a construction concession and one of our primary goals is to improve the airport's existing infrastructure and build a new Terminal 3. Considering the environmental implications and energy consumption of our ambitious projects, we prioritize efficiency and technological advancements at every stage, from design and procurement to construction and utilization of all our facilities.

Management and Accountability

The Main Technical Division, responsible for maintaining the airport's facilities, is critical for implementing our strategic plans. Sofia Airport's management is actively involved in all sustainable building plans, recognizing that beyond reducing electricity consumption we aim to cut down operational expenditures which is a business imperative for the organization. Management understands the interrelated nature of various factors such as the airport's current state, performance, passenger experience, and ESG considerations, which are all integral to our objectives.

The technical team, reporting to the Chief Operating and Services Officer, specializes in planning, airport technologies, electrical systems, buildings, airfields, and landside areas. Project managers hold weekly meetings to ensure compliance with airport standards and operational excellence. Regular communication with other departments and committees focused on passenger experience and capital expenditures allows for holistic management, aligning ESG goals with passenger satisfaction and operational efficiency.

Policies and standards

Apart from complying with legal requirements related to energy conservation and building design, we plan to certify our future Terminal 3 with BREEAM (Building Research Establishment Environmental Assessment Method), a leading global sustainability rating for buildings. This certification is provided by independent assessors and analyses various environmental performance aspects, promoting energy efficiency, reduced environmental impact, and occupant wellbeing.

SOFIA AIRPORT

Contact for comments and feedback:

Antoaneta Stoyanova
Sustainability (ESG) Director

a.stoyanova@sof-connect.com
T: +359/2 937 2508

Address:
SOF Connect AD 1, Christopher Columbus Blvd., 1540 Sofia, Bulgaria