



COMMUNICATION ON PROGRESS REPORT UN GLOBAL COMPACT 2022



VAPTECH

HUMAN RIGHTS

LABOUR STANDARDS

ENVIRONMENT

ANTI-CORRUPTION

Make what the Planet Needs!

COMMUNICATION ON PROGRESS REPORT

NAME OF THE PARTICIPATING COMPANY:

VAPTECH

SECTOR

HEAVY MACHINE BUILDING INDUSTRY

REPORTED PERIOD

August 1st 2021 – July 30th 2022

CONTENT

Statement of continued support for the Global Compact..... 3

Description of practical actions taken to implement the Global Compact principles..... 4

 Human Rights..... 5

 Labor Standards..... 13

 Environment..... 17

 Anti-Corruption..... 20

Sharing the COP with the company’ stakeholders..... 21



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 of the 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:

TRANSFORMS THE TEN PRINCIPLES INTO MANAGEMENT STRATEGIES AND POLICIES FOR ITS ACTIVITIES AND PROCESSES

IMPLEMENTS ACTIONS WITHIN HUMAN RIGHTS, LABOUR STANDARDS, ENVIRONMENT AND ANTI-CORRUPTION AREAS

COMMITTS TO PROVIDE NEW OPPORTUNITIES FOR IMPROVEMENT AND CONTINUOUS DEVELOPMENT AND SATISFACTION OF ITS EMPLOYEES, BUSINESS PARTNERS AND COMMUNITY

VAPTECH PRACTICAL ACTIONS

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

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 EMPLOYEES IS PART OF VAPTECH CORPORATE CULTURE	VAPTECH DECLARES TO RESPECT AND SUPPORTS IN ALL ITS ACTIVITIES THE HUMAN RIGHTS AND THE INTERNATIONAL HUMAN RIGHTS CONVENTION
--	--	--

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

- Dental care – VAPTECH provides free dental care for its employees.
- Canteen – VAPTECH sponsors the meals of its employees.
- Food vouchers
- Additional health insurance
- Company transport
- Free eye exam and discount for prescription glasses
- Vouchers for newborns
- Vouchers for school graduates
- Vouchers for first day at school
- For its birthday every employee receives a small gift (chocolate bonbons)

VAPTECH ACADEMY AND TALENT MANAGEMENT 2021-2022

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

Trainings performed during the reported period:

Topics	When	Departments involved	Participants
Hydraulic systems for hydropower plants	2021	Hydro Power team	6
Internal Auditing acc. to ISO 9001 QMS	2021	Quality Control	2
ISO 45001:2018	2021	Quality Control	2
First Aid training	2021	All departments and employees	
Work with weights and lifting equipment	2021/2022	Production	12
Safety and health at work	2021	All departments and employees	
Safety in manual handling of weights	2022	Production	12
Universal measuring instruments	2022	Quality Control	2
Basic calculations/ press equipment	2022	Metal Forming team	4
Labor and insurance legislation	2022	HR	1
COMMERCIAL DEPARTMENT/ METAL FORMING Production Lines/Peripherals equipment Transfer systems			



Servo presses Financial instruments Legal cases related to contracts and clients Machine manuals Working with ERP and CRM Bank guarantees and budgeting	2022	Metal Forming team	3
COMMERCIAL DEPARTMENT/ HYDRO POWER Procedures and business processes for Project Management, Procurement, After- sales service departments; Technical training on special projects, Refurbishment, New model types, Island mode operation and Transient analyzes; Bank guarantees and budgeting	2022	Hydro Power team	6
Leadership	2022	Managers, team leaders	20
Legal issues related to supply activities	2022	Procurement	5
Change Management	2022	Managers, team leaders	20
Electrical safety	2022	Production	12
Course for International Welding Engineers	2022	Welders	6
Welding processes- career development	2022	Welders	6
Welding preparation	2022	Welders	6
Visual control	2022	Quality Control	2
Near misses (prevention of incidents)	2022	Managers, team leaders	10
Usage of fire extinguishers, storage and maintenance	2022	Production	20
Covid-19 - Prevention and Protection	2022	All departments and employees	

Table 1



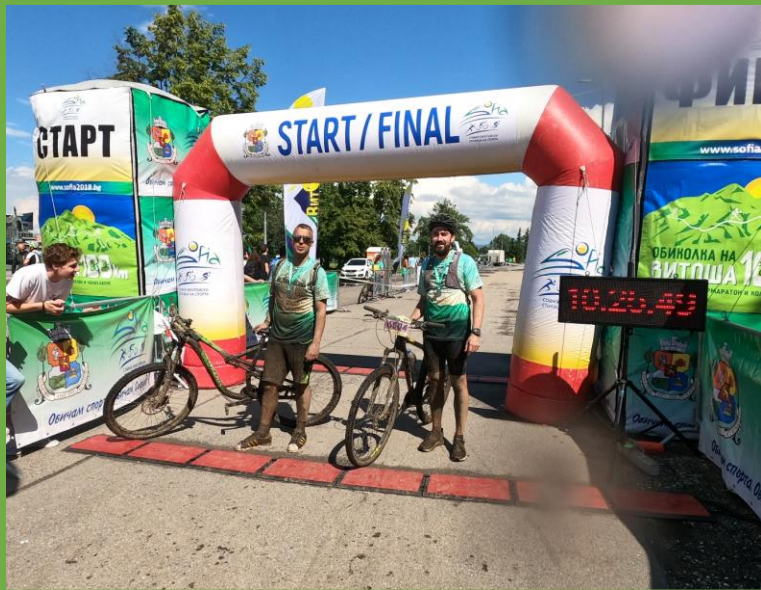
Internal training “Safety when working with lifting equipment and overhead cranes”, held in June 2022

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
- Availability of VAPTECH’ Educational and Self-Learning online platform - **VAP Online**

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



Junior Achievement & VAPTECH



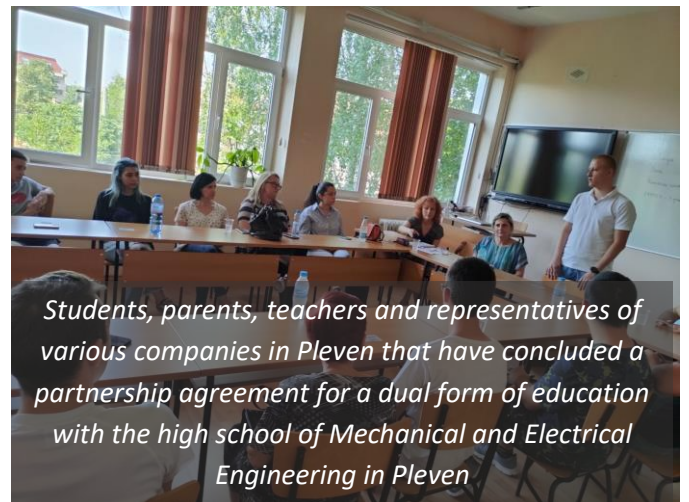
In June 2022, VAPTECH took part in **Junior Achievement Bulgaria's** 2022 Manager for a Day program (MFD). MFD gives a chance for participating companies to open their doors to highly motivated young students with the objective to give them a taste of the corporate world. It is a win-win opportunity that offers a great way for companies to interact with fresh minds and a great way for students to find their path for career development!

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

Dual Education

VAPTECH actively supports and participates in the program for dual professional education (learning through work) for students from the Mechanical and Electrical Engineering High School in Pleven.

The dual form of training is a wonderful way for the students to get into their chosen profession and career development, while at the same time build work habits and acquire new skills in a real work environment.



VAPTECH was honored to welcome the Ambassador of Switzerland H.E. Raymund Furrer and Deputy Ambassador Rolf Ott at its factory in Pleven. The guests were hosted by Ms. Marieta Krasteva (Plant Manager), Mr. Alexandros Voreopoulos (CEO), and Mr. Boni Bonev (Chairman of the Supervisory Board). Our guests visited the production site and discussed with the Management of VAPTECH the plans for the future of this Swiss investment in Bulgaria.
Pleven, Bulgaria

June, 2022



Vitoshka 100



Congratulations to our colleagues Simeon Ivanov and Dimitar Zhivkov for their amazing performance at the **Vitoshka 100** event tour. Despite the bad weather, Simeon and Dimitar represented to the best way the sporting spirit of VAPTECH's team and we are very proud with their achievement!

What is **VITOSHKA 100**?

The event began in the 70s and at that time was called "100 kilometers in 24 hours". The concept of the event is to cycle or walk as much distance as possible in the Vitoshka mountain – a symbol of the capital Sofia. "100 kilometers in 24 hours" was rapidly become massive event with more that 2,000 participants every year.

Today the race has more competitive spirit but it keeps gathering all the people that love the nature, the mountain and the outdoors sports. The event is held every year in spring time.



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/>



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/>

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

Since 2019, VAPTECH's employees are participating in the initiative "Plastic Caps for the Future" which aims to assure financing for baby incubators for Bulgarian hospitals by collecting plastic caps.

In 2022 the campaign has already succeeded to buy several mobile incubators distributed in different cities of Bulgaria.



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.

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

- 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 maintains Occupational Health and Safety Management System according to ISO 45001:2018 standard

VAPTECH POLICY
Company policy on Labour

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

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 the best practices in slowing down the spread of COVID-19, VAPTECH established and distributed instructions for the working processes in the company:



Leaflet with the instructions for work and prevention from COVID-19



- The company takes extraordinary care and measures for the health of its employees by providing protective masks, extra hygiene products and strict rules for distancing and opportunity for home office work, among others.
- Investments of more than 5 mil Euro for new machinery and renovation of the VAPTECH's factory in order to:
 - Improve the working conditions of the employees at the factory
 - Reduce the cost of heating during the winter



2. Care for the health and safety of employees and external visitors:
 - VAPTECH has a contract with an external Occupational Health Service company that carries out preventive examinations of all employees of the company. 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 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
2. 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



Improvements:

- In 2020, VAPTECH launched a new Program, called **Lean Arena**, for sustainable improvement of the working processes in the company. **Lean Arena** focuses over improvements related with the company's products, solutions and/or services; production and operational processes. Since the program started 68 Plans for Continuous Improvement (**CIPs**) have been created in order to solve 68 case studies. So far 39 have been resolved and closed, 22 are under implementation, 1 is planned for finalization within end of 2022 and 6 are frozen.
- A new program called **Quality Circle** has been initiated with an aim to permanently solve issues during the production processes. As of July 2022, 25 projects in total have been developed (13 projects are finalized and 12 projects are in progress). Each project has an individual leader ("owner") – a manager from the factory. Progress monitoring team meetings are held on a weekly basis.



QUALITY

VAPTECH abides to the highest quality standards and is certified acc. to:

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 maintains
Environmental Management System
according to ISO 14001:2015 standard**

VAPTECH POLICY

Company policy on Environment protection

VAPTECH RESPONSIBILITY

VAPTECH determines activities and their outcomes that can have a significant impact on the environment and establishes objectives in order to comply with the environment norms.

1. Compliance with applicable legal requirements
 - Available sources for to-date information about changes in the local and international government regulations on environment protection
2. VAPTECH contributes to the environment by reducing CO2 emissions:
 - During the period August 2021 - July 2022 VAPTECH has installed hydropower equipment for hydropower plants (HPPs) in Europe, South America and South East Asia with estimated capacity of more than 80 MW. The generated electricity of this HPPs will contribute with approximately 35 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 reporting and analysis of the data on natural gas, electricity and gas composites consumption is elaborated (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 (with app. 7%). The overall reduced energy consumption of the company in the last two years is with almost 15%
- Reduced separation of non-hazardous wastes (with app. 6%)
- Increased separation of hazardous waste. This trend for the reporting period is set as one of the main targets for improvement until the end of 2022 and 2023

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 2020 – July 2021			August 2021 – July 2022		
Energy resource	gJ/m3		Energy resource	gJ/m3	
Natural Gas	5748		Natural Gas	5341	
Electrical Power	5320		Electrical Power	4980	
Gas composites	970		Gas composites	918	
Total	12038		Total	11239	
Non hazardous wastes			Non hazardous wastes		
Metal turnings	468		Metal turnings	449	
Nonferrous metals particles	4.7		Nonferrous metals particles	3.4	
Mixed waste	10.2		Mixed waste	9.7	
Total	482.9		Total	462.1	
Hazardous wastes			Hazardous wastes		
Other	0.5	*1	other	1.1	*1
Gear oil	0.6	*2	gear oil	1.2	*2
Total	1.1		total	2.3	
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 dissolvers - organized emissions	Yes	emissions	Paint dissolvers - organized emissions	Yes	emissions
Paint dissolvers - non organized emissions	Yes	emissions	Paint dissolvers - 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. Anti-corruption initiatives and transparency policy

VAPTECH POLICY

Company policy for transparency

VAPTECH conducts its business and maintains relationships with all stakeholders in an ethical manner supervised by a Compliance Committee, led by VAPTECH's Administrative Manager, Mr. Svetlozar Ivanov. The Committee maintains VAPTECH's organizational processes and ethics and aims to foster an environment and a culture that promotes prevention, detection, investigation and resolution of any anti-corruption practices.

During the period August 2021 - July 2022 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. Verification that the rules for the selection, evaluation and confirmations of all material purchase requests (that has been accepted in 2021) are followed;

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. These processes are analyzed and supervised by VAPTECH's Finance Department and the General Managers;
- c. A committee for monitoring the upcoming due dates to the company's corporate Bank was created. The committee monitors payment delays by customers, it designates personal responsibilities for problem payments and it makes direct contact with customers. The committee meetings are held on a weekly basis.
- d. 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 processes is carried out on a daily basis by a General Manager and a Finance Director.



Sharing the COP with
the company' stakeholders

This Communication on progress report and enclosures are published on VAPTEC's official web site at: <https://vaptech.bg/pages/sustainability>

Contact person:

Mariela Spasova
Marketing & Sales Manager

Contact information:

T: +359 2 984 16 00

F: +359 2 984 16 01

M: +359 885 655 256

E: office.sofia@vaptech.bg

mariela.spasova@vaptech.bg

A: 51B Bulgaria blvd., office Building Block "B", floor 8 1404 Sofia, Bulgaria

www.vaptech.bg

Date of submission: 30/07/2022

Make what the Planet Needs!