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21 June 2019

To our stakeholders:

I am pleased to confirm that Hydro Power Equipment (Pty) Ltd reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'A Swart', with a horizontal line underneath.

Andre Swart
CEO

Hydro Power Equipment (Pty) Ltd

Communication on Progress

Period: 21 June 2018 to 20 June 2019

Description of Actions

Since joining the UN Global Compact in June 2018, a natural development for HPE in its commitment to the staff and environment was to embark on a formal accreditation of its Health and Safety and Environmental Systems which is expected in the second half of 2019.

HPE is committed to the principles of UN Global Compact and has incorporated them as follows in our daily business activities:

UN GLOBAL COMPACT PRINCIPLES	EXISTING PROCEDURES/POLICIES	MEASUREMENT
<p>HUMAN RIGHTS</p> <ul style="list-style-type: none"> ▪ Observing International Human Rights ▪ Not complicit in Human Rights Abuse 	<ul style="list-style-type: none"> ▪ Human Resources ▪ Purchasing ▪ Human Rights Policy ▪ HPE Supplier Guidelines 	<ul style="list-style-type: none"> ▪ Employee List and Status ▪ Internal Policies and Procedures ▪ BBBEE File ▪ Mission Statement ▪ Strategy Documents ▪ Site Inspections ▪ Annual Reports
<p>LABOUR</p> <ul style="list-style-type: none"> ▪ Freedom of Association ▪ Right to Collective Bargaining ▪ Elimination of Forced and Compulsory Labour ▪ Abolition of Child Labour ▪ Elimination of Discrimination in Employment 	<ul style="list-style-type: none"> ▪ Human Resources ▪ Training ▪ Health and Safety Policy and Procedures 	<ul style="list-style-type: none"> ▪ Internal policies and procedures ▪ Employment Grievances ▪ Time Sheets ▪ Minutes of meetings with labour unions, etc. ▪ Site inspections ▪ Interviews with employees ▪ Grievance reports and minutes of hearings
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> ▪ Precautionary Approach to the Environment ▪ Initiatives to Promote Greater Environmental Respect ▪ Encourage Development and Diffusion of Environmentally Friendly Technologies 	<ul style="list-style-type: none"> ▪ Health and Safety Procedures ▪ Environmental Policy and Procedures ▪ Risk Procedures 	<ul style="list-style-type: none"> ▪ Review internal policies and procedures ▪ Emergency Procedures for all potential disasters ▪ Interviews with relevant personnel, health and safety representatives, unions, etc. ▪ Annual Reports

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UN GLOBAL COMPACT PRINCIPLES	EXISTING PROCEDURES/POLICIES	MEASUREMENT
<p>ANTI-CORRUPTION</p> <ul style="list-style-type: none"> ▪ Against Corruption Including Extortion and Bribery 	<ul style="list-style-type: none"> ▪ Purchasing Procedures ▪ Sales ▪ Accounts ▪ HPE Corporate Gifts and Entertainment Policy 	<ul style="list-style-type: none"> ▪ Review internal procedures and policies on selecting suppliers ▪ Review contracts between HPE and its suppliers ▪ Interview with procurement personnel ▪ Supplier Questionnaires








Human Rights

HPE believes that respect of human rights is an integral part of the way the company conducts its business and operates in the various communities. The company is committed to ensuring that all people connected with and affected by the company are treated with dignity and respect.

A Human Rights Policy has been drawn up which demonstrates HPE's commitment to maintaining a work environment that is free from any form of discrimination against people based on:

-  Race
-  Gender
-  Disability
-  Indigenous
-  Minorities
-  Children

Ensure that our associations and actions are not complicit in human rights abuses

-  Staff hired, paid and promoted based solely on their relevant competencies
-  Women/Men paid the same wage for the same work
-  Health and Safety
-  Right to join/form a union
-  Right to collective bargaining
-  Freedom from slavery
-  Children's rights

Union involvement is demonstrated in participation in our skills development committee and health and safety management system.

Labour

HPE will respect the right of any employee to join or not join any union or collective bargaining forum. Employees have the right to make this decision without fear of reprisal, intimidation or harassment from the company or co-workers. HPE will engage with the company and external representatives of such associations in good faith and with an aim to constructive dialogue.

Health and Safety at work is an integral part of the HPE workplaces and ensures that the required laws are complied with. All HPE personnel are made aware of their function within the maintaining of a healthy and safe work environment. Policies, procedures, inspections and training are maintained on an ongoing basis to ensure the timely identification and correction of health and safety issues.

HPE will under no circumstance make use of any form of forced, indentured, bonded, slave or human trafficked labour in their work force. No employees under the age of 18 will be employed especially in cases where hazardous work is performed. This principle will also apply to all HPE suppliers.

Environment

HPE recognises its moral obligation in its daily business operations to protect the natural resources of the environment in which it operates and to minimise its environmental impact. We are committed to environmental good practice over the desire for profit.

An environmental system provides the guidelines for HPE employees to achieve these goals. HPE prescribes to the UN Global Compact's view to have a:

- HPE** Precautionary approach to environmental challenges - Preventive rather than clean-up
- HPE** Undertake initiatives to promote greater environmental responsibility - Manage your relationship with the environment
- HPE** Encourage the development and diffusion of environmentally friendly technologies - Minimise pollution

Anti-Corruption



All HPE business is conducted in an ethical manner and respects all its stakeholders. No practices will be condoned that undermine these business principles. In accordance with the guidelines of the UN Global Compact and King IV Report, HPE will not:

- HPE** Allow corruption in any form within its operations
- HPE** Use confidential or proprietary information received to obtain an advantage in the marketplace
- HPE** Collude or be involved in price fixing

HPE product safety will never be compromised and no product will be released to the market place without the necessary risk assessment and safety regulations being complied with.

HPE employee, customer, supplier and other stakeholder information is regarded as confidential and will be protected so that it cannot be used by third parties without their knowledge or consent.

To guide its employees the following policies have been implemented:

-  HPE Corporate Gift and Entertainment Policy
-  Anti-Corruption Policy

Sustainable Development Goals

HPE has subscribed to the fulfilment of the following Sustainable Development Goals in its daily operations:

SDG 1

End poverty in all its forms everywhere

- HPE makes use of suppliers that operate within a 100km radius of its main manufacturing workshops.
- At remote workshops there is a commitment to employ people from within the local community.
- HPE collects and distributes its recyclable waste to community informal traders allowing them to earn a living from the selling of these items to approved recycling dealers

SDG 3

Ensure healthy lives and promote well-being for all at all ages

- Ensure the safety of staff by ensuring that work facilities are safe and secure. Risk assessments have been performed in high risk areas.
- Emergency planning has been performed at our facilities and the appropriate emergency personnel appointed and trained.
- Staff are given the opportunity to avail of free health testing such as tuberculosis and eye testing.
- Where employees are exposed to risks to their health in the course of their daily work, the necessary medical surveillances are in place to ensure that the health of our employees is not compromised

SDG 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

- HPE has embarked on its second course of training deserving personnel with apprenticeship scholarships.
- A women development program is also in place which is aimed at female employees at different levels within the organisation.

SDG 5

Achieve gender equality and empower all women and girls

- HPE has a strong supplier base from companies that have a high female ownership.
- A women development program is also in place which is aimed at female employees at different levels within the organisation.
- HPE does not discriminate on work opportunities and its female employees are given to the opportunity to apply for positions in all areas of our operations.

SDG 6

Ensure availability and sustainable management of water and sanitation for all

- HPE is committed to reducing its usage of water in its operations and its test facilities have a closed water system - allowing the water to be recycled and reused.
- Sufficient sanitation is available at our operations and employees have access to bathrooms and washrooms as required.
- Clean drinking water supplies are also available for all.

SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 10

Reduce inequality within and among countries

- HPE employs people within its community and partners with suppliers that are within 100km of its operations thereby contributing to the economic sustainability of the area.
- HPE ensures that all salaries and wages are in accordance with the relevant industry guidelines and scales.
- All facilities are well maintained, and the required resources provided to ensure that personnel can perform their duties.
- Top management is committed to the economic viability of the company to ensure the continued livelihood of its employees and continued partnership with its supply chain.
- Ensure HPE suppliers conform in the payment of living wages, providing decent work conditions for their employees

SDG 12

Ensure sustainable consumption and production pattern

- HPE products have no negative impacts on the environment.
- All components of our products can be recycled in approved waste streams at the end of its life cycle.
- During manufacture appropriate waste streams are utilised and general waste is minimised to only those items that can go landfill.
- HPE is committed to reusing components during repairs where possible and has developed the relevant quality assurance acceptance criteria in ensuring that our products remain safe for use.
- HPE transport and delivery schedules are developed to optimise fuel usage and ensure that our carbon footprint remains as low as possible.
- This is further cemented with planned deliveries from suppliers to ensure that third party emissions are also controlled.

SDG 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

- HPE has established social and ethics committee and has put in place policies and guidelines to assist staff to work in a manner that is both transparent and ethical.
- All staff are encouraged to report unethical behaviour, and this has allowed appropriate action to be taken where employees have transgressed HPE policies and procedures.