

# 2011

## 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 2010 – 30 August 2011

**CONTENT:**

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2. Description of practical actions taken to implement the Global Compact principles
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## 1. Statement of continued support for the Global Compact

Sofia, January 2010	София, януари 2010 г.
<p style="text-align: center;"><b>Statement of Continued Support for the UN Global Compact</b></p> <p><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><i>We at Vaptsarov Holding AD recognize UN Global Compact' principles as being the guidelines towards reaching this aim and are committed to follow and promote them on a sustainable basis.</i></p> <p><b>B. Bonev</b> <b>Chairman of the Supervisory Board</b></p>	<p style="text-align: center;"><b>Заявление за неизменна подкрепа на принципите, изложени в Глобалния договор на ООН</b></p> <p><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><i>При постигането на целта „Вапцаров Холдинг” АД се ръководи от принципите на Глобалния договор на ООН, които решително следва и чието прилагане неизменно насърчава.</i></p> <p><b>Б. Бонев</b> <b>Председател на Надзорния съвет</b></p>

Since we joined the UNGC Vaptsarov Holding (VH) team has been developing its activities following the UN Global Compact principles.

VH is pleased to provide information in this Communication on Progress Report 2011.

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

- 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
- Commits to provide new opportunities for improvement and continuous development and satisfaction of its employees, business partners and community

The practical actions of VH providing the applications are shown for the respective areas (see sections 2.1, 2.2, 2.3, 2.4 of Communication on Progress Report).

In order to develop and refine its goals, strategies and policies the impact of its operations and activities on the issue areas (see sections 2.1, 2.2, 2.3, 2.4) VH identifies opportunities to enhance its performance and reputation through forward and continued alignment to the Global Compact (designated in the report as **Opportunities**).

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

<u>Description of UNGC principles application within the organizational operations and activities</u>
<p><b>2.1 Human Rights:</b></p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses</p>
<p>The organization declares its policy on human rights protection in the following documents</p> <p>CODE OF ETHICS</p> <p>TRAINING PROGRAMMES</p> <p>SOCIAL ACTIONS; VOLUNTEER INITIATIVES</p> <p>The organization:</p> <p>support a non-government organization in favour of groups of unequal social status as it has nominated a specific official and a committee for the application of these policies</p> <p>HUMAN RESOURCES DEPARTMENT</p> <p>ETHICAL COMMITTEE</p> <p>WORKING CONDITIONS COMMITTEE</p>

<u>Description of UNGC principles application within the organizational operations and activities</u>
<p><b>2.2 Labour Standards:</b></p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>

<p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: eliminate discrimination in respect of employment and occupation</p>
<p>The organization declares its policy on human rights protection in the following documents</p> <p>CODE OF ETHICS</p> <p>TRAINING PROGRAMMES</p> <p>SOCIAL ACTIVITIES; VOLUNTEER INITIATIVES</p> <p>The organization has nominated a specific official and a committee for the application of these policies</p> <p>HUMAN RESOURCES DEPARTMENT</p> <p>HEALTH AND SAFETY WORKING CONDITIONS EXPERT</p> <p>WORKING CONDITIONS COMMITTEE</p> <p>ETHICAL COMMITTEE</p>

<p><u><a href="#">Description of UNGC principles application within the organizational operations and activities</a></u></p>
<p><b>2.3 Environment:</b></p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility,</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
<p>The organization declares its environmental protection policy in the following documents</p> <p>Declaration of the management for integrated management system</p> <p>BUSINESS PLAN</p> <p>TRAINING PROGRAMMES</p> <p>The organization has nominated a specific official and a committee for the application of these policies</p> <p>ENGINEER ECOLOGY</p> <p>ENVIRONMENTAL WORKING GROUPS</p>

<p><u><a href="#">Description of UNGC principles application within the organizational operations and activities</a></u></p>
<p><b>2.4 AntiCorruption</b></p> <p>Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.</p>
<p>Documents that might refer to elements of the anticorruption policy</p> <p>FINANCIAL RULES AND REGULATIONS</p> <p>PURCHASE RULES</p> <p>ASSOCIATED PERSONS AND POSSIBLE CONFLICTS OF INTERESTS</p> <p>The organization has worked out a document stating the anti-corruption and bribery policy</p> <p>ANTI-CORRUPTION POLICY</p> <p>CODE OF ETHICS</p> <p>The organization has nominated a specific official and a committee for the application of these policies</p> <p>HEAD OF ADMINISTRATION</p>

## 2. 1 HUMAN RIGHTS

### Statement for Human Rights Respect and Support, International Human Rights Convention

Our approximately 450 employees are the basis for the success of our business. The encouragement and development of our staffs part of VH corporate culture

Discrimination abolition – any forms of discrimination are not tolerated in accordance with the valid CODE OF ETHICS.

#### Social benefits for the employees

1. Dental care – VH provides free dental service to its employees. On average 60-70 employees get dental services on a monthly basis.
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.

#### Employee Personal Development Projects

1. External trainings – conducted by external companies. Seventy-two employees from Project Management, Marketing and Sales, Purchasing, Human Resources, Improvements, Finance and Design departments have been trained.
2. Internal-company trainings upon customers request – they are conducted by the head of the respective unit. Sixty-five employees from Production have been trained
3. Internal-company trainings on specific topics - they are conducted by the head of Production, Design, legal departments. A hundred and eighty-two employees have been trained.

**Further information about the trainings at VH could be found in appendix ( COP 2011\_Training.pdf)**

## Employee motivation

VH enhance its employees providing a working environment that encourages personal development and common understanding of the company goals.

VH increases the value and attractiveness of the working place to promote personal and organizational development.

VH increases the potential of the organization to establish trust worthy and fair working environment encouraging employees to reach their full potential via trainings and personal coaching.

### Main motivation factors for the staff

- good remuneration
- extra bonuses – fair relation between the performed work and the received bonus
- stable corporate-employee relations
- opportunity for career development based on personal qualities and achievements

## Volunteer initiatives

The volunteer initiatives inspire VH employees to follow the principles complying with the company policies. Over the years VH has constantly supported various volunteering initiatives and has proven to be a socially responsible company not only as a duty but as a willingness to contribute to society.

The donation campaign organized among the employees resulted in gathering the amount required for the purchase of an aspirator for the Home for medical and social cares for children from 0 to 3 years in the city of Pleven.

**Please, find further information about the commitment of VH in appendix (COP 2011\_Volunteer Days.pdf)**

## Social activities

The main principles of VH as to business, employees and the social and corporate responsibility are listed on the company web site, where VH states the overall company position, rules and responsibility to all interested parties such as employees, customers, partners and shareholders.

Long-term partnerships:

- 'Volunteering Days' Initiative of the American Chamber of Commerce in Bulgaria
- 'Manager for a Day' Initiative of Junior Achievement Foundation in Bulgaria

## Opportunities

The human resources development policy is strictly in line both with the development strategy of the company for renovation and new markets and the main company philosophy:

- Programmes for continuous training and development with direct impact on the business processes:
  - Identification of employee training needs and objectives in the organization
  - Development, organization and implementation of training programmes
  - Employee training efficiency assessment
- Safety at the working place
- Satisfaction with the work performed by the employee
- People are motivated when they are believed and contribute to the company mission
- Following the procedure for recruitment and employment
- Presenting information about the company and its business to new employees
- Any new employee should be supported in the introduction process



## Company Policy on Labour

Main rights of the workers:

Free choice of work, no forced labour:

Nobody could be employed at VH against his/her will or to be forced to work.

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).

Working time and organization of work: in accordance with approved company rules

Continuous training: The number of training hours has become stable in the recent year.

### Health and safety working conditions

There is a Working Conditions Committee (WCC) at VH in accordance with the requirements of the Health and Safety Working Conditions Act (HSWA).

The Working Conditions Committee conducts meetings every three months to discuss the undertaken actions for improvement of the working conditions in VH as well as introduction of new technologies that might result in considerably reduction of the occupational risks and accidents in the company.

WCC has also meetings to develop the programme for working place risk assessment.

VH has signed a contract with an independent labour safety organization for annual preventive examinations of the employees.

During the reported period no labour accidents and incidents are recorded at VH, thus practically the risk of incidents coefficient is '0'.

Two external and two internal trainings for health and safety working conditions were conducted in the company during the reported period, as follows:

1. Training of officials that have the right and are determined with orders to conduct the respective types of instructions.
2. Training of the WCC members.
3. Introductory training of the officials in connection with the forthcoming certification of the company in accordance with ISO 14001:2004 and BS OHSAS 18001:2007.
4. Training of the electricians in VH for protection and acquiring a qualification group in labour safety.

### Opportunities

VH policy on labour practices emphasizes on risk prevention for the employees and focuses on improvement and sharing the best practices with the suppliers and other business partners via:

- Working conditions – measures for decreasing the number of the most frequent violations of the health and safety working conditions, in line with clearly stated programme, policy and objectives for working conditions improvement.
- Development of documents understanding and respect of VH requirements within its supplier network.
- Communicating the expectations to the business partners

## 2.3 ENVIRONMENT

### Information on the ecological progress

Conducted trainings to enhance employee and management common understanding on environmental responsibility:

- Initial environmental training
- Presentation by the person in charge for the environment

### Data and statistics

The data on natural gas, electricity and gas composites for welding consumption are regularly reported and analyzed. Compared to previous reporting period there is no significant increase or decrease in the energy resources consumption

### Environmental friendly Actions:

- The grinding chamber was repaired to reduce dust emissions. In May 2011 measurements were made by an accredited laboratory and it proved that the dust quantity is 2 times lower than the norm
- At the same time measurements were made on flue gas emissions in the heat chamber – CO, NO, SO<sub>2</sub>. They were also within the norms.
- The non-organized emissions were above the norm in 2010. Corrective actions have been implemented to make them within the norm in 2011.
- Recycling has been introduced for specific wastes. The mixing of hazardous and non-hazardous wastes is prohibited. The wastes are collected by licensed waste collection companies.

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 should 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.

### Environment management system:

Operations have been undertaken for the procedures, instructions and operative documents for the implementation of ISO 14001:2004 standard. The goal of VH is that the standard be implemented by the end of the year.

### Seminars and conferences:

- Participation in VIA EXPO in Sofia 2011 – Green energy forum
- Participation in Green Innovation forum 2010

Reference for the energy sources consumption of VH is given in the table

September 2009 - August 2010			September 2010 - August 2011		
<b>Energy resource</b>	<b>gJ/m3</b>		<b>Energy resource</b>	<b>gJ/m3</b>	
Natural Gas	9814		Natural Gas	9278	
Electrical Power	9720		Electrical Power	9720	
Gas composites	1072		Gas composites	1105	
<b>total</b>	<b>20606</b>		<b>total</b>	<b>20103</b>	
<b>Non hazardous wastes</b>	<b>Tons</b>		<b>Non hazardous wastes</b>	<b>Tons</b>	
metal turnings	463,4		metal turnings	390,9	
non ferrous metals			non ferrous metals	17,6	
slag			slag		
abrasive disks			abrasive disks		
scraps	20		scraps	20	
<b>total</b>	<b>483,4</b>		<b>total</b>	<b>428,5</b>	
<b>Hazardous wastes</b>	<b>Tons</b>		<b>Hazardous wastes</b>	<b>Tons</b>	
other			other	0	*1
gear oil			gear oil	3,5	*2
<b>total</b>	<b>0</b>		<b>total</b>	<b>3,5</b>	
<b>Environmental factor</b>	<b>Conformance</b>	<b>Main source of pollution</b>	<b>Environmental factor</b>	<b>Conformance</b>	<b>Main source of pollution</b>
Dust	No	blasting chamber	Dust	Yes	blasting chamber
Noise	Yes	production buildings	Noise	Yes	production buildings
Waste waters	Yes	industrial	Waste waters	Yes	industrial
Paint dissolvers	Yes	emissions	Paint dissolvers - organized emissions	Yes	emissions
Paint dissolvers	Yes	emissions	Paint dissolvers - non organized emissions	No	emissions
Flue gas emissions	Yes	heat	Flue gas emissions	Yes	heat
VAPTSAROV HOLDING AD			Remarks: *1 temporary storage before handling over *2 handling over to authorized supplier VAPTSAROV HOLDING AD		

## 2. 4 ANTI-CORRUPTION

### Anticorruption measures

1. Departments with so-called corruption environment have been defined with view of prevention of any corruption practices
2. Counter checks are performed on contractors to avoid conflict of interest when making deals, orders, etc.
3. Procedure has been worked out defining penalties corresponding to the type of violations in accordance with the Criminal Code.
4. Transparency committee has been established for making the weekly schedule for payments of the liabilities to contractors, etc., with view priority payments for materials and services and not to certain companies, close to a given official person in charge of a specific activity
5. Training on 'Corruption and its Forms of Development in Various Branches of Economy – Analogue for Bulgaria and Germany' has been conducted by Mr. Rolf Schlotterer.
6. Regular meetings with officials from Economic Police from Anti-corruption Policy in Economy Department.

Taking into consideration the production specificity, the administration structure and established organization for signing contracts, realization and cash flow control VHI internal analysis has shown that the preconditions for corruption practices in the company are reduced to minimum.

### Joint efforts with external organizations

VH management takes part in key meetings, conferences and other publicly important events related to the Global Compact targets:

The Chairman of the Supervisory Board attended a global workshop on topic Global Force for Decency in Applying the Principles of Law and Fight against Corruption Fight, 24- 25 September 2010, Sofia

VH coordinates its efforts on prevention and fight against corruption as it interacts with organizations and/or participates in various initiatives:

VH has adopted the BORKOR Project concept – a complex model for prevention and counteraction against corruption and organized crime in Bulgaria with the kind assistance of Mr. Rolf Schlotterer – Adviser to the Deputy Prime Minister and Minister of Internal Affairs

### 3. AVAILABLE LINKS TO THE COMPANY'S COMMUNICATION ON PROGRESS

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

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

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