



COMMUNICATION ON PROGRESS REPORT

2018

Make what the Planet Needs!

COMMUNICATION ON PROGRESS REPORT

NAME OF THE PARTICIPATING COMPANY:

VAPTECH

COUNTRY:

BULGARIA

SECTOR:

HEAVY MACHINE BUILDING INDUSTRY

REPORTED PERIOD:

30 August 2017– 30 July 2018

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Statement of continued support for the Global Compact

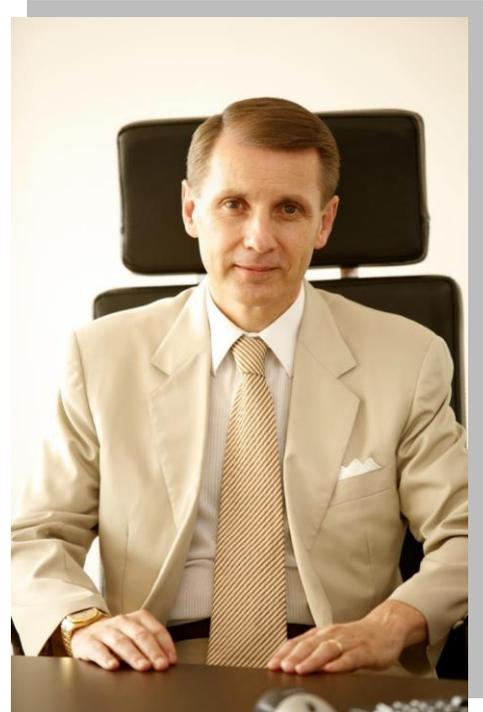
Sofia, Bulgaria

Statement of Continued Support for the UN Global Compact

We at VAPTECH 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.

We at VAPTECH 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.

B. BONEV, Chairman, Supervisory Board



Make what the Planet Needs!



Sustainability

Description of practical actions taken to implement the Global Compact

The Management and employees of VAPTECH are committed to adopting and promoting sustainability within its industry, business activities, operations and communities where it operates internationally.

VAPTECH states its contribution to business sustainability, as follows:

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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Human Rights Principles

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

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

Assessment, Policy and Goals

The people, the communities and all stakeholders are the basis for the sustainable development of VAPTECH.

ANY FORM OF DISCRIMINATION IS NOT TOLERATED IN ACCORDANCE WITH THE VALID CODE OF ETHICS	ENCOURAGEMENT AND DEVELOPMENT OF OUR STAFF IS PART OF VAPTECH CORPORATE CULTURE	AND VAPTECH DECLARES TO RESPECT AND SUPPORTS IN ITS ACTIVITIES THE HUMAN RIGHTS AND INTERNATIONAL HUMAN RIGHTS CONVENTION
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VAPTECH' Code of Ethics supporting UNGC and the 10 principles:

To be part of VAPTECH' Team, one needs to have the following moral principles and behaviors:

1. **We are honest and ethical in all our actions, meaning:**
 - 1.1 To be honest with yourself and others (no hidden agendas)
 - 1.2 We act with dignity and respect the dignity of the others
 - 1.3 We demonstrate loyalty to our company, team and colleagues
 - 1.4 We respect every given commitment
 - 1.5 We show consistency in all our actions and behaviors
 - 1.6 In the process of communication, we behave politely, respectfully, ensuring good tone and manners
2. **Punctuality is a must:**
 - 2.1. Discipline: Working time, quality and deadlines are strictly respected
 - 2.2. Highest degree of responsibility in the process of performing the tasks
3. **We work with precision:**
 - 3.1. We constantly strive for precise execution. We love paying attention to details
 - 3.2. We learn from our mistakes and those of our colleagues, we do not overlook them, disguise them or blame others for them
 - 3.3. We constantly strive for personal improvement and development
4. **Innovative thinking and continuous change**, in compliance with an ever-changing world, is the only way to maintain a growing and sustainable company at all times
5. **Respect of the law:** VAPTECH complies with the laws of all countries where it operates
6. VAPTECH keeps all information related to its activities, its clients and partners strictly confidential
7. **VAPTECH does not tolerate conflicts of interests**
A conflict of interests is any situation where the employee's personal interests are in conflict with his duties or prevent him from taking objective business decisions.
8. **VAPTECH is member of the UN Global Compact and respects its principles in all its activities**

Human Rights Principles

Social benefits for the employees

1. Dental care – VAPTECH provides free dental care for its employees.
2. Canteen – VAPTECH sponsors the meals of its employees.
3. Company transport – VAPTECH provides free transportation to its employees

VAPTECH ACADEMY AND TALENT MANAGEMENT 2017-2018

- Targeted introductory trainings for new employees
- Practical skills' development
- Practical training on project management
- 360-degree assessment for leadership development
- Survey among the workers for the assessment of their team leaders
- Practical trainings on: Customer service, Communication improvement, Participation in tenders
- Managerial trainings: Decision Making, Conflict Management Emotional Intelligence
- Practical professional trainings
- Team buildings
- Total Quality Management
- Health and Safety awareness

Trainings performed during the reported period:

Internal training 2017

Topics	When	Departments involved	Participants
Internal improvements	Oct 2017	Design and Technologists	30
Health and Safety: Working at height - HSE	Oct 2017	Technician; Mechanic	1
E-mail communication and how to handle an angry customer	Nov 2017	After sales	3
E-mail communication and how to handle an angry customer	Nov 2017	Purchasing	4
Behavior of VAPTECH' s team members during onsite activities	Nov 2017	Automation; After sales	19
			57

Total

Human Rights Principles

External trainings - 2017

Topics	When	Departments involved	Participants	
Internal Auditor of the ISO 9001 QMS	Aug 2017	Quality team	2	
Fundamentals of hydraulics	Aug 2017	Design and After sales	8	
Fundamentals of pneumatics	Sept 2017	Design and After sales	8	
First Aid training	Oct 2017	Production	11	
Health and Safety	Oct 2017	Production	9	
NX program for Engineering Design	Nov 2017	Design	4	
			42	Total

Internal training 2018

Topics	When	Departments involved	Participants	
Enhancement of the qualifications of CNC machines	Feb 2018	Technologists	4	
Design documentation	Feb 2018	Technologists	2	
NX program for Engineering Design	Feb 2018	Design and Technologists	15	
Development and follow up of project budget	Feb 2018	Sales	2	
Types of fire extinguishers and working procedures for their exploitation	March 2018	Production	118	
Safety work with bridge cranes	Apr 2018	Workers on crane	9	
Accounting documentation	Apr 2018	Planning	4	
Safety work for manual handling of weights	May 2018	Production	118	
Safety work with lifting devices and equipment	May 2018	Production	118	
Design of hydraulic pressure unit	May 2018	Design	2	
			392	Total

External trainings - 2018

Topics	When	Departments involved	Participants	
Portable measuring arms for measurements directly in the manufacturing environment	Feb 2018	Technologists; Quality team	4	
NX program for Engineering Design	Feb 2018	Design and Technologists	25	
Enhancement of the qualifications of CNC machines	March 2018	Production; Technologists	11	
Enhancement of the qualifications of CNC machines	March 2018	Production; Technologists	14	
			54	Total

Table 1

VAPTECH' CARE

Employees' motivation

- Regular feedback on the job
- Professional trainings for improving self-confidence and competencies
- Permanent assistance on the job
- Feedback from workers to their supervisors (evaluating leadership performance by the team members)
- Participation of employees in the decision making
- Illness benefits and assistance for employees with long-term professional contribution to the company
- New computers and computer programs at the highest technological level, training for upgrading
- Performance-based annual bonuses for the employees
- Update of VAPTECH' Education and Self-Learning online platform **VAP Online**

Family care

- VAPTECH event for the children of VAPTECH' employees on the occasion of the International children's day on June 1st, 2018
- Vouchers for newborns
- Vouchers for graduates
- Vouchers for first day at school

Volunteering initiatives

- Long-term partnership and traditional participation in **Manager for a Day** initiative, organized by Junior Achievement Bulgaria.
- Sponsorship of the Professional School of Mechanical and Electrical Engineering in Pleven
- VAPTECH collaborates with Amalipe Center for Interethnic Dialogue and Tolerance with the aim to support integration of Roma in the Bulgarian society.
- Sponsorship for New Symphony Orchestra
- Sponsorship for Summer ballet camp (Veliko Tarnovo), Prima Ballerina Ms. Diliانا Nikiforova

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;

Principle 6: Eliminate discrimination in respect of employment and occupation.

VAPTECH POLICY

Company policy on Labour

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

The Management of VAPTECH is fully committed to highest level of Health and Safety (HS) standards and overall respect of UNGC 10 principles.

VAPTECH focuses on the prevention of all possible risks for its employees as well as on the improvement and sharing the best practices with suppliers and business partners. In this respect VAPTECH has the following objectives:

1. Focusing on prevention
 - A Working Conditions Committee (WCC) is established at VAPTECH in accordance with the requirements of the Health and Safety Working Conditions Act. WCC conducts regular meetings in order to develop and constantly improve the procedures for risk assessment and elimination.
2. Compliance with applicable legal and internal requirements
 - Implemented a procedure for the monitoring and evaluation of the compliance of OHS management system
3. Training and enhancement on personal responsibility of employees on risk prevention
 - Instructions in HS are conducted by authorized people, as well as internal and external trainings of VAPTECH employees are provided
4. Active cooperation with authorized organizations in the field of occupational health and safety
 - HS Expert actively cooperates and maintains communications with local authorities in HS and Labor officials – Labour Inspectorate office in Pleven
 - HS Expert participates at all trainings related to the introduction of new legislation, innovation and best practices in the field.

VAPTECH LABOUR CONDITIONS INDICATORS

The data and statistics for the reported period

1. Registered working accidents or injuries during the reported period:
0 working accidents
2. Training and seminars on HS: please refer to *Table 1* above

Lean management



VAPTECH maintains the working space clean and orderly through 5S methodology

5S is a technique for creating a new, clean and orderly organization of workplaces. Goal: Eliminate losses and increase productivity and job security in individual working places.



STRATEGIC PLANNING – HOSHIN KANRI

Hoshin Kanri Achievements in 2017:

Updated Vision and Strategy up to 2021
Developed 9 action plans
Completed Hoshin planning cycle for 2017

Environmental Principles

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
Assessment, Policy and Goals.

VAPTECH POLICY

Company policy on Environment protection

VAPTECH maintains Environmental Management System according to ISO 14001:2015 standard

The Management of VAPTECH is committed to respect the Environmental (E) Policy stated in the Company Management Policy. The document has been periodically audited and is accessible on visible locations at VAPTECH' premises.

VAPTECH RESPONSIBILITY

VAPTECH determines the activities and their outcomes that can have a significant impact on environment and established objectives in order to comply with the environment norms.

1. Compliance with applicable legal requirements
 - Available sources for to-date information about changes in government regulations on environment protection
2. VAPTECH contributes to the environment by reducing CO2 emissions
 - During the period September 2017- July 2018 VAPTECH has developed hydropower equipment for hydropower plants with estimated installed capacity of approximately 40 MW. The generated electricity of the HPPs will contribute with 220 times less CO2 emissions in the environment compared to coal usage¹
3. Improvement of working environment and care for environment protection
 - Monitoring and measurement of key environmental factors (dust, gas emissions, noise, paint solvents emissions). The data for the reported period are indicated in table 2.
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 and all other stakeholders
 - During the reported period, no inputs data for complaints regarding ecological problems arise.

¹ https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_full.pdf

Environmental Principles

VAPTECH ENVIRONMENTAL INDICATORS

VAPTECH data and statistics for the reported period

Regular report and analysis of the data on natural gas, electricity and gas composites for welding consumption. For the reported period an increase in the nonhazardous wastes is observed while the consumption of electric power is reduced with 5 % compared to 2016-2017.

Environmental impact activities aiming for improvement of:

- Reduced dust emissions
- Reduced gas emissions in the heat chamber – CO, NO, SO₂
- Making sure that hazardous and non- hazardous waste is not mixed

As per the legal requirements on hazardous chemical substances VAPTECH has the obligation to fill data sheets of official manufacturers and importers of chemicals. All employees working with the respective chemicals are trained on their usage.

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 ENVIRONMENT PROTECTION 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 is using for its operations.



Environmental Principles

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

September 2016 - August 2017			August 2017 – July 2018		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	6865		Natural Gas	6535	
Electrical Power	6870		Electrical Power	6217	
Gas composites	1210		Gas composites	1136	
Total	14945		Total	13888	
Non hazardous wastes			Non hazardous wastes		
	Tons				
metal turnings	490		metal turnings	507	
non ferrous metals	1,72		non ferrous metals	9.95	
scraps	14		scraps	12.7	
total	505,72		total	529.65	
Hazardous wastes			Hazardous wastes		
	Tons				
other	0,4	*1	other	0.48	*1
gear oil	0,0	*2	gear oil	0.0	*2
total	0,4		total	0.48	
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 solvers - organized emissions	Yes	emissions	Paint solvers - organized emissions	Yes	emissions
Paint solvers - non organized emissions	Yes	emissions	Paint solvers - 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.		

Table 2

Anti-Corruption Principles

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

The actions taken in VAPTECH which are in line with “Fight with corruption and prevention of corruption activities at the company”:

1. VAPTECH conducts its business and its relationships with all stakeholders in an ethical manner and has developed a Compliance Committee to foster an environment and a culture that promote prevention, detection, investigation and resolution of any misconduct. A representative of VAPTECH’ Management, Mr. Svetlozar Ivanov is appointed as Head of Compliance at VAPTECH
2. In 2017 was elaborated a strategic plan and policy for the activity of **Compliance** at VAPTECH. A working committee composed by members of the organization is responsible for the implementation and supervision of the Compliance plan.
Activities of the Compliance in the reported period:
 - Following to a recommendation received from a customer of VAPTECH in the end of 2017, Compliance initiated a working group for improvement of the onsite activities of VAPTECH’ supervisors during commissioning works. In the beginning of 2018 a new procedure for VAPTECH’ supervisors was embedded in the company.
3. In the beginning of 2018 it was created a working group composed by expert in the field of the European privacy regulation **The General Data Protection Regulation** (GDPR) in order the GDPR rules and principles to be successfully implemented within the company in 2018.

Sharing the COP with the company' stakeholders

This Communication on progress report and enclosures are published on VAPTECH official web site at: <http://vaptech.bg/page/Global-Compact>

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