



VAPTECH

Make what the Planet Needs!



COMMUNICATION ON PROGRESS REPORT

2015

2. 1 HUMAN RIGHTS



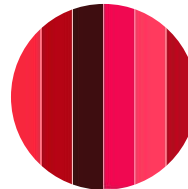
2. 2 LABOUR STANDARDS



2. 3 ENVIRONMENT



2. 4 ANTI-CORRUPTION





COMMUNICATION ON PROGRESS REPORT

NAME OF THE PARTICIPATING COMPANY:

VAPTECH LTD.

COUNTRY:

BULGARIA

SECTOR:

HEAVY MACHINE BUILDING INDUSTRY

REPORTED PERIOD:

30 September 2014 – 30 August 2015

CONTENT:

1. Statement of continued support for the Global Compact
2. Description of practical actions taken to implement the Global Compact principles
 - 2.1 Human Rights
 - 2.2 Labour Standards
 - 2.3 Environment
 - 2.4 Anti-Corruption
3. Sharing the COP with the company's stakeholders

1. Statement of continued support for the Global Compact

| Sofia, January 2014 | София, януари 2014 г. |
|---|--|
| <p data-bbox="193 548 775 633">Statement of Continued Support for the UN Global Compact</p> <p data-bbox="188 745 782 1126"><i>We at VAPTECH Ltd., Bulgaria, firmly believe that for a company to be successful it should not be only concerned by economical gain. We attach highest priority to always maintaining our status of a good corporate citizen and to advance into reaching new moral and spiritual levels: the ever higher social responsibility. This can be only materialized through very demanding requirements for personal integrity, values, mission and vision of our people.</i></p> <p data-bbox="188 1160 782 1305"><i>We at VAPTECH Ltd., recognize UN Global Compact' principals as being the guidelines towards reaching this aim and are committed to follow and promote them on a sustainable basis.</i></p> <p data-bbox="188 1406 644 1503">B. Bonev Chairman of the Supervisory Board</p> | <p data-bbox="810 548 1393 683">Заявление за неизменна подкрепа на принципите, изложени в Глобалния договор на ООН</p> <p data-bbox="802 745 1401 1160"><i>За „ВАПТЕХ” ЕООД, България, успешното развитие не означава само икономическа изгода. Висш приоритет на дружеството е да поддържа неизменния си статут на добър корпоративен гражданин и да овладява нови духовни висоти - все по-голямата обществена отговорност. Това може да се постигне само, когато налице са много строги изисквания за лична неподкупност, морални ценности, чувство за мисия и далновидност.</i></p> <p data-bbox="802 1193 1401 1384"><i>При постигането на целта „ВАПТЕХ” ЕООД се ръководи от принципите на Глобалния договор на ООН, които решително следва и чието прилагане неизменно насърчава.</i></p> <p data-bbox="802 1417 1249 1514">Б. Бонев Председател на Надзорния съвет</p> |

During the period 2014 – 2015, VAPTECH team continues to develop its activities following the UN Global Compact principles

2. Description of practical actions taken to implement the Global Compact principles

VAPTECH CONTINUED SUPPORT TO THE 10-TH PRINCIPLES


The management and employees of VAPTECH are committed to adopting and promoting sustainability within its industry and communities (see Sections 1 and 3).

VAPTECH states its contribution to business sustainability, as follows:

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| TRANSFORMS THE TEN PRINCIPLES INTO MANAGEMENT STRATEGIES AND POLICIES FOR ITS ACTIVITIES AND PROCESSES | IMPLEMENTS ACTIONS WITHIN HUMAN RIGHTS, LABOUR STANDARDS, ENVIRONMENT AND ANTI-CORRUPTION AREAS | COMMITTS TO PROVIDE NEW OPPORTUNITIES FOR IMPROVEMENT AND CONTINUOUS DEVELOPMENT AND SATISFACTION OF ITS EMPLOYEES, BUSINESS PARTNERS AND COMMUNITY |
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VAPTECH PRACTICAL ACTIONS

The practical actions of VAPTECH proving the applications of principles, are shown for the respective areas (see sections 2.1; 2.2; 2.3; 2.4) of Communication on Progress Report.

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| <p>2. 1 HUMAN RIGHTS</p> |  | <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses</p> |
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VAPTECH POLICY

Our people are the basis for success of our businesses.

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| <p>ANY FORMS OF DISCRIMINATION ARE NOT TOLERATED IN ACCORDANCE WITH THE VALID CODE OF ETHICS</p> | <p>ENCOURAGEMENT AND DEVELOPMENT OF OUR STAFF IS PART OF VH CORPORATE CULTURE</p> | <p>VH DECLARES TO RESPECT AND SUPPORTS IN ITS ACTIVITIES THE HUMAN RIGHTS AND INTERNATIONAL HUMAN RIGHTS CONVENTION</p> |
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VAPTECH RESPONSIBILITY
Code of Ethics

The Code describes the rules that affect the company as a whole and responsibilities at the individual level of the employees in the following areas:

1. Compliance with the law in every activity of the company
2. Antimonopoly Policy
3. Treating of confidential information as that of the company and that of our partners as the same
4. Handling with situations of conflict of interest
5. Policy to work with people in VAPTECH
6. Social responsibility
7. Reporting unlawful actions or failure to comply with the Code of ethics.

Social benefits for the employees

1. Dental care – VAPTECH provides free dental service to its employees.
2. Canteen – VAPTECH provides vouchers for the meals to its employees in the company based canteen offers healthy food meeting the specific needs of all employees.
3. Company transport – VAPTECH provides free shuttle for its employees to and from the working place.

Monthly Human Resources analysis

1. Analysis of absence – sick leave; maternity leave, annual leave, unpaid leave
2. Analysis of sick leave – kind of sickness, number of personnel, number of average days lost by sickness.
3. Analysis of personnel by age, education, etc.

VAPTECH TRAININGS

VAPTECH Talent Management 2014-2015

- Initial trainings
- Practical skills development trainings
- Leadership trainings
- Team communication improvement
- Total Quality Management trainings
- Health and Safety awareness trainings
- Open door day and company party
- Christmas party for children

Trainings performed during the reported period:

| TRAINING TOPIC |
|--|
| Review of most commonly used steels, rules for welding, choose of welds, NDT |
| Basic rules working with NX: unified steps in modeling |
| Safety work with lifting devices and equipment – hand manipulations |
| Training of Sales department |
| Development and follow up of project budget |
| Work with track device |
| Design documentation - basics |
| Computer literacy training |
| Risk at work, risk evaluation and prevention |
| Risk at work, risk evaluation and prevention |
| Training of Design department |
| Training to obtain qualification group in electrical safety |
| Design documentation - basics |
| Sales process – working with procedure WP 7.2.01 Sales |
| Risk, risk evaluation, actions taken for prevention of risks |
| Teambuilding |
| Safety work at heights |
| Periodical training and instruction of the Health and Safety responsible under the regulations for provision of health and safety working conditions |
| Correct use of signals for directions and manipulation with bridge crane |

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| Techniques for problem solving |
| Pre-first aids training |
| Safety work with lifting devices and equipment |

VAPTECH ENGAGEMENT

Motivation of personnel

- Implemented professional profiles for key positions at the company is in progress.
- Implemented performance indicators that measure the quality of work.
- Implemented a system for evaluation of working performance. This includes annual assessment interviews with each employee as well as following assessment meetings for

Open Door Day at VAPTECH

Traditionally on July 18, 2015, VAPTECH welcomed the families of its employees, and provided access to its operations for business partners and for partners in the field of social activities.

VAPTECH COMMITMENT

Volunteering initiatives

- Traditional initiative to provide employees with the opportunity to hear Pleven' Philharmonic Orchestra was accompanied also with dance group Severniashki ensemble
- Long-term partnership and traditional participation at Manager for a Day initiative, organized by Junior Achievement Bulgaria
- Volunteering for 150 Kindergarten Kalina, Sofia
- Volunteering at Dendrarium park which is part of mountain Vitosha
- Sponsorship the Technical University of Sofia initiated under the support of the Bulgarian-Swiss Chamber
- Sponsorship for New Symphony Orchestra
- VAPTECH supports Center Detelina for children with no parental care in Pleven
- VAPTECH collaborates with Amalipe Center for Interethnic Dialogue and Tolerance with aim to cooperate for the equal integration of Roma in Bulgaria society.
- VAPTECH provided internship programs for the students from school "Zaharii Zograf" in Pleven

2.2 LABOUR STANDARDS



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 labour;
Principle 5: the effective abolition of child labour; and
Principle 6: eliminate discrimination in respect of employment and occupation.

VAPTECH POLICY

Company policy on Labour

The management of VAPTECH Ltd. has declared personal engagement with health and safety (HS) policy stated at the Management Policy. The document has been periodically revised and accessible for review and placed on visible location.

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| MAIN RIGHTS OF THE WORKERS: FREE CHOICE OF WORK, NO FORCED LABOUR: NOBODY IS EMPLOYEE AT VH AGAINST HIS/HER WILL OR IS FORCED TO WORK. | CHILD LABOUR ABOLITION: WORKERS BELOW 16 YEARS OF AGE ARE NOT HIRED AT VH. YOUNG WORKERS BETWEEN 16- 18 YEARS OLD ARE NOT HIRED THUS THERE IS NO RISK OF ACCIDENTS OF IMPOSING YOUNG WORKERS TO DANGEROUS WORKING CONDITIONS. (SEE ALSO THE CODE OF ETHICS) | WORKING TIME AND ORGANIZATION OF WORK: IN ACCORDANCE WITH APPROVED COMPANY RULES |
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VAPTECH RESPONSIBILITY

Health and safety working conditions

The VAPTECH policy on Labour standards focuses on risk prevention of employees and on improvement and sharing the best practices with suppliers and other business partners. In order to assure the policy, VAPTECH established the following objectives:

1. Focusing on prevention and taking of action to prevent occupational hazards
 - There is a Working Conditions Committee (WCC) at VAPTECH in accordance with the requirements of the Health and Safety Working Conditions Act. WCC conduct meetings in order to develop the programme for working place risk assessment. The members of WCC actively participate in development and evaluation of professional risks and working place risk assessment.
2. Care for health and safety of employees and visitors

- VAPTECH has signed a contract with an independent labour safety organization for annual preventive examinations of the employees. This organization also actively participates in evaluation of working place risk assessment.
3. Compliance with applicable legal and internal requirements
 - Implemented procedure for Monitoring and evaluation the compliance of OHS management system with the normative documents and standards.
 4. Provision of necessary employees training and enhancement on personal responsibility
 - Instructions in HS are conducted by authorized people, as well as internal and external trainings of VAPTECH personnel
 5. Active cooperation with authorized organization in the field of occupational health and safety
 - HS Expert actively cooperate and maintain relevant communications with local authorities in HS and Labor officials – Labour Inspectorate office in Pleven

VAPTECH INITIATIVE'S PARTNERSHIP

Social activities

Participation of VAPTECH Health and Safety Expert at the traditional health and safety trainings related to introduction with legislation and innovations, best practices in the field.

VAPTECH LABOUR CONDITIONS INDICATORS

VH data and statistics for the reported period

1. Registered working accidents or injuries during the reported period: no
2. Training and seminars on HS: indicated in trainings table

Project 5S

VAPTECH maintains working places clean and safe through developed methodology 5S.

VAPTECH maintains Occupational Health and Safety Management System according to OHSAS 18001:2007 standard

2. 3 ENVIRONMENT



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.

VAPTECH POLICY

Company policy on Environment protection

The management of VAPTECH Ltd. has declared personal engagement with environmental (E) policy stated at the Management Policy. The document has been periodically revised and accessible for review and placed on visible location.

| | | |
|--|--|---|
| MANAGEMENT OF COMPANY ACTIVITIES AND THEIR RESULTS THAT CAN HAVE AN SIGNIFICANT IMPACT ON ENVIRONMENT | ENCOURAGEMENT OF COMPANY PERSONNEL TO DEMONSTRATE IN ITS DAILY ACTIVITIES PROFESSIONALISM AND RESPONSIBILITY TO PROTECTION OF ENVIRONMENT | VH DECLARES COMPLIANCE WITH ALL APPLICABLE LEGAL REQUIREMENTS ON ENVIRONMENT |
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VAPTECH RESPONSIBILITY

The company determines the activities and their results that can have a significant impact on environment and established objectives in order to comply with the ecology norms.

1. Improvement of working environment and care for environment protection
 - Monitoring and measurement of key environmental factors (dust, gas emissions, noise, paint dissolvers emissions). The data for the reported period indicated in the table.
2. Compliance with applicable legal requirements
 - Available sources for to-date information about changes in government regulations on environment protection
3. Striving to economy efficient use of natural resources
 - For serial reported period, VAPTECH applies the rule information to present in a certain way, by using of equal measuring units in order to compare one reported period with another.
4. Provision of necessary training of employees
 - Information brochure for the ISO 14001, OHSAS 18001 standards has been prepared: The objective of this brochure is to explain in a simple manner to the employees that most of the activities performed at the company are in practice requirements of the standards.
5. Active cooperation with regulatory bodies, local authorities, society and all interested parties at solving problems related to environment

- During the reported period, no inputs data for complaints regarding ecological problems arise.

VAPTECH ENVIRONMENTAL INDICATORS

VAPTECH data and statistics for the reported period

Regularly report and analysis the data on natural gas, electricity and gas composites for welding consumption. Compared to previous reporting period there is no significant increase or decrease in the energy resources consumption.

Environmental impact activities for improvement:

- Reduced dust emissions
- Measurements of flue gas emissions in the heat chamber – CO, NO, SO₂
- Non-organized dissolver emissions in accordance with approved Dissolver Management plan
- The mixing of hazardous and non- hazardous wastes is prohibited

As per the legal requirements on hazardous chemical substances – VAPTECH is a ‘consumer in the chain’ and as such, the obligations are to demand and register safety data sheets from the manufacturers and the importers of the chemicals, and all employees working with the respective chemicals to be instructed.

As per the legal requirements on waters – VAPTECH has no obligations. VAPTECH has a contract with a state company for water treatment. The state water company regulates the need of measuring the admissible degree of water pollution regarding the physical, chemical and industrial indices.

VAPTECH ECOLOGY INITIATIVES

VAPTECH constantly strives to preserve the environment and to protect the Planet. Sharing this common objective, TOYOTA & VAPTECH initiated long-term cooperation with regard to TOYOTA Hybrid vehicles that VAPTECH will use for its operations

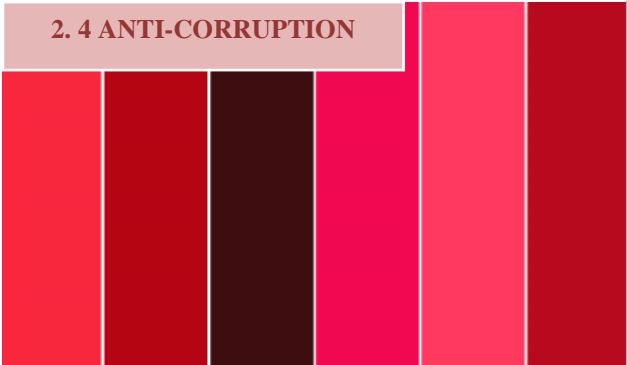
Traditional Participation in national campaign - To clean up Bulgaria in one day

VAPTECH maintains Environmental Management System according to ISO 14001:2004 standard

Data with VAPTECH's energy resources consumption indicated in the table:

| September 2013- August 2014 | | | September 2014 - August 2015 | | |
|--|--------------|--------------------------|--|--------------|--------------------------|
| Energy resource | gJ/m3 | | Energy resource | gJ/m3 | |
| Natural Gas | 7683 | | Natural Gas | 6954 | |
| Electrical Power | 8105 | | Electrical Power | 7436 | |
| Gas composites | 1290 | | Gas composites | 1210 | |
| total | 17258 | | total | 15600 | |
| Non hazardous wastes | | | Non hazardous wastes | | |
| | Tons | | | Tons | |
| metal turnings | 550 | | metal turnings | 595 | |
| non ferrous metals | 1,1 | | non ferrous metals | 1,8 | |
| scraps | 16 | | scraps | 17 | |
| total | 567,1 | | total | 613,8 | |
| Hazardous wastes | | | Hazardous wastes | | |
| | Tons | | | Tons | |
| other | 0,1 | *1 | other | 0,1 | *1 |
| gear oil | 0,5 | *2 | gear oil | 0,4 | *2 |
| total | 0,6 | | total | 0,5 | |
| Environmental factor | Conformance | Main source of pollution | Environmental factor | Conformance | Main source of pollution |
| Dust | Yes | blasting chamber | Dust | Yes | blasting chamber |
| Noise | Yes | production buildings | Noise | Yes | production buildings |
| Waste waters | Yes | industrial | Waste waters | Yes | industrial |
| Paint solvents - organized emissions | Yes | emissions | Paint solvents - organized emissions | Yes | emissions |
| Paint solvents - non organized emissions | Yes | emissions | Paint solvents - non organized emissions | Yes | emissions |
| Flue gas emissions | Yes | heat | Flue gas emissions | Yes | heat |
| Remarks: *1 temporary storage before handling over *2 handling over to authorized supplier VAPTECH Ltd. | | | Remarks: *1 temporary storage before handling over *2 handling over to authorized supplier VAPTECH Ltd. | | |

2. 4 ANTI-CORRUPTION



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

VAPTECH POLICY

Policy on transparency of activities

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| <p>PREVENTION IN ACTIVITIES WITH POSSIBLE DEVELOPMENT OF ANTI –CORRUPTION PRACTICES</p> | <p>PREVENTION OF CONFLICTS OF INTERESTS AT CONTRACTING</p> | <p>PROVISION OF TRANSPARENCY FOR ALL ACTIONS OF COMPANY EMPLOYEES</p> |
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VAPTECH ANTI-CORRUPTION ACTIVITIES

Actions taken in line with “Fight with corruption and prevention of corruption activities at the company”:

1. Held two meetings at the end of first and second trimester with the department leaders aimed to gather information related to prevention off corruption activities
2. At the end of each year as an element of anticorruption measures the declaration for conflicts of interest are re-signed
3. Held of monthly meetings with the local representatives of the Ministry of Interior of Bulgaria regarding collection of information for eventual external reports deposited by third parties against VH employees – no reports up to present date.
4. Held of monthly meetings with the local representatives of the Ministry of Interior of Bulgaria regarding changes in the legislation and updates of national regulations
5. Performed annual control of the documents, contracts etc. according to the annual checklist of the administration department to assure that the internal regulations are kept in relation to protection of classified information, confidentiality of information with business partners, control institutions

3. Sharing the COP with the company's stakeholders

This Communication on progress report and enclosures are published on VAPTECH official web site

At: <http://vaptech.bg/page/sustainability>

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