



COMMUNICATION ON PROGRESS REPORT UN GLOBAL COMPACT 2021

HUMAN RIGHTS

LABOUR STANDARDS

ENVIRONMENT

ANTI-CORRUPTION



Member of the UN GLOBAL COMPACT since 2009



Sustainability by VAPTECH

COMMUNICATION ON PROGRESS REPORT

NAME OF THE PARTICIPATING COMPANY:

VAPTECH

SECTOR:

HEAVY MACHINE BUILDING INDUSTRY

REPORTED PERIOD:

August 1st, 2020 – July 30th, 2021

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Statement of continued support for the UN Global Compact



Sofia, Bulgaria

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.

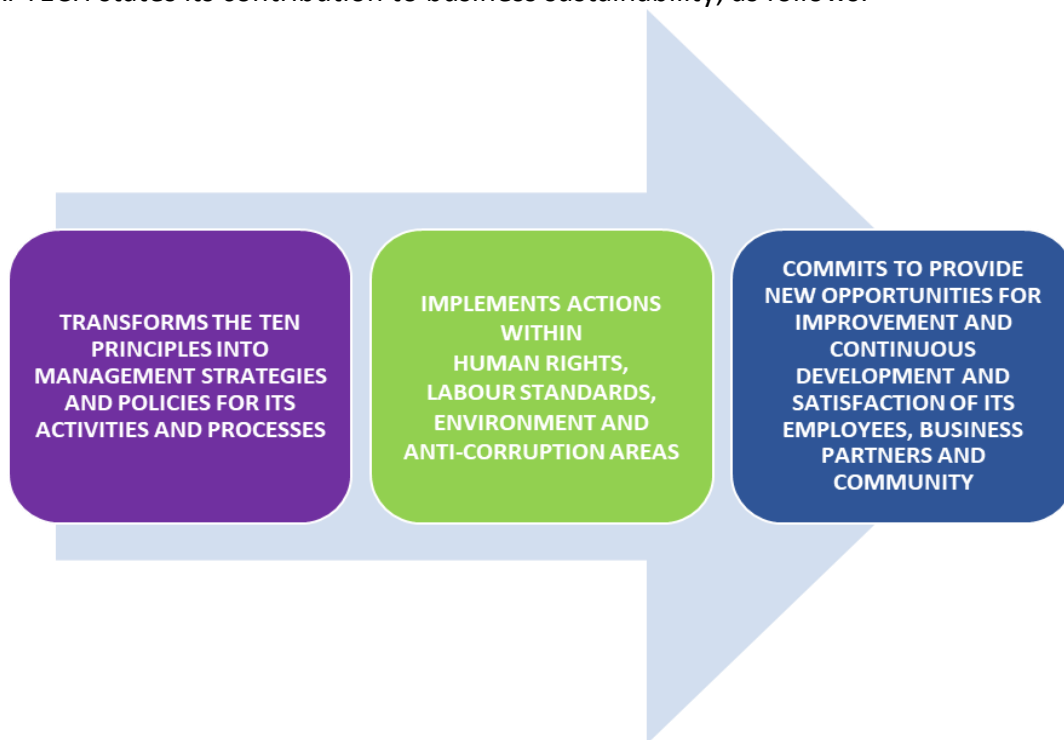
We at VAPTECH recognize UN Global Compact' principals as being the guidelines towards reaching this aim and are committed to follow and promote them on a sustainable basis.

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:



VAPTECH PRACTICAL ACTIONS

VAPTECH' application of the 10 principles is shown in the respective areas of the current report.

HUMAN RIGHTS

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 THE 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
6. Breast screening (in cooperation with hospital “St. Marina” in Pleven, Bulgaria)
7. Free eye checkup and discount for prescription glasses

VAPTECH ACADEMY AND TALENT MANAGEMENT 2020-2021

- Introductory trainings for new employees
- Project management training
- Self-improvement trainings:
Communication with co-workers and with clients
Skills for Inclusive Conversations
Working from Home: Strategies for Success
- Management training:
Efficient feedback
Code of ethics and development of organizational culture
Quality management training
- Health and Safety awareness

Trainings performed during the reported period:

Topics	When	Departments involved	Participants
Technical approaches in Hydro Power refurbishment projects	2020	Hydro Power	4
Middle head solution for Hydro power plants (Francis turbine) – Parametrization and guaranteed parameters and energy production	2020	Hydro Power	6
High head solutions for Hydro Power plants (Pelton turbine) - Parametrization and guaranteed parameters and energy production	2020	Hydro Power	6
Internal Auditing acc. to ISO 9001 QMS	2020	Quality Control	2
ISO 45001:2018	2020	Quality Control	2
Financial instruments (Letter of Credits)	2021	Planning	5
Financial instruments (Bank Guarantees)	2021	Planning	5
Near misses (prevention of incidents)	2021	Department’s Managers	10
Quality procedures (operational and product development)	2021	Department’s Managers	10
Usage of fire extinguishers, storage and maintenance	2021	Production	20
Work with weights and lifting equipment	2021	Production	20
Preparation of technical offers and budgets	2021	Planning	5
Choice of nozzles for painting	2021	Painting	4

Operation with the in-house factory equipment	2021	Painting	4
Coating application depending on the selected nozzles	2021	Painting	4
Operation with technical measurement instruments	2021	CNC operators	16
Machine channels and cutting	2021	CNC operators	10
Polishing of turbine stator and guide vanes	2021	Grinding	1
Improvement of skills	2021	Grinding	1
Polishing of Pelton turbine runners	2021	Grinding	1
Polishing of Francis turbine runners	2021	Grinding	1
Rittal AX system	2021	Automation	4
Work with Siemens servo drives	2021	Automation	4
Items search in PLM	2021	Planning	5
Global supply chain management	2021	Manager, Planning	1
Tactile hand training	2021	Technologist	6
First Aid training	2021	Department's Managers	14
Safety and health at work	2021	Production/administration	210
Covid-19 - Prevention and Protection	2020/2021	Production/administration	210
<i>Table 1</i>			

VAPTECH' CARE

Employees' motivation

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

Family care

- Vouchers for newborns
- Vouchers for school graduates
- Vouchers for first day at school

VOLUNTEERING:



VAPTECH constantly strives to help build a better world of tomorrow and together we can achieve it!



Junior Achievement & VAPTECH

On March 23, 2021 VAPTECH had the pleasure to part of the annual Junior Achievement Bulgaria' "Manager for a Day" event.

Due to Covid-19, the event was held online, however, from our experience, it did not fail to meet the expectations and even gave us a chance to show more of VAPTECH to the students than in previous years. VAPTECH gave the students a virtual factory tour with our latest "3D scan walkthrough" and they enjoyed a presentation of Vaptech company.

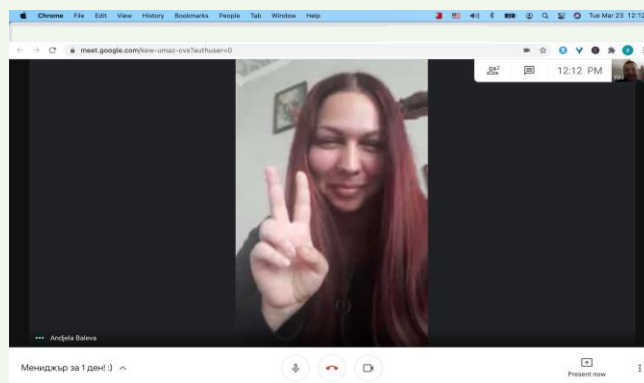
Three wonderful students spent the day in VAPTECH' Purchasing, Software & Automation and Marketing departments. Each department assigned tasks to the guest managers, for which they had to provide solutions for. The students provided very innovative and fresh minded solutions.

The feedback from all the participants in the event was very positive on both sides. They all shared that the event is a great opportunity to introduce young people to the activities in the corporate world, to get interesting ideas for their future development and a chance to meet potential future colleagues. On the other hand, all VAPTECH' colleagues were very

happy to meet such young and bright individuals and to receive great ideas from a different perspective.

"Thank you very much for allowing me to experience your projects and daily operations, it was an honor for me" - Alexander Nikolov.

VAPTECH would like to thank Junior Achievement Bulgaria and all the participating students for this great experience!



For more information about JA Bulgaria, please visit: <https://bit.ly/2ZVcrnm>



VAPTECH AS A CO-SIGNATORY TO UNGASS 2021

VAPTECH Co-Signed a petition to UNGASS 2021 that was initiated by Transparency International. The goal of the petition is to commit to transparency in company ownership for the common good and to end the abuse of anonymous companies & other legal vehicles which facilitate cross-border corruption or other crimes.

“Friendship Marathon”

On May 23, 2021, three of VAPTECH’s colleagues took part in the 21.1 km “Friendship Marathon”, held in Pleven, Bulgaria. Our colleagues showed great performance and endurance during the marathon!

They successfully completed the marathon and proved that our young colleagues at VAPTECH are not only outstanding professionals, but also individuals who lead a healthy, active and social lifestyle.

Place: Pleven, Bulgaria

When: May, 2021



Open doors for students in VAPTECH!

On June 17, 2021, students majoring in "Electrical Engineering" from the Mechanical Engineering College in Pleven, were welcomed by VAPTECH’s Quality Control department team. The students were introduced to the production processes and activities related to electrical equipment of various parts/components that VAPTECH produces. The visitors were impressed by the size of the machines in VAPTECH’s factory and the complex operations performed by VAPTECH’s engineers.

Place: Pleven, Bulgaria

When: June 2021



Amalipe – Center for Interethnic Dialogue

Amalipe is a leading Roma organization, working for the equal integration of Roma community in the Bulgarian Society. Among the initiatives of Amalipe are educational materials and festivals that introduce children and students from different ethnic groups from all over the country.

<http://amalipe.com/>



Our colleague, Valentina Todorov has a 25 years of experience behind her as a crane operator. She has been working for almost 4 years in VAPTECH.

Valentina has been working on the quilling art technique for half a year and the VAPTECH logo is one of her first creations. Why exactly did she choose VAPTECH's logo? It is easy to explain, says Valentina... she enjoys communicating with the team, her work brings her a feeling of satisfaction and usefulness and last but not least, she likes to move objects up to 10 tons around the VAPTECH factory!

"Caps for the Future" campaign donates infant incubators to hospitals across Bulgaria

Since 2019, VAPTECH's employees are participating in the NGO initiative "Plastic Caps for the Future" which aims to assure financing for baby incubators for Bulgarian hospitals by collecting plastic caps. The campaign takes care, on one hand, of the environment, and on other hand it helps premature babies, and on yet another hand – it educates people in the spirit of volunteering.



New Symphony Orchestra

New Symphony Orchestra (NSO), a private initiative, was created in 1991 as an alternative to the existing musical institutions financially supported and controlled by the state. Throughout the years New Symphony Orchestra has produced its own mode of operation by creating a Society of Friends, dedicated to the welfare of this cultural institution, which is unique in Bulgaria. Hundreds of excellent musicians have started their musical career at NSO and are now performing in orchestras all over the world.



When: Since 2003 <http://www.nsobg.com/>



In 2015, prima ballerina Dilyana Nikiforova started the first international children's ballet academy in Bulgaria. The biggest stars of the Bulgarian ballet train young talents in the beautiful and authentic Bulgarian village Maryan.

<http://www.balletmarian.com/>

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;

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 ISO 45001:2018 standard

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

Finalized reconstruction of VAPTECH's factory which began in 2019 and aimed to improve the working conditions, health and safety, all of them being top priority for the organization





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.
- 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 the 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. Care for the health and safety of employees and external visitors:

- VAPTECH has a contract with an external Occupational Health Service company, through which preventive examinations of all employees of the company are carried out annually. The Occupational Health Service company is also actively involved in the assessment of the workplaces and the occupational risk.



3. Compliance with applicable legal regulations and internal requirements:
 - Implemented procedure for monitoring and assessment in compliance with the legal directives for Safety and Health at work
4. Ensuring the necessary training of employees and strengthening personal responsibility:
 - Instructions in HS are conducted by authorized personnel, as well as internal and external trainings of VAPTECH employees are provided
 - HS Expert participates at all trainings related to the introduction of new legislation, innovation and best practices in the field.
 - HS Expert actively cooperates and maintains communication with local authorities in HS and Labor officials – Labour Inspectorate office in Pleven

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
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

- The strategic goals developed in 2020 have been successful accomplishment during the first part of 2021
- At the end of 2020, VAPTECH launched a new Program for sustainable improvement of the working processes, called **Lean Arena**. The program focuses over improvements related with the company’s products, solutions and/or services; production and operational processes. Since the program started 42

Continuous Improvement Plans (CIPs) have been created for solving 43 topics. So far 19 have been resolved and closed, 21 are under implementation, 1 is planned within end of 2021 and 2 are frozen.

- A new program called **Quality Circle** has been initiated. Its aim is to permanently reduce issues during the production processes. In 2021, 5 projects have been developed and they will be performed throughout 2021. Each project has an individual leader (“owner”) – Manger from the factory. Progress monitoring team meetings are held on a weekly basis.
- Hoshin Kanri strategy 2022 is scheduled for development in September 2021

QUALITY

VAPTECH abides to the highest quality standards and is certified:

ISO 9001:2015 Quality Standards

ISO 14001:2015 Environment Standards

ISO 45001:2018 Occupational Health and Safety Standard

ISO 10002:2018 Quality Management – Customer Satisfaction

ISO 50001:2018 Energy Management System

Certificate-1853-CPR-035 - Conformity of the Factory Production Control

<https://vaptech.bg/pages/quality-standards>

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

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 2020 - July 2021 VAPTECH has installed hydropower equipment for hydropower plants in the Balkans, Turkey, Norway, Caucasus region, South America and South East Asia with estimated capacity of approximately 70 MW. The generated electricity of the HPPs will contribute with approximately 20 ton less CO2 emissions in the environment compared to coal usage¹



Hydropower plant developed with Vaptech technology and systems

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

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 about ISO 14001:2018 are regularly presented to the employees
5. Active cooperation with regulatory bodies and all other stakeholders
 - During the reported period, there are no signals and/or complaints regarding any ecological issues caused by VAPTECH.

VAPTECH ENVIRONMENTAL INDICATORS

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:

- Reduced consumption of all energy resources (app. between 6% and 10%);
- Reduced separation of metal particles;
- Increased separation of nonferrous metals particles;
- Reduced separation of hazardous waste

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 for their usage.

As per the legal requirements on waters - 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.

TOYOTA AND VAPTECH – CONTINUOUS PARTNERSHIP FOR A CLEAN FUTURE!

VAPTECH constantly strives to preserve the environment and to protect the Planet. Sharing this common objective since 2013, TOYOTA & VAPTECH are partners with a common goal – Make the future clean, already today!

Both companies initiated a long term cooperation with regard to TOYOTA Hybrid vehicles that VAPTECH is using for its operations and with regard to common Green initiatives and to the exchange of know-how and experience in relation to a more efficient and ever improving production process, area in which TOYOTA is a global leader.



<https://vaptech.bg/pages/sustainability>

Data with VAPTECH's energy resources consumption:

August 2019 – July 2020			August 2020 – July 2021		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	6109		Natural Gas	5748	
Electrical Power	5892		Electrical Power	5320	
Gas composites	1034		Gas composites	970	
Total	13035		Total	12038	
Non hazardous wastes			Non hazardous wastes		
metal turnings	510		metal particles	468	
nonferrous metals particles	2.3		nonferrous metals particles	4.7	
mixed waste	11.3		mixed waste	10.2	
total	523.6		total	482.9	
Hazardous wastes			Hazardous wastes		
other	0.8	*1	other	0.5	*1
gear oil	0.0	*2	gear oil	0.6	*2
total	0.8		total	1.1	
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

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

VAPTECH POLICY

Company policy for transparency

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.

During the period August 2020 - July 2021 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;
- c. New corporate practice for periodically supervision over the company software licenses;

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. This processes are analyzed and supervised by VAPTECH's Finance Department and the General Managers;
- c. Following to the situation with the coronavirus and its impact VAPTECH continues to maintain actions towards optimization of its direct costs. The monitoring of the process is carried out on a daily basis by the Finance Director at VAPTECH.

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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Make what the Planet Needs!