



COMMUNICATION ON  
PROGRESS REPORT  
UN GLOBAL COMPACT

2020

*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 2019 – 30 July 2020

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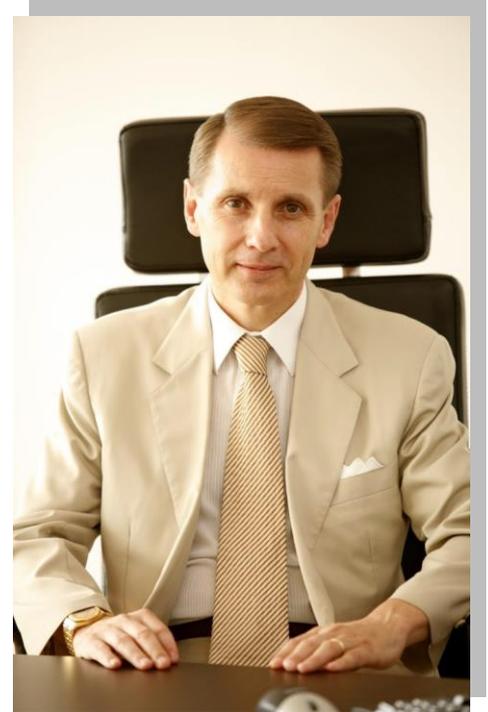
## Statement of continued support for the Global Compact

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

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# 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:

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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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# 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

## VAPTECH POLICY

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**

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

## VAPTECH ACADEMY AND TALENT MANAGEMENT 2019-2020

- 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 process
  - Conflict management
  - Emotional intelligence
- Improve Skills and Qualification
- Negotiations
- Quality management training
- Health and Safety awareness

## Trainings performed during the reported period:

### Trainings 2019/2020

Topics	When	Departments involved	Participants
Internal Auditing acc. to ISO 9001 QMS	2019/2020	Quality Control	2
Enhancement of the qualification – work with CNC machines	2019	Machine operators	15
Qualification course for crane operators	2019	Crane operators	4
First Aid training	2019	Head of workshops, Technician	11
Safety and health at work	2019	Members8 of the Working Conditions Committee	9
Electrical networks	2019	Software Design	4
Production processes - presses machines	2019	Sales team Metal Forming	5
Seminar with sales representatives	2019	Sales team Metal Forming (Local and International)	25
FMEA - Team-oriented training in risk management and problem solving techniques	2019	Project Management	4
Programming of controllers (updates and development)	2020	Software Design	4

Use of technical means of measurement	2020	Quality Control	7	
Introduction of a new CNC operator	2020	Production	1	
Installation works on site: principles and procedures	2020	Production	2	
Technical properties of the Steel	2020	Design	25	
Mechanics	2020	Design	4	
Refurbishments in the Hydropower sector	2020	Hydro team	10	
Commercial skills - conducting business meetings; Negotiating and dealing with objections; Assertiveness during negotiations	2020	Sales	10	
			<b>142</b>	<b>Total</b>

Table 1

## VAPTECH' CARE

### Employees' motivation

- Regular feedback on the job
- Professional trainings for improving self-confidence and competencies
- Feedback from workers to their supervisors (evaluating leadership performance by the team members)
- Participation of the employees in the decision making processes
- Illness benefits and assistance for employees with long-term professional contribution to the company
- Performance-based annual bonuses for the employees
- Updates of VAPTECH' Education and Self-Learning online platform **VAP Online**
- 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 school 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

# 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**



*VAPTECH's factory building was renovated and finalized in 2019*

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) at VAPTECH is working 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.
- Investments of 3.5 mil Euro for new machinery and renovation of the VAPTECH's factory in order to:
  - + Improve the working conditions of the employees at the factory
  - + Reduce the cost of heating during the winter
- In accordance with all governmental regulations and following to best practices in slowing down the spread of COVID-19, VAPTECH established strict instructions for the working processes in the company.



- During this difficult times related with the COVID-19 pandemic, VAPTECH remained OPEN and WORKING to ensure a continued level of highest quality products and services to its esteemed clients and partners. The company takes extraordinary care and measures of the health of its employees by providing protective masks, extra hygiene products, daily temperature checks, tests and strict rules for distancing and opportunity for home office work, among others.

## 2. Compliance with applicable legal and internal requirements:

- Procedure for the monitoring and evaluation of the compliance of OHS management system

# Labour Principles

3. Training and enhancement on personal responsibility of employees on risk prevention:
  - Instructions in HS are conducted by authorized personnel, 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 communication 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 accident
  - Training and seminars on HS: indicated in *Table 1*

## Lean management



VAPTECH applies and maintains 5S methodology in respect to the working spaces in the company. 5S is a technique for creating a new, clean and orderly organization of workplaces. the goal is to eliminate losses and increase productivity and job security in the individual working places.



## STRATEGIC PLANNING – HOSHIN KANRI

- Successful accomplishment of the strategic goals for 2019
- Updated Strategy Plan 2022 in the following fields: Sales, Finance, Production and Improvements.
- Five action plans for 2020 have been developed and their implementation is planned to be completed by the end of 2020. Review of the strategic and tactical objectives will be made and, if necessary the Strategy will be updated and new action plans to be implemented in 2021

# 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 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 the 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 2019 - July 2020 VAPTECH has installed hydropower equipment for hydropower plants in the Balkans, Turkey, Norway, Caucasus region and South East Asia with estimated capacity of approximately 80 MW. The generated electricity of the HPPs will contribute with 220 times less CO2 emissions, or approximately 22 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 solvents emissions). The data for the reported period is 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

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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

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, there are zero signals and/or complaints regarding any ecological issues caused by VAPTECH.

## 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 (Table 2). During the reported period and in comparison with the previous reporting period the following trends are observed:

- Reduction of the consumption of all energy resources (app. with 5%);
- Increased separation of metal turnings;
- Increased separation of hazardous waste (the company already is considering measures to reduce this trend in the coming months)

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:

August 2017 – July 2018			August 2018 – July 2019		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	6535		Natural Gas	6109	
Electrical Power	6217		Electrical Power	5892	
Gas composites	1136		Gas composites	1034	
<b>Total</b>	<b>13888</b>		<b>Total</b>	<b>13035</b>	
<b>Non hazardous wastes</b>			<b>Non hazardous wastes</b>		
metal turnings	507		metal turnings	510	
non ferrous metals	9.95		non ferrous metals	2.3	
scraps	12.7		scraps	11.3	
total	529.65		total	523.6	
<b>Hazardous wastes</b>			<b>Hazardous wastes</b>		
other	0.48	*1	other	0.8	*1
gear oil	0.0	*2	gear oil	0.0	*2
total	0.48		total	0.8	
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.		

Table 2

# Anti-Corruption Principles

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

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

1. VAPTECH conducts its business and its relationships with all stakeholders in an ethical manner that is supervised by a Compliance Committee, led by Mr. Svetlozar Ivanov, who is part of VAPTECH’s Management. The Committee aims to foster an environment and a culture that promote prevention, detection, investigation and resolution of any misconduct.
2. During the period August 2019 - July 2020 the Compliance Committee has registered:
  - a. Zero signals of corruption reported by VAPTECH employees
  - b. Zero signals of corruption reported by customers and/or suppliers.
3. Cash flow management is regularly performed in the following manner:
  - a. Weekly monitoring over the income cash flows
  - b. Weekly monitoring over the outcome cash flow with the participation of the Purchase and Production Managers.  
Both processes are analyzed and supervised by VAPTECH’s Finance Department and General Managers.
  - c. Following to the situation with the coronavirus and its impact on all business processes, VAPTECH initiated actions towards optimization of its direct costs. The monitoring of the process is carried out on a daily basis by the Finance Director of the company
  - d. VAPTECH’s subsidiary in Germany has been closed

## 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>

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