

COMMUNICATION ON PROGRESS REPORT

NAME OF THE PARTICIPATING COMPANY:

MONBAT AD

COUNTRY:

REPUBLIC OF BULGARIA

SECTOR:

ELECTRICAL AND CHEMICAL INDUSTRY

REPORTED PERIOD:

THIS COMMUNICATION ON PROGRESS REPORT REFERS TO THE ACTIVITIES AND PRACTICES OF MONBAT AD IN 2014.

STRUCTURE OF THE REPORT:

THE COMMUNICATION ON PROGRESS REPORT INCLUDES THE FOLLOWING CHAPTERS:

- 1. STATEMENT OF CONTINUED SUPPORT FOR THE GLOBAL COMPACT PRINCIPLES BY MR. ATANAS BOBOKOV – CHAIRPERSON OF THE BOARD OF DIRECTORS OF MONBAT AD.**
- 2. DESCRIPTION OF PRACTICAL ACTIONS TAKEN BY MONBAT AD TO IMPLEMENT THE GLOBAL COMPACT PRINCIPLES IN 2016.**



**Global Compact Network
Bulgaria**

1. STATEMENT OF CONTINUED SUPPORT FOR THE GLOBAL COMPACT PRINCIPLES BY MR. ATANAS BOBOKOV – CHAIRPERSON OF THE BOARD OF DIRECTORS OF MONBAT AD

The management of MONBAT AD has built up the company's business on the basis of the responsibility towards different groups of stakeholders and the society as a whole. A priority place in our corporate policy takes the approval of our high ethical standards and value system in the company's relations with its stakeholders. The company identifies as stakeholders all persons interested in the economic prosperity of MONBAT AD – shareholders, workers and employees, customers, suppliers, distributors, bank – creditors and the community as a whole.

The adopted Code of Ethics had a positive influence in the process of defining the company's values. All business relations of the company and the economic group of MONBAT AD are based on the corporate value system which is being actively promoted by all admissible for the management means – upon sales presentations, through marketing materials as well as during informal communication. MONBAT AD holds that in order to conduct a well balanced policy in its relations with suppliers and contractors as well as in the process of approving business partners, transparency is very important in the mutual relations with those groups of stakeholders. The management considers that this policy is impossible to be based only on the lowest possible price or the most favorable financial conditions. Business ethics and values included in the policy, the overall image of the partners have leading importance for the management of MONBAT AD c when considering establishment of long-term business and/or commercial relations.

The Board of Directors encourages the co-operation between the company and the stakeholders aimed at increasing the prosperity of all parties and providing sustainable development of the company. The company provides the stakeholders with the necessary information on its activities, current data on the financial standing and all the information that would contribute to their correct orientation and decision making. With reference to the internal regulations of some stakeholders of the company, MONBAT AD provides them with particular Reports on the SCR policies of the company related to ecology, safe and healthy labor conditions, anti-corruption and human resources.

In its stakeholder policy the company complies with the legislative requirements, based on the transparency, accountancy and business ethics principles.

The management of MONBAT AD has engaged itself to voluntarily, actively and consistently apply socially responsible employment practices that exceed the requirements of the employment legislation.

The management of MONBAT AD considers pollution prevention or reduction activities aimed at achieving a maximum level of human health and environmental protection as a fundamental priority of the company and determining factor in its long-term and sustainable development.

We consider that it is particularly important for the conduct of responsible and sustainable business to abide by at least the following:

Precise identification of all groups of stakeholders and creating mutual thrust;

Continuous application of flexible and innovative solutions in each particular element of our scope of activity;

Continuous adherence to high standards for environmental protection and production safety.

Atanas Bobokov, Chairperson and Executive Member of the Board of Directors of MONBAT AD

2. DESCRIPTION OF PRACTICAL ACTIONS TAKEN BY MONBAT AD TO IMPLEMENT THE GLOBAL COMPACT PRINCIPLES IN 2016.

Human Rights:	Principle 1: Support and respect the protection of human rights. Principle 2: Make sure that the company is not complicit in human rights abuses
<p>Monbat AD has defined its human rights protection policy in the following internal acts of the company:</p> <ul style="list-style-type: none"> - Code of Ethics for the Workers and Employees of MONBAT AD - Rules on the Internal Organizational Structure - Employment Rules - Employee information and training plan - Sponsorship, donation and social activity policy - Personal data processing rules <p>Monbat AD has a special team of professionals which is a part of the company's HR department in charge of implementing the human rights protection policy.</p> <p>The particular practices are regulated by the procedures of the integrated management system under ISO 9001 and OHSAS 18001:1999 – for healthy and safe labor conditions.</p> <p>The donation policy of the company is traditionally directed towards the local community.</p>	<p style="text-align: center;">Actions and indicators:</p> <p>Human rights protection and non-admission of any forms of behavior which offend the dignity and infringe upon the rights of any separate personality, or tolerate any manifestation of discrimination take a leading place in our corporate value system.</p> <ul style="list-style-type: none"> • MONBAT AD does not admit manifestation of any forms of discrimination in relation to its workers and employees, as the requirements they should meet and their liabilities, set up in labor contracts and job descriptions are based entirely on the provisions of the labor legislation. • In its employment policy, the management of MONBAT AD has been lead by the equal treatment of all candidates principle, irrespective of their race, nationality, ethnic affiliation, sex, origin, religion, education, convictions, political affiliation, personal and social standing or property status. • No child labor exploitation is admissible within the structure of MONBAT AD. • All workers and employees take into consideration their position in the hierarchy within the established internal structure as they do not permit any misuse of their official position by exerting pressure or exercising harassment, in one form or another, towards subordinate workers or employees. • MONBAT AD is a personal data administrator which has access to the personal data of the workers and employees. The company has elaborated Personal Data Protection Rules which regulates any use of such data and provides protection in case of misuse.

	<ul style="list-style-type: none"> • Information on the measures regarding human rights protection is being presented to the workers and employees on regular basis. • Consultations are being conducted with representatives of the workers and employees upon any amendments in the labor legislation. • MONBAT AD protects the rights of its clients by means of disseminating information on its products on the occasion of sales as well as by posting such information on its website.
--	--

Labor Standards:	Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: Elimination of all forms of forced and compulsory labor; Principle 5: Effective abolition of child labor; Principle 6: Eliminating discrimination in respect of employment and occupation.
<p>Monbat AD has defined its labor rights protection and recognition policy in the following internal acts of the company:</p> <ul style="list-style-type: none"> - Code of Ethics for the Workers and Employees of MONBAT AD - Internal labor rules - Collective labor contract - Rules on the Internal Organizational Structure - Employment rules - Customer relation systems - Employee information and training plan - Labor conditions Committee Rules - Rules on the improvement of health and safety labor conditions <p>Monbat AD has a special team of professionals which is a part of the company's HR department in charge of implementing the human rights protection policy.</p>	<p>Actions and indicators:</p> <p>As a company which realizes the serious dependence of the long-term business success and the efficiency of the production process on the knowledge, abilities, innovative creativity and motivation of its workers and employees, the company perform initiatives, directed towards establishing new practices on the labor place. Those practices of socially responsible conduct within MONBAT AD are voluntary and exceed the requirements of the labor legislation in the Republic of Bulgaria.</p> <ul style="list-style-type: none"> • The company's management stimulates the workers and employees of MONBAT AD by means of regular attestations and consistent implementation of new employees/workers information and training plans. Thus the employees/workers develop their professional abilities. • The company has new employees/workers information and training plans, which take into consideration the long-term practical experience of the management. • Within the structure of MONBAT AD was established the practice for having preliminary consultations with representatives of the workers in the separate sub-divisions on important issues related to the

	<p>production activity. Such consultations were held in terms of initiating reduced working time for the directly employed in the main production and servicing structural departments.</p> <ul style="list-style-type: none"> • All workers and officials within the structure of MONBAT AD work under labor contracts which are being registered in accordance with the legal requirements. The salaries of the different categories workers and officials of MONBAT Plc exceeds approximately 100 % the average working salary, fixed for the country for 2014 as all workers and officials are being given documents for the received salaries which provide detailed information on all elements of the working salary, including the personal insurance and tax payments. • All departments in the production and administrative activity of MONBAT AD use working time reporting systems which report the duration of the working shift and the presence or absence of each worker and official. • By reason of the production activity nature, the company does not have the possibility to offer its workers and officials' flexible working time or any possibility to perform their duties from distance. • In the main production departments was established a 3-shift working schedule, which also includes night shifts. Night work within the structure of the company was regulated in accordance with the requirements of the Labor Code and the approved work schedules. <p style="text-align: center;"><u>SAFE AND HEALTHY LABOR CONDITIONS</u></p> <p>MONBAT Plc has elaborated and has consistently applied the principles of the Integrated System for Core Management, as one of the main directions of this System is the Safe and Healthy Labor Conditions System. The company successfully passed the audit for confirming compliance of the Safe and Healthy Labor Conditions System with the requirements of the OHSAS 18001:2007 standard. The scope of the certification includes all aspects of the company's activity and respectively – projecting, production, selling, distribution and recycling the whole product range.</p>
--	---

- In all separate production departments are regularly held safe and healthy labor instructions and trainings at least four times per year. Regarding the workers and officials which are directly involved in the old accumulator batteries recycling process, such instructions and trainings are held every month. The initial instructions, upon starting work, as well as the subsequent regular instructions are held by the labor safety coordinators under the control of the operative managers of the respective department or division. For each instruction is prepared a record in a special book which includes information on the workers/officials being present at the instruction.
- All workers within the structure of MONBAT AD are annually provided with working outfits and personal protection means.
- All workers and officials are guaranteed food – free of charge during the working process.
- MONBAT AD, as well as all of the other companies within the structure, have signed contracts with respective Labor medicine services which annually provide overall medical examinations for all workers and officials and keep medical cards for all of them.
- MONBAT AD has constituted a Labor Conditions Committee, which gives statements on issues related to technological changes, social issues, issues related to ensuring health protection and safety for the workers and officials. The members of the Committee annually attend different forms of trainings.

WORKERS' PARTICIPATION AND REPRESENTATION

The management of MONBAT AD encourages the workers and officials, employed within the structure, to freely unite themselves and appreciates the possibilities for unobstructed performance of initiatives in this field.

- The employed within the company as well as within the whole structure are guaranteed the right to freely unite themselves and undertake any actions to set up **workers/trade union organizations**,

	<p>voluntarily join and leave them while only complying with their statutes, without a preliminary permission on the part of the management and in case that they do not violate any binding legal provisions.</p> <ul style="list-style-type: none"> • All workers and officials within the structure of MONBAT AD are united in a General assembly of the workers and officials. In the events, specified by law the workers and officials participate in discussions and approval of decisions related to the management of the company through their representatives elected by the General assembly of the workers and officials. • MONBAT AD, in its capacity of employer, is a member of the national employer's organization – the Bulgarian Industrial Capital Association and actively takes part in all of its events and initiatives aimed at enhancing the social engagements of the employers in Bulgaria in relation to their workers and officials. • The internal rules of MONBAT AD completely prohibit employment of persons under the age of 18. • MONBAT AD selects its contractors based on a list of criteria which includes the criterion for availability of information on their engagement with the labor rights protection.
--	--

Environment:	Principle 7: 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.
<p>Monbat AD has defined its environmental protection policy in the following internal acts of the company:</p> <ul style="list-style-type: none"> - Risk management plan - Supplier selection criteria - Customer relation systems - Employee information and training plan - Marketing plans - 2016 Investment Program <p>The company has developed and approved a special separate eco-policy.</p> <p>MONBAT AD has a special team of professionals in charge of implementing the environmental protection policy.</p> <p>The particular practices are regulated by the procedures of the integrated management system under ISO 9001 – for quality management, ISO 14 001 – for environmental protection and OHSAS 18001:1999 – for healthy and safe labor conditions.</p>	<p style="text-align: center;">Actions and indicators:</p> <ul style="list-style-type: none"> • The social responsibility of MONBAT AD in its capacity of the biggest accumulator batteries producer in Bulgaria and a fast developing listed company finds expression also in its attitude towards the environment. Environmental protection is one of the main values included in the company's value system. • The management of MONBAT AD considers the pollution preventing or reducing activities aimed at achieving maximum level of human health and environmental protection as main priorities and crucial factors for the long-term and sustainable development. By reason of this, MONBAT AD has its particular environmental protection policy. • In 2016 we managed to turn our socially responsible policy for environmental protection into our competitive advantage. • The strategy for development of MONBAT AD also includes participations in long-term socially useful projects in the environmental protection field. During 2016 the company was using a Separate Waste Collecting and Depositing Program. Old accumulator batteries belong to the group of the widespread dangerous industrial waste and the company gives its essential contribution for the environmental protection by collecting, neutralizing and recycling them. The lead and polypropylene derived as a result of the recycling process are used for the production of new accumulator batteries thus contributing to the efficient use of waste materials. The company has set up the only individual system in Bulgaria for collecting old accumulator batteries and works under its own Program for management of lead-acid accumulator batteries went out of use.

	<p>Self-Control System – the setting up and functioning of the internal control system is aimed at achieving continuous compliance with the requirements of the environmental, health and safety legislation on the grounds of the Integrated Management System. The Self-Control System provides assessment of the efficiency and the results from the activities management system of MONBAT AD as a whole.</p> <ul style="list-style-type: none"> • MONBAT AD has elaborated and has consistently applied the principles of the Integrated System for Core Management, as one of the main directions of this System is the Environmental Protection System. The company successfully passed the audit for confirming the compliance of the Environmental Protection System with the requirements of the ISO 14001:2004 standard. The scope of the certification includes all aspects of the company's activity and respectively – projecting, production, selling, distribution and recycling the whole product range. • MONBAT AD selects its contractors based on a list of criteria which includes the criterion for availability of information on their engagement with the environmental protection. • MONBAT AD clearly communicates its aims and achievements in the field of ecology through its investment program and the annual report on the company's activities which are published on the website, presented to the public and filed with the regulation authorities.
Anti-Corruption:	Principle 10: Work against all forms of corruption, including extortion and bribery.
<p>MONBAT AD had defined its anti-corruption policy in the following internal acts of the company:</p> <ul style="list-style-type: none"> - Financial rules and orders regarding gifts, social expenses and representational expenses - Purchase rules - Identification of related and interested parties system 	<p>Actions and indicators:</p> <ul style="list-style-type: none"> • MONBAT AD observes clear donation rules for each particular case under the conditions of full transparency. • Suppliers and business partners are informed on the purchase policy of MONBAT AD.

<ul style="list-style-type: none"> - Donation rules, including for political parties - Rules for service payments by state employees and/or employees to business partners 	<ul style="list-style-type: none"> • All company's transactions are evaluated in advance and those with considerable values are approved by the Board of Directors of MONBAT AD • The company's policy excludes engagement of MONBAT AD with any political party. • One part of the Program for Applying the Internationally Acknowledged Good Corporate Governance Standards of MONBAT AD is particularly devoted to the procedures and requirements to be observed by the members of the Board of Directors of the company in case of any conflict between their interests and those of the company. • The management of MONBAT AD officially joined the Bulgarian Corporate Governance Code and strictly observes the Code's principles in its activities.
--	---

MONBAT AD provides information to all stakeholders on all CSR initiatives of the company and in particular on its Communication on Progress Report on the company's website www.monbat.com.

Contact person:

Daniela Peeva – Investor Relations Director

Tel.: +35929882413

e-mail: investorrelations@monbat.com

Date:

March , 2017