



# COMMUNICATION ON PROGRESS REPORT

2019

*Make what the Planet Needs!*



## Sustainability by VAPTECH

### COMMUNICATION ON PROGRESS REPORT

**NAME OF THE PARTICIPATING COMPANY:**

VAPTECH

**COUNTRY:**

BULGARIA

**SECTOR:**

HEAVY MACHINE BUILDING INDUSTRY

**REPORTED PERIOD:**

1 August 2018– 30 July 2019

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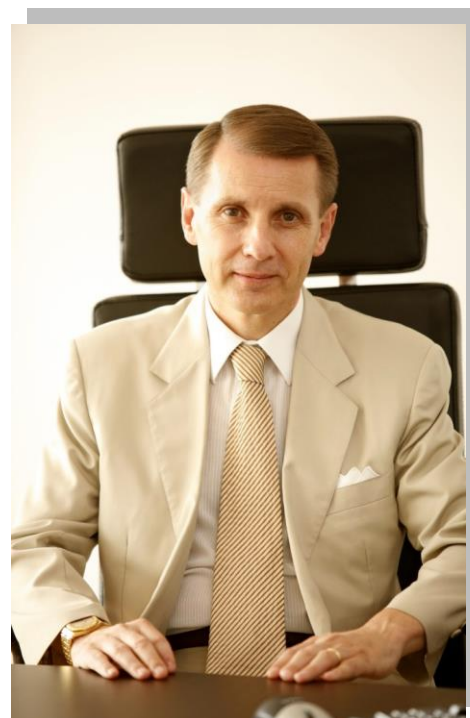
## Statement of continued support for the Global Compact

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.*



**BONEV, B.,** Chairman, Supervisory Board

# Description of practical actions taken by VAPTECH to implement the UN Global Compact principles

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	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**

## 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. Food vouchers
4. Additional health insurance
5. Company transport – VAPTECH provides free transportation to its employees

## VAPTECH ACADEMY AND TALENT MANAGEMENT 2018-2019

- Introductory trainings for new employees
- Project management training
- Employees Survey about their direct Manager
- Seminars for optimization of:
  - Customer service
  - Internal communication and communication with the clients
  - Participation in tenders
- Management training:
  - Decision making
  - Conflict management
  - Emotional intelligence
- Practical training for qualification
- Negotiation training
- Quality management training
- Health and Safety awareness

## Trainings performed during the reported period:

### Internal training 2018

Topics	When	Departments involved	Participants
Financial instruments	2018	Project Management	4
Health and Safety: Working at height - HSE	2018	Production	100
Usage of fire extinguishers and storage and maintenance	2018	Production	20
Design documentation	2018	Machine operators	10
Configuration and calculations of press based on their types	2018	Design	5
Hydraulic schemes	2018	Design	5
Working with a portable measuring device	2018	Quality	



# Human Rights Principles

			4	Total
Business processes and procedures	2018	Administration	80	
			228	
External training 2018				
Topics	When	Departments involved	Participants	
Internal Auditing acc. to ISO 9001 QMS	2018	Quality	2	
Enhancement of the qualification – work with CNC machines	2018	Machine operators	15	
Enhancement of the qualification - Work with servo drives	2018	Design	4	
First Aid training	2018	Head of workshops, Technician	11	
Safety and health at work	2018	Members of the Working Conditions Committee	9	
Certification for crane operators	2018	Workers on crane	4	
Electrical networks	2018	Design	4	
Programming of controllers	2018	Design	4	
			53	Total
Internal training 2019				
Topics	When	Departments involved	Participants	
Q-DAS Measurement Digitization Software	2019	Quality	7	
Measuring arm, laser nozzle and a laser tracker	2019	Quality	4	
PLM after implementation	2019	Design and Technologists	20	
Welding of a Francis runner	2019	Welding	2	
Grinding and polishing surfaces (referring to turbine runners)	2019	Welding	2	
Metalworking processes - punching, stamping, bending, cutting, deep drawing and others. Selection of the best suitable solution for the customer	2019	Sales, Metal Forming team	4	
Rehabilitation of Hydro Power Plans	2019	Sales, Hydro team	6	
Assembly shaft assembly	2019	Production; Assembly	5	
Lubricating and pneumatic system	2019	Production; Assembly	5	
			55	Total
External training 2019				
Topics	When	Departments involved	Participants	
Commercial skills - conducting business meetings	2019	Sales	10	
Negotiating and dealing with objections	2019			
Assertiveness during negotiations	2019			
Change management course	2019	Management	18	
Leadership and creativity	2019			
FMEA - Team-oriented risk management training and problem-solving techniques	2019	Project management	4	
			28	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**
- Creating individual profiles of VAPTECH's employees in the platform **VAP Online**; Traceability of the employees individual career development

### Family care

- 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.
- 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) 2018-2019

# Labour Principles

**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:  
1 working accident with sick leave for 45 days
2. Training and seminars on HS: indicated in *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 2019:

Updated Vision and Strategy up to 2021
Developed 14 action plans for implementation in 2019
Completed Hoshin planning cycle for 2018

# 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 August 2018- July 2019 VAPTECH has developed hydropower equipment for hydropower plants with estimated installed capacity of approximately 70 MW. The generated electricity of the HPPs will contribute with 220 times less CO2 emissions, or approximately 20 ton less CO2 emissions in the environment compared to coal usage<sup>1</sup>
3. 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 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.

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<sup>1</sup> [https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc\\_wg3\\_ar5\\_full.pdf](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 (refer to Table 2). During the reported period and in comparison with the previous reporting period it is observed the following trends:

- reduction in consumption of non-hazardous waste and the consumption of natural gas;
- increase in the consumption of gas mixtures as well as temporary storage until the transmission of hazardous waste.

Environmental impact activities aiming for improvement of:

- Reduced dust emissions
- Reduced gas emissions in the heat chamber – CO, NO, SO<sub>2</sub>
- 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:

August 2017 – July 2018			August 2018 – July 2019		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	6535		Natural Gas	6323	
Electrical Power	6217		Electrical Power	6280	
Gas composites	1136		Gas composites	1243	
<b>Total</b>	<b>13888</b>		<b>Total</b>	<b>13846</b>	
Non hazardous wastes			Non hazardous wastes		
metal turnings	507		metal turnings	486	
non ferrous metals	9.95		non ferrous metals	2.8	
scraps	12.7		scraps	12.2	
total	529.65		total	501	
Hazardous wastes			Hazardous wastes		
other	0.48	*1	other	0.60	*1
gear oil	0.0	*2	gear oil	0.0	*2
total	0.48		total	0.60	
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 dissolvers - organized emissions	Yes	emissions	Paint dissolvers - organized emissions	Yes	emissions
Paint dissolvers - non organized emissions	Yes	emissions	Paint dissolvers - 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

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. During the period August 2018-July 2019 it is observed:
  - a. No signals of corruption were reported by VAPTEH employees
  - b. No signals of corruption were reported by customers and suppliers.
3. In 2018 a new procedure for cash flow management was established in both directions:
  - a. Incoming cash flows are monitored every week at product line meetings with the participation of the Sales Director.
  - b. Cash outflows are controlled weekly with the participation of the Purchase and Production Managers.



## Sharing the COP with the company' stakeholders

This Communication on progress report and enclosures are published on VAPTECH official web site at: <https://vaptech.bg/pages/sustainability>

### Contact person:

Mariela Spasova  
Marketing & Sales Manager

### Contact information:

T: +359 2 984 16 00  
F: +359 2 984 16 01  
M: +359 885 655 256  
E: [office.sofia@vaptech.bg](mailto:office.sofia@vaptech.bg)  
[mariela.spasova@vaptech.bg](mailto:mariela.spasova@vaptech.bg)

A: 51B Bulgaria blvd., office Building Block "B",  
floor 8 1404 Sofia, Bulgaria

[www.vaptech.bg](http://www.vaptech.bg)

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