



UN Global Compact

Communication on Progress 2017



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

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Statement of support from Dr. Anton Stefov, President and CEO of International Armored Group

To: H.E. António Guterres
UN Secretary-General
United Nations
New York, 10017
USA

Date: December 18, 2017

Regarding: IAG's UN Global Compact Communication in Progress 2017

Dear Mr. Secretary-General,

I am pleased to reaffirm that IAG is supporting and will continue to support the Ten Principles of the UN Global Compact on Human Rights, Labor, Environment, and Anti-Corruption. We express our support through our policy commitment and continuous work with our stakeholders, all of which are covered in this report.

The last year has been one of steady progress in reinforcing the internal mechanism that mark our commitment to the UN Global Compact's ten principles which are reflected in IAG's policies, standards and guidance and are embedded in our overall approach to sustainable development.

With our 2017 UN Communication in Progress report we are committed to demonstrate our continuous work towards implementing all ten principles across IAG.

As a CEO of IAG, I am proud to confirm once more our continued support for this important initiative.

I look forward to reporting on our progress next year.

Dr. Anton Stefov, C.E.O. & President
International Armored Group

About us

International Armored Group is a quality conscious armored vehicle manufacturer with over 20 years of experience specializing in the fields of design, engineering, prototyping and manufacturing of armored commercial and tactical vehicles. We have grown substantially over the years and have become one of the most technologically advanced armored vehicle manufacturers in the world.

IAG's core competency is the ability to engineer and design vehicle armoring solutions providing optimal survivability and reliability, while maintaining superior driving dynamics and performance.

As proof of our company's capabilities, in April of 2010 International Armored Group became one of the world's first armored vehicle manufacturers to construct a fully certified armored vehicle, the BRV2009 VR7 Toyota Land Cruiser 200, accredited by Beschussamt Mellrichstadt to protect against high-powered rifle fire and improvised explosive devices (IEDs).

Our global footprint enables us to supply North American, European, Gulf Country (GCC) and Right-Hand Drive type vehicles. We have access to an extensive range of chassis that can operate in harsh temperature environments and low quality fuel. IAG's production plants are strategically located near major sea and air ports allowing our experienced logistics team to transport our armored vehicles worldwide.

With locations in the United States, Canada, United Kingdom, Turkey, Bulgaria, United Arab Emirates, Pakistan and Iraq, International Armored Group remains dedicated to producing the highest quality armored vehicles together with on-time delivery and professional service.

The Ten Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

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: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

Human Rights Principles

Assessment, Policy and Goals

International Armored Group (herein "IAG") respects the rights of human beings in accordance with the UN guidelines, government laws of each respective country where IAG operates, and moral principles that guide company's business operations.

Our global community includes people of diverse ethnicities, colours, religions, socio-economic backgrounds, and a range of other human differences. We understand that fostering a culture of respect and inclusion creates a dynamic and happy workforce.

With respect to gender, we seek to foster women leaders in our senior global roles but we are also focusing on ensuring that women are leaders of our most significant client relationships.

As part of IAG continued efforts to respect the applicable Universal Declaration of Human Rights, extensive efforts have been made to ensure all aspects of IAG's policies and goals are in compliance with these standards.

As a professional product manufacturer with such an eminent history, we judge that our prime human rights-related risks and opportunities lie in our relationships with our stakeholders, and above all, with our employees.

IAG is an Equal Opportunity Employer and has adopted the following policy:

- IAG has implemented audit and management review which are carried out on an annual basis and are an integral part of IAG's policies.
- IAG stands committed to its philosophy that all employees are entitled to equal employment opportunities. This policy applies to all personnel actions, including compensation, benefits, discipline, transfers, promotions, lay-offs, leaves of absence, terminations, and participation in IAG-administered activities.
- IAG also affirmatively recruits and hires individuals based upon demonstrated abilities, achievements and experience, without regard to race, color, religion, age, national origin or ancestry, sex, pregnancy, citizenship status, marital status, physical or mental disability, medical conditions, sexual orientation, or any other consideration made unlawful by UAE laws.

We do not tolerate harassment

It is the responsibility of all employees to ensure IAG's policy of equal employment opportunity is implemented in all phases of human resources administration. Violation of this policy by any employee will result in disciplinary action, up to and including termination. To comply with applicable laws ensuring equal employment opportunities to qualified individuals with a disability, IAG will make reasonable accommodations for the known physical or mental limitations of an otherwise qualified individual with a disability who is an applicant or an employee, unless undue hardship to IAG would result.

Any applicant or employee who requires an accommodation to perform the essential functions of the job should contact their supervisor or Human Resources representative

and request such an accommodation. The individual with the disability should specify what accommodation he or she needs to perform the job. IAG will then conduct an investigation to identify the barriers that make it difficult for the applicant or employee to have an equal opportunity to perform his or her job. IAG will identify possible accommodation, if any, which will help eliminate the limitation. If the accommodation is reasonable and would not impose an undue hardship, IAG will make the accommodation.

We do not tolerate harassment in the workplace, we are committed to maintain healthy and safe work environment in all offices. Dangerous, abusive or violent behavior, or the threat of such behavior, is prohibited and will not be tolerated.

It is against IAG policy for any employee, male or female, to harass another employee, based on an individual's race, religion, color, sex, sexual orientation, national origin or ancestry, citizenship status, marital status, pregnancy, age, medical condition, handicap or disability. IAG policy defines "sexual harassment" to mean any conduct, comment, gesture or contact of a sexual nature (a) that is likely to cause offence or humiliation to any employee; or (b) that might, on reasonable grounds, be perceived by that employee as placing a condition of a sexual nature on employment or on any opportunity for training or promotion".

Our employees are able to make an anonymous report if they suspect that an IAG employee is engaged in unacceptable or inappropriate conduct in relation to human rights or any other ethical issues.

We are committed to developing the talents and skills of our people, and we actively promote a culture of learning within the company. Employees are encouraged to expand their knowledge and expertise throughout their careers.

In addition to respecting human rights and fair labor practices in our company, we believe that one of the most significant contribution we can make is through the support of local communities and their initiatives. Just an example is our commitment to a local Pilipino volleyball club for which we have expressed our support, not only financially but also moral.

Outcome

Since the last COP report in 2016, our company has not received any human rights complaints nor have been documented for any violations. No fines related to human rights issues have been levied against the company by any governmental organization since the formation of the company.

Objectives

IAG's goals for 2018:

- IAG to observe no human rights abuses within areas of operation and to show zero tolerance towards such abuses.
- IAG to report any human rights abuses detected within suppliers, subcontractors or clients operations.
- IAG to maintain flawless track record on human rights abuses.

Labor Principles

Assessment, Policy and Goals

Commitment to people is one of our core values. We are committed to provide opportunities for our employees to develop, achieve professional aspiration, and enjoy successful and rewarding career within the company.

IAG respects all labour laws and regulations as governed by the United Nations and government laws of each respective country where IAG operates. Phases of particular focus to IAG are opposing forced labour and child labour, providing equal opportunities for employment with regard to gender, ethnicity and race, working conditions and fair pay.

We are committed to ensuring that our employees are consulted about any changes to the business that might have an impact on their employment. Addressing every aspect of labour abuses help increase awareness among employees regarding possible occurrence of such mistreatments and thus proves to be an effective preventive measure within IAG's business operations.

Leading policy for IAG is to guarantee equal opportunity without abusing human rights for all its employees. Therefore, IAG is constantly implementing policies beyond minimum legal requirements regarding: supporting the freedom of association, elimination of forced labour and child labour, elimination of all forms of discrimination.

IAG's employees have the right to work in an environment in which respect for people's dignity is at the core of our organisation. The company and all its employees have accountability to ensure a working environment in which everyone is treated with respect and dignity.

Further, IAG abides by ILO's eight fundamental conventions in support of UN Global Compact's four labor principles, including:

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Based on employees' feedback, IAG has launched a number of initiatives spanning from employees recognition, internal events and communication, new career management and development program, flexible working hours and etc. Many social events were held across our areas of operations, all of these foster unity and sense of belonging.

Our practice and sustainability polices are designed to guarantee that all employees reflect in their daily work the high ethical standards set by the company.

IAG is upholding the freedom of association by means of providing the right to form and join workers' organizations of their choice. Workers are allowed to freely choose representatives and no management interference is obstructing their privilege in collective bargaining. Moreover, IAG is working on implementation of rigid sets of rules preventing from any form of harassment levied on unions' representatives at the work place. Providing access to all workplaces in the company and allowing attendance to certain management meetings in order to initiate genuine dialog with workers' representatives through consultations are just few of the strategies which reflect company's desire to abide to the labour principles regarding the freedom of association and the right to collective bargaining.

IAG strictly does not engage in any practices related to forced labor. We require all recruitment to be consistent with the human rights policy, equal opportunity requirements, relevant employee protection legislation and appropriate pre-employment screening in order to prevent from involving the company into activities harming vulnerable workers. One of the means for prevention is initiating regularly consultations with employees and workers' representatives as well as other groups concerned. Further, IAG plans to include in our sets of sustainability development policies a transparent procedure for appointed employee to educate and inform the workers in order to prevent their becoming involved in forced or compulsory labour practices as well as to prevent vulnerable workers from possible abusive and fraudulent practices during recruitment and placement process.

IAG guiding philosophy is intended to abide to effectively abolish child labour. We require from all our employees to conform with the relevant protection legislation and to strictly observe labour requirements such as: minimum age for working in the particular country, minimum weekly hours of work that can be undertaken legally by children below this age, minimum age for hazardous work, other legal requirements if any regarding child labour. Regular audits are being held of HR documentation in order to maintain proper screening of the age of the workers.

Diversity is a key element of our human resources strategy. IAG aims to create an environment that welcomes and respect the different perspective of all our employees, as well those of our clients and suppliers. Recruitment and promotion are based entirely on professional qualities, without any form of discrimination. IAG undertakes to respect and defend the dignity and privacy of each of its employees. Across every part of our business, we strive to create an inclusive culture in which difference is recognized and valued. We employ people on the basis of job requirements and do not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics, religion or disability. It is of great importance to us that our employees are properly trained, and that they work in safe, healthy and environmentally responsible ways. We are committed to diversity, and aim to build an environment of inclusion where all differences are valued.

Occupational health and safety management is anchored in our sustainability principles and in our business processes and has become an integral part of our business conduct. In addition to technical protective measures, we foster practicing occupational safety culture by providing optimal working conditions for all IAG employees. Safe behavior is governed not only by complying with laws, regulations and procedures, but also by the personal values of managers and employees.

Implementation

The following has been implemented to ensure compliance with IAG policies:

1. Annual audit has been conducted to ensure possibility for labour abuses are limited.
2. Certain employees were sent to various seminars to improve their qualifications.
3. All hiring managers have been trained to take affirmative action in compliance with IAG policy.
4. Hiring managers are supervised by a Company Director to ensure compliance with IAG policy.
5. All reasonable accommodations have been made to allow employees to practice their religious beliefs without interference.
6. Participation in the annual Breast Cancer Awareness Marathon followed by medical checks for the female employees.
7. IAG's training manual is made available to all office staff, which outlines IAG's company vision, core principles, health and safety regulations and employee labor rights.
8. As part of the hiring process, all employees are required to submit valid government documents with photos (passport, driver's license) as proof of age to ensure minimum age requirements are met
9. ISO 9001:2008 Quality Management Systems principles, goals and objectives are published throughout the factory.
10. Any grievance or suggestions may be submitted to hr@interarmored.com

Outcomes

1. Annual review by company director has found employees to be in full compliance with IAG labour policies.
2. IAG boasts a very diverse workplace, with over 500 employees from a diverse range of backgrounds. Over 15 nationalities are represented at IAG
3. No government agency, commercial company or NGO, including all UN agencies, have ever blacklisted or barred IAG from bid participation as a result of labor rights violations.

Objectives

IAG's goals for 2018:

- IAG to observe no labour abuses within areas of operation and to show zero tolerance towards such abuses.
- IAG to report any labour abuses detected within suppliers, subcontractors or clients operations.
- IAG to introduce a staff loan scheme for loyal employees with certain criteria to allow its employees to become land owners in their respective countries.
- IAG to introduce fully equipped medical room available for employees whenever an employee needs a medical help prior to hospitalisation.
- Continue to enhance our positioning to a diverse range of potential applicants through further improvements to our careers website and supporting recruitment and on-boarding materials.

Environmental Principles

Assessment, Policy and Goals

Combating climate change is one of the Sustainable development goals in IAG's long-term agenda. Achieving such goals requires collaboration among many stakeholders. We are fully committed to the targets and principles of the United Nations Global Compact.

We prominently recognise the importance of strengthening the climate resilience and adaptive capacity of our society and in particular the focus of our operations with possible negative impact on the environment. Therefore, by adopting appropriate policies within IAG's operations in both short-term and long-term plan, we aim to bring awareness among our stakeholders that concrete actions are being taken.

IAG identifies it has a major role to play in the minimization of risk to the safety and health of employees, contractors, customers and also to protect the environment. Thus, we constantly look for alternative solutions in order to minimise environmental impact and energy consumption in our day to day operations. IAG continuously tries to reduce its environmental footprint and to improve operational performance. We aim to improve our energy efficiency and emissions performance and make a positive contribution to the protection of the environment.

The following is IAG's environmental policy:

1. We are committed to restoring and preserving the environment.
2. We are committed to reducing waste and pollutants, conserving resources and recycling materials at every stage of the product lifecycle.
3. We will actively participate in educating the public about environmental conservation.
4. We will continually assess the impact of our facilities and products on the environment and the communities where we live and operate with a goal of continuous improvement.

5. All staff to be trained in environmental awareness including energy efficiency and waste management.

Foremost among the commitment we are undertaking to constantly aiming to be environment-friendly orientated business organization. We are continually educating our employees on IAG's priorities revealing our motivation of a company based on ambitious for a greater sustainable development.

IAG acknowledges the need for greater climate change and supports a precautionary approach to environmental challenges. We believe that human activities footprint is contributing to climate change, and that avoiding human-caused changes to climate is an internationally recognized aim which we unconditionally support. We recognize that investment in climate solutions is essential to competitive advantages which will give us opportunities for growth and innovation in addressing the climate challenge.

We undertake initiatives to promote greater environmental responsibility in collaborating with industry peers to foster innovation for climate change solutions. Thus, we address the climate challenge through cooperation which unlocks scalable ways to efficient solutions. Setting up targets and regular screening against these targets is a priority and helps us to manage our performance. Taking sound measures to increase climate resilience demonstrates our commitment to encourage the development and diffusion of environmentally friendly technologies.

We truly believe that climate action is an urgent priority for business to address. Therefore, our most substantial investment is related to technological innovations and machinery that help in significantly lowering energy consumptions. We recognize the ever-increasing importance to climate debate in order for these ambitious commitments to be realized. Hence, IAG's policies reflect our desire to persistently implementing environmental friendly technologies and methods and encouraging our peers to do the same.

We believe that close collaboration with stakeholders supports us in addressing complex, interlocking sustainability challenges. Stakeholders engagement creates value for both stakeholders and IAG thought knowledge exchange and enhances creativity.

Implementation

1. Providing transparency on our contribution to external and internal stakeholders.
2. Defining strategic actions to enhance our contribution and shape further development.
3. IAG uses high efficiency, energy rated machines and equipment
4. Air conditioning is limited to the office areas of the facility only in order to reduce greenhouse emissions.
5. State-of-the-art technologies help maximize the use of raw materials to minimize waste, such as CNC laser cutting machines
6. Steel used in our production comes from recycled metals.
7. Restrict air travel to essential trips only.

Outcomes

1. The percentage amount of waste created from production as a result of leftover materials has not increased over the past three years.

2. The amount of energy costs per IAG employee has decreased over the past three year.
3. The amount of the recyclable materials has increased during the last year.

Objectives

IAG's goals for 2018:

1. IAG to implement a comprehensive climate risk assessment policies to identify possible risk for the local society.
2. IAG to engage with policymakers to encourage scaled up climate actions.
3. IAG to develop a business strategy to limit climate risks.
4. IAG to work towards improvement of waste efficiency and to reduce waste for disposal.
5. IAG to work towards shrinking greenhouse gas output by increasing energy efficiency and reducing carbon intensity.

Anti-corruption Principles

It is main our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

We prohibit bribery and corruption in all forms. We do not offer, promise, give, demand or accept any bribe or other undue advantage, whether directly or indirectly to obtain, retain or direct business or to secure any other improper advantage in the conduct of business. Nor do we allow gifts, entertainment and per diem reimbursements to be given or received as a reward or encouragement for preferential treatment.

Assessment, Policy and Goals

Our policy and training make clear that we will offer full support to employees who encounter difficult situations as a result of their refusal to pay bribes. At the same time, it also states that the company will take disciplinary action, up to and including dismissal, against employees who fail to comply.

IAG actively works against corruption at all levels of business, including extortion and bribery.

IAG's Code of Ethical Business Conduct highlights the company's policies against corruption. It comes to show that IAG recognises its obligations towards the prevention of bribery and corruption and the need to avoid any business that might lead to involvement in, or encourage, corruption or breach of any law relevant to countering bribery and corruption. All personnel must strictly comply with this policy, which is designed to ensure to the greatest extend possible full compliance with the local penal laws, as well as any other anti-corruption law which may apply locally where IAG operates.

Below is excerpt from IAG's Code of Ethical Business Conduct:

Legal Compliance

The industry which IAG operates in is heavily regulated by governing bodies at various levels, and it is imperative that we meet all the requirements set forth by these organizations. In addition, we will grant full cooperation during all government inspections and inquiries. It is strictly prohibited to impede an inspection, including but not limited to lying to inspectors, destroying or altering information and unreasonable delaying the release of information.

Bribes/Kickbacks

Bribery or kickback is the exchange of valuable goods (i.e. money, gifts, or favors) for preferential treatment. Offering and receiving bribes or kickbacks directly or indirectly is illegal and strictly forbidden. Violation of this policy may result in penalties and/or termination in addition to possible criminal charges.

Gifts, Meals, and Entertainment

IAG competes solely on the merits of the products and services. It is our policy not to influence the purchasing decision of potential customers through the usage of gifts, meals and entertainment. This is regulated by various government organizations, and it is crucial for all IAG employees to ensure that these regulations are not violated. Gifts, meals and entertainment are considered non-material and acceptable only up to an amount of US\$100.

Clientele

IAG will only conduct business with legitimate and recognized governments, international organizations, non-governmental organizations and lawful private companies. We refuse to conduct business with any clients who are engaged in unlawful activities.

International Business

The geographic scope of IAG spans across many countries across the world, and it is imperative that we comply with all the laws of the regions in which we are conducting business as well as any additional regulations from international governing bodies. Furthermore, we may encounter foreign traditions, cultures, norms, and mannerisms, and it is important for us to be aware and respect these issues when engaging in business activities overseas in order to maintain our professional reputation.

Internal ethics and integrity committee is engaged in measuring outcomes and is responsible for reporting to the IAG board on all issues and reports regarding ethics and integrity.

IAG achieves its obligations through:

- Recognising that it operates in territories that have underdeveloped fiscal regimens and where bribery and corruption are known to be present as a commercial risk.
- Ensuring that the Company's management is alerted immediately of any potential compliance issues.
- Insisting that clients, business partners, suppliers, subcontractors, agents and other relevant third parties work to prevent bribery and corruption.

- Personnel may not engage in a personal relationship with a client, vendor or consultant to the Company, where the relationship may create the appearance of unethical conduct or of a conflict of interest.

Implementation

1. Prices and quantity discounts for all products, including but not limited to, armored vehicles, spare parts and maintenance services, are published for all sales staff to use.
2. All transactions and contracts are internally reviewed before being sent to the client to ensure prices accurately reflect company's price list. If discrepancies are found, the overseeing manager will review the contract to ensure corruption practices are not found.
3. Financial statements are independently audited every year.
4. Each new employee is presented with our anti-corruption and bribery policy handbook.
5. Training Personnel employed by the Company to recognise, avoid and report bribery and corruption.
6. Setting up procedures and processes designed to minimize the chance that bribery and corruption may occur.
7. Conducting internal and external checks and audits, as necessary, to detect and deter any act of bribery and corruption.

Outcomes

1. IAG has never been investigated or accused of corruption.
2. IAG has never been blacklisted or disbarred from any agency or company for any reason.
3. Internal audits by senior management have revealed no evidence of corruption in the history of the company.
4. No investigations, legal cases or fines have been made against IAG.

Objectives

1. IAG to implement strict policies for monitoring to fight corruption and bribery within its business operations.
2. IAG to maintain flawless track record on corruptions cases.
3. IAG to report any corruption cases detected within suppliers, subcontractors or clients operations.
4. IAG to work on our new anti-corruption training package.

Conclusion

As a business leader in the industry we are seeking to close the gap between ambition and execution entailing major factors in our everyday operations such as:

- Management commitment - constantly defining goals and overseeing implementation;
- Monitoring and screening – attaining long term corporate sustainability;
- Stakeholder engagement – publicly recognizing IAG's responsibilities on our global impact;

- Transparency - sharing sustainability information and achievements.

We acknowledge that setting ambitious targets is not just an act of altruism but it is a step further to enhance our positive footprint on the society. Engaging more actively with the local government, inter-government organizations and the local society whenever possible are just few of the future aims which IAG has set up for the upcoming year in order to express our commitment for improvement of our footprint. Hence, IAG will continue working towards that direction for improvement through participating and supporting the United Nations Global Compact.

IAG and all its Personnel shall keep on working towards honest conduct and ethically in all manner of business that they perform and in compliance with the spirit of the principles.