

2013



# COMMUNICATION ON PROGRESS REPORT

Company:

**VAPTSAROV HOLDING AD**



## COMMUNICATION ON PROGRESS REPORT

**NAME OF THE PARTICIPATING COMPANY:**

VAPTSAROV HOLDING AD

**COUNTRY:**

BULGARIA

**SECTOR:**

HEAVY MACHINE BUILDING INDUSTRY

**REPORTED PERIOD:**

30 September 2012 – 30 August 2013

**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 2010	София, януари 2010 г.
<p data-bbox="188 506 775 595"><b>Statement of Continued Support for the UN Global Compact</b></p> <p data-bbox="188 703 783 1122"><i>We at Vaptsarov Holding AD, 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 1155 783 1346"><i>We at Vaptsarov Holding AD 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 1379 644 1473"><b>B. Bonev</b> <b>Chairman of the Supervisory Board</b></p>	<p data-bbox="807 506 1390 640"><b>Заявление за неизменна подкрепа на принципите, изложени в Глобалния договор на ООН</b></p> <p data-bbox="807 703 1398 1122"><i>За „Вапцаров Холдинг” АД, 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="807 1155 1398 1346"><i>При постигането на целта „Вапцаров Холдинг” АД се ръководи от принципите на Глобалния договор на ООН, които решително следва и чие то прилагане неизменно насърчава.</i></p> <p data-bbox="839 1379 1286 1473"><b>Б. Бонев</b> <b>Председател на Надзорния съвет</b></p>

During the period 2012 – 2013, Vaptsarov Holding (VH) team continues to develop its activities following the UN Global Compact principles.

VH is pleased to provide information in this Communication on Progress Report 2013.

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

### VH CONTINUED SUPPORT TO THE 10-TH PRINCIPLES

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

VH states its contribution to business sustainability, as follows:

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

The practical actions of VH 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.

### VH DOCUMENTS

Description of UNGC principles application within the organizational operations and activities

The table below shows in what ways and the VH documents where the principles of the specific areas of the Communication on Progress report are expressed:

#### 2.1 HUMAN RIGHTS:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and Principle 2: make sure that they are not complicit in human rights abuses

#### DOCUMENTS and RESOURCES

Code of Ethics  
Training Programs  
Social activities  
Volunteering initiatives  
Human Resources Department  
Ethical Committee  
Working Conditions Committee

**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.

DOCUMENTS and RESOURCES

- Code of Ethics
- Training Programs
- Social activities
- Volunteering initiatives
- Human Resources Department
- Health and Safety Expert
- Working Conditions Committee
- Ethical Committee

**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.

DOCUMENTS and RESOURCES

- Management policy for the Integrated Management System
- Business plan
- Training Programs
- Ecology Expert
- Environmental Working Groups

**2.4 ANTI-CORRUPTION:**

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

DOCUMENTS and RESOURCES

- Financial Rules and regulations
- Purchase rules
- Associated persons and possible conflict of interests
- Anti – corruption policy
- Code of Ethics
- Head of Administration

The content of the present communication on progress is based on issued and distributed to the employee's document: Rules for preparation of COP 2013, activities and responsibilities for information collection. These rules are prepared for consecutive year in order to provide transparency of all activities related to VH sustainable development and to control the progress on implementation of UNGC principles.

## 2. 1 HUMAN RIGHTS

### VH POLICY

Our people are the basis for success of our businesses.

ANY FORMS OF DISCRIMINATION ARE NOT TOLERATED IN ACCORDANCE WITH THE VALID CODE OF ETHICS	ENCOURAGEMENT AND DEVELOPMENT OF OUR STAFF IS PART OF VH CORPORATE CULTURE	VH DECLARES TO RESPECT AND SUPPORTS IN ITS ACTIVITIES THE HUMAN RIGHTS AND INTERNATIONAL HUMAN RIGHTS CONVENTION
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### VH RESPONSIBILITY

#### Code of Ethics

The Code of Ethics is active, approved with Protocol №28 – Management Board and №24 – Supervisory Board.

The Companies from Vaptsarov's Group exalt the following values: honesty, integrity, loyalty, punctuality, precision and orientation of achieving results.

#### Social benefits for the employees

1. Dental care – VH provides free dental service to its employees.
2. Medical care - VH provides constant medical service by a nurse equipped with first aid kit, blood pressure apparatus and medicines.
3. Canteen – VH provides vouchers for the meals to its employees in the company based canteen offers healthy food meeting the specific needs of all employees.
4. Company transport – VH 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.

## VH TRAININGS

### Educational projects

1. External trainings – conducted by external companies. The entire management staff is trained as well as sales team.
2. Internal company trainings on topics – conducted by company specialists. All employees and workers of each department are trained in accordance with the requested needs for education.

Trainings performed during the reported period

EXTERNAL TRAININGS
Training topic
Management and leadership
Team management. Team work
Team motivation
Communication. Communication styles. Adaptation
Teambuilding
Use of Personal protective equipment. Hazardous noise exposure risks
Training of workers to adopt qualification for work with cranes from 50 to 160 tones
Training for qualification of welders
Workshop 5S Project
Annual training on Occupational Health and Safety conditions of the officials who managed the working processes and conducts instructions to the representatives of the Working Conditions Committee
Periodical training and instruction of Health and Safety Experts under the regulations for provision of health and safety working conditions

INTERNAL TRAININGS
Training topic
Working with MS Project
Visual control in welding process
Occupational training of heat treatment workers
Working with software for lathes with CNC
Training of personnel in electrical safety to adopt qualification group
Training of internal auditors in QMS
Practical training for use of Measuring Devices
Management review of the Integrated management system. General terms
Training of personal working with chemical agents. Safety data sheets instruction and risks for health and safety

## VH ENGAGEMENT

### Motivation of personnel

Human Resources Management System (HRMS)

The implementation of professional profiles for key positions at the company is in progress. Created a system of internal professional courses that cover the profile requirement.

Key performance indicators that measure the quality of work are in progress, this allows each employee to follow – up his or her work and to take actions in order to improve it.

Implemented a system for evaluation of working performance. This includes annual assessment interviews with each employee as well as following assessment meetings for intermediate evaluation of objectives and review of changes occurred in the work or attitude of the employee.

In this manner, each employee obtains fair feedback from his or her superior and coordinates individual and team objectives with company objectives.

Annual training program made and followed over the year, based on the reported needs for training during the assessment meetings.

In VH we paid a special attention to the manager's team and its development. Four two – days trainings were conducted since September 2012 until now, aimed to develop the potential for leadership as well as to shape the standards for leadership behavior at the company.

### Open Door Day at VH

On 15.06.2013, VH organized the event day of the employees and their families. The celebration began with Open Door Day initiative that allowed each employee to show his or her working places to the relatives. A party with games and attractions for the children and the employees was organized.

## VH COMMITMENT

### Volunteering initiatives

- VH employees traditionally participated in volunteering campaign to support the home for abandoned children situated in the city of Pleven. In October 2012 we painted the outdoor faced of the 1<sup>st</sup> floor and made small donation for computers
- VH supports initiatives focused on protection of Bulgarian cultural heritage
- VH supports initiatives organized by Pleven Philharmonic Orchestra
- VH collaborates with Amalipe Center for Interethnic Dialogue and Tolerance with aim to cooperate for the equal integration of Roma in Bulgaria society.



## 2.2 LABOUR STANDARDS

### VH POLICY

Company policy on Labour

The management of VAPTSAROV HOLDING AD 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.

<b>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.</b>	<b>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)</b>	<b>WORKING TIME AND ORGANIZATION OF WORK: IN ACCORDANCE WITH APPROVED COMPANY RULES</b>
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### VH RESPONSIBILITY

Health and safety working conditions

The VH 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, VH established the following objectives:

1. Focusing on prevention and taking of action to prevent occupational hazards
  - There is a Working Conditions Committee (WCC) at VH 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
  - VH 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 VH 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

## VH INITIATIVE'S PARTNERSHIP

### Social activities

**February 2013:** Participation of VH Health and Safety Expert at meeting, organized by Bulgarian Branch Chamber Machine Building. The main purpose of the meeting is business representatives to make proposals for review and amendment of normative documents that refer to the industry.

**March 2013:** VH traditionally participated in "Manager for a day 2013" - initiative organized by Junior Achievement Bulgaria – we welcomed 2 students from Professional High School, situated in the city of Pleven.

**April 2013:** Participation of VH Health and Safety Expert at the event for celebration of World Day for Safety and Health at Work – on the 28 April. The team announced by International Labor Organization "The Prevention of Occupational Diseases".

**May 2013:** VH obtained a grant scheme project "Safe Labour". The project is implement with the financial support under Operational Program "Human Resources Development", co-financed by the European Social Fund. Under this project, VH shall additionally provide working clothes, special protection clothes, and personal protective equipment to workers and employees that are necessary for their health and safety protection with the objective to minimize the hazardous impact of work environmental factors.

### Internship programs

For second consecutive year, VH participated in project "Increase of youth employment through their permanent inclusion on the labour market".

The project is implement with the financial support under Operational Program "Human Resources Development", co-financed by the European Social Fund. Four young people were welcomed in VH and trained within 6 months in Design department and in Control Systems department. All of them hired permanently at the company.

Two more students started their internship in VH. They are developing their thesis under the supervision of experienced company engineers.

## VH LABOUR CONDITIONS INDICATORS

VH data and statistics for the reported period

1. Registered working accidents or injuries: during the reported period 2 work accidents with temporary incapacity for work of the injured are registered (in September 2012, in April 2013).

Two of our employees were injured, despite of regular meetings held by WCC in VH, internal safety trainings on work environment hazards and internal audits to verify that labor conditions and safety are kept. That alerted each of us that the best prevention is personal responsibility on safety.

On these accidents, we undertake actions that include additional provision of security items on working places, additional liability of employees with high occupational risks, nominations and awards for best-organized working place.

2. Training and seminars on HS: indicated in trainings table

### 5S Project

Since the beginning of 2013, VH started the 5S project. The Methodology is about how each team member supports the sense of order by completing activities in each of the five areas (Sort, Set in Order, Shine, Standardize, and Sustain).

The goal of 5S Campaign is to increase company productivity through set in order of working place and sustained it clean and safe.

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**The implemented at VH Occupational Health and Safety Management System according to OHSAS 18001:2007 standard is maintained.**

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## 2.3 ENVIRONMENT

### VH POLICY

Company policy on Environment protection

The management of VAPTSAROV HOLDING AD 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.

<b>MANAGEMENT OF COMPANY ACTIVITIES AND THEIR RESULTS THAT CAN HAVE AN SIGNIFICANT IMPACT ON ENVIRONMENT</b>	<b>ENCOURAGEMENT OF COMPANY PERSONNEL TO DEMONSTRATE IN ITS DAILY ACTIVITIES PROFESSIONALISM AND RESPONSIBILITY TO PROTECTION OF ENVIRONMENT</b>	<b>VH DECLARES COMPLIANCE WITH ALL APPLICABLE LEGAL REQUIREMENTS ON ENVIRONMENT</b>
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### VH 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 solvents emissions). The data for the reported period are 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, VH 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.

## VH ENVIRONMENTAL INDICATORS

VH 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, SO<sub>2</sub>
- 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 – VH 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 – VH has no obligations. VH 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.

## VH ECOLOGY INITIATIVES

- **From May to June 2013:** Participation in Cleantech’s initiative dedicated to the innovative ideas of the employees regarding their work environment - Waste Office Week 2013, that is follow-up of last year campaign (Green Office Week)
- **On 20.04.2013:** For second consecutive year Participation in national campaign - To clean up Bulgaria in one day
- **From 06 to 08 March, 2013:** Participation in ENERGIA REGENERABILA ENREG, the biggest trade fair on renewable energy and energy efficiency in the euro -region Romania-Hungary-Serbia
- **23 October 2012:** Participation in the event “Energy Management and ISO 50001: profitable for business, important for the environment.”

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**The implemented at VH Environmental Management System according to ISO 14001:2004 standard is maintained.**

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

September 2011- August 2012			September 2012 - August 2013		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	8653		Natural Gas	8236	
Electrical Power	9220		Electrical Power	8990	
Gas composites	1160		Gas composites	1175	
<b>total</b>	<b>19033</b>		<b>total</b>	<b>18401</b>	
<b>Non hazardous wastes</b>			<b>Non hazardous wastes</b>		
	<b>Tons</b>			<b>Tons</b>	
metal turnings	470		metal turnings	480	
non ferrous metals	2		non ferrous metals	1,2	
scraps	0		scraps	18	
<b>total</b>	<b>472</b>		<b>total</b>	<b>499</b>	
<b>Hazardous wastes</b>			<b>Hazardous wastes</b>		
	<b>Tons</b>			<b>Tons</b>	
other	0	*1	other	0	*1
gear oil	2.14	*2	gear oil	0,7	*2
<b>total</b>	<b>2.14</b>		<b>total</b>	<b>0,7</b>	
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 VAPTSAROV HOLDING AD			Remarks: *1 temporary storage before handling over *2 handling over to authorized supplier VAPTSAROV HOLDING AD		

## 2. 4 ANTI - CORRUPTION

### VH POLICY

Policy on transparency of activities

PREVENTION IN ACTIVITIES WITH POSSIBLE DEVELOPMENT OF ANTI –CORRUPTION PRACTICES	PREVENTION OF CONFLICTS OF INTERESTS AT CONTRACTING	PROVISION OF TRANSPARENCY FOR ALL ACTIONS OF COMPANY EMPLOYEES
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### VH ANTI-CORRUPTION ACTIVITIES

Anti-corruption measures

1. In order to reduce and prevent the development of corruption practices for the current machine's maintenance by external companies, order and organization are created
2. Periodical meetings with employees from departments susceptible to development of corruption schemes conducted in order to prevent and to obtain information for possible violations of such character.
3. Conflicts of interests Rules are developed. In order to prevent such, every company member has signed a declaration.
4. Created instruction for management of confidential information.
5. Supervision of keeping orders, Rules for internal order, the discipline, the Code of Ethics, and management of documents and social activities.
6. In order to provide transparency of actions created rules for behavior of employees on site of the customers.

### VH JOINT EFFORTS

VH coordinates its efforts on prevention and fight against corruption as it interacts with organizations. VH management takes part in key meetings, conferences and other publicly important events.

**February, 2013, Sofia:** Participation of the Chairman of the Supervisory Board in initial meeting, organized by CPCCOC (Center for Prevention and Countering Corruption and Organized Crime) for establishing a working committee to apply the measures in the aspect of public procurement.

### 3. Sharing the COP with the company's stakeholders

This Communication on progress report and enclosures are published on VAPTSAROV HOLDING AD'S official web site

At: [http://www.vap.bg/page/global\\_compact](http://www.vap.bg/page/global_compact)

**Contact person:**

Mariya Petrova

Quality Management System and Improvements Manager

[mariya.petrova@vaptech.bg](mailto:mariya.petrova@vaptech.bg)

**Contact information:**

T: +359 64 882 111

F: +359 64 882 117

M: +359 884 311 374

E: [office@vap.bg](mailto:office@vap.bg)

A: 6 Grivishko Shose str  
5800 Pleven, Bulgaria

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

**Date of submission:** 30/08/2013