

**NON-FINANCIAL  
DECLARATION  
PETROL GROUP**



**The non-financial declaration of the Petrol Group has been prepared in accordance with the reporting requirements of Art. 51 to the Accountancy Act and contains the policies, commitments and supported causes regarding the activities of the Group in the scope of ecology, social policy, human resources, human rights and the fight against corruption.**

## **GROUP'S BUSINESS MODEL**

Petrol (the Group) is one of the largest players in the fuels market in Bulgaria. The major activities of the Group include storage, wholesale and retail trading with fuels and other petroleum products. At present, under the Petrol brand operates the most well-developed retail fuel distribution network in the country. As at December 31, 2020, the retail network includes 320 petrol stations operating under the Petrol brand, including trade sites managed by dealer and franchise agreements, evenly spread throughout the country, providing national coverage. In 2020, wholesale trading and fuel storage activities are carried out through the managed by the Group petrol facility in Varna, as well as through purchases from other petrol facilities managed by third parties. For additional information on the business model of the Group, as well as the operational and financial results for 2020, see the Annual Activity Report for 2020.

## **SPECIFIC RISKS FACING THE GROUP**

In 2021 the need for measures and actions related to climate change continues, and all participants in economic and social life, in particular consumers, governments and businesses should make efforts to reduce gas emissions and the greenhouse effect. Growing energy demand and, at the same time, the acceleration of climate change require the setting of ambitious targets for the players in the energy sector.

The specifics of Petrol's core business challenge the Group to meet the expectations of shareholders, creditors and other stakeholders, while developing its business model in line with the environment contributing to the reduction of carbon emissions and the overall impact on the environment.

In the process of storage and trading of fuels, petroleum products and other wholesale and retail goods, and managing petrol stations and storage facilities, Petrol is responsible for addressing the environmental challenges of working with fuels and derivative chemicals, minimizing the impact on the environment from the wholesale and retail trading of fuels, as well as reducing the consumption of natural resources.

Long-term sustainable development of the Group will depend on the level of success and progress of Petrol in terms of the forthcoming environmental challenges, as well as the imposition of long-term policies and practices concerning human rights protection, development of human resources, ethical corporate governance and the fight against corruption. Petrol faces the following risks:

- The main challenge for Petrol is the transition from fossil fuels to alternative energy sources. There is a risk arising from the inability of Petrol to succeed in the transition to the provision of alternative fuels because of financial or other reasons;
- Future change in the carbon policy, which will lead to an increase in Petrol's costs for compliance with the environmental requirements;
- Inability of Petrol to comply with the specific regulations concerning harmful vapors and environmental pollution;
- Risk of Petrol's failure to implement its energy efficiency projects and improve its energy balance;

## **STRATEGIC OBJECTIVES OF PETROL CONCERNING THE ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE**

Petrol continues to set ambitious goals and develop its long-term strategic goals, namely:

- To pass successfully the energy transition, meeting the requirements of society for a cleaner, sustainable and competitive environment;
- To make a positive social contribution to society by providing its products, services and business operations;
- To create high added value for its shareholders, customers and other stakeholders, by maintaining a high ethical corporate culture, development and technological progress, and responsibility to society with a minimum carbon footprint;

## **ENVIRONMENTAL COMMITMENTS**

As a socially responsible group, Petrol continues to take actions and measures to improve the climate impact and reduce the carbon footprint associated with the Group.

Following its privatisation in 1999, the Group started the implementation of an investment program aimed to bring the Group's facilities in line with the requirements of the best environmental practices in the European Union. The Group's operations include a number of activities which are governed by the environmental or health and safety laws in Bulgaria, which also cover historic environmental commitments associated with past environmental damage, storage and trading with petroleum products, soil and groundwater contamination, waste management, water supply, waste water management, atmospheric emissions, use and disposal of hazardous materials, land use and planning requirements, including public issues, associated with the development of new green field retail stations.

The principal legislation acts in Bulgaria, which set out the framework for environmental protection and sustainable development, are the Environment Protection Act, the Water Act, the Waste Management Act, the Air Purity Act, the Soil Protection Act, the Underground Resources Act, RESA and various regulations on their implementation. As part of Bulgaria's preparation for accession to the European Union, each of these acts has been brought into line with the European Union standards, with the new standards being phased in over time. Any failure by the Petrol AD or its subsidiaries to comply with such acts may be a ground for civil and/or administrative liability.

With regard to the Group's retail stations, the Bulgarian law requires that a number of air, water, land and noise emissions are monitored and recorded and processes established for minimizing such emissions and rendering them harmless. The following are monitored pursuant to these obligations:

- Air emissions are monitored for dust, hydrogen sulphide, sulphurous dioxide, nitrogen dioxide, lead aerosols, ammonia, carbolic acid and hydrocarbon;
- Water emissions are monitored for temperature, pH, dissolved oxygen, conductance, turbidity, phosphates, copper, zinc, lead and oil products;
- Surrounding soil is monitored for pH, nitrate nitrogen, copper, chlorides, phosphates, zinc, lead and oil products; and
- Noise levels are monitored.

The Group is in compliance in all material respects with environmental requirements currently applicable to its operations. The Management of the Group believes, with the planned additional investment, the companies will be able to maintain compliance with known forthcoming requirements. The Group's intention is to continue to ensure environmental compliance and pollution prevention in advance of regulatory requirements.

Petrol's commitment to environmental impact is focused on the following main areas:

- Environmental protection and reduction of harmful emissions and vapors from the Group's activities;
- Contributing to a sustainable energy future in the process of energy transition to the supply of cleaner and more competitive fuels;

- Reducing the expenditure of natural resources in carrying out the Group's activities;

Major directions and actions taken by Petrol for environmental protection	Activities	Stage
· Environmental protection and reduction of harmful emissions and vapors from Petrol's operations;	Installation of systems for capturing harmful emissions in trade sites	Finished
	Installation of systems for capturing harmful emissions in storage depots	Finished
· Contributing to a sustainable energy future in the process of energy transition to the supply of cleaner and more competitive fuels;	Promotion and enforcement of low carbon fuels and increasing their share in total fuels sales	In progress
	Installation of charging power stations	In progress
	Internal quality control	Finished
· Reducing the consumption of natural resources in Petrol's operation;	Replacement of the regular lighting at petrol stations with energy-saving lighting	Finished
	ISO certification	Finished
	Automation of processes in Petrol	In progress
	Digitization of document flow	In progress

## **VAPOUR RECOVERY SYSTEMS**

One of the major areas in which the Group has invested, and will continue to invest, is the meeting of the Bulgarian and European Union requirements for the control of volatile organic compounds (known as VOCs). VOCs are compounds containing carbon that evaporate into the air, such as vapour arising from certain petroleum products. European Union Directive 94/63/EC Directive on VOCs emissions resulting from storage and distribution of petrol set limits on the permitted levels of such emissions.

The Directive has been implemented in Bulgarian legislation in the form of Ordinance No16 dated August 12, 1999, which limits the emissions of VOCs connected with the storage, loading or unloading and transportation of gasolines.

In response to these requirements, all trade sites managed by the Group are equipped with systems for capturing harmful vapours, fully complying with legislative requirements for environmental protection. The Group continuously invests in the renewal of the vapours recovery utilities (VRU) in the retail trade sites in accordance with the requirements of Ordinance No 16.

The legal acts set up very strict requirements to fuel stations, fuel storage terminals, and fuel tank trucks. Pursuant to these standards, the tanks of fuel stations are made with double walls willed with inert liquid. The Group installed level measuring systems reacting to the slightest changes in the level of fuel, as well as systems for sending vapours back into the fuel tank truck during unloading of the fuel. Thus all dangers of fuel leaks and pollution with carbon oxides are minimized.

In order for the Group to be in line with the environmental criteria, the loading and storage terminals are currently being reconstructed. Floating roofs limiting the vapours to a minimum are installed, new mounting

(This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail)

platforms for down filling of fuel trucks and vapour recovery system are built.

Petrol's management will continue to make additional investments in its retail and fuel storage facilities in the coming years in accordance with EU and the Volatile Organic Compounds (VOC) emission control requirements.

## **PROMOTION AND ADVERTISING OF LOW CARBON FUEL FUELS**

As a result of the widespread usage of diesel vehicles and the need for reduction the harmful emissions from the sales of fuels for internal combustion engines, Petrol continues to develop the AdBlue program, constantly increasing the number of trade sites with AdBlue dispensers installed for easy refueling of the AdBlue fuel additive for the processing of exhaust gases during the operation of diesel vehicles. As of December 31, 2020 Petrol manages 8 trade

sites at key locations with AdBlue dispensers, and despite the difficult situation in which the Group was placed as a result of the global spread of COVID-19 and the economic consequences of the imposed by the Government anti-epidemic measures led to an unprecedented drop in sales



revenue of 27 per cent, Petrol continues to invest in improving the energy balance of the goods and services offered by the Group. Thus, in 2021 until the date of preparation of the current Non-Financial Declaration, Petrol increased the locations with dispensers offering AdBlue by two more trade sites. For the period 2016 - 2020 AdBlue's sales of installed speakers have almost quadrupled, reducing the environmental emissions.

AdBlue sales table for the period 2017 - 2020

AdBlue/Year	2020	2019	2018	2017
Volumes through dispenser (in liters)	246,053	212,777	103,761	50,408
<i>Sales growth compared to previous year</i>	16%	105%	106%	
<i>Sales growth compared to 2017</i>	388%	322%	106%	

In addition to the locations with installed dispensers for AdBlue sales, 224 petrol stations operated by Petrol offer AdBlue liquid reagent in various types of packaging. As a result of the actions taken in the last years, as of December 31, 2020 the group managed to get 77% of the trade sites to be able to sell the environmentally friendly AdBlue additive.

In 2020 and in the previous three calendar years, Petrol is making efforts to promote and expand its sales of low-carbon fuels, in particular LPG and methane, looking for new sales and distribution channels while developing and expanding the current. The auto gas Gas Blue Force offered by the Group is of the highest quality with a combustion improver and a cleaning additive, which help to improve the combustion process and reduce the harmful emissions of carbon oxide by 25 per cent.



As a result of the marketing campaigns, promotions and other activities, as well as a result of the attracted new customers, and despite the difficult financial year for Petrol as a result of the worldwide pandemic, Petrol increased the methane sales by 35% in the last four years, taking into account the decline in 2020 as a result of the force-majeure situation caused by COVID-

19. In comparison, for the same period the total sales of gasoline A95 and diesel fuel decreased by 35% and 30% respectively. During the same period, Petrol also achieved success in the sale of Gas Blue Force and starting wholesale sales of LPG, reporting for two consecutive years an increase in wholesale sales of LPG, which in 2020 reached 4,818 thousand liters.



# RECHARGE POINT



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to provide the right portfolio of products and services that our customers need. In the coming years, consumers will continue to use oil and gas for their own needs, but more and more electricity will be powered by low-carbon electricity.

Part of the process of transition and change of the Group's business model to more sustainable and cleaner environment is the "Recharge Point" program, on which Petrol is working. Petrol is negotiating with various suppliers and contractors in search of the most correct way to implement the project. The recharge stations are installed in key locations for our customers. Petrol's ambition for the years to come is to be able to provide enough space for charging electric vehicles, so that we can meet the expectations of our customers and improve the energy balance of our operations.

The management of the Petrol Group believes that the growth of renewable energy sources, such as solar and wind, is crucial for a cleaner energy future in which people and nature interact in harmony. Petrol Group is taking action to deal with its own emissions and help customers reduce their own carbon footprint. With the development of the energy system, our business strategy is also evolving



## QUALITY CONTROL

The introduced Group's technical and environmental standards in Petrol's petrol stations fully meet the mandatory requirements of the European Union. The petrol stations keep fuels in compliance with all technological standards, in accordance with the accepted quality standards. The Group's management relies on the high quality of the fuels sold. The Group's policy excludes any trade-offs with technology and environmental standards. The petrol stations comply with all current regulations and with the best European and international practices.

The uncompromising quality of the fuels offered is guaranteed by the laboratories for constant quality control of the oil products. All managed petrol stations are inspected several times a year by fuel quality specialists. The company works closely with a number of government institutions in the field of quality control of liquid fuels.

## **ISO CERTIFICATION**

In December 2004, the Management Board of the Group decided to obtain ISO certifications for quality management standards under ISO 9001:2000 and environmental management system under ISO 14001:1996. This intention confirms the commitment of the Management to implement the best European practices in process management. This process includes the preparation, documentation and implementation of written rules and procedures and an audit of the procedures by an independent third party.

On October 11, 2007 Petrol AD successfully received certificate under ISO 9001:2000. In September 2010 Petrol AD and its subsidiaries successfully passed certification under ISO 9001:2008. At present the Parent company of the Group has a certificate for ISO 9001:2015 received on September 5, 2018.

## **HUMAN RESOURCE MANAGEMENT**

The Management believes that the employees of the Group play a key role in the development of the business and the achievement of common corporate goals and pays special attention to the elaboration and development of a general strategy and policies regarding human resource management. The policies in this field are oriented towards achieving of responsibility and commitment of the personnel during its performance of assigned tasks and goals. Simultaneously the senior executive staff makes efforts to support the mid-level management and the employees in order to fulfil the Group's Management priorities.

The goals of the human resources development strategy and policies are:

Keeping the employees with a high potential and assisting their professional growth by planning their careers and introducing bonus package systems;

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- Selection of new employees with significant potential and result-oriented personality;
- Broadening the scope of the traineeship programmes;
- Improvement of communications between the separate organizational bodies;
- Development and introducing of new systems for career management of the key employees;
- Development of a programme for introducing training for newly employed personnel.

The Group applies adequate criteria for selection of personnel and has a professional and motivated team, which is capable of pursuing the defined strategic and operational goals. An organization network has been created for fair evaluation of the personnel's individual and collective contribution, as well as for evaluation of its content grade. The Group invests in its employees by offering them adequate programmes for training and development of the necessary professional and management skills.

The Group's policy is oriented towards providing of safe and healthy working conditions, adequate remuneration and motivation system, and opportunities for professional growth.

Highly qualified and informed personnel is essential for the successful integration into the Group's internal control and risk management systems. In this regard, the subsidiary Petrol Finance OOD was established and specialized in providing financial services. In order to provide quality financial services, employees of the subsidiary twice a year take part in tax and accounting seminars.

## **PROCESS AUTOMATION AND DIGITALIZATION OF DOCUMENT FLOW**

Petrol Group is committed to preserve the planet's resources. In order to reduce paper consumption in the operations, the Group has launched a program for digitalization of document flow in the operations of the Group, which will minimize the consumption of paper in offices and retail petrol stations. For this purpose, a working group was formed for evaluation and selection of Group software for management, analysis and optimization of the resources spent in the operating and business processes, which will be a supplement to the ERP system used by the Group.

At the same time, the policies and rules approved by the Management of the Parent company for automation of the processes of information transfer and document circulation embrace the daily operations of the employees in the separate departments and ease the correspondence between employees and departments, facilitating analysis and evaluation of business processes and information flows in the Group. The process of internal control and risk management goes through the following stages:

- Risk identification - performed through a system of control and monitoring of the internal Group environment for potential risks and errors;
- Analysis and assessment of the risks - creating of risk matrixes including scenarios of future assessment scenarios of the effects of the separate scenarios, as well as preparation of reports with proposals for the opportunities for their overcoming;
- Taking measures to avoid and prevent potential risks - practical implementation of the prepared proposals for action based on risk analysis and assessment.

The management of the Petrol Group is directly involved in the process of controlling and managing the risks related to the financial reporting and business processes of the Group. Daily cooperation, holding workshops and meetings with employees at the managerial level improves the climate and the working environment, increasing the efficiency and economic expediency of the work process.

## **SAFE WORKING ENVIRONMENT**

Petrol focuses on maintaining the safety of personnel and respect for human rights, carefully analyzing and assessing the threats and risks to society and employees from our activities and operations. Petrol operates in close cooperation with government institutions and contractors to provide a safe working environment for our employees and partners. The pandemic caused by COVID-19 which hit the world in 2020, clearly showed the need for corporate responsibility and human protection. By timely creating of precise rules and organization of work, providing safety equipment and consumables for all employees of the Group and performing constant internal control, Petrol managed to protect maximally its employees and customers from the rapidly developing pandemic. In order to minimize the spread of the virus and preserve the health of Petrol's employees and society as a whole, the actions taken by Petrol in 2020 include:

- Free rapid tests for the administration and risk locations in order to quickly locate the infection and stop its spread;
- Providing protective equipment to all employees and locations where the Group operates;
- Daily disinfection, including by ultraviolet antibacterial irradiation with bactericidal lamps;
- Daily measurement and access control of employees, customers and other visitors, in order to build a timely antivirus barrier for the spread of the infection;

- Creating safe working environment and organization for remote work;
- Organization of team employees in order to minimize the risk of spreading the virus and preserve the work process;

All employees of the Group are insured against general illness and working accidents and some employees are provided with annual preventive medical examinations in order to monitor the health status of employees in the Group.

The number of employees at the end of each of the previous periods is as follows:

- As at December 31, 2020 – 1,258 employees;
- As at December 31, 2019 – 1,247 employees;
- As at December 31, 2018 – 1,181 employees;

*Relations between the Management Board and the union employees' organization - no collective agreement has been signed.*

## **SOCIAL POLICY AND SUPPORTED CAUSES BY PETROL**

The functioning social policy (SP) of Petrol Group has been developed in two major directions. The first direction focuses on the intra-group social relationships with the employees with the primary goal of increasing employee and company benefits of interacting with each other.

The second direction of the social policy is focused on the external environment and in particular on social interaction possibilities of the Group with external social subjects.

The social policy is fundamental in the business development strategy of the Petrol Group, because the Management of the Parent company believes that the care for the employees is a care for the company. The social policy of Petrol AD constitutes a set of measures and objectives, which regulate the social relationships between the Company and the employees by joining their efforts in the united social goals.

The Management has adopted a practice to develop a SP together with its employees, thus ensuring feedback and guaranteeing the effectiveness of the adopted measures and social policies. The scope of Petrol Group's SP includes the remunerations policy, selection of employees and opportunities for personnel development, providing of adequate information and technology working conditions, participation in trainings and seminars, selection of holidays and opportunities for flexible working conditions appropriate for the needs and specifics of the particular employee.

The Social policy of the Group is built in compliance with the long-term relationships between the companies in the Group and the employees, outlining the perspectives of every particular employee in the overall development vision of the Group. (see also Human resources).

At the same time, the Management of the Group supports various forums and events with social significance for the society. During the reporting period, the Parent company has donated several institutions, initiatives and causes, including Association Christian Union, Association Give a smile, Bulgarian Christmas and others. The Parent company systematically provides financial support to people in need mainly related with treatment in the country and abroad and purchase of medicines. In 2020 the Group participated in several events and social projects, including events organized by the Bulgarian Federation of Artistic Gymnastics.

## **ANTI-CORRUPTION POLICIES AND PRACTICES**

The anti-corruption policy has been developed as a continuation and development of the internal regulations and organization of the Group, in its part for anti-corruption and corruption-related activities, which are also included in the Code of Ethics of the Group. In its development are followed the generally valid rules, principles and definitions of:

- "Civil Convention on Corruption" of the Council of Europe, ratified by the National Assembly of the Republic of Bulgaria in 2000;
- Art. 12 of the "UN Convention against Corruption", ratified by the National Assembly of the Republic of Bulgaria in 2006.

The anti-corruption policy is applied in addition to the existing and applicable in the Group internal work rules, policies and, the internal labor orders, as well as in accordance with the current Bulgarian legislation and regulations relating to corruption.

The developed policy of Petrol Group does not tolerate and distinguishes itself from all types of corruption and bribery, creating an environment of intolerance to corruption and practices. Through the introduced systems for internal control and risk management, the Group controls the activities of its employees and partners, assessing the ethical behavior and reliability of each business partner or employee.

The scope of the Policy includes:

- The members of the management bodies and the operational management of the Group;
- The Group's relations with state and local administration, political parties and public organizations, politicians and public figures, media, service providers and suppliers, consultants, subcontractors, contractors;
- The employees of the Group and the relations between them;

- The Group's relations with third parties or its employees that have resulted in corrupt practices.

The policy is applicable to all types of corrupt practices, including but not limited to:

- Active bribery - giving, promising or offering a bribe;
- Passive bribery - requesting, agreeing to receive or accept a bribe;
- Bribery of a public or civil servant;
- Unjust enrichment - misuse of the Group's assets and unregulated personal use of goods and assets.

Georgi Tatarski - CEO

Milko Dimitrov - CEO