

# Sustainability Report

## 2024



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## ABOUT THE REPORT

The information and data included in our second Sustainability Report showcase the performance of Arexim Engineering for calendar year 2024 (1 January 2024 to 31 December 2024) and the company progress compared to 2023.

As a leading engineering manufacturer working globally, we are committed to integrating sustainable practices into our operations and contributing positively to the communities we operate in. Going forward, we aim to issue a Sustainability Report on an annual basis, ensuring ongoing transparency and accountability in our sustainability efforts.

The report is developed with reference to the Global Reporting Initiative (GRI) guidelines and requirements. Additionally, it follows the structure of the Arexim Engineering [Sustainability Policy](#) and strategic ESG pillars, which we focus on.

It is important to note that while the document has not undergone external third-party assessment, Arexim Engineering remains dedicated to continuous improvement in all sustainability practices and sincerely welcomes feedback from its stakeholders. In case of questions or feedback, you can contact our ESG Officer Refie Sadulova at [r.sadulova@areximengineering.bg](mailto:r.sadulova@areximengineering.bg). We value your input and are committed to fostering open dialogue on sustainability matters.



**KIRIL ASENOV**

CEO and Sole Owner,  
Arexim Engineering

## FOREWORD

**Dear Reader,**

As we reflect on the past year, I want to begin by acknowledging the resilience and commitment demonstrated by our team at Arexim Engineering. 2024 brought forth a set of challenges that tested our agility and sharpened our focus. Yet, in every difficulty lies an opportunity to learn, refine, and realign. This spirit of purposeful transformation continues to define us as a company. We entered 2025 with optimism — and although the macroeconomic environment remains uncertain, we remain grounded in our long-term vision. In a world increasingly shaped by complexity and shifting global currents, our strength lies in adaptability, innovation, and clarity of purpose.

At Arexim Engineering, we have consciously focused our efforts on moving up the value chain. We are channeling our expertise and engineering capabilities into areas where our deep knowledge, design thinking, and proprietary development can create real impact. We are choosing to work with partners who value co-creation - those who not only share our belief in precision and excellence but also have the capacity to place products in the market effectively. This is a deliberate step to create more value, not just more output.

Internally, we are aware that a company is only as strong as the people behind it. While this past year has required prudence and careful financial stewardship, it has also reaffirmed our commitment to long-term investment in our people. We may not always be able to offer everything at once, but we are committed to creating an environment where potential is nurtured, voices are heard, and contributions are recognized. The focus on human capital remains central to our sustainability efforts. We continue to invest in technical training, cross-functional development, and new ways to support employee wellbeing. At the same time, our commitment to Smolyan and the local community remains unwavering. From sponsoring youth programs to supporting vocational education, we strive to be more than just an employer - we aim to be a catalyst for positive regional development.

Our environmental journey is another cornerstone of this vision. In 2024, we expanded our renewable energy portfolio and made further reductions in our carbon footprint. These efforts are not merely a compliance exercise - they are part of a broader transformation that aligns our operations with the responsibilities of our time. We are building not just a more efficient business, but a more resilient and future-ready one.

As we navigate 2025, our focus remains on quality over quantity, collaboration over commoditization, and resilience over short-term gain. I remain confident that the choices we are making today - however difficult at times - are laying the foundation for a stronger, more sustainable, and more fulfilling future for all of us.

**Thank you for your continued dedication, partnership, and belief in what we are building together.**

Sincerely,

**Kiril Asenov**

**CEO and Sole Owner, Arexim Engineering**



# 01 COMPANY OVERVIEW

We, Arexim Engineering as a manufacturer of precision technical plastic details and tooling in a dynamic and impactful sector, are implementing a holistic approach to sustainability so we can drive positive change in our own operations, for the surrounding communities and the environment.



## About the Company

Established in **1991** and located in the Industrial Zone North, Smolyan, Bulgaria, Arexim Engineering has evolved from a small family business into a **leading manufacturer of technical plastic products and tooling**. Currently, we deliver to customers in 13 countries worldwide from the automotive, electrical, power tools and other industries.

Our products meet global quality standards, supported by a sophisticated machine park and a dedicated team. Collaborating closely with customers, we tackle complex production challenges with professionalism and teamwork. Embracing new technologies is a key strategic objective, aimed at enhancing customer satisfaction and expanding service offerings.

Throughout the years, Arexim Engineering has earned a reputation as a trusted partner, recognized both domestically and internationally for reliability and excellence.

As we recognize the imperative for continuous improvement in our operations, particularly in the context of sustainable practices within manufacturing of plastic details and tooling, we are committed to an ongoing journey of progress.

## Key Milestones in Our History

**1991**

Arexim Engineering is found and **starts as a mould maker with 2 moulding machines.**

**2002**

New clients attracted: Schneider Electric, Liebherr.

**2004**

New location (current base of operations). New client attracted: Makita.

**2005**

New clients attracted: Bosch, Witte Automotive, Festo.

**2007**

**In house mould creation for Automotive industry begins**, printing operations begin.

**2010**

**20** injection moulding machines in our production. New clients attracted: R&M, Eaton.

**2011**

The production arsenal was enriched with state-of-the-art technology for multi-component molding, SAP and QMS implemented for the first time.

**2012**

New clients attracted: Kostal, ESAB, **6** new injection molding machines.

**2013/2014**

The Automated Central Material Feeding System was put into operation, **10 new injection molding machines, first new 5-axis milling machine** fully equipped for graphite processing.

**2015**

Almost 43% increase in the number of employees (from 400 to 700 people), integration of the internally developed system IIS (Integrated Information System), **10 new injection molding machines.**

**2016**

Partnership with Tech Park Sofia and Sofia Technical University, **8 new injection molding machines.**

**2017**

Integration of a barcode system, **1 new 5-axis** milling machine.

**2018**

New client attracted: CASCO, **5 new injection molding machines.**

**2019**

Alpha Engineering becomes part of the Arexim Family. New clients attracted: KAYSER, SENSATA.

**2020**

**New plasma treatment for plastic parts implemented.**

**2021**

**Relocation of the tool production facility into a new building** and, expansion of old toolshop area with 600 m2 for new machines and reorganization, "on time" printing machines were introduced in the injection shop, 2 hot stamping machines were purchased for the Printing House unit, 2 High speed 5-axis milling machines purchased with automation added, 17 injection molding machines were purchased, Wire and spark erosion machine implemented.

**2022**

"High speed" milling machines were introduced in the injection shop., mold design department moved to a new office.

**2023**

**New Market - Winter sports gained**, 2 vertical machines for the injection molding shop and 1 pad printing machine were purchased, the movement of finished products through the Barcode internal system was implemented.

**2024**

**Conversion from thermoreactive to thermoplastic technology** for items of our new customer (including tests, validation, proposals for alternative materials), **Rapid prototyping tools** – decreasing of the lead time and responding of the specific requirements, **2 CNC Lathe Gildemeister** were purchased.



## What We Do



### 01 Plastic production

With over 110 machines available, Arexim Engineering produces a diverse product range comprising over a thousand different plastic parts for a wide range of applications. We have state-of-the-art equipment for multi-component injection molding. The simultaneous operation of three injection units, combined with 120- and 180-degree rotating tables, ensures high-tech production with more than one plastic material, with different mechanical properties. We also have an automatic system feeding the machines with raw material.



### 02 Tool making

In our quest to be an independent and high-tech company, we have purposefully developed our own tool shop. The production of tooling is carried out using modern high-speed milling machines and erosion machines. 100% inter-operational control is carried out with state-of-the-art scanning technology. Our team of highly qualified engineers and designers constantly communicates with the customer and develops various conceptual projects. This ensures that our solutions are fully tailored to the requirements and needs of the customer regarding the final product.



### 03 Printing

Arexim Engineering is equipped with single color as well as multi color pad printing machines, screen printing and hot stamping of plastic products. We are implementing robots to print and quality check on the molding machine.

### 05 Ultrasonic welding

We have the equipment needed for the most commonly used welding method for joining injection molded parts.



### 04 Assembling

Includes automatic, semi-automatic and manual installation. Arexim Engineering carries out assembly of whole products or partial assembly, following the specific requirements of the customer.

### 06 Conditioning

We have developed a modern chamber for conditioning of plastic parts.





## What we produce



### Automotive

- ✓ Steering column modules
- ✓ Switch panels
- ✓ Roof modules
- ✓ Handles for seat adjustments
- ✓ Locking systems
- ✓ Compensation systems
- ✓ Mechanical elements for camera systems
- ✓ Joystick housing
- ✓ Operator control systems
- ✓ Tube systems
- ✓ Buttons and carriers for motorcycle
- ✓ Sensor housings
- ✓ Elements for climate control



### Electrical

- ✓ Circuit breakers
- ✓ Panel sockets
- ✓ Switch disconnectors
- ✓ Low voltage fuse gears
- ✓ Metering board adapters
- ✓ Blanking modules
- ✓ Board covers
- ✓ Patch panels



### Power tools - components for

- ✓ Angle grinder
- ✓ Screwdriver
- ✓ Jigsaw
- ✓ Drill
- ✓ Auxiliary Handles



### Home appliances

- ✓ Trail caps
- ✓ Door rack can
- ✓ Door rack bottle holders
- ✓ Multicomponent door handles
- ✓ Humidity control lids
- ✓ Door trays
- ✓ Refrigerator containers



### Entertainment

- ✓ Ski sidewalls
- ✓ Dry ski slope



### Personal Protective Equipment

- ✓ Goggles
- ✓ Face shields
- ✓ Safety glasses
- ✓ Helmet
- ✓ Antiphons
- ✓ Protective mask



## Our Vision and Mission



**Our vision** is to become a leader in our industry by providing innovative solutions and exceptional service to our customers.



**Our mission** is to provide creative solutions for the plastic world, that exceed customer expectations, while promoting sustainability and social responsibility.

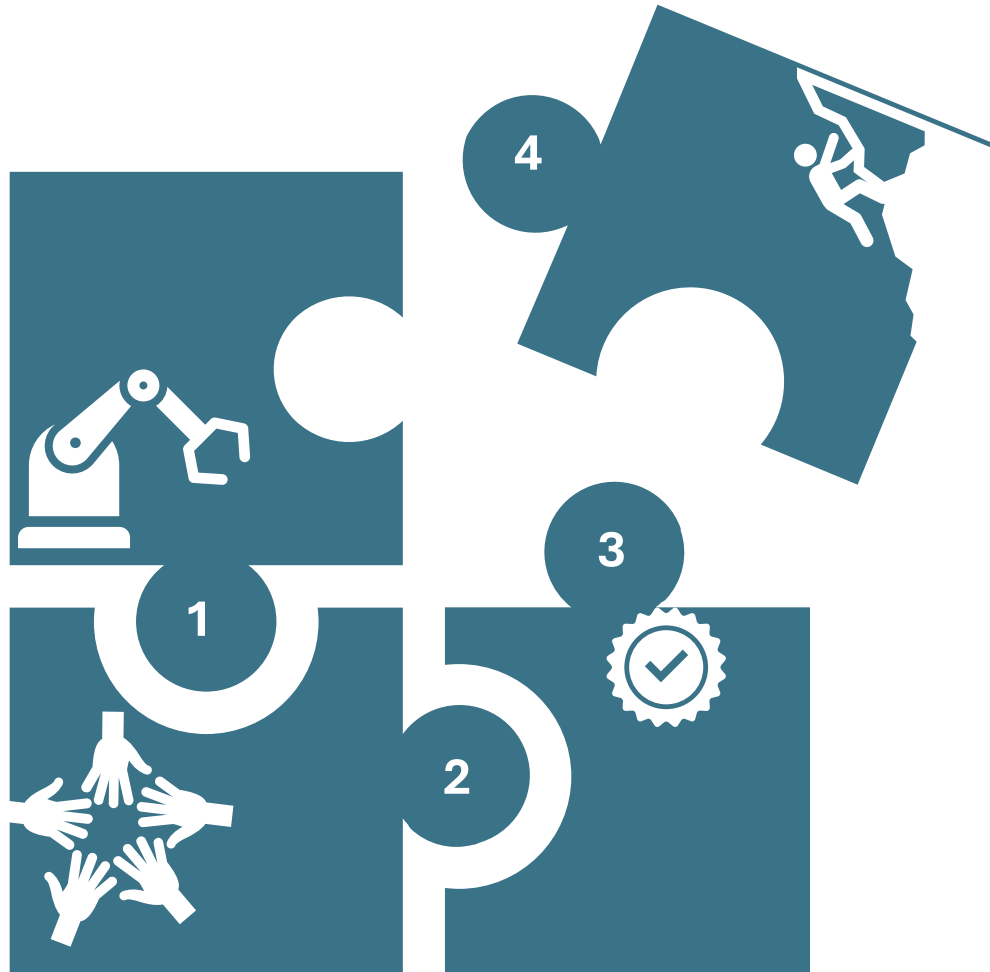


**Culture: Adopting plastics as a strength for the future.**

Fast, light and durable are necessities of the future just as plastic is. Our culture rooted in creativity, teamwork, technology and partnership symbolizes our intention to use this strength responsibly.



## Our Values



### 1. Technology

We depend on technological equipment including fully automatic plastic injection moulding machines from leading manufacturers. This high-tech approach contributes to the efficiency and reliability of the production process.

### 2. Teamwork

Our highly skilled specialists and engineers are key to the successful operation of production. Their experience and commitment ensure that design and production are executed with high professionalism.

### 3. Quality

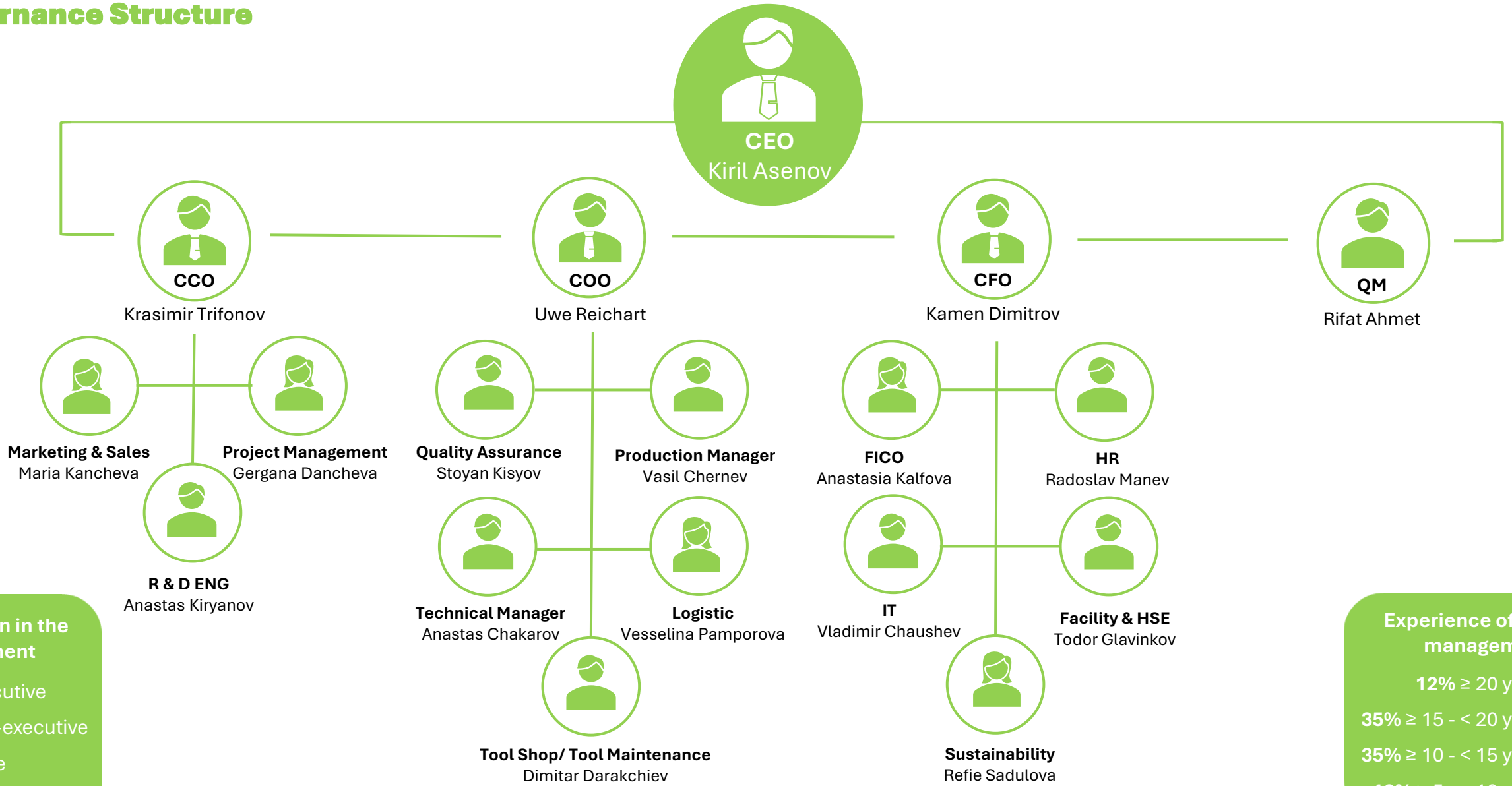
Our company is distinguished by an extremely high standard of quality in the production of technical plastic parts. We use advanced technology and high-quality materials, which guarantees reliable and accurate products.

### 4. Confidence

We are flexible and ready to meet individual customer requirements. We are able to manufacture plastic products and tools according to technical drawings or samples, providing customized solutions. This comprehensive approach provides our customers with convenience and efficiency.



# Governance Structure



**Proportion in the management**

- 24 % executive
- 76 % non-executive
- 76 % male
- 24 % female

**Experience of the management**

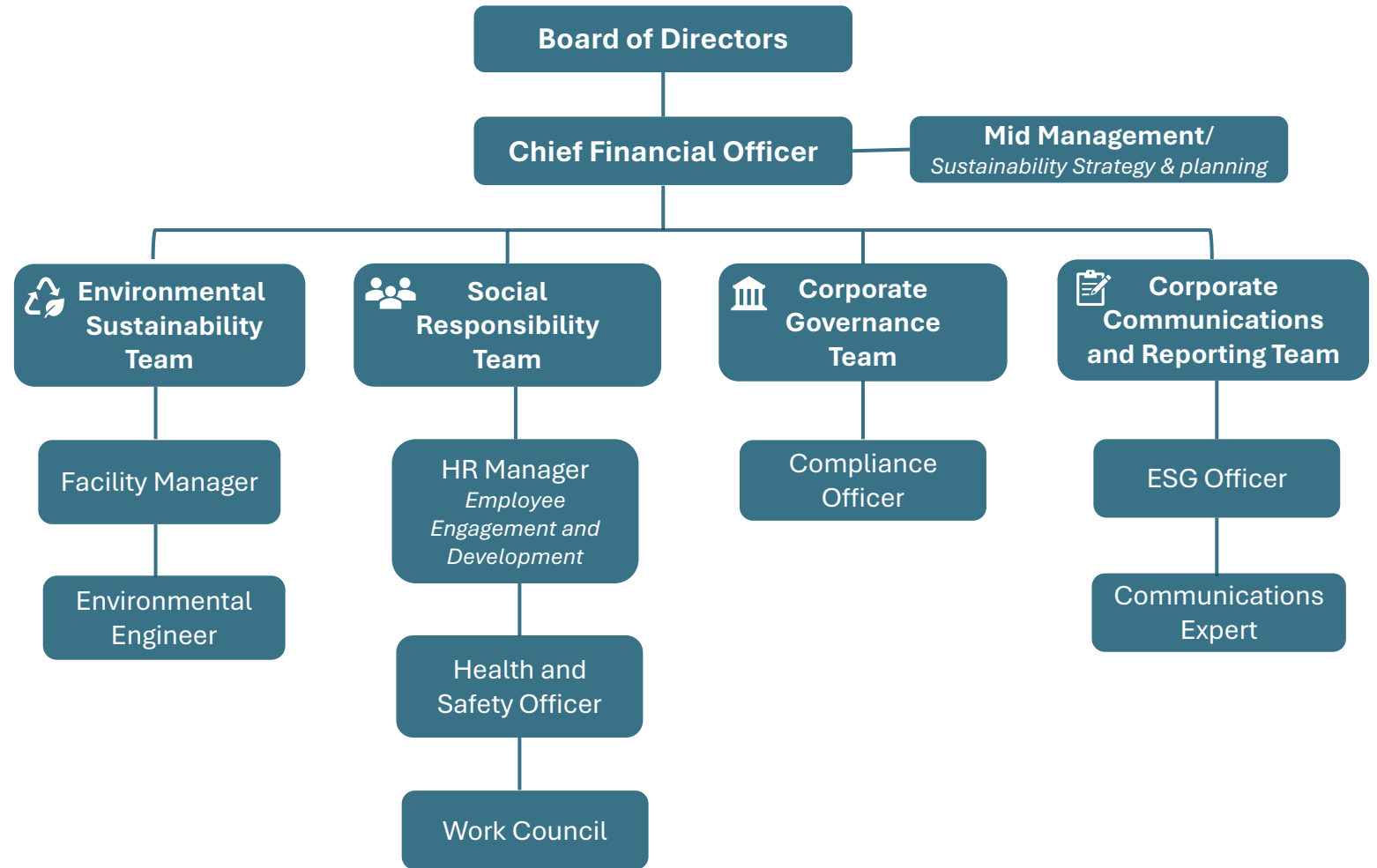
- 12% ≥ 20 years
- 35% ≥ 15 - < 20 years
- 35% ≥ 10 - < 15 years
- 12% ≥ 5 - < 10 years



The senior management of Arexim Engineering is strongly committed to the principles of sustainable development and actively integrates them into the company's business strategy and operations. This manifests itself in the following ways:

- **ESG policy:** A clear and transparent ESG policy has been developed that defines the company's goals, commitments and responsibilities related to sustainability.
- **ESG officer:** An ESG officer has been appointed who is responsible for the implementation of the ESG policy and for promoting an ESG culture within the company.
- **Integrating ESG into decision-making:** ESG factors are considered in all business decisions – from new product development to supply chain management.
- **ESG reporting:** The company regularly reports its ESG performance using recognized international standards

### Sustainability Functional Organigram





## Arexim Engineering's management actively promotes dialogue with stakeholders on ESG issues and is open to feedback and suggestions.

The process of selecting managers at Arexim Engineering is based on the principles of meritocracy, transparency and objectivity. All applicants go through a rigorous selection process that includes an assessment of their skills, experience, knowledge and personal qualities. The Board of Directors is elected by the General Assembly of Shareholders. As the company is solely owned by Arexim EOOD, the General Assembly consists of its sole shareholder. The members of the Board of Directors must meet certain criteria, including independence, experience and expertise.

Additionally, **the company has implemented strict policies and procedures to prevent any conflicts of interest.** These policies require all employees and members of management to disclose any potential conflicts of interest and take all the necessary steps to mitigate them. We have also developed a whistleblowing channel that allows employees to report potential ethical violations.

Arexim Engineering senior management performance regarding ESG is evaluated

according to the following criteria:

**Progress towards ESG goals:** Assessing the extent to which the company has achieved its ESG goals.

- 1. Performance of ESG programs:** Evaluating the performance of the company's ESG programs, such as the carbon reduction program and the waste management program.
- 2. Level of ESG employee engagement:** Assessing the level of employee engagement with the company's ESG principles and programs.
- 3. Stakeholder perception of ESG:** Assessing the ESG perception of the company's activities by stakeholders such as customers, investors and the community.

The evaluation is carried out by an independent consultant and the results are reported to the General Assembly of Shareholders.



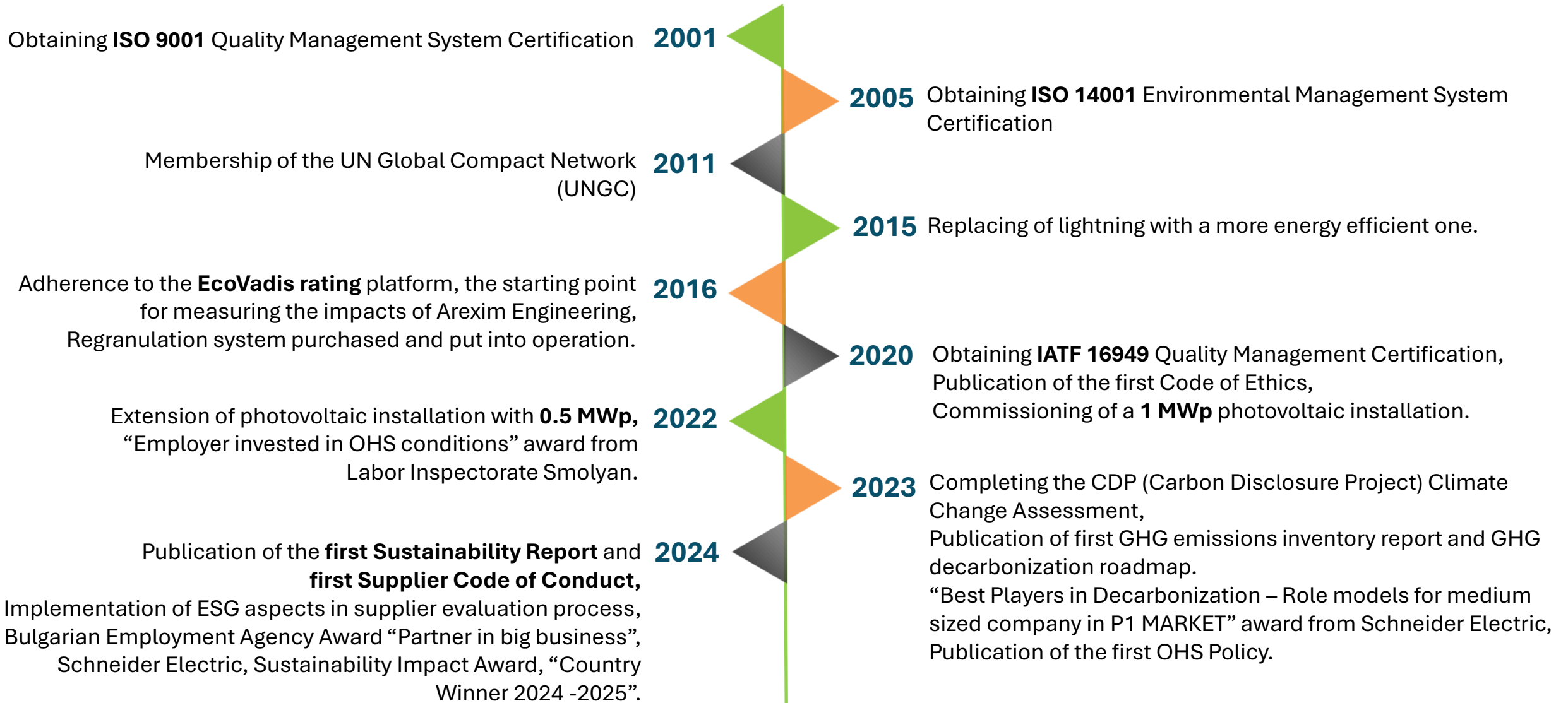
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*Arexim Engineering is fully aware of its role in the value chain and is committed to taking proactive actions that make a positive impact on both environmental and social factors. Through initiatives focused on waste reduction, decarbonization, and a deep care for people, we strive to create sustainable solutions that not only reduce our ecological footprint but also promote social well-being. Our approach ensures that we contribute to a healthier planet and a more equitable society, while continuously improving our practices for the benefit of future generations.*

**Refie Sadulova – ESG Officer**



## Sustainability Pathway





## Awards

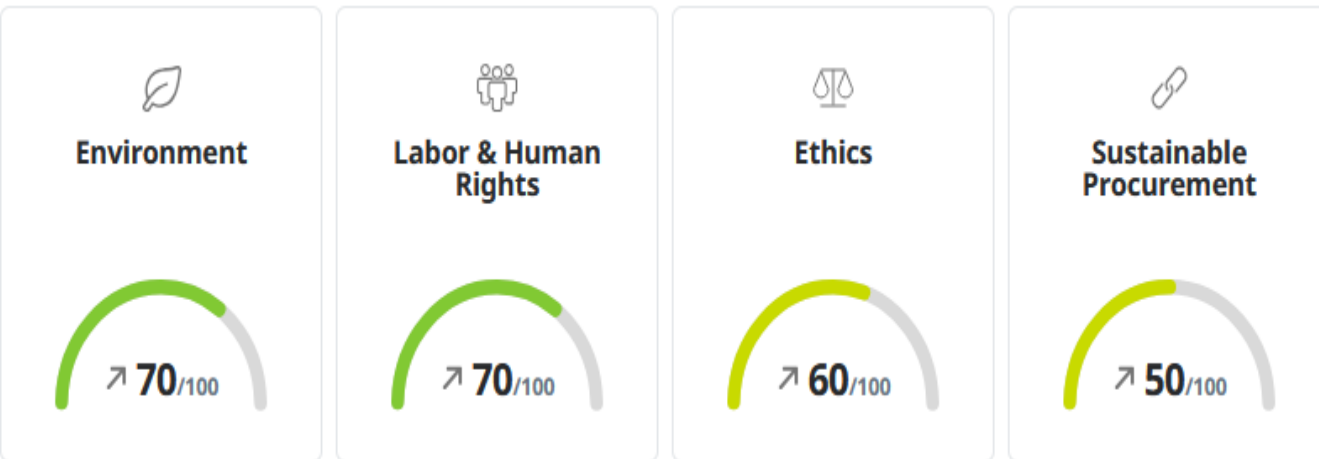
### ECOVADIS: silver medal and improved rating for Arexim Engineering



During 2024 Arexim Engineering has been awarded with **Eco Vadis silver medal** as a recognition of our EcoVadis Rating, which is testament to the company’s ongoing commitment to sustainability and Corporate Social Responsibility. With a 2024 rating that **jumped 15 points** from **51 / 100** to **66 / 100**, this achievement places Arexim Engineering in the exclusive 15% of companies evaluated by EcoVadis who achieved the highest scores for their sector.



This significant improvement was made possible by Arexim Engineering’s commitment to decarbonization and combating the climate change and sustainable production activities, factors that contributed to improved scores in the Environment, Labor & Human Rights, Ethics and Sustainable Procurement categories.



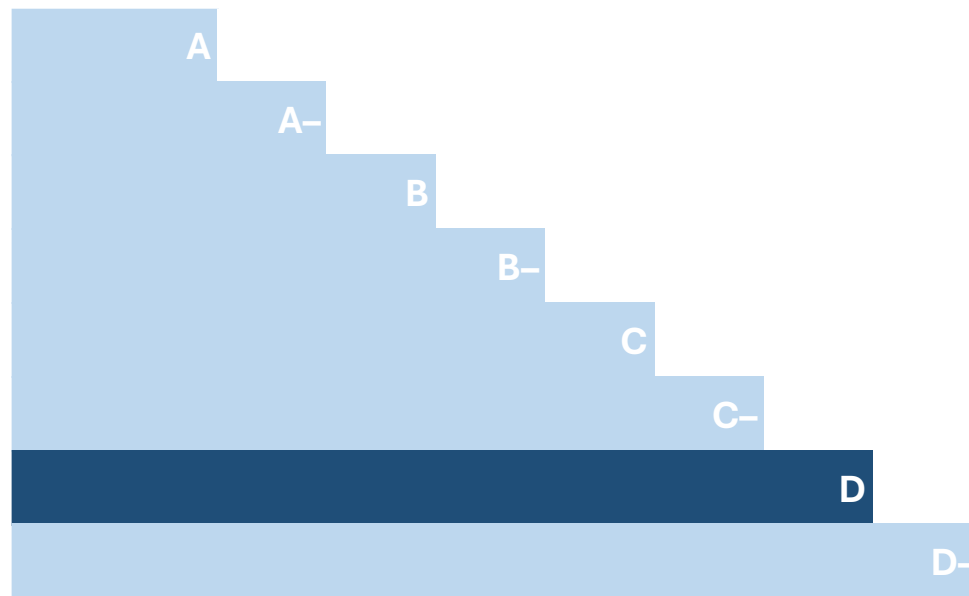


### CDP: environmental rating for the fight against climate change

In 2024, for a second year, Arexim Engineering has participated in the Carbon Disclosure project (CDP) to provide transparent reporting on the company’s performance regarding greenhouse gas emissions. The CDP is the worlds leading authority in the assessment of the decarbonization strategies and actions to combat climate change.

Arexim Engineering has been rated with “**B score**” from CDP as a recognition of its dedication to decarbonization. This accomplishment highlights the company’s proactive environmental stewardship and the leadership of its top management in prioritizing and effectively managing the environmental impacts of its activities and production processes.

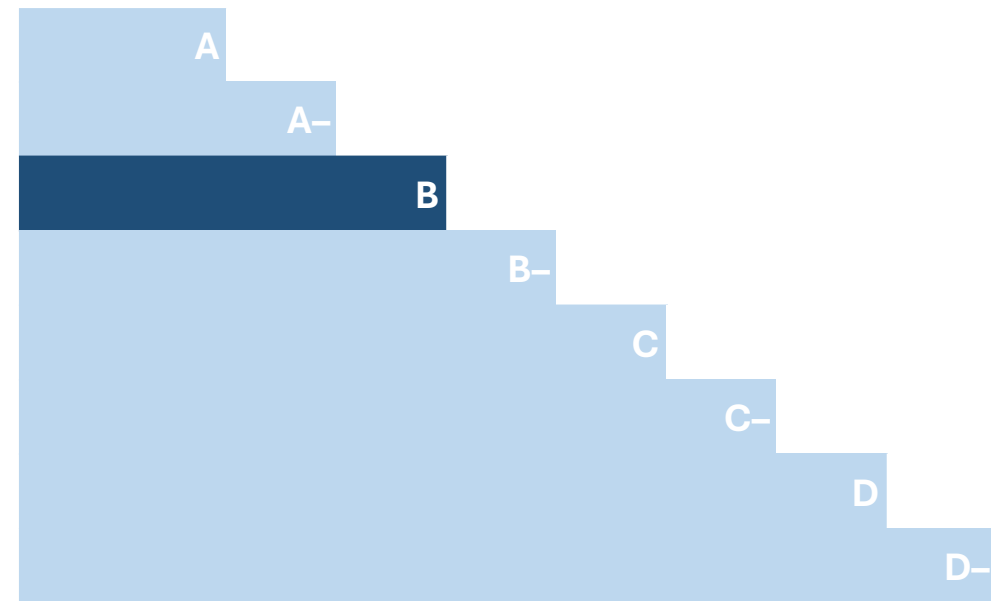
#### CDP scoring 2023



**Leadership (A/A-):** Implementing current best practices.

**Management (B/B-):** Taking coordinated action on climate issues.

#### CDP scoring 2024



**Awareness (C/C-):** Knowledge of impacts on, and of, climate issues.

**Disclosure (D/D-):** Transparent about climate issues.



## Employment Agency: “Partner in the big business” award

Arexim Engineering has been honored with the prestigious "Partner in Big Business" award in the **Employer of the Year 2024** competition, organized by Bulgarian Employment Agency, as a recognition of the company's unwavering commitment to excellence in various crucial areas and partnership about ensuring the employment of unemployed persons.

This award highlights Arexim Engineering's dedication to social responsibility, employee engagement, local prosperity and the implementation of good practices in human management. Through innovation and a focus on sustainability, Arexim Engineering has forged a pathway to success, demonstrating its leadership in driving positive change within the industry and creating a thriving, inclusive workplace.

Receiving the "Partner in Big Business" award is not just a title for Arexim Engineering; it is a profound responsibility. This recognition reinforces the company's commitment to its employees, the local community, and a sustainable future. Arexim Engineering embraces this responsibility by fostering a supportive and engaging work environment, contributing to community development, and driving innovative solutions that ensure long-term success for all stakeholders. The award symbolizes a promise to continue upholding values of social responsibility, human-centered practices, and a forward-thinking approach that benefits both current and future generations.

**Arexim Engineering fosters a culture of care that drives sustainable growth and a brighter future for all.**





## Schneider Electric Sustainability Impact Award 2024 - 2025



In 3<sup>rd</sup> quarter of 2024, Arexim Engineering participated for first time in Schneider Electric's prestigious annual **Sustainability Impact Awards** initiative.

These awards celebrate and promote sustainable practices, recognizing the efforts of Schneider Electric's partners, customers, and suppliers who are committed to sustainability.

The awards are structured around three key criteria: **Strategize, Decarbonize, and Digitize**, and **Arexim Engineering's outstanding sustainability efforts earned the company the honor of being selected as a „country winner 2024-2025“.**

This recognition highlights the company's dedication to creating a more sustainable future through innovation and collaboration. By collaborating with colleagues and customers, Arexim Engineering deployed innovative technology solutions while emphasizing the power of teamwork to drive faster and smarter outcomes.

We recognize the imperative for continuous improvement in our operations, particularly in the context of sustainable practices within manufacturing of plastic details and tooling, we are committed to an ongoing journey of progress. We will continue to improve our sustainability performance and make an impact by adopting plastics as a strength for the Future.



## Memberships



- 01** Business Sustainability Rating Platform
- 02** Packaging Waste Recovery Organization.
- 03** United Nations Global Compact – The World’s largest corporate sustainability initiative.
- 04** Global Customer Data Platform – Climate Disclosure Project – System for investors, companies, cities, states and regions to manage their environmental impacts.
- 05** Pallet Return System - Circular economy systems in Europe, supplying reusable pallets to the petrochemical industry.

- 06** Automotive Cluster Bulgaria
- 07** German Bulgarian Chamber of Commerce
- 08** Amerikan Chamber of Commerce
- 09** Kunststoff Institute – The institute is focusing on companies’ quality and cost-effectiveness in the plastics industry especially for injection molded parts made of thermoplastics and thermosets.
- 10** Confederation of Employers and Industrialists in Bulgaria - Nationally representative organization of employers.





### Our Customers

Automotive  
Automotive  
Automotive  
Automotive  
Automotive



Automotive  
Automotive  
Electrical  
Electrical  
Electrical



Electrical  
Power Tools  
Power tools  
Home appliances  
Sports equipment



## Our Partnerships

### Technical University Sofia, Sofia Tech Park

We have established strong partnerships with the Sofia Technical University, as well as Sofia Tech Park, equipped with state-of-the-art technologies for additive manufacturing. **We take the opportunity to use their facilities for rapid mold creation through additive manufacturing and hybrid machines capable of swiftly producing prototype molds and intricate details unattainable with conventional machinery.**

In collaboration with the design expertise of TU -Sofia, we enhance our design capabilities to address advanced analyses, detailed requirements, and comprehensive product specifications

We highly appreciate the opportunity to use those machines which are one-of-a-kind in Bulgaria, given the high cost and rarity of such machinery. Through a collaboration agreement, we lease those high-tech machines to manufacture various products, most often prototypes. The Technical University also contributes to the product design. This collaboration brings unique manufacturing capability to our operations in Bulgaria, and we, at Arexim Engineering are very proud that we are greatly involved in this area.





## Partnership with local authorities

Arexim Engineering is one of the key employer in the Smolyan district, providing significant employment opportunities to the local community. As a long-standing partner of the Smolyan Labor Bureau Directorate, the company actively participates in various events, including Job Fairs, Employer Days, and Information Days, as well as other campaigns aimed at supporting regional employment and career development.

Arexim Engineering is a long-term member of **Cooperation Council** of the Labour Bureau Directorate - Smolyan, and **Founding Council** of the Smolyan Regional Administration, which enable employers to share their views and be part of the decision-making mechanisms related to

- definition of the regional employment promotion policy priorities and development of regional adult employment and/or training programmes in accordance with the Regional Development Strategy and regional and municipal development plans;
- observation, discussion and analysis of the state and problems of the regional and local labour market, as well as the effectiveness of the measures and programmes implemented to promote employment;
- discussion of projects of regional programmes for adult employment and/or training and their submission to the Minister of Labour and Social Policy for approval and funding.





## Confederation to the Employers and Industrialists in Bulgaria (KRIB) Survey Participation

In 2024, Arexim Engineering took an active role in managing a survey that was part of KRIB's efforts to address sustainability issues, particularly around digitalization and the circular economy. Managing such a survey involves gathering data and insights from stakeholders to understand challenges, opportunities, and trends in these areas.

Based on the results of the 2024 sustainability survey, while some companies in the Smolyan region are making strides toward more sustainable practices, **significant challenges remain**. Specifically, 45% of companies have introduced separate waste collection, 20% use recyclable materials, and another 20% have taken steps to reduce production waste. Additionally, 30% of the companies are engaged in producing green energy. However, a concerning **70% of companies have not yet taken action to reduce their emissions**, indicating a gap in proactive sustainability efforts.

One of the most pressing challenges identified is the lack of focus on sustainability reporting, which is required by an upcoming directive. Many companies in the region are not yet prepared to meet these reporting requirements, and the process is perceived as burdensome, particularly for smaller businesses that face resource constraints. **The complexity of compliance, both in terms of human and financial resources, requires companies to rely on external services to manage their sustainability reporting.**

This situation underscores the need for additional support for local businesses, especially in terms of navigating the requirements of sustainability reporting. To ensure that companies can comply without compromising their operations, a more structured approach, possibly involving collaboration between local authorities, businesses, and external experts, is needed to provide training, guidance, and potentially even financial assistance. Only by addressing these challenges can the region fully embrace sustainability and meet the expectations of the sustainability regulations.





## Conference “ESG in practice: Governance for Sustainable Growth ”

On November 8, 2024, the American Chamber of Commerce in Bulgaria (AmCham) and the German Bulgarian Chamber of Industry and Commerce (GBCIC) organized a milestone conference, titled “ESG in Practice: Governance for Sustainable Growth”. The event welcomed over 130 attendees at the Hilton Sofia, as well as some of the leading voices across industries discussing how to navigate the rapidly evolving landscape of corporate sustainability. The event welcomed insights from experts and executives deeply involved in environmental, social, and governance (ESG) practices.

Arexim Engineering was honored to participate as a panelist in **Panel 2: ESG on ground – The Market Reality**. The representative of Arexim Engineering “highlighted the team-driven nature of ESG at Arexim Engineering and emphasized that ESG requires collaboration across departments and stressed the importance of making structured ESG information accessible to customers for improved outcomes”.

The panel provided a

- pragmatic look at how companies are implementing ESG practices in Bulgaria’s evolving market environment,

- realistic perspective on ESG implementation in Bulgaria, highlighting that legal regulations are the primary driver for companies adopting ESG practices, with 44% of businesses citing regulatory requirements as the main motivator. Customer expectations and company traditions also play significant roles.

A key challenge identified was the difficulty in data collection, crucial for tracking ESG impact and ensuring compliance. Panelists called for supportive policies that balance environmental goals with economic growth, noting varied levels of ESG integration across businesses.

“

*We admire your commitment to driving Bulgaria’s sustainability agenda forward. Our chambers and our bilateral business community can serve as the platform for collaboration and knowledge-sharing, as well as addressing the issues of the practical implementation of the ESG policies and help legislators to listen more to the needs of the businesses. The path to a more sustainable future requires collective action and a shared commitment from both the private and public sectors – the organizers said.*



## Sustainability Highlights 2024

### ENVIRONMENT (E)

**69 %**  
waste diversion rate



65 % waste diversion rate in 2023

**842**  
tonnes of waste



803 tonnes of waste in 2023

**146**  
tonnes of CO2 eq emission (Scope 1 & 2)



3 431 tonnes of CO2 eq emission (Scope 1 & 2) in 2023

**12,946**  
GWh electricity used



12, 743 GWh electricity used in 2023.

**100 %**  
renewable electricity share



56 % renewable electricity share in 2023.

 **11,46 % own production**

**B**  
CDP rating



**D**  
CDP rating in 2023

### SOCIAL (S)

**55 %**  
rate of employee with 5+ years at work



58 % rate of employee with 5+ years at work in 2023

**702**  
employee



712 employee in 2023

**0.7**  
lost time injury rate



0.7 lost time injury rate in 2023

**46/54 %**  
female to male ratio



46 / 54 % female to male ratio in 2023

**22.41 %**  
hiring rate, 165 people hired



27 % hiring rate in 2023, 184 people hired

**6**  
children sport club's annual donation



**Robotic programme** – course for children about programming and robotics, in collaboration with the “*Young Inventor*”

### GOVERNANCE (G)

Customers from **13**  
countries worldwide



High satisfaction score from **95 %** of our customers

**110+**  
Injection moulding machine



**Production of over a 1000+ plastic parts** for automotive, electrical, power tool and other industries



## Materiality Assessment

We are aware that materiality assessment is an essential part and the basis of every sustainability report. That is why we performed **a robust materiality analysis** which follows the guidelines of the European Sustainability Reporting Standards (ESRS). Although Arexim Engineering is not yet obliged to report according to those standards, we have decided to voluntarily **perform a double materiality assessment** including three main steps: impact materiality, financial materiality and stakeholder engagement.

As a preliminary step, **we invested in increasing the knowledge and competency of our team on different ESG topics**, including decarbonization, product life-cycle assessment, sustainability reporting, international regulations and certifications, as well as general ESG management. We have increased the focus on sustainability internally **by allocating ESG responsables at both management and operational level**.



A **list of sustainability topics (matters) was created**, including the topics outlined in the Corporate Sustainability Reporting Directive (CSRD) and additional industry-specific topics chosen on the basis of peer review, expert research, and analysis of the company's business scope and value chain. A list of those topics, together with their scope can be found in **Appendix I: Sustainability matters assessed for materiality**.

After a preliminary discussion with the ESG project leader and a representative of the management team about the scope of every topic, **both impact and financial materiality were carried out during a workshop** with all process managers and some representatives of the board of directors (a full list of the participants in the workshop can be found in **Appendix II: List of participants in the materiality workshop**).

During the workshop, the participants discussed the impacts, risks, opportunities and financial implications.



The discussion was followed by assessment of the impact materiality (outward impacts of Arexim Engineering on the environment and society) and financial materiality (inward market risks, opportunities and financial implications on Arexim) of every topic. During the assessment, the participants took into consideration the scale, scope and remediability of the impacts, as well as the magnitude and likelihood of the risks and opportunities. Every participant gave:

- one score for impact materiality and
- one for financial materiality (a scale from 1 to 5 was used for the scoring).

The **final scores** presented on the materiality matrix are the average of the scores given by all participants. Finally, a materiality threshold was defined. After a common discussion, **it was chosen to be put at 3.5**.

Apart from the materiality workshop, stakeholder engagement was another major part of the materiality analysis process. It consisted of an online survey among a wide range of stakeholders, and online interviews with the top five key stakeholders.

The opinion of both internal and external stakeholders is essential for Arexim Engineering. Therefore, the final decision regarding the selected materiality topics was made based on the results of the workshop and the survey.



## Materiality Matrix



The given materiality matrix shows the combined result – the size of the bubbles represents the importance of every topic for the stakeholders.

## Materiality Topic

In the materiality matrix, **we have identified material topics as key elements in shaping Arexim Engineering’s corporate sustainability strategy.** The materiality analysis revealed a total 10 material topics.

- Product quality
- Promoting sustainable practices along the supply chain
- Customer partnership
- Continuous improvement
- Technology and innovation
- Waste, materials and circularity
- Climate change and decarbonization
- Employee engagement and development
- Ensuring health and safety at the workplace
- Supporting local prosperity and communities.

Regularly updating the materiality matrix ensures that we aligns our priorities with the most important issues for both the business and its stakeholders, fostering transparency, trust, and informed decision-making. This process helps to continuously address emerging concerns and adapt to evolving expectations.

## Risk Assessment

At Arexim Engineering, we **effectively manage legal, financial, strategic, and environmental risks, integrating them into our sustainability growth strategy.** By adopting a proactive, integrated, and transparent risk management approach, we strengthen the resilience of our operations.

As part of our risk management efforts, we have achieved certifications for the ISO 9001 & IATF 16949 Quality Management System and ISO 14001 Environmental Management System. These certifications reinforce our dedication to continuous improvement and risk mitigation.

Central to our risk management framework is the use of FMEA (Failure Mode and Effects Analysis) methodology, which allows us to systematically assess and define potential environmental and social impacts.

Our comprehensive risk management approach is based on the following principles:

1. Recognize and categorize risks that may affect our operations.
2. Evaluate the causes and potential impacts, particularly on the environment and society.
3. Prioritize risks based on their severity and likelihood, using the FMEA methodology for environmental and social risks.
4. Develop and implement strategies to reduce or eliminate risks.
5. Continuously track risks to ensure ongoing compliance and improvement.
6. Ensure transparent communication of risk management activities to stakeholders.

By integrating these practices, we create a resilient foundation that supports our commitment to sustainable development while fostering trust with our stakeholders.

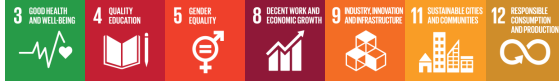
### Our Risk Management Framework





# Sustainability Goals of Arexim Engineering

ENVIRONMENTAL				SOCIAL	
<p><b>Maintaining participation in Pallet Return System (PRS) initiative, use of green labeled wooden pallet.</b></p> <p><b>Short - term</b></p> <p><i>Green labeled pallets are in use.</i></p>	<p><b>Procuring or production of 100% renewable energy.</b></p> <p><b>Short - term</b></p> <p><i>The total electricity need of company is provided from renewable resources (own production 11.5 %, procurement of green energy 88.5%).</i></p>	<p><b>To increase the use of returnable packaging for existing and new customers when possible.</b></p> <p><b>Medium - term</b></p> <p><i>The negotiations for implementation of additional mutually benefit projects related to waste reduction are on-going.</i></p>	<p><b>Decrease of scope 1 + 2 GHG emissions by 90% compared to the levels in 2022.</b></p> <p><b>Medium - term</b></p> <p><i>The GHG emissions inventory results for 2023 and 2024 shows that Arexim is on the way to achieve the goal. In 2024 scope 1 and scope 2 GHG emissions are reduced 96.7%.</i></p>	<p><b>Conducting regular performance and career development review for at least 50% of all employees.</b></p> <p><b>Short - term</b></p> <p><i>Achieved: 32 % Regular performance and career development is conducted on the base of process owner's request. For 2025 the target is to achieve the goal.</i></p>	
<p><b>ISO 14064 Verification of GHG Emissions Inventory results by third party.</b></p> <p><b>Medium - term</b></p> <p><i>The GHG Inventory results are not verified by third party, but in the next 2 years it is planned to be done.</i></p>	<p><b>Digitalization of excel based PCF and GHG emissions calculation tool.</b></p> <p><b>Medium - term</b></p> <p><i>The digitalization of the Excel-based Product Carbon Footprint (PCF) and Greenhouse Gas (GHG) emissions calculation tools is currently underway. Data collection processes linked to these tools have been partially digitalized.</i></p>	<p><b>Scope 3 target definition.</b></p> <p><b>Medium - term</b></p> <p><i>Currently the company doesn't have scope 3 targets. On the base of results for scope 3 and the status of taken measures for scope 3 reduction in the next 2 years it will be defined a target.</i></p>	<p><b>Waste reduction through implementing sustainable solutions in cooperation with customers and suppliers.</b></p> <p><b>Long - term</b></p> <p><i>It's continuous improvement process.</i></p>	<p><b>Sustain an employee feedback initiative to boost engagement and improve the work environment.</b></p> <p><b>Short – term</b></p> <p><i>Forecasted for late 2025.</i></p>	



SOCIAL

<p><b>Keeping the level of work-related incidents and fatalities to zero.</b></p> <p><b>Short - term</b></p> <p><i>Continuous observation and monitoring.</i></p>	<p><b>Creation a classification nomenclature of work-related hazards.</b></p> <p><b>Short - term</b></p> <p><i>Creation of classification nomenclature, based on the risk assessment of workplaces has been started.</i></p>	<p><b>Formalizing and implementing Arexim Engineering’s customer health and safety policy.</b></p> <p><b>Short - term</b></p> <p><i>In process of management review.</i></p>	<p><b>Developing a structured process to manage sponsorship requests.</b></p> <p><b>Short – term</b></p> <p><i>In process of development.</i></p>	<p><b>Spend a minimum 15% of procurement budget on local suppliers.</b></p> <p><b>Short – term</b></p> <p><i>In 2024, 17% from procurement budget was spent, and in 2023 20%.</i></p>
<p><b>Sustainability screenings for 90% of our suppliers.</b></p> <p><b>Short – term</b></p> <p><i>The process of sustainability screening is part of supplier evaluation process. Currently the screening of supplier for automotive industry for business year 2024 is done on 100% and for other industries on 80%.</i></p>	<p><b>Reducing employee turnover to 20%.</b></p> <p><b>Medium – term</b></p> <p><i>Continuous improvement of work condition for better retaining of the personnel.</i></p>	<p><b>Expand training and development programmes, including new specializations and mentoring initiatives.</b></p> <p><b>Medium – term</b></p> <p><i>Conducting annual consultations with department managers to review and enhance training programs.</i></p>	<p><b>Straightening the talent attraction and retention strategies by offering competitive compensation and benefits.</b></p> <p><b>Medium – term</b></p> <p><i>Enhancing existing recruitment channels while identifying new ones, alongside offering competitive compensation and comprehensive benefits.</i></p>	<p><b>Conduction of Periodical medical check-ups.</b></p> <p><b>Medium – term</b></p> <p><i>Last conducted in May/ KW 21/ 2025.</i></p>



**SOCIAL**



**GOVERNANCE**

**Reevaluation of OHS Risk assessments of the workplaces.**

**Medium – term**

*In process of observation and assessment.*

**Minimum of 5 sponsorships per year.**

**Medium – term**

*In 2024 were sponsored 6 children sport clubs.*

**Further development of our product control, management and monitoring system (MES) to machine level.**

**Short - term**

*Currently it is developed on 40%.*

**Percentage of audited products (according to product audit program) – 95%.**

**Short - term**

*Achieved in 2024: 95 %.*

**Share of customers with high satisfaction score - above 90%.**

**Short - term**

*For 2024 the result is 95%.*

**Development of leadership programmes to enhance management competencies and create strong teams.**

**Long – term**

*Collaboration with external training organizations to strengthen leadership and managerial skills.*

**Straightening the company health and safety culture.**

**Long – term**

*Continuous improvement process.*

**Hit ratio – above 15%\*.**

**Short - term**

*Decision of the management of Arexim Engineering to rely on lower percentage of hit ratio based on achievable price level projects rather than on higher percentage ones.*

**Implementation of in-line laser printing in Injection molding production.**

**Short - term**

*Trucked according to the action plan.*

**Integration of 3 new printing lines in Injection molding production.**

**Short - term**

*Trucked according to the action plan.*



**GOVERNANCE**

<p><b>Successful release of 2 products which are subject of patents.</b></p> <p><b>Short - term</b></p> <p><i>Polymer ski slope system, patent is released. The other product is patent pending.</i></p>	<p><b>Development and implementation of digital molding cards in the internal system.</b></p> <p><b>Short - term</b></p> <p><i>In 2024 software module was internally developed. System set-up and implementation is due 2025.</i></p>	<p><b>Developing and selling own products directly to customers – at least 2 products / 3-5 customers.</b></p> <p><b>Medium - term</b></p> <p><i>First 2 products are on manufacturing stage. Potential customer list under preparation.</i></p>	<p><b>Emphasizing the philosophy of continuous improvement and making it an integral part of the company`s culture.</b></p> <p><b>Medium - term</b></p> <p><i>The revision of the Improvement proposals` process is completed. Employees will be encouraged to make proposals for improvements. A wider range of specialists will be included in automation projects.</i></p>	<p><b>Completion of the development and implementation of the barcode system for monitoring and accounting of the Printing and Assembly production.</b></p> <p><b>Medium - term</b></p> <p><i>Planned for implementation in 2026.</i></p>
<p><b>Implementation of automated packaging in injection molding production line.</b></p> <p><b>Medium - term</b></p> <p><i>The implementation is planned to be completed until the end of 2027.</i></p>	<p><b>Introduction of “machine vision” in product quality.</b></p> <p><b>Long - term</b></p> <p><i>Idea stage. An implementation plan will be prepared after further study and evaluation.</i></p>	<p><b>Reducing the customer with higher than 50% RM share in part price to less than 60% from total volume.</b></p> <p><b>Long - term</b></p> <p><i>Relocation of internal resources to own products development and new potential projects identification.</i></p>	<p><b>Owned products to take a 10% of the turnover in sales.</b></p> <p><b>Long - term</b></p> <p><i>Developing of kid accessories, goods, devices.</i></p>	



## 02

# PRODUCT RESPONSIBILITY

Quality and safety are the priority of our strategy and objectives, with the primary goal of eliminating and minimizing risks, we invest in the research and application of best practices in the design and production processes.



## Product quality

### Topic highlights:

- ✓ Quality management system
- ✓ Alignment with customer's requirements
- ✓ Application of best practices within the quality control
- ✓ Regular training
- ✓ Product audits
- ✓ 2024 target status

**Ensuring product quality is a top priority for our company**, closely monitored at each stage of the product lifecycle – from the concept to the end of the production. That is why we have established several laboratories for testing the quality of our products equipped with the latest measuring equipment.



The journey of quality begins with product design, although Arexim Engineering is not in all cases directly responsible for this phase. Nevertheless, **we always apply a robust quality assurance process** that includes mandatory feasibility studies, essential across all sectors. We track product requirements, standards, regulations, and legal obligations, striving to fulfill them or find common ground with our customers.

The next stage of our work includes assuring the quality during project development in accordance with best practices in the automotive industry such as advanced product quality planning (APQP). It involves risk **analysis to anticipate and control potential defects.**





As part of this process, we engage in design for manufacturing (DFM) discussions, highlighting design risks and proposing solutions collaboratively with our customers. Together, we discuss strategies for product measurement, control frequency and responsible personnel.

Once a product is developed, it undergoes **customer approval** (for the automotive sector this is aligned with the Production Part Approval Process).

Once the product is in production, our quality control involves both **visual and dimensional inspection**. We employ a variety of measurement tools, including advanced technologies such as 3D measuring machines and structured light scanners, equipment for color and hardness measurement and others.





### We owe the product quality to our people

The quality of our products is a direct result of our dedicated team of highly experienced professionals. We prioritize continuous product training for our entire workforce, especially during the introduction of new products. These training sessions cover product specifications, purposes, critical zones, potential defects, and their consequences. Even for our existing product lines, we conduct regular training sessions to ensure that our team maintains their competency levels.

With ongoing training focused on how each product works and what to watch out for, we catch the small things before they become big problems. It’s all part of our promise to give our customers products they can trust and to be a partner the customers can rely on for the long haul.

We conducted nearly **172** product audits last year encompassing **95%** of the products included in the audit program with over **90%** passing without discrepancies.

Any non-conformities identified are documented in ARQUS, and corrective actions are promptly initiated.

To ensure the quality of the materials we supply and use in our products, we have also adopted a [Quality Agreement for Suppliers](#) that defines specific requirements for all suppliers and their sub-suppliers. These requirements include maintaining a third-party certified quality management system in accordance with ISO the 9001 (Quality Management Standard) or IATF 16949 standards, ensuring safety and compliance with legislative characteristics for each product, certification of delivery, and other relevant criteria.

In fact, Arexim Engineering was among the first companies in the region certified with ISO 9001.

### Sustainability Goals for 2024

Percentage of audited products (according to product audit program) – 95%.

### Status

Achieved: 95 %.



## Promoting sustainable practices along the supply chain

### Topic highlights:

- ✓ Requirements for suppliers
- ✓ Criteria for selection
- ✓ Monitoring and screening of suppliers
- ✓ Supplier Code of conduct
- ✓ Partnerships with suppliers
- ✓ Good practices
- ✓ 2024 targets status

Promoting sustainable practices along the value chain involves several key considerations and strategies in how we select, monitor and exchange practices with our suppliers. While the selection process based on environmental, social and governance (ESG) criteria is very important for us, in some cases it is beyond our control. We often work with suppliers recommended or even required by our customers, given the industry in which we operate and the specific nature of the supplied materials.

**In response to the specific needs of our customers collaborate with established producers and suppliers, primarily from Europe and aim to build a strong foundation for sustainable practices across our supply chain.** This is achieved through the continual enhancement of our internal procedures for monitoring and evaluation of our suppliers.

The terms for joint business activities with our suppliers are outlined as a foundation in our Terms and Conditions of Purchase.

We are focused on cultivating robust, long-term partnerships with suppliers who share our dedication to sustainability and ethical business practices. In line with this, our efforts focus on promoting responsible sourcing, ensuring transparency, and driving continuous improvement. By integrating sustainability into our procurement process, we aim to foster sustainable practices throughout our supply chain and create lasting value for both our business and our partners."



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In today's dynamic environment, our supply chain faces a range of sustainability challenges. However, we approach these with a strong belief in our ability to drive positive change. Through collaboration with our suppliers and a shared commitment to responsible sourcing, we remain focused on building a resilient and ethical supply chain that creates lasting value for our customers, employees, partners, and society.

**Milen Damyanov – Supplier Management**



As part of the delivery conditions, we require specific documents and information before the purchase, such as:

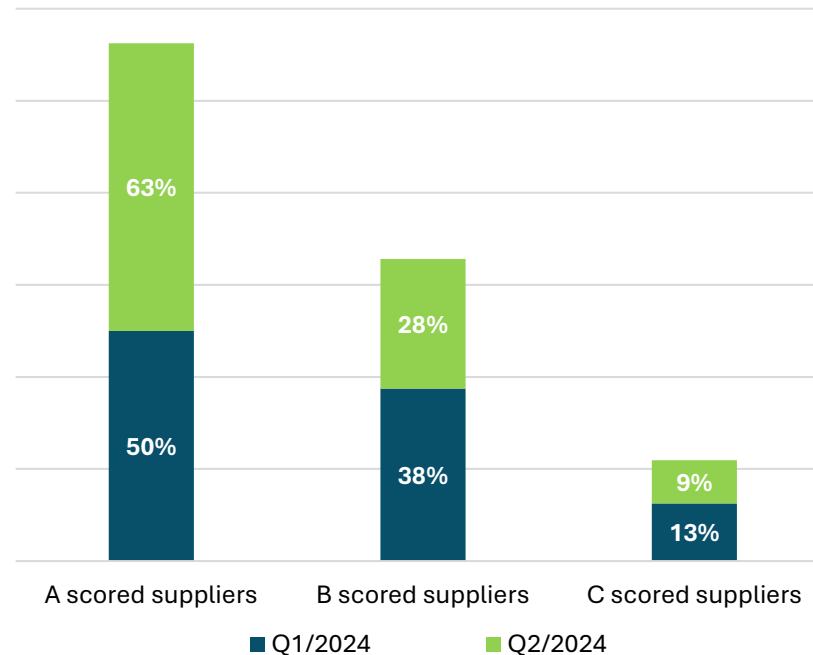


For our existing suppliers, we conduct **periodic evaluations** (every 6 months for automotive suppliers or once a year for any other), which encompass various commercial indicators, quality-related criteria, delivery time, complaints, as well as the presence of certifications such as ISO 9001, IATF 16949 (international standard for automotive quality management systems), ISO 14001, ESG criteria and if it's applicable company specific information.

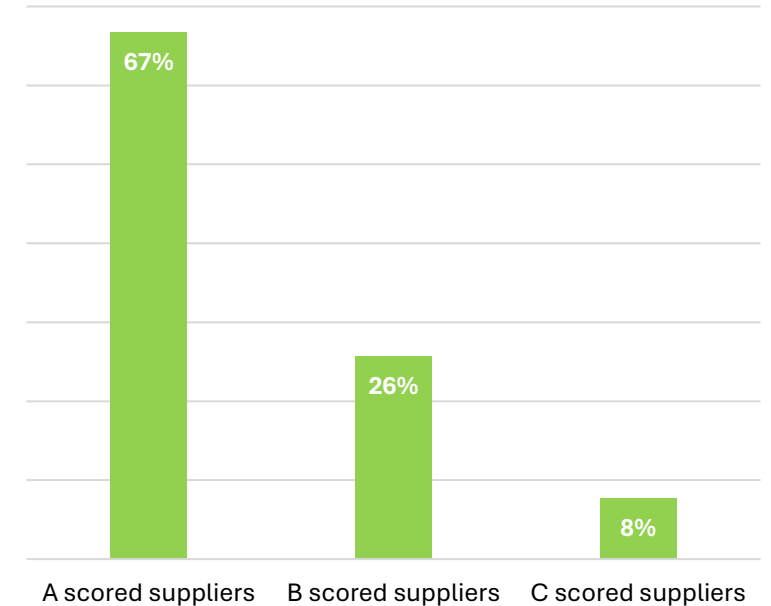
In 2024, we enhanced our supplier screening process by **integrating Environmental, Social, and Governance (ESG) criteria** for the first time, building on our established evaluation framework. We maintained the same screening coverage as in 2023, assessing 100% of our suppliers in the automotive sector and 80% of suppliers across other industries.

In total, **36** automotive suppliers (32 in Q2 and 24 in Q1) and **39** suppliers from other industries were screened. As a **result, 90% of our overall supplier base was evaluated** against comprehensive ESG and traditional criteria, reinforcing our commitment to responsible sourcing and sustainable supply chain practices.

Screening Result/ Automotive Industry



Screening Result 2024/ Non-Automotive Industry



## Supplier Code of Conduct

In 2024, Arexim Engineering upgraded its **Supplier Code of Conduct**, placing a strong emphasis on meeting customer requirements while reinforcing our commitment to environmental protection and social responsibility. This update reflects our dedication to ethical practices and sustainability, ensuring that our operations align with the highest standards for both people and the planet.

The principles outlined in the Supplier code of conduct (along with our Human Rights Policy, Environmental Policy and Health and Safety Policy) are expected to be adhered by all of our suppliers. This encompasses the human rights, health and safety at work, ethical norms, fight against climate change, promotion of circularity, ISO 14001, etc.

## Partnerships with suppliers

In 2024, Arexim Engineering, together with its suppliers, conducted training sessions focused on the proper use of plastic raw materials. Additionally, tests were performed on various plastic granulates to ensure optimal performance. These initiatives were made possible through our long-term partnerships, which enable us to create added value between distributors and manufacturers, contributing to our mutual success.

The exchange of experience in the plastic industry with our suppliers demonstrates our commitment to our mission of becoming a leader in the industry. By fostering collaboration, we aim to provide innovative solutions and exceptional service, ensuring we consistently meet the needs of our customers.





As part of our ongoing commitment to sustainability within the supply chain, we continually expand our collaboration with suppliers and implement additional practices to minimize the overall environmental footprint.



**Green logistic:** We optimize delivery routes and loads to minimize fuel consumption and reduce environmental pollution associated with transportation.



**Sustainable packaging:** We prioritize the use of recyclable, reusable, and returnable packaging for distributing our products.

**Sustainability Goals for 2024**

**Status**

Sustainability screenings for 90% of our suppliers.

Achieved: 90%

Incorporating a sustainability criterion within the selection process of suppliers

The goal is in progress. While not yet fully implemented, steps have been taken to integrate sustainability into our supplier selection process, reflecting our ongoing commitment to responsible sourcing and continuous improvement.

Update of the criteria for suppliers' periodic assessment (once a year) to address:

- compliance with the requirements concerning the restriction of prohibited substances or the limitation of substance use
- ESG aspects, such as gender equality, restriction of child labour, human trafficking, modern slavery, carbon footprint, etc.

Completed. Periodical assessment of supplier for 2024 include the ESG aspects and compliance evaluation.

Recommendations and exchange of best practices for sustainability with suppliers.

The goal of fostering sustainability through the exchange of best practices and recommendations with suppliers remains an ongoing and continuous process.



## 03

# RELIABLE AND SUSTAINABLE SUPPLIER

Arexim Engineering aims to be a flexible and responsible partner in the Global Supply Chain, we address customers' expectations in terms of sustainability. To meet criteria for sound governance, ethical practices, and corporate sustainability we aim to decrease our carbon footprint, encompass environmental and social impacts management, adapt mitigation measures over time and foster trust through providing information.



## Customer partnership

### Topic highlights

- ✓ Building trust with every customer
- ✓ Tracking customer satisfaction
- ✓ Answering customer needs via diverse company portfolio under one roof
- ✓ Customer breakdown: by industry and by geography
- ✓ Growing together
- ✓ 2024 target status

Arexim Engineering has significantly evolved in the years thanks to the **strong customer relations**; our commitment to the complex customer requirements and needs help us constantly grow and learn.

In 2024 we achieved more than 90% success rate of our offerings compared to 2023. Our hit ratio (the number of received orders against the number of sent offers) was 15% in 2024, compared to 30% in 2023. This result was due to the decision of the company management to accept lower percentage of hit ratio based on acceptable price level projects, rather than on higher percentage non-achievable price level ones.

Arexim Engineering offers not only injection molding, but also a **diverse portfolio of services** – from the mould and product design to their manufacturing, as well as various supplementary value-added operations, including assembling, printing, conditioning, and ultrasonic welding. This is exactly what differentiates us from the competition – we have the expertise and experience in handling a **significant portfolio of parts**.

Another competitive advantage we have is that all those services **are under one roof** – in our production facilities in Smolyan, Bulgaria. This makes the whole production process easier and faster, supported also by our own local tool shop (please see section “Technology and innovation”).



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Building trust with every single customer and developing long-term customer relations is a top priority for the company and the team. The fact that 70% of our customers have been working with us for more than 15 years proves that.

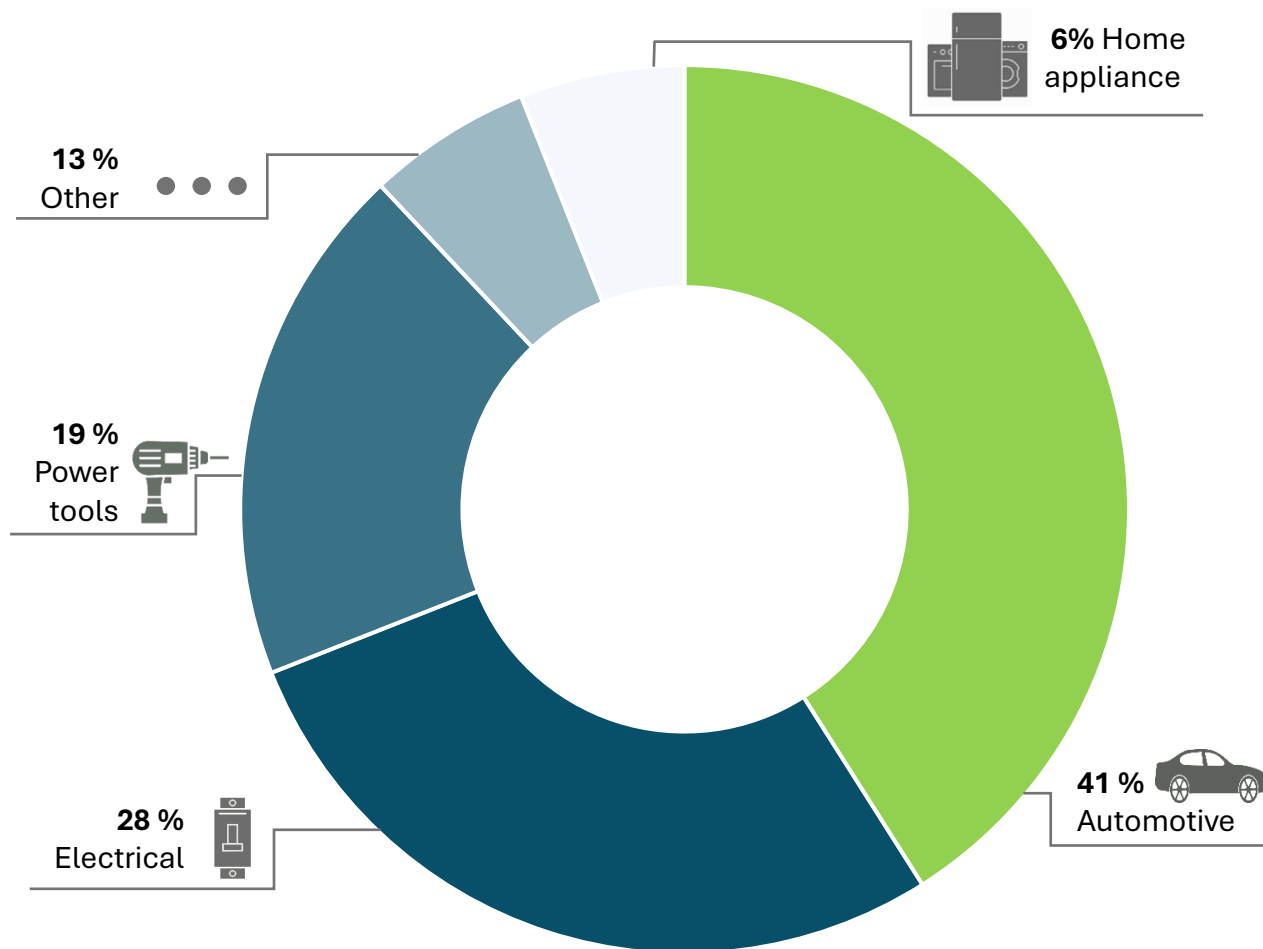
**Maria Kancheva – Marketing and Sales Manager**



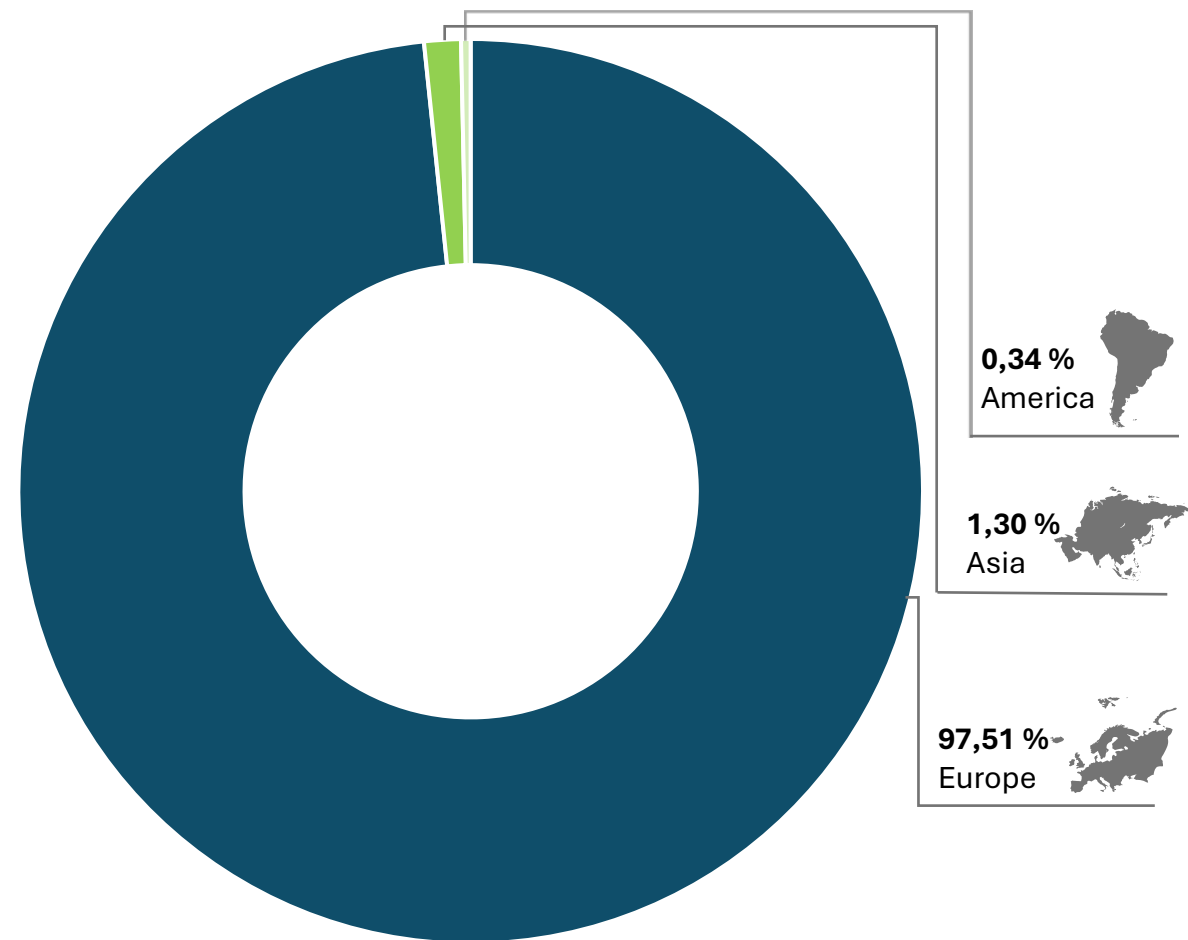
Arexim Engineering customers are located in **more than 13 countries on 3 continents**.

97,5 % of our customers are located in Europe, out of whom 65,8 % are located in Bulgaria. We deliver also to customers in Brazil, China, and India.

Customer turnover share by industry - 2024



Market served - 2024





**One of our main goals is our customers to perceive us not only as a supplier but also as their partner.** In recent years we increasingly take part in the ‘design for manufacturing’ stage of the product development and participate in the recipe creation process with the customer’s technical experts. We aim to work less with fixed product recipes and increase the number of customers, who customers to trust our opinion and long-term experience during every stage of the production process.

**Arexim Engineering allocates a separate team to every single customer. It consists of a project manager and a quality engineer.**

This individual approach guarantees:

- fast reaction to every request
- on time tracking of feedback, assessments and complaints
- reliable relations



This is one of the main reasons that Arexim Engineering is often invited to **take part in various customer initiatives**, such as the Schneider Electric Supplier Development Program, which aims to enhance supplier performance on quality, delivery, tools and technology.



Responding to specific customer needs has helped us achieve a very high customer loyalty. Some of our customers have been working with us since Arexim was established in 1991 and **70% of our customers have been working with Arexim Engineering for more than 15 years.**

**Sustainability Goals for 2024**

**Status**

Share of customers with high satisfaction score - above 90%

Achieved: 95 %

Hit ratio – above 30%

Achieved: 17 %.



## Continuous improvement

### Topic highlights:

- ✓ Operational efficiency
- ✓ Team-work
- ✓ Automatization and optimization
- ✓ Implementation of updates and technological improvements
- ✓ 2024 targets status

**Our vision of continuous improvement and constant development encompasses improvements in operational efficiency, optimization of processes and implementation of technological advancements.**

Our dedication to improvement covers all stages of our work and drives us to track industry standards, implement up-to-date solutions and maintain a culture of ongoing learning and innovation among our employees.

### Operational efficiency

**At the basis of continuous improvement lies the lean approach – timely detection and elimination of losses.** To achieve this, we ensure constant tracking of all processes, conduct monitoring and analysis of each activity in production and react promptly to achieve operational efficiency.

We are proud that all process owners stood firmly behind the goal “continuous improvement to become an integral part of the company's culture”. This makes easier to spread that philosophy to all levels in the company.

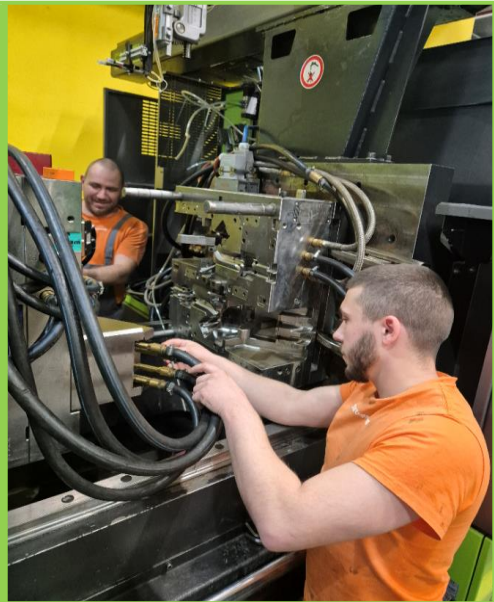




**Guided by our goal of making continuous improvement an integral part of the company's culture, in 2024 we continued to spread the continuous improvement`s philosophy through trainings and real projects in our production.**



Three of our projects concentrate the efforts on removing different forms of “waste”, increase the operational efficiency and making the process more capable through reduction of variation.



In all projects, depending on the need and feasibility, employees from different departments and production units were included.

**Together** we worked for improvements in:

- Production changeover efficiency, eliminating causes for wastes, leading to an extension of the changeover time and approval of the production orders;
- Keeping the required cycle times in the injection molding production while providing a product that meets customer requirements;
- Reliable and capable operation of devices related to the process of raw material`s loading and drying;





## Automation

**01.** In 2024 we continued with design, manufacturing and implementation of devices which work in parallel with the injection moulding machines in order to decrease machine operator’s activities and increase productivity.

**02.** Our Automation department implemented new devices which help eliminate product losses during production and ensures a clean working environment.

**03.** An improvement has been made also to the raw material transportation devices, concerning manufacture of component and programmed by our specialists in connection with better prevention of breakages and downtimes in our production equipment.

01



02



03





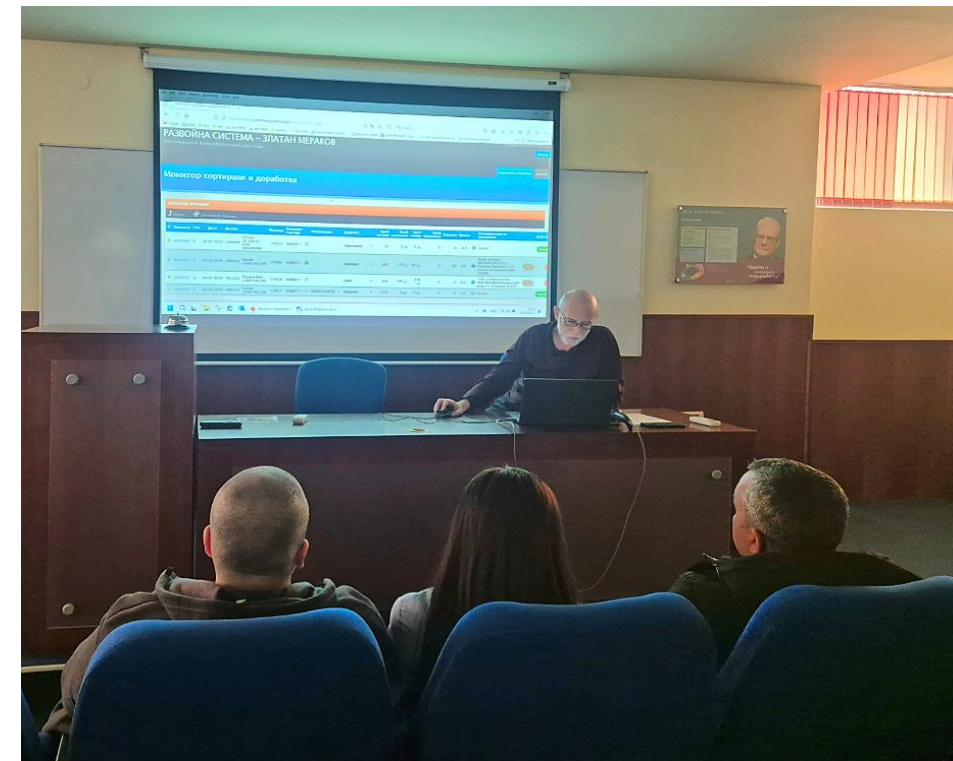
**We continued to make improvements in our systems, enhancing efficiency and streamlining processes, as follow:**

**1. Upgrades of the modules for**

- Mean time to repair (MTTR) and Mean time between failures (MTBF) for the injection molds and machines;
- Machine cycle times;
- On Time production measurement of the orders;
- Working status of the production orders, giving a complete picture of the reasons for lost times, as for one specific product, production order or other selected period, as for all products of the production program depends on chosen criteria;

**2. Development of:**

- completely new module connected to the weight of the products.
- possibility for calculation data`s separation for the injection molding machines depends on their operational mode (semiautomatic or fully automatic).



**Sustainability Goals for 2024** **Status**

Revise the “Improvements proposals” process to ensure functionality.

Revised.

Completion of the development and implementation of the barcode system for monitoring and accounting of the Printing production, Assembly production, Sorting and Rework areas.

Completed for Sorting and Rework areas.



## Technology and innovation

### Topic Highlights:

- ✓ End-to-end service
- ✓ State-of-the-art toolshop
- ✓ Introducing up-to-date methods, technologies, materials
- ✓ Manufacturing Execution System development
- ✓ Good practices

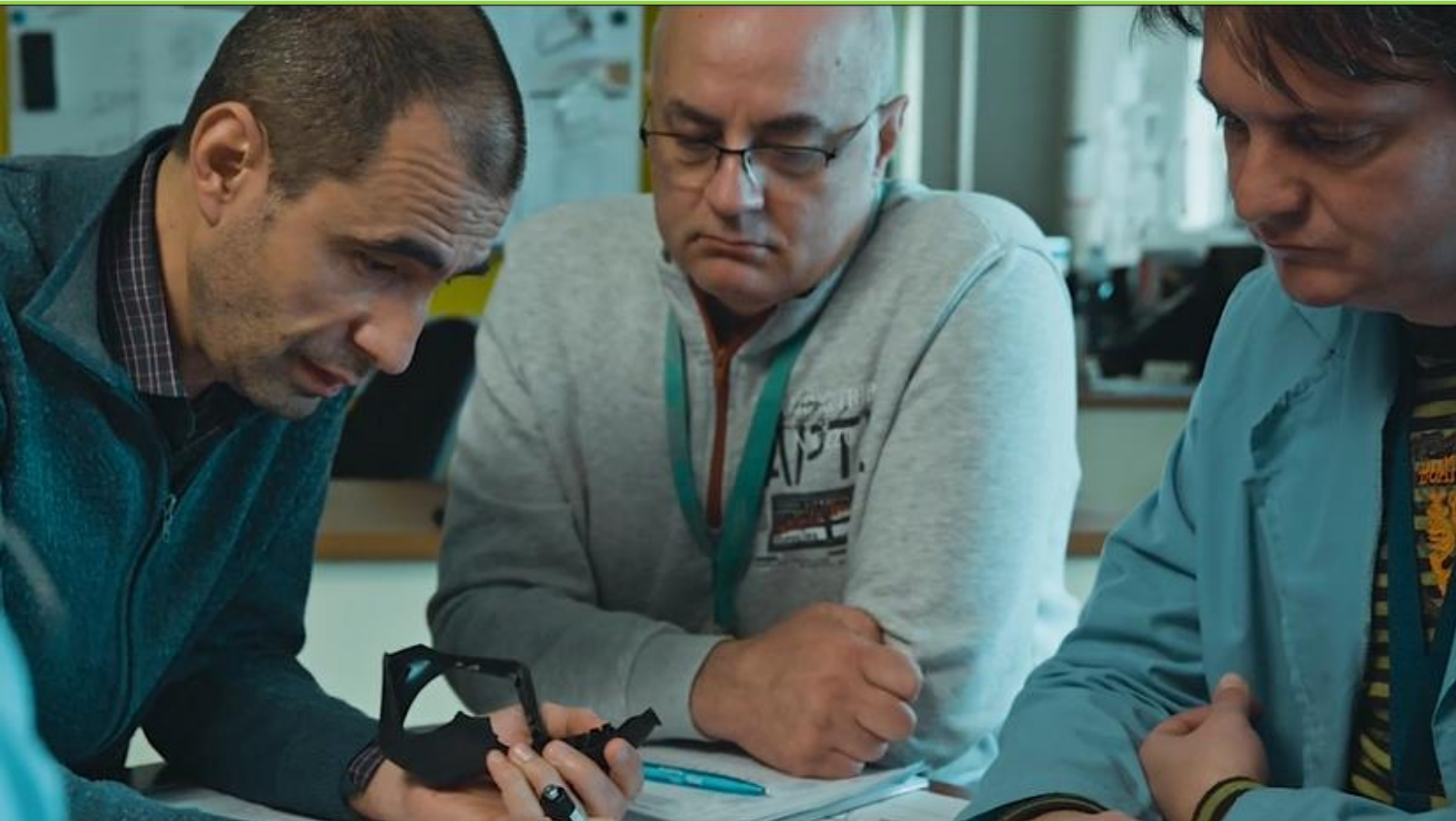
**Embracing a dynamic landscape where environmental responsibility and economic growth converge, we at Arexim Engineering, recognize the pivotal role that advanced technologies play in shaping a sustainable future.** The successful integration of robots, additional post-injection operations, and the utilization of high-level equipment highlight the company's dedication to staying at the forefront of technological advancements in injection molding manufacturing. Arexim Engineering's ability to seamlessly transition from concept to implementation reflects our comprehensive and cutting-edge approach to the whole manufacturing process. Established technology way for simulation analyses, rapid prototyping and mechanical testing and feedback corrections including material study and post analyzes.

### Our motto is "dynamic and innovative"

This topic is related to technological progress, digitalization, automatization, and innovation in the entire process from ordering, design, engineering, production to transportation and communication with the customer during the use of the final product. With building up of intensive communications with the market and customers we can serve the satisfied products for the customers.



We offer a seamless journey from concept to mass production, earning our customers' trust through product development and design. By providing end-to-end services, we save our customers unnecessary expenses on matrices and technologies. Our efficient approach reduces production time, leading to significant long-term savings, especially when considering the future production of hundreds of thousands of units. Ultimately, we sell production time, allowing us to produce more while conserving resources and reducing our carbon footprint.



## Tool Shop

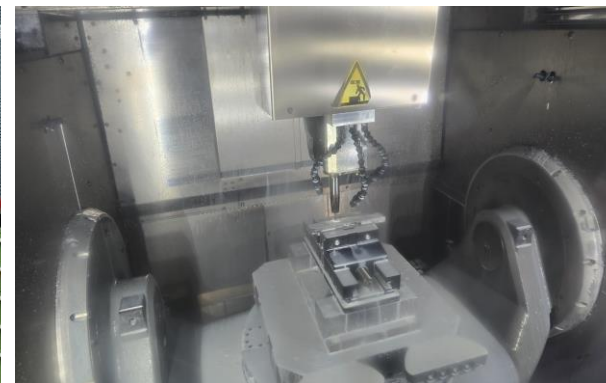
In its pursuit of independence and technological excellence, Arexim Engineering has purposefully developed its own state-of-the-art toolshop. This modern facility is equipped with high-speed milling centers and advanced erosion machines, enabling precise and efficient tooling design and manufacturing.

Full inter-operational control is achieved through cutting-edge scanning equipment, ensuring accuracy at every stage of the process. Within this high-tech environment, a team of highly qualified engineers and designers work collaboratively to create innovative models for future molds and tools, leveraging the latest software and specialized know-how.

The entire design process is characterized by continuous, close communication with customers. This ensures that the final solutions are perfectly tailored to meet the unique requirements and specifications of each project, guaranteeing optimal results for the customer's final product.

This cutting-edge facility ensures precision, efficiency, and the ability to meet the highest industry standards, and stands as a testament to Arexim Engineering's dedication to staying at the forefront of industry trends and continuously evolving to meet the demands of the future.

With this equipment we can continuously upgrade our skills and teach our growing team to meet the highest standards end need of the specific plastic world market.

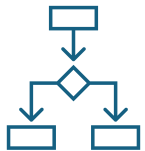




## Key facts about our renovated injection molding:



**65% Integration of Robots:** Arexim Engineering has successfully integrated robots to stabilize processes, reducing dependence on human intervention. This automation significantly enhances efficiency and reliability in production.

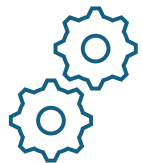


**Additional Post-Injection Operations:** Following the injection molding process, Arexim Engineering has implemented additional operations such as printing and milling. Remarkably, 10% of the machines are equipped to perform these supplementary operations, showcasing a comprehensive manufacturing capability.

## Key facts about our production processes:



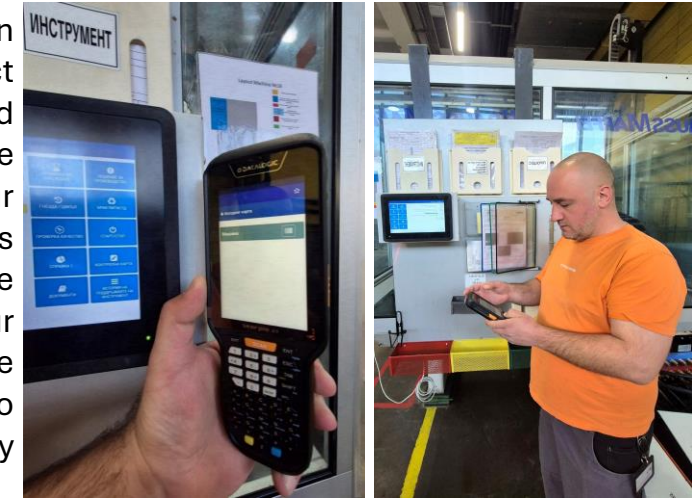
**Internal Development Focus:** The incorporation of advanced technologies and additional operations is a result of internal development efforts. This emphasizes Arexim Engineering's commitment to continuous improvement and innovation within its operations.



**High-Level Equipment:** Arexim Engineering utilizes high-quality equipment from globally recognized brands. This commitment to using top-tier machinery reflects our dedication to maintaining high standards in all manufacturing processes.

## Development of MES

We have achieved 40% progress in the development of our product control, management, and monitoring system (MES) to the machine level, in line with our strategic goal. This progress has been made possible thanks to the expertise and commitment of our skilled technical specialists. We remain focused and will continue to take the necessary steps to fully realize this goal.



## Good practices



**01** Conversion from thermoreactive to thermoplastic technology for items of our new customer, including tests, validation, proposals for alternative materials.

**02** Rapid prototyping tools – decreasing of the lead time and responding of the specific requirements

**03** Redesign of full metal parts to hybrid parts (metal + plastic parts) – decreasing of the production cost and time with keep the functioning specifications



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

## Waste, materials and circularity

### Topic highlights:

- ✓ Waste reduction,
- ✓ Efficient disposal, reuse and recycling of plastic waste from the production,
- ✓ Reduced usage and one way packaging
- ✓ Environmental activities
- ✓ Waste plastic recycling
- ✓ 2024 targets status

In this section of the report, we delve into our initiatives and strategies aimed at reducing waste generation and maximizing recycling and reuse opportunities.

Our approach to waste management begins with **a focus on waste reduction at the source**. We classify waste streams at their point of origin in order to facilitate their proper treatment. An important aspect is also ensuring the safe disposal of hazardous waste or such that cannot be further recycled or reused at specialized facilities.

Regular monitoring and control of waste treatment facilities are carried out according to approved programs in accordance with the national and European environmental legislation. In 2024 there were no cases of waste disposal at unregulated sites or with significant violations of environmental requirements.



We are dedicated to promoting a circular economy by maximizing the recovery and reuse of valuable resources from our waste streams.

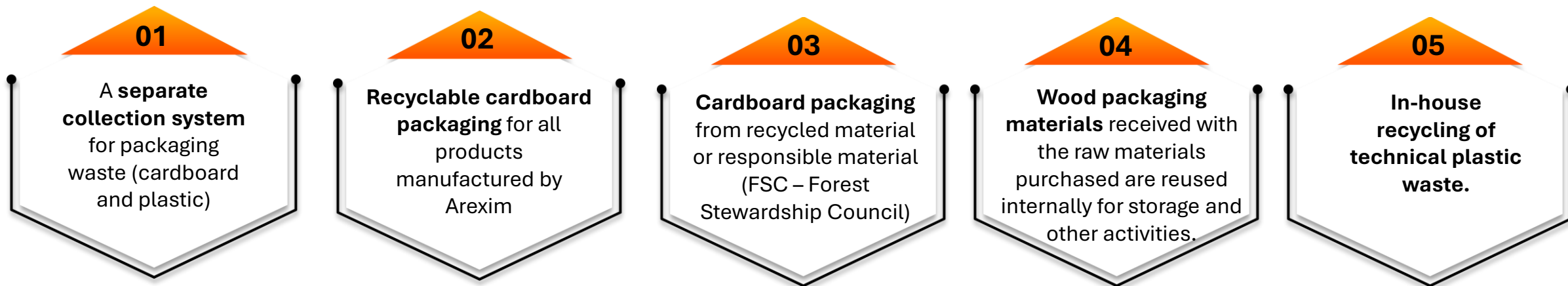
Through robust recycling programs, we strive to divert as much waste as possible from landfills and incineration facilities.

We work closely with our customers to identify opportunities to recycle and upcycle materials, thereby closing the resource use cycle and reducing reliance on raw materials.



In 2024 almost 69% of the waste generated by Arexim Engineering was recycled or reused.

We have implemented a number of waste management measures, including:

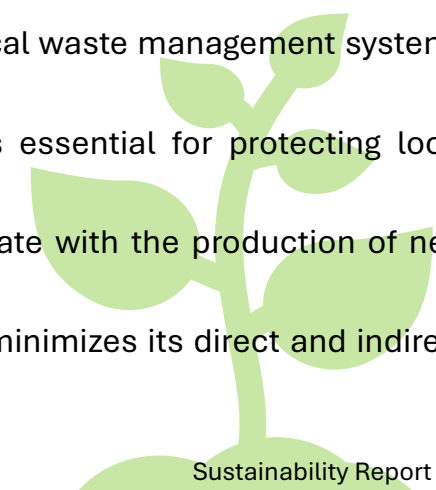


Our main target related to waste management is to reduce the total amount of waste as much as possible.

By focusing on waste reduction, recycling, and responsible disposal, Arexim Engineering can reduce the negative environmental impacts associated with:

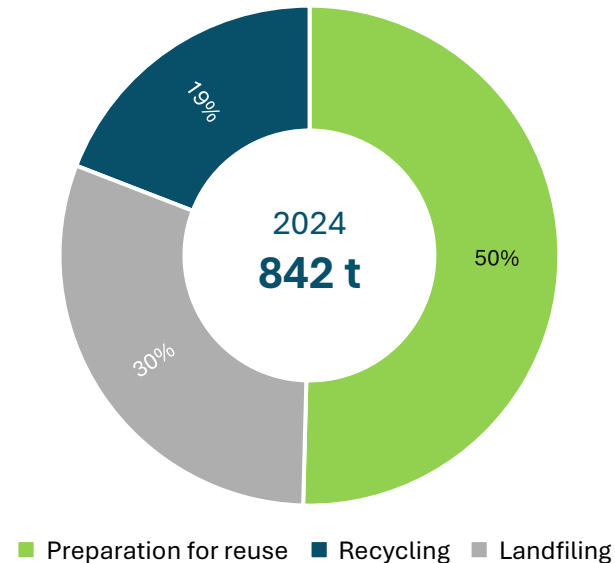
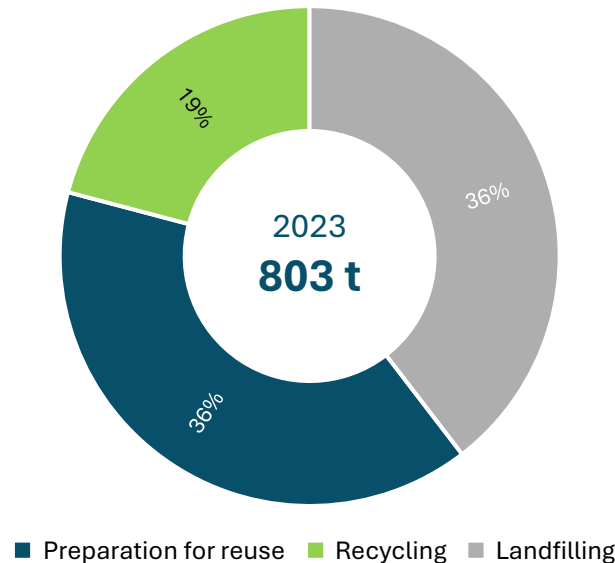
- 1. Landfill Waste:** By decreasing the volume of waste that ends up in landfills, Arexim Engineering helps reduce the strain on local waste management systems and minimizes the environmental issues caused by landfill sites, such as soil contamination and methane emissions.
- 2. Pollution:** Proper waste management prevents the leakage of harmful substances into the air, soil, and water, which is essential for protecting local ecosystems and public health.
- 3. Carbon Footprint:** Efficient waste disposal, especially through recycling and reusing materials, can lower emissions associated with the production of new materials, transportation, and waste processing.

This is in line with Arexim Engineering's overall goal of reducing its carbon footprint. Through these measures, Arexim Engineering minimizes its direct and indirect environmental impacts, playing a proactive role in broader sustainability goals.





### Non-hazardous waste weight (t)



The majority of waste that we generate is non-hazardous – only 0.15 % of the total waste generated in 2024 was hazardous.

We aim to reuse and recycle more and more of the non-hazardous waste generated from our production processes.

In 2024 only 252 tons of non-hazardous waste were landfilled, whereas nearly 588 tons were diverted from disposal. 50 % of them were prepared for reuse, whereas 19 % were recycled.

### Environmental Activities

In 2024, we organized numerous environmental activities aimed raising the awareness among our employees about environmental protection and promoting waste reduction. These activities were aligned with global environmental observances, such as World Water Day and World Environment Day. The main initiatives included tree planting and cleaning up polluted areas surrounding the factory, contributing positively to both the local environment and the broader sustainability goals of the company.

Arexim Engineering not only engaged in environmental initiatives but also provided comprehensive waste management training for its employees. Supported by informative brochures, the training emphasized proper waste disposal, recycling practices, and waste reduction strategies, fostering a culture of sustainability and encouraging eco-friendly behaviors both at work and in daily life.





## Installation for regranulation and grinding of technical waste plastic

An asset which we are very proud of is the first (and by now the only) regranulation installation for technical plastics in Bulgaria. Arexim Engineering purchased this machine back in 2016. At the beginning, it was only used to regranulate bulk plastic waste from our own production. However, for a few years now, it has been used also for regranulating external plastic waste which we receive from other companies.

In 2024 we **recycled** almost **70 tons** of external technical plastic waste in total.

After regranulation we **reuse** part of the recycled plastic granules in our own production, whenever it has been approved by our customers, and we **sell** the rest.

In 2024 a total of over **37 tons** of recycled plastic **was used** in our products.

### Sustainability Goals for 2024

### Status

To implement the use of Pallet Return System (PRS) labelled wooden pallets and continue working according to PRS

PRS labelled wooden pallets use implemented. Arexim Engineering was awarded with Certificate of appreciation as a recognition of our contribution to a more sustainable world by participating in the circular PRS network.



13

CLIMATE  
ACTION

## Climate change and decarbonization

### Topic highlights:

- ✓ GHG emissions inventory
- ✓ Decarbonization measures implemented
- ✓ Renewable energy production
- ✓ PCF tool

**Decarbonizing our production process and minimizing the carbon footprint of our products is one of the main goals that Arexim is aiming at.**

As a very first step of this long-term process, we have started to calculate and track the scope 1, 2 and 3 GHG emissions of the company. This helps us to see where the biggest emissions occur and therefore make optimizations which will lead to a decrease in those emissions. Detailed GHG emissions inventory reports can be found on our [website](#).

In 2024 there was a reduction in the total amount of GHG emissions, as well as in the emissions intensity compared to 2023. Those reductions are the result of concrete measures taken, including:

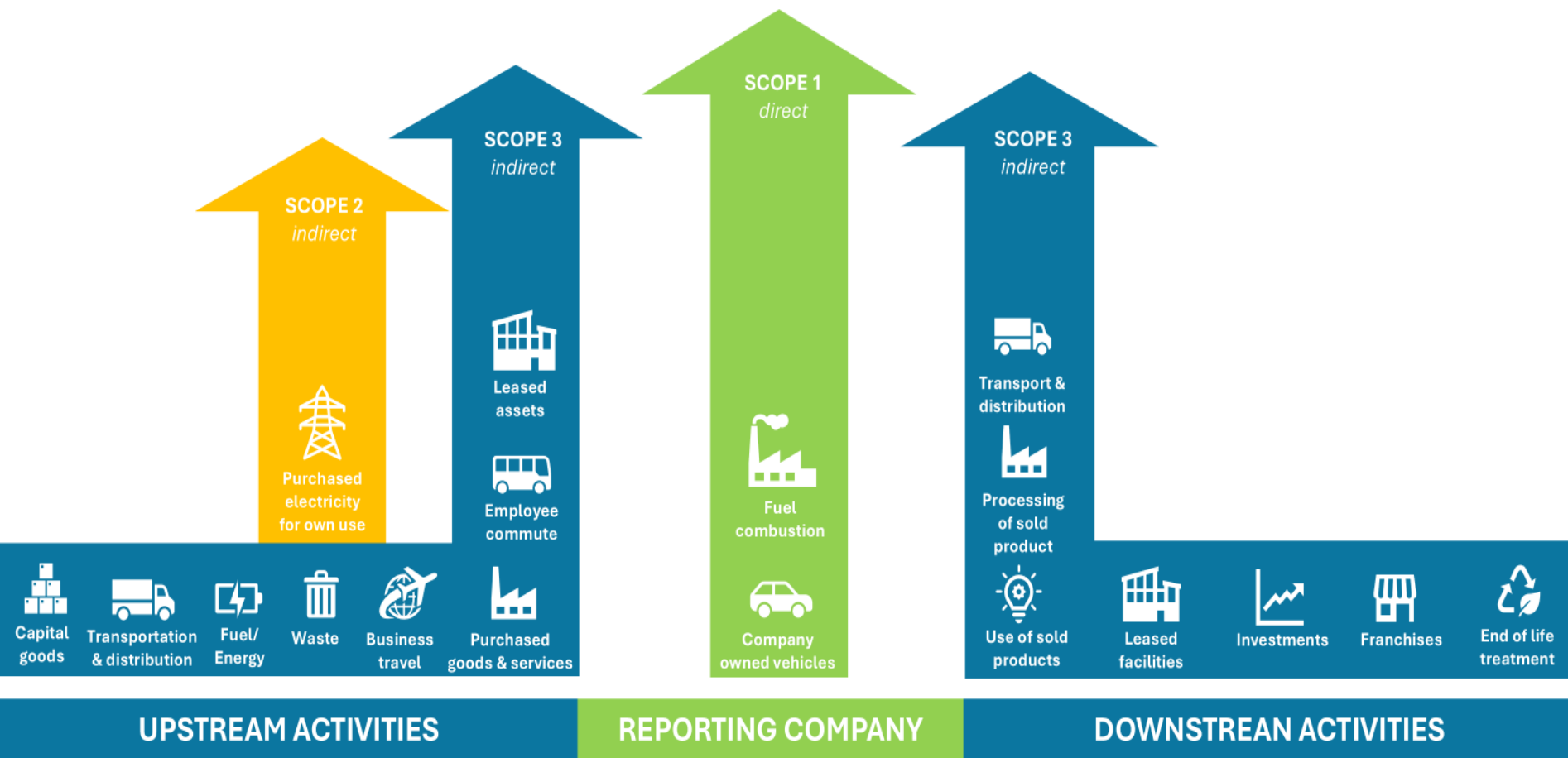
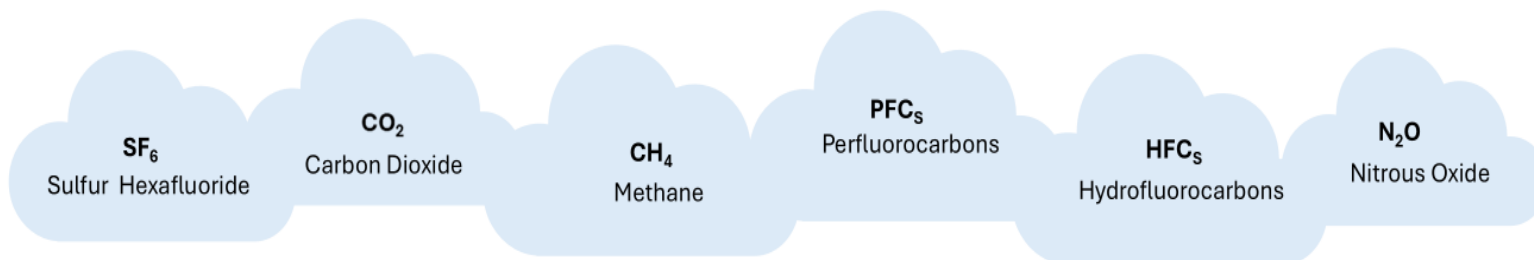
- ✓ Production of green energy
- ✓ Certificate for the purchase of green energy
- ✓ Promotion of organized employee transport
- ✓ Phasing out petrol fuel vehicles.

Arexim Engineering's total GHG emissions for 2024 were estimated at 37 251 tCO<sub>2</sub>, respectively (using the location-based method), and 33 497 tCO<sub>2</sub>, using the market-based method.

The scope 1 emissions has increased from 141 tCO<sub>2</sub> in 2023 to 146 tCO<sub>2</sub> in 2024 due to emissions resulting from the use of refrigerants as refrigerants were added to existing systems and new system was installed.

Moreover, scope 2 emissions witnessed a significant decrease in 2024. Using the market-based method, which takes into account the renewable energy used, our **scope 2 emissions dropped from 3 290 tCO<sub>2</sub> in 2023 to 0 tCO<sub>2</sub> in 2024.**





	2023	2024
<b>Scope 1</b>	<b>141 tCO<sub>2</sub></b>	<b>146 tCO<sub>2</sub></b>
<b>Scope 2</b>	<b>3 290 tCO<sub>2</sub></b>	<b>3 754 tCO<sub>2</sub></b>
<i>location-based</i>		
	<b>5 729 tCO<sub>2</sub></b>	<b>0 tCO<sub>2</sub></b>
<i>market-based</i>		
<b>Scope 3</b>	<b>31 585 tCO<sub>2</sub></b>	<b>33 352 tCO<sub>2</sub></b>

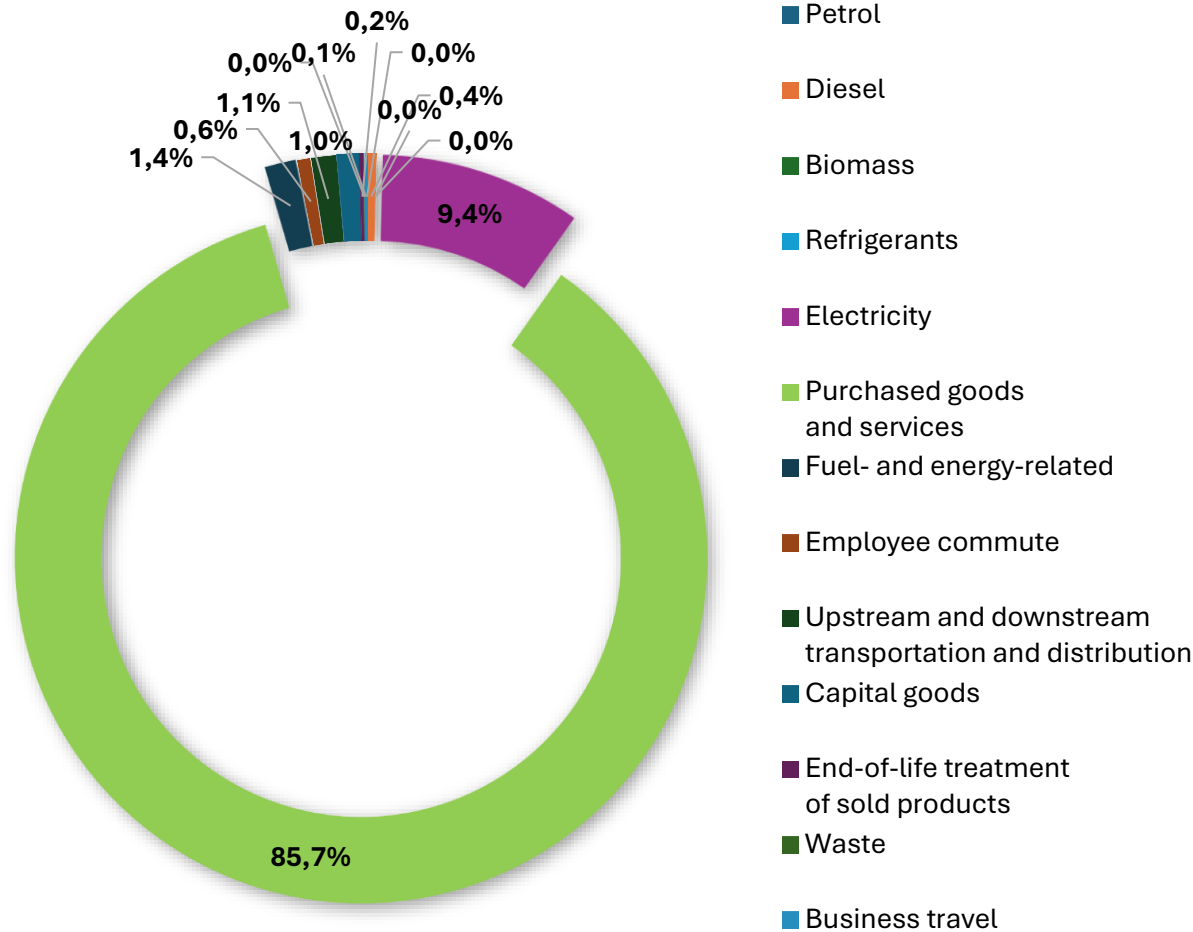
This positive change is result of production of green energy through own photovoltaic solar park, which now covers approximately **11.46%** of our electricity needs, as well as purchasing of additional renewable energy. In total, **electricity from renewable sources now covers approximately 100% of the company's electricity needs.**

In 2024, **scope 3** emissions totalled 33 352 tCO<sub>2</sub>, while in 2023, they amounted to 31 585 tCO<sub>2</sub>. The primary reason for this difference lies in the increase of emissions within the scope 3.1 category “Purchased goods and services” and 3.2 “Upstream and downstream transportation”, i.e. production capacity increase.

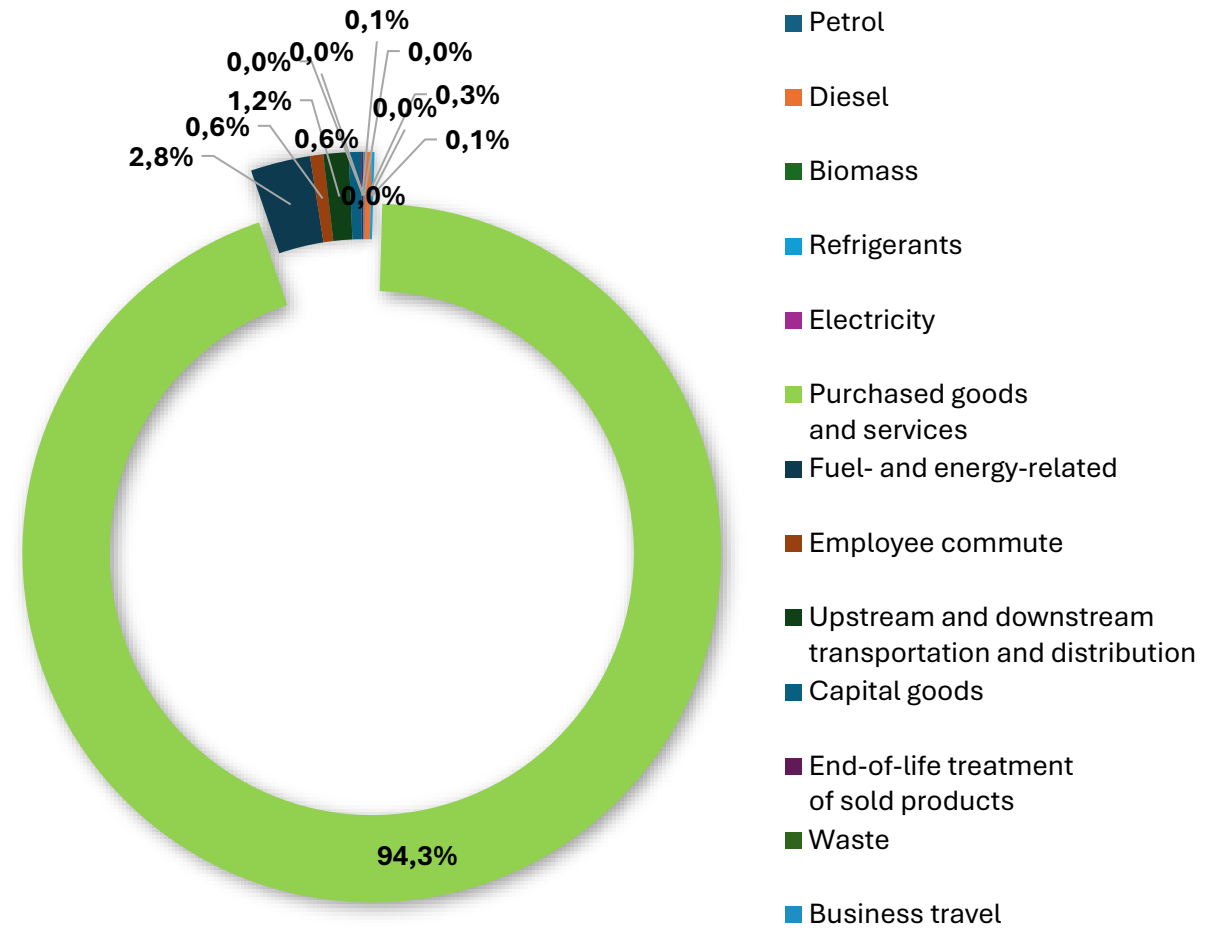


The scope 3.1 category “Purchased goods and services” is the dominant source of GHG emissions, accounting for 85,7% of all emissions in 2023 and 94,3 % in 2024. This outcome aligns with the company’s business activities, where a significant portion of emissions arises from plastic material purchases.

GHG emissions per source (%) in 2023  
(market-based method)



GHG emissions per source (%) in 2024  
(market-based method)



## PCF tool

As a part of our decarbonization strategy, **since 2024** we start to calculate the carbon footprint associated with **any product** manufactured by Arexim Engineering, through an **Excel-based product carbon footprint (PCF)** tool. Employing a cradle-to-gate approach, the tool accounts for every stage of a product's lifecycle up to the point when it leaves the manufacturing facility. This innovative tool enhances transparency, allowing Arexim Engineering to provide **essential environmental impact information** to customers. By understanding the carbon footprint, customers can make informed decisions and consider sustainable alternatives. Beyond individual products, the tool can also provide insights into the **entire supply chain**, enabling collaboration with suppliers to minimize carbon emissions.

In order to decrease our overall GHG emissions, we have started to implement a number of decarbonization measures, including:

**01** Purchasing materials and products with a guaranteed origin and a lower carbon footprint, when possible.

**02** Partnering with transportation companies which use low emission vehicles.

**03** Optimizing the transport routes.  
*When determining the delivery routes in cooperation with our customers we analyze which is the most optimal route which can be used in order to minimize fuel consumption. Fuel consumption by own delivery vehicles is tracked.*

**04** Optimizing the loads of the transport trucks so that their maximum capacity is used.  
*We strive to use efficiently cargo space in our delivery vehicles in both directions (Arexim ↔ Customer).*

**05** Avoiding empty runs of transport vehicles.





# 04

## CARE FOR PEOPLE

Our people are the core driver of our success. Their growth and inspiration are the main priority of the leadership team, and we persistently update and adapt our performance practices to answer our employees needs and increase their satisfaction.



## Employee engagement and development

### Topic highlights:

- ✓ Employee attraction and retention
- ✓ Employee training
- ✓ Adequate wages and additional benefits
- ✓ Development programmes
- ✓ Career opportunities within the company
- ✓ Tracking and increasing employee satisfaction
- ✓ Regular employee performance meetings
- ✓ Corporate culture and values
- ✓ Employer branding
- ✓ 2024 targets status

Our people are our most valued capital. Their skills, knowledge, and expertise are crucial assets that drive the innovation and success of Arexim Engineering. Their dedication and hard work contribute directly to the prosperity and sustainability of the business. Their creativity and collective efforts make them an invaluable resource, shaping the foundation for our success and competitive edge in the market.

Arexim Engineering is committed to employee growth and organizational excellence. To achieve them our company has outlined some key priorities aiming at fostering a thriving and dynamic workforce. Building a corporate culture around family values and supporting a team of dedicated specialists is the mission of our HR team. As a responsible employer, we aim to lead the local labor market and contribute to the community prosperity.

Our values include:

**01. Focus on people:** Developing a strong team of experts with a collective spirit.

**02. Security:** Providing equal opportunities for development and ensuring secure payment.

**03. Sustainability:** Maintaining a constant drive for development and improvement through investment in our people. This aligns with our broader goals of fostering a workplace where sustainability and future growth go hand in hand.

By focusing on these three core values, we aim to create a thriving organization that respects the needs of individuals, upholds high standards of safety, and contributes positively to the world around us.





” At Arexim Engineering, we prioritize employee engagement as a key driver of long-term success and growth. By fostering a supportive work environment focused on professional development, open communication, and collaboration, we invest in training, competitive conditions, and employee involvement. We continuously enhance motivation and productivity through satisfaction surveys and are committed to further improving development programs, career advancement opportunities, and employee benefits with initiatives like internal mentoring.

**Radoslav Manev – HR Manager**

At Arexim Engineering, we firmly believe that effective employee retention is fundamentally rooted in a comprehensive and structured introduction process. By providing new employees with the necessary knowledge, context, and support from the outset, we establish a strong foundation for their long-term integration, performance, and commitment to the organization.

To support this approach, we implement an internal requirement to update, all introduction training plans to be reviewed and updated annually by the end of August.

In 2024, all introductory training plans were successfully updated. New employees now receive training aligned with the most current company policies. These enhancements reflect our commitment to building a work environment that attracts top talent and fosters their growth from the very start of their journey with us.

Introduction training cover the following topic:





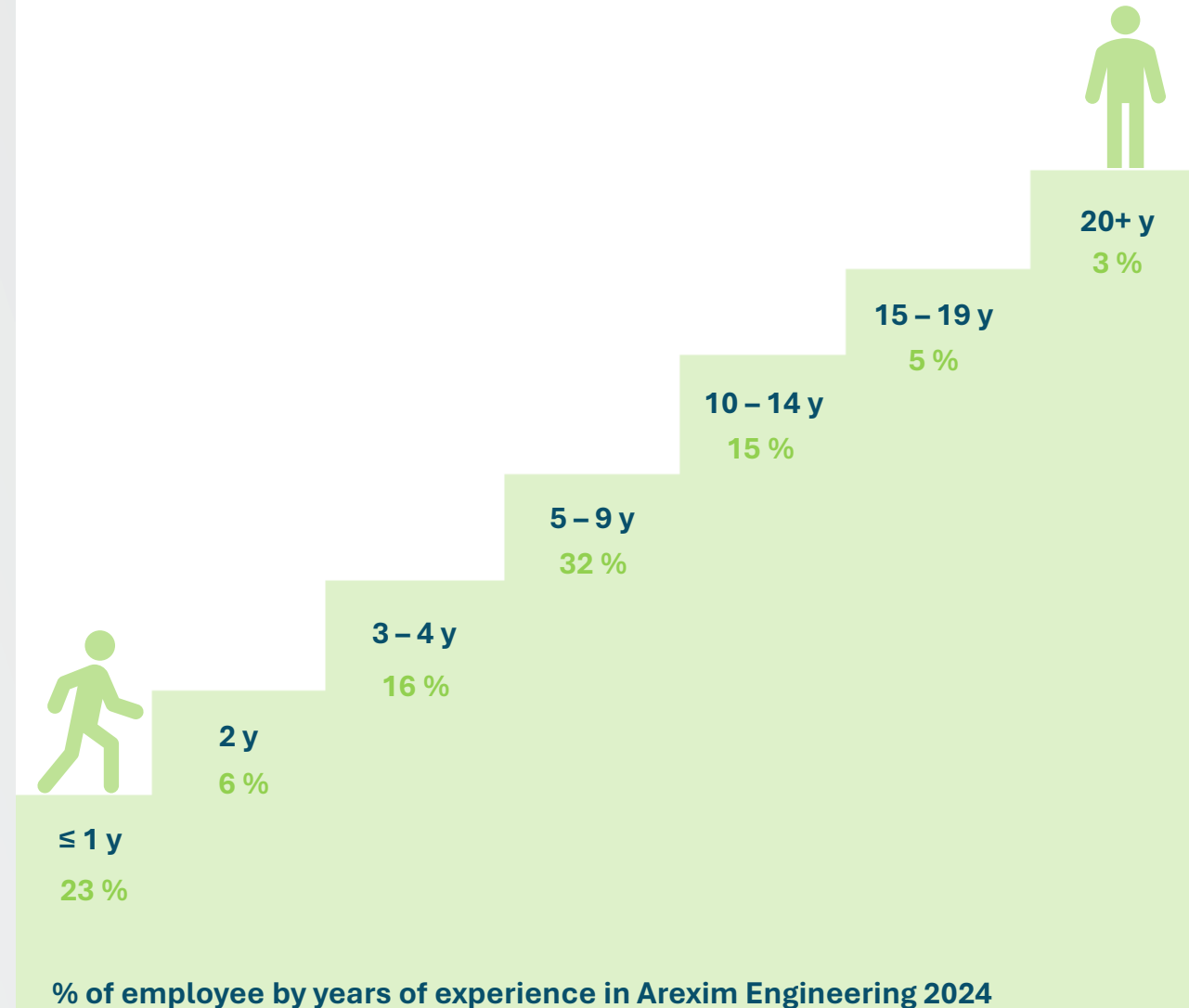
## Retention through development

First and foremost, we recognize the paramount importance of retaining and developing talent in the company, the town of Smolyan, and the whole Smolyan region. We meet this demand through **investing in the education of our employees and creating career opportunities for them**. One of the examples on this front is that in the last decade we have funded scholarships for 42 people and 25 of them still work at Arexim Engineering which is a positive confirmation for our dedication.

In terms of training and building qualifications, we prioritize long-term development through employee assessments. We use the latter to determine and then address the growth requirements of qualifications. A specialized system has been built to monitor the qualification period of all employees. This guarantees the timely organization of trainings and a suitable positioning for everyone as per our qualification's matrix. We review and adapt the process regularly, and it is also available in our Employee Motivation Policy.

Another confirmation that our efforts are recognized by our employees is the fact that at the end of 2024 almost **55%** of our staff had worked in our company for **5+ years**. We are also proud that **22** people (**just over 3%**) have been Arexim Engineering employees for more than 20 years.

Our approach ensures that employees are continually supported in their professional development, aligning with both their personal goals and the company's objectives. This focus on growth and recognition fosters a dedicated and experienced workforce.





## Expanding hiring practices and reach

To keep people, you need to hire them first. Recognizing the fast-changing environment and the specificities of the region and the different generations we have updated our recruitment strategy in the last 2 years. It involves a multi-faceted approach:



engaging with employees on-site and expanding outreach in the whole region, including local communities like Rudozem, Madan, Devin, and Borino



bolstered social media and web presence



building a contact network in smaller communities and actively participating in career fairs

We also reviewed and improved our interview process focusing on identifying and leveraging the strengths of candidates, ensuring a comprehensive understanding of their motivations and switching the scenery by conducting interviews outside the plant.

In 2024 our hire rate decreased by **4%** reaching almost **22%**. In total we hired **165** people, marking decrease from 184 in 2024. The majority of our new hires are from the Smolyan region, contributing to job provision throughout the area.

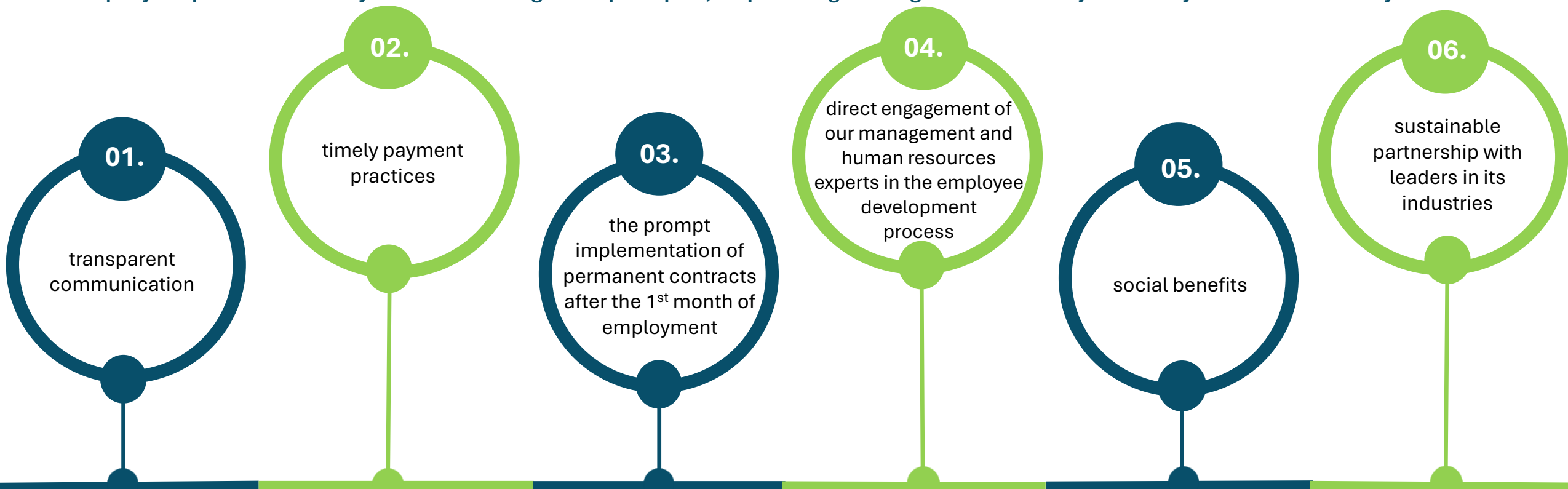
**A balanced workforce of 54% men and 46% women reflects our job crafting vigor and labor suitability for all.**

In 2024, with the support of local labor mediators, **25 people** successfully started to work at Arexim Engineering. **Notably, 9 of these people belong to vulnerable groups, including persons over 50 years old, long-term unemployed, and young people.** This achievement highlights the Arexim Engineering's commitment to fostering inclusivity and offering employment opportunities to those who face greater barriers to accessing the job market.



## Job security at the core of work

Our company's reputation is closely tied to our management principles, emphasizing a strong commitment to job security which we achieve by:



**We are aware that employee satisfaction is a fundamental factor for the long-term successful personnel retention. We conduct regular surveys to understand our staff's opinions, attitudes, and engagement at the workplace, enabling us to and create effective motivation programs for them.** These surveys are conducted every two years as part of our overarching company strategy to reflect real change and support accurate tracking of needs.

**From investing in education and professional development to meticulous talent acquisition and a comprehensive approach to training, our dedication is evident, positioning us for both individual and collective success in the broader business landscape.**



## Employer branding



In 2024, our primary focus was on clearly defining our company culture and enhancing our employee branding efforts. We concentrated on creating a strong cultural foundation and strengthening the way we present and communicate our values to both current and prospective employees. We launched our first Sustainability Report, clearly outlining our Mission, Vision, Values, and Culture, and held discussions with management to align on these principles. We also improved our digital presence through jobs.bg, our website, and social media. Additionally, the HR team defined their own mission and values to further support employees.

Employee engagement was key this year. We organized Earth Day tree planting, a team-building event, and special campaigns for March 1 Baba Marta and March 8 World Women Day. A company newsletter kept employees informed, and weekly meetings with mid-level management focused on employer branding efforts.

Our presence in the community grew as we participated in job fairs and public events in Plovdiv, Sofia, Madan, and Smolyan. We also showcased Arexim Engineering through video interviews, workplace improvements, and media coverage on Smolyan Info, Smolyan News, Facebook, and LinkedIn.

**2024 was a year of growth, with strengthened corporate culture, and enhanced employee engagement.**



### Sustainability Goal for 2024

### Status

Reducing employee turnover to 20%

Achieved: 21.73 %



## Ensuring health and safety at workplace

### Topic highlights:

- ✓ Health and safety trainings and briefings
- ✓ Regular monitoring
- ✓ Accidents
- ✓ Measures to reduce accidents
- ✓ Health and safety improvements

Prevention and elimination of any harm to our employees is the primary goal of Arexim Engineering in order to ensure safe and healthy working environment.

Arexim Engineering's activities are carried out in full compliance with the national health and safety legislation. In addition, we have developed even stricter internal corporate standards, rules, and procedures, which can be found in our Occupational Health and Safety Policy.

We regularly evaluate our safety processes and performance metrics to identify areas for improvement. Through routine audits, inspections, and incident investigations, we strive to learn from past experiences and implement measures to prevent future incidents. Additionally, we benchmark our performance against industry standards and best practices to ensure that we remain at the forefront of safety excellence.

One of the steps that we have taken in this area is **regular employee training** intended to raise the overall risk awareness and inform about existing requirements and measures. Through our comprehensive safety training programs, employees update their knowledge on various topics, including hazard recognition, emergency response procedures, and the proper use of personal protective equipment.

In addition to regular trainings, periodic employee briefings are also conducted in order to maintain a high level of awareness about the latest safety regulations and keep the culture of risk prevention. The frequency of those briefings is tailored to the specific risks related to each role. Risk assessments for every position are regularly updated. Appropriate work clothing and personal protective equipment is also provided according to the position of every employee.



”

Arexim Engineering is committed to bringing the company's corporate H&S culture to a level where our employees and contractors fully realize the personal responsibility which each of them carries with regards to eliminating or minimizing the risk of occurring occupational accidents.

**Zlatina Deneva – OHS Officer**

**In 2024 there were no fatalities as a result of work-related injuries and no high-consequence work-related injuries.** In 2024, there were two work-related injury which, after investigation, turned out to be resulting from non-compliance with the requirements for performing that specific role and not from a technical malfunction.

To eliminate or minimize the risk of occurrence of accidents we ensure the processes with the following measures:

- 1. Fire and emergency safety:** The premises of Arexim Engineering are equipped with 120 fire extinguishers from various types. Their condition is checked monthly by our H&S officer.
- 2. Emergency preparedness:** A not so popular practice that we have implemented, and we are very proud of is the formation of an internal group of volunteer employees who are specially trained by the local firefighters to act in the event of a fire emergency. This volunteer group consists of employees from every Arexim Engineering department which is covering all working shifts so that the risks from fire incidents are minimized on the territory of the whole company.
- 3. Technical inspections:** Conducting regular inspections of high-risk devices is essential for maintaining a safe work environment. By systematically checking these devices, potential hazards can be identified and addressed before they lead to accidents or injuries. This proactive measure helps ensure the health and safety of employees, reduces downtime, and complies with safety regulations, ultimately fostering a safer and more productive workplace.
- 3. First aid:** Implementing an organized first aid program is a critical measure to ensure employee health and safety. By providing trained first aid responders, well-stocked first aid kits, and clear emergency procedures, the organization can quickly address injuries or medical emergencies, minimize harm and promote a swift recovery. This proactive approach enhances workplace safety, reduces the risk of severe health issues, and demonstrates a commitment to employee well-being.
- 4. Continuous improvement:** By regularly evaluating and refining safety protocols, identifying potential hazards, and incorporating employee feedback, the organization can create a dynamic and evolving safety culture. This ongoing commitment helps prevent accidents, enhances safety practices, and fosters a safer workplace environment for all employees.





## Health and safety culture

According to our health and safety policy, all process owners are engaged to improve the health and safety conditions at the workplace whenever possible. During 2024 several improvement measures were implemented.

01

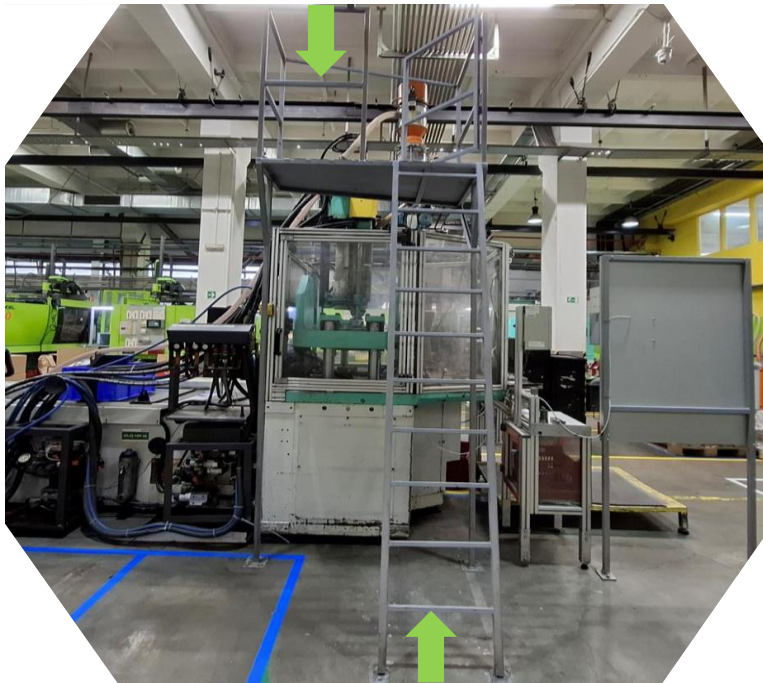
*Installation of new or replacement of lighting fixtures located at the workplaces in the production premises.*



This improvement will help reduce eye strain, increase visibility, and promote overall productivity by providing adequate and uniform lighting for employees in the production area.

02

*Installation of platform and ladder to provide safe access to molding machine 94 during working at elevated heights.*



This improvement minimizes the risk of accidents and supports safe working practices by offering a stable and secure means of reaching the machines with dangerous zone.

03

*Installation of protectors at the base of a tool and material storage rack, positioned in tool maintenance and printing area.*



This improvement enhances workplace safety by preventing accidents caused by rack instability and prolonging the life of storage equipment.



8 DECENT WORK AND ECONOMIC GROWTH



11 SUSTAINABLE CITIES AND COMMUNITIES



## Supporting local prosperity and communities

### Topic highlights:

- ✓ Dual education program
- ✓ Robotics programme for children
- ✓ Sports clubs sponsorship
- ✓ Donations and initiatives

This topic shows the targeted **efforts of Arexim Engineering to improve the quality of life in the Smolyan region and to support the local communities.** It also includes the role of the company in the strategic development of the region in terms of employment and development opportunities for local businesses. In addition, the topic covers various local initiatives, investments, and the dissemination of good practices in the whole region (e.g. supporting children in various sports disciplines).

Although the depopulation of the region is obvious, we believe that social stability and economic resilience can be established by fostering positive relationships with the local stakeholders and cultivating a sense of partnership through community engagement.

**We are dedicated to create a supportive business environment and to actively participate in the community development by building local growth projects and donating to different local initiatives.**

Reflecting on the difficulties of the region and its economic decline, our company has directed efforts mainly towards improving the environment particularly for children, which would potentially become a retention factor for their families to stay in Smolyan. Arexim Engineering has developed a number of initiatives supporting this goal.



## Dual program

Arexim Engineering collaborates with the Professional High School of Technology in Smolyan, supporting the Dual Education System. The students who participate in this programme are already specialized in electrical equipment and machine technology at their high school. We initiated a promotional campaign to popularize a new CNC-related programme, and we actively participate in school events. Our commitment includes financial support and practical trainings for students. In 2024 **4 students** enrolled in the programme and our goal is this number to increase in the coming years.



## Robotics programme



In period January – October 2024 we launched the second course for beginners in programming and robotics in collaboration with the “Young Inventor” educational centre. We are glad that about 120 children were interested which is a testimony that the goal to introduce children to programming, robotics, and inventions is in the right direction. It is entirely free and practical, covering software and hardware principles, electrical circuits, and programming for minicomputers. The course is held on the premises of Arexim Engineering, and we provide transportation for all children who are interested in the programme. The initiative received highly positive feedback, and we plan to develop it further into a year-round programme. We believe this is an excellent opportunity for creating a better and more engaging environment for the young talents of Smolyan.



### Sports clubs sponsorship

For many years Arexim Engineering has been sponsoring several children sports clubs in Smolyan as we believe sports are essential for the development of the young generation. Below is a list of the sport clubs which we sponsored in 2024:



Football

Basketball

Volleyball

Swimming

Karate

Tennis



### Donations to initiatives

Every year our employees participate in different donation initiatives and campaigns, including:



Yellow pennies



Caps for Future



Donations to the Union of the Disabled



Operation Teddy Bear

The amount collected by our employees for the campaign "Operation Teddy Bear" was doubled by Arexim Engineering and donated to children in need.

Additionally, Arexim Engineering supports local schools in Smolyan and Chepelare with donations.

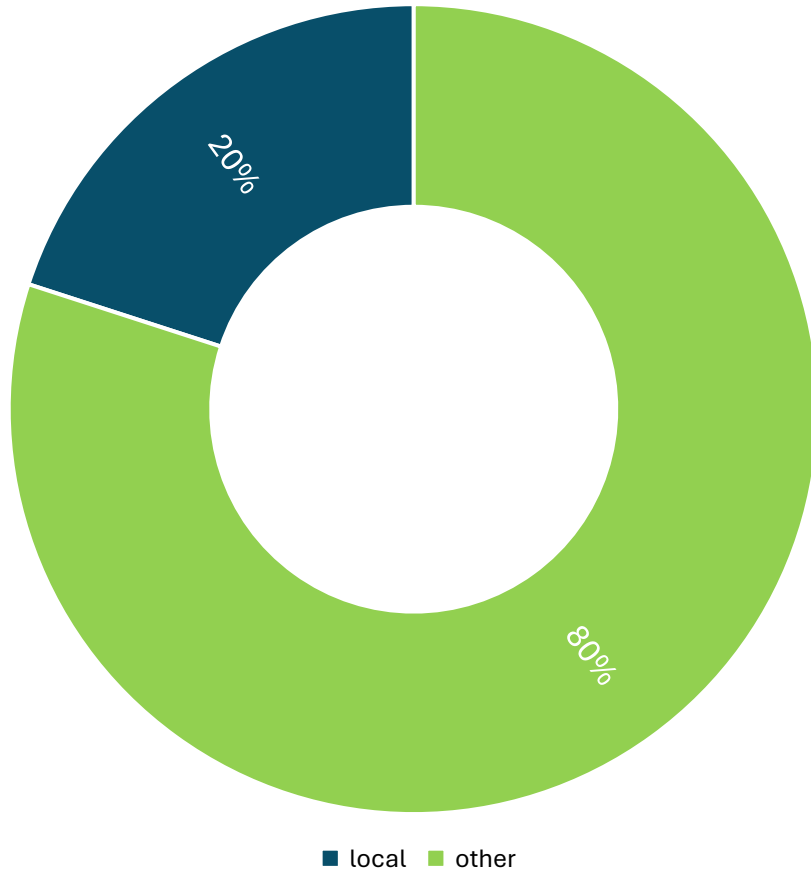


Furthermore, we are trying to stimulate the business environment in the whole region.

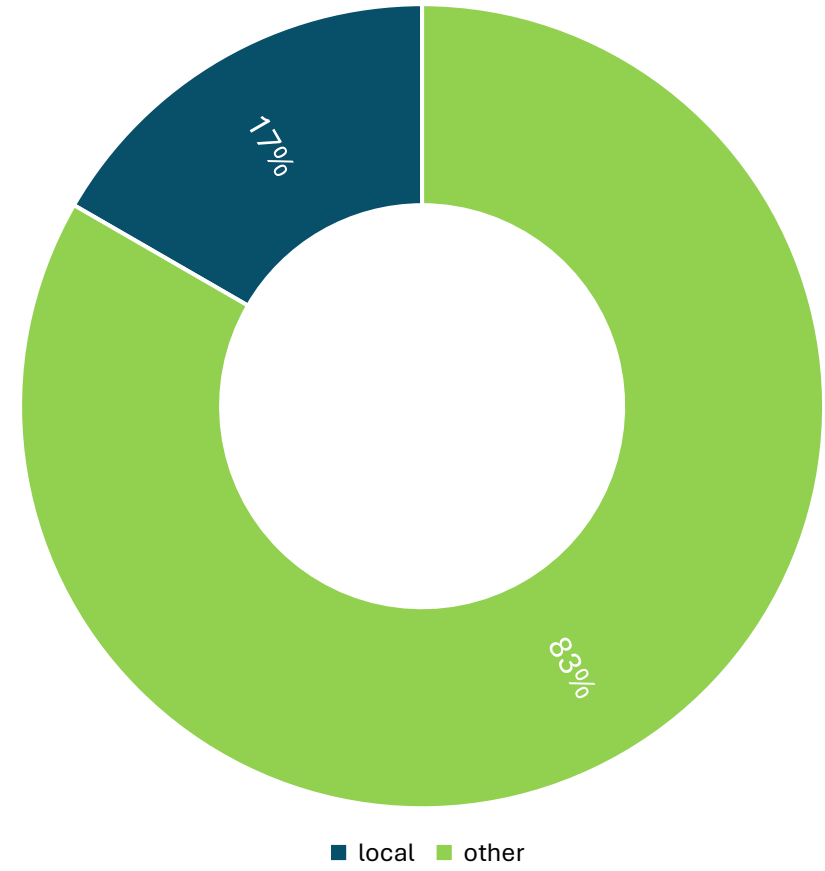
Approximately **90%** of our senior management is from the local community.

In 2024, we have decreased our spending on local suppliers compared to 2023. However, we are committed to taking proactive measures within our control to increase spending with local suppliers in the coming years.

**Percentage of the procurement budget spent on local suppliers in 2023**



**Percentage of the procurement budget spent on local suppliers in 2024**





# APPENDIX



## Appendix I: Sustainability matters assessed for materiality

Topics marked in colour have been assessed to be material.

Topic	Sub - topics	Scope of the topic for Arexim
<b>Product quality</b>	<ul style="list-style-type: none"> <li>✓ ensuring the products are in conformity with the customers` requirements</li> <li>✓ QMS (quality management system) certification</li> <li>✓ product monitoring and quality control</li> </ul>	<p>The topic covers complying with industry and customer specific product quality requirements, going above the minimum legal requirements and using best practices, creating and following quality management processes. Maintaining product certifications and labels that enable and facilitate the production, distribution and use of products.</p>
<b>Customer partnerships</b>	<ul style="list-style-type: none"> <li>✓ importance of building long-term relationships with the customers</li> <li>✓ building trust with every customer</li> <li>✓ tracking customer satisfaction</li> <li>✓ mechanisms for submitting feedback and complaints</li> <li>✓ partnerships</li> <li>✓ customer loyalty</li> <li>✓ retention strategies</li> </ul>	<p>Achieving a high degree of trust and customer satisfaction by striving for solutions according to the customers' needs and goals; regulatory compliance, reporting platforms, incl. in terms of sustainability; timely and comprehensive information/ communication with the customer. Development of long-term relationships.</p>
<b>Technology and innovation</b>	<ul style="list-style-type: none"> <li>✓ use of production technologies with lower environmental impacts (incl. environmental, cost-saving, etc.)</li> <li>✓ introducing up-to-date methods, technologies, materials</li> <li>✓ R&amp;D</li> <li>✓ discussing product specifics with the customer</li> </ul>	<p>The topic is related to technological progress, digitalization and innovation in the entire process from ordering, design, engineering, production to transportation and communication with the customer during the use of the final product. Innovative products and practices in daily activities. Investments in R&amp;D, development of new solutions, creation and marketing of new products, discussing possible product improvements with customers.</p>



Topic	Sub - topics	Scope of the topic for Arexim
<b>Continuous improvement</b>	<ul style="list-style-type: none"> <li>✓ operational efficiency</li> <li>✓ constant monitoring and optimization of processes</li> <li>✓ constant research and implementation of updates and technological improvements</li> <li>✓ following good practices, laws and regulations in the industry and being up-to-date</li> </ul>	<p>Striving for continuous improvements in terms of internal processes and management. Tracking good practices, current laws and regulations in the industry, new trends, possible technological improvements. Implementation of up-to-date solutions and optimizations. Improving the level of automatization. Constantly increasing the knowledge of the employees and improving systems.</p>
<b>Supporting local prosperity and communities</b>	<ul style="list-style-type: none"> <li>✓ developing the region as an attractive workplace</li> <li>✓ attracting young workforce back to the region</li> <li>✓ initiatives, volunteering programmes, donations to the local communities</li> <li>✓ stakeholder dialogue (local authorities, NGOs, etc.)</li> </ul>	<p>Targeted efforts to improve the quality of life in the region, supporting local communities. The topic includes the role of the company in the strategic development of the region in terms of employment and development opportunities for local businesses. In addition, the topic covers various local initiatives, investments and the dissemination of good practices in the whole region (e.g. supporting children in various sports disciplines).</p>
<b>Economic performance</b>	<ul style="list-style-type: none"> <li>✓ Tax contribution</li> <li>✓ Employment (direct and indirect)</li> <li>✓ Social prosperity</li> <li>✓ Business growth</li> </ul>	<p>Financial stability of the company and contribution to the local economy, despite global shocks/instabilities (e.g. Covid, inflation, etc.). Expanding the professional network, creating direct and indirect jobs. Taxes and social securities paid, business growth.</p> <p>The total economic value generated by the company in the value chain - both the direct impacts of the company's own activity and the indirect and induced economic impacts that result from relationships with suppliers, employees, customers and other partners.</p>



Topic	Sub - topics	Scope of the topic for Arexim
<b>Business Integrity</b>	<ul style="list-style-type: none"> <li>✓ Code of Conduct</li> <li>✓ doing business in an ethical way</li> <li>✓ anti-corruption, anti-bribery policy</li> <li>✓ risk management</li> <li>✓ good governance practices</li> <li>✓ transparency &amp; reporting</li> <li>✓ legal compliance</li> </ul>	<p>Principles and values that determine actions within the company. The scope of the topic includes making business decisions that are fair, transparent, ethical and beneficial to all parties concerned, as well as risk management. Compliance with all regulatory mechanisms, including anti-corruption, anti-bribery and full transparency. The anti-corruption sub-topic includes the prevention of operations such as bribery, expedited payments, fraud, extortion, collusion and money laundering.</p>
<b>Security and privacy</b>	<ul style="list-style-type: none"> <li>✓ privacy and protection of personal data (GDPR)</li> <li>✓ data management</li> <li>✓ software solutions</li> <li>✓ cybersecurity and trainings</li> </ul>	<p>Prevent third-party data loss and privacy breaches. Compliance with existing laws, regulations and/or other voluntary data protection standards, including those related to privacy. The management of this topic is aimed at protecting the personal data of all counterparties, their lawful and conscientious storage, as well as the prevention of unauthorized access, use, interruption, modification or destruction of the data.</p>
<b>Waste, materials and circularity</b>	<ul style="list-style-type: none"> <li>✓ efficient use of materials</li> <li>✓ efficient disposal/use of plastic waste from the production (e.g. reuse, recycling)</li> <li>✓ reduced usage and reuse of packaging</li> <li>✓ types of waste and types of disposal</li> <li>✓ packaging materials from local suppliers</li> <li>✓ regranulating installation</li> <li>✓ industrial symbiosis</li> </ul>	<p>The topic covers reduction and utilization of the generated waste (incl. in the raw materials procurement phase), as well as of residual materials and scrap products with the aim of reducing landfilling (e.g. regranulation of scrap materials with a specialized installation). The topic also looks at the possibilities of using recycled plastic in products, savings from recycled packaging, sourcing from local suppliers.</p>



Topic	Sub - topics	Scope of the topic for Arexim
<b>Climate change and decarbonization</b>	<ul style="list-style-type: none"> <li>✓ GHG emissions inventory (of the company, of main products)</li> <li>✓ energy efficiency and decarbonization measures implemented</li> <li>✓ climate change mitigation and adaptation measures</li> <li>✓ renewable energy produced/used</li> </ul>	<p>Managing the impacts, risks and opportunities associated with the transition to a low-carbon strategy and economy. Managing energy efficiency and the company's dependence on different types of energy, as well as ensuring access to alternative energy sources (e.g. solar panels). Calculation of the emissions deriving from the company's activities and measures to reduce them, as well as climate adaptation measures. Transport and logistics adapted to the geographical features of the region (e.g. heavy snowfall).</p>
<b>Water resources</b>	<ul style="list-style-type: none"> <li>✓ tracking and reducing the use of water</li> <li>✓ water withdrawals</li> <li>✓ water discharges</li> </ul>	<p>The availability and good quality of water is essential for human health, social and economic development and the whole ecosystem. Water must be carefully managed during each stage of the water cycle.</p> <p>The topic includes the types of water sources from which water is procured, the consumption of water during the production cycle, reuse of water, implementation of monitoring systems for water use or losses, as well as treatment and discharge after use.</p>
<b>Biodiversity and ecosystems</b>	<ul style="list-style-type: none"> <li>✓ habitat degradation</li> <li>✓ land-use change</li> <li>✓ endangered species/ national parks nearby</li> <li>✓ initiatives to preserve the biodiversity in the region or increase awareness</li> </ul>	<p>Biodiversity includes ecosystems, biological species in ecosystems and genetic diversity. The topic covers reducing impacts on biodiversity such as changes to the landscape, encroachment on wildlife habitats, land adaptation activities resulting from the expansion of the enterprise and the work carried out on it. The topic also includes various initiatives that the company undertakes in order to protect biodiversity in the region and raise awareness among stakeholders.</p>



Topic	Sub - topics	Scope of the topic for Arexim
<b>Air quality</b>	<ul style="list-style-type: none"> <li>✓ sources of air pollution and how it is managed (non-GHG emissions)</li> <li>✓ prevention of air pollution (e.g. fine particulate matter)</li> </ul>	<p>Air pollution refers to the presence of harmful substances in the air, such as particulate matter, ozone, nitrogen oxides and sulfur dioxide. The topic includes the prevention air pollution, for instance fine dust particles released from production into the atmosphere.</p>
<b>Ensuring health and safety at the workplace</b>	<ul style="list-style-type: none"> <li>✓ trainings for health and safety for every employee</li> <li>✓ appropriate clothing and equipment provided</li> <li>✓ regular monitoring</li> <li>✓ tracking of incidents</li> <li>✓ measures to reduce incidents</li> </ul>	<p>Workplace safety encompasses protection from situations and factors that pose a risk of harm. The scope of the topic includes avoiding, preventing and limiting incidents. It may also include cases of specific production needs that require adaptation of the work environment and optimization of the work processes to a specific project. Regular assessment of all risks to which employees may be exposed, updating and implementing preventive and protective measures.</p>
<b>Employee engagement and development</b>	<ul style="list-style-type: none"> <li>✓ employee trainings (introductory, regular)</li> <li>✓ employee's attraction and retention</li> <li>✓ adequate wages</li> <li>✓ working times, shifts</li> <li>✓ development programmes</li> <li>✓ career opportunities within the company</li> <li>✓ tracking and increasing employee satisfaction</li> <li>✓ regular employee performance meetings</li> <li>✓ corporate culture and values</li> </ul>	<p>Employee development and engagement includes multiple aspects - hiring, retention, reducing turnover, conducting trainings, creating opportunities for additional professional development and career opportunities within the company, fair pay, working hours and shifts, as well as a developed employee satisfaction tracking system. Additionally, the corporate culture and values have an impact on the employees' well-being. It may also involve protecting and maintaining employees' levels of physical and mental health, additional benefits that meet the needs of the sector and increase the employee satisfaction, such as financing/providing transportation to and from the workplace.</p>



Topic	Sub - topics	Scope of the topic for Arexim
<b>Human rights</b>	<ul style="list-style-type: none"> <li>✓ ensuring human rights within both the company and its supply chain</li> <li>✓ diversity and inclusion</li> <li>✓ equal opportunities</li> <li>✓ no child labour</li> <li>✓ no modern slavery</li> </ul>	<p>The topic covers respecting human rights, according to the Universal Declaration of Human Rights, as well as the terms of employment contracts and the Labor Code. This affects both the company's own employees and the company's expectations of partners and suppliers for compliance with certain social practices. Good examples include practices and policies with criteria promoting inclusion, equality, a culture of open dialogue and equal opportunities, as well as the absence of child labor and modern forms of slavery.</p>
<b>Promoting sustainable practices along the supply chain</b>	<ul style="list-style-type: none"> <li>✓ following clear and transparent criteria/requirements when selecting suppliers and partners (incl. environmental, social, ethical)</li> <li>✓ monitoring to verify requirements are satisfied?</li> </ul>	<p>The topic includes the company's relationships with its suppliers and practices related to pricing, product quality, and other requirements (including environmental, social, ethical) to suppliers and partners. A good example is including supplier selection criteria, such as social responsibility, adequate pay, reduction of carbon emissions, etc. The topic also covers tracking environmental and social aspects of the supply chain and incorporating recommendations for supplier performance.</p>

## Appendix II: List of participants in the materiality workshop

- Chief Financial Officer (representative of the Board of Directors)
- Legal Officer (representative of the Board of Directors)
- Chief Operational Officer
- Project Management and Funding Programmes
- Continuous Improvement Manager
- Head of Quality Department
- Head of Projects Department
- Head of R&D
- Head of Suppliers Management
- Quality Assurance Manager
- Manager of Plastic Production, Printing, Installation, Product Finishing
- Technical Manager
- Chief Machine Maintenance Engineer
- Head of Process Technology Department
- Head of Logistics Department
- Head of Tool Production
- Head of Equipment Maintenance and Repair Department
- Head of Human Resources Department
- Facility Manager (process owner: Environment, Safety, Infrastructure)
- Ecology, Environment and Research Expert
- Logistics, Reporting and Waste Management Expert
- Head of Information and Communication Technologies
- Head of Data Management in Informational Systems
- Head of SAP System



## Appendix III: Key Performance Indicators (KPI)

### Emissions

GHG Emissions	Unit	2023	2024
Gross Scope 1	tCO <sub>2</sub> e	141	161
Gross Scope 2 (location-based)	tCO <sub>2</sub> e	5 729	3 754
Gross Scope 2 (market-based)	tCO <sub>2</sub> e	3 290	0
Gross Scope 3	tCO <sub>2</sub> e	31 585	33 352
Gross Total (location-based)	tCO <sub>2</sub> e	37 455	37 267
Gross Total (market based)	tCO <sub>2</sub> e	35 016	33 512
Emissions Intensity Ratio	Unit	2023	2024
Total GHG emissions (location-based)/ tons of sold products	t CO2e/t	9.90	10.08
Total GHG emissions (market-based)/ tons of sold products	t CO2e/t	9.26	9.06
Total GHG emissions (location-based)/ annual revenue	t CO2e/EUR	1.05	0.92
Total GHG emissions (market-based)/ annual revenue	t CO2e/EUR	0.98	0.68

### Energy

Fuel Consumption from non-renewable sources	Unit	2023	2024
Diesel	litres	53 201	40 624
Gasoline/Petrol	litres	0	4 695
Total	litres	53 201	45 319
Energy Consumption	Unit	2023	2024
Electricity Consumption	kWh	11 229 811	11 461 807
Electricity consumption (own production: PV)	kWh	1 513 240	1 483 811
Total	kWh	12 743 128	12 945 618
Energy Intensity Ratio	Unit	2023	2024
Energy consumption/ net revenue	GJ/M BGN	0	0

## Waste

Waste	Unit	2023	2024
Non-hazardous waste	t	802.95	840.61
Hazardous waste	t	2.63	1.21
Total	t	805.58	841.82
Waste diverted from disposal	Unit	2023	2024
12 01 01 Sawdust, shavings and scraps of ferrous metals	t	20.43	59.51
12 01 03 Sawdust, shavings and scraps of non-ferrous metals	t	2.27	1.40
12 01 05 Sawdust, shavings and scraps from plastics	t	361.99	424.47
13 01 10* Non-chlorinated mineral based hydraulic oils	t	0.00	0.00
15 01 01 - Paper and cardboard packaging	t	111.19	74.48
15 01 02 Plastic waste	t	18.93	26.71
16 11 06 Waste graphite blocks	t	0.00	1.015
Total weight of waste diverted from disposal	t	514.81	587.60
Hazardous waste diverted from disposal	Unit	2023	2024
Recycling (onsite)	t	0.00	0.00
Recycling (offsite)	t	0.88	0.00

Total weight of hazardous waste diverted from disposal	t	0.88	0.00
Non - hazardous waste diverted from disposal	Unit	2023	2024
Preparation for reuse (onsite)	t	361.99	424.47
Preparation for reuse (offsite)	t	0.00	0.00
Recycling (onsite)	t	0.00	0.00
Recycling (offsite)	t	152.82	163.13
Total weight of non-hazardous waste diverted from disposal	t	514.81	587.60
Waste directed to disposal	Unit	2023	2024
Total weight of hazardous waste directed to disposal	t	2.63	1.21
Total weight of non-hazardous waste directed to disposal	t	288.14	252.96
Total	t	290.77	254.17
Non-recycled waste	Unit	2023	2024
Total amount	t	290.77	254.17
Percentage	%	36.09	30.19



## Materials

Materials used in production and packaging	Unit	2023	2024
Total weights raw materials	t	–	4301
Recycled input materials	Unit	2023	2024
Percentage of recycled input materials (regranulate)	%	–	0.86

## Sales

Products	Unit	2023	2024
Total amount of sold products	number	482 196 484	474 119 464
Total amount of sold products	t	3 782	3 699
Total revenue	€	35 795	40 425

## Compliance with laws and regulations

Non-compliance with laws and regulations	Unit	2023	2024
Total number of significant instances of non-compliance	number	0	0
Instances for which fines were incurred	number	0	0
Instances for which non-monetary sanctions were incurred	number	0	0
Fines for instances of non-compliance that were paid	Unit	2023	2024
Total number of fines for instance of non-compliance that were paid	number	0	0
Fines that occurred in the current reporting period	number	0	0
Fines that occurred in previous reporting period	number	0	0
Monetary values of fines for instance of non-compliance that were paid	Unit	2023	2024
Total values of fines for instance of non-compliance that were paid	BGN	0	0
Fines that occurred in the current reporting period	BGN	0	0
Fines that occurred in previous reporting period	BGN	0	0



## Employment

Employee headcount	Unit	2023	2024
Total number of employees	number	712	702
Average number of employees	number	695	736
Permanent employees	number	712	712
Temporary employees	number	0	0
Non-guaranteed hours employees	number	0	0
Part-time employees	number	3	3
Full-time employee	number	709	699
Breakdown of total number of employee	Unit	2023	2024
Male	number	388	378
Female	number	325	324
New employee	Unit	2023	2024
Total number of new employee	number	184	165
Hiring rate	%	26.59	22.41
Total number of new employee hires categorized by age group	Unit	2023	2024
Under 30 years old	number	61	38
30-50 years old	number	69	83
Over 50 years old	number	54	44

Workers who are not employees	Unit	2023	2024
Total number of workers who are not employees and whose work is controlled by the organization	number	0	1
Total number of new employee hires categorized by gender	Unit	2023	2024
Male	number	105	86
Female	number	78	79
Employee who left the company	Unit	2023	2024
Total number of employee who left the company	number	149	160
Employee turnover (rate)	%	21.56	21.73
Total number of employee who left the company categorized by age group	Unit	2023	2024
Under 30 years old	number	45	43
30-50 years old	number	59	75
Over 50 years old	number	45	43
Total number of employee who left the company categorized by gender	Unit	2023	2024
Male	number	81	85
Female	number	68	75



## Employment

Collective bargaining agreement	Unit	2023	2024
Percentage of total employees covered by collective bargaining agreements	%	0	0
Annual total compensation ratio	Unit	2023	2024
Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	%	Confidentiality constraints	Confidentiality constraints
Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all Employees.	%	Confidentiality constraints	Confidentiality constraints

## Product quality

Incidents of non-compliance	Unit	2023	2024
Incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	number	0	0
Incidents of non-compliance with regulations resulting in a fine or penalty	number	0	0
Incidents of non-compliance with regulations resulting in a warning	number	0	0
Incidents of non-compliance with voluntary codes	number	0	0
Percentage of audited products according to the product audit program	%	100	95

## Management Team

Company's administrative, management and supervisory bodies	Unit	2023	2024
Executive	number	4	4
Non-executive	number	13	13
Male	number	13	13
Female	number	4	4
Independent board members	%	50	50
Proportion of variable remuneration dependent on sustainability-related targets and (or) impacts	%	Confidentiality constraints	Confidentiality constraints



## Employee Training

Training hours per employee	Unit	2023	2024
Average hours of training per year per employee	hours/employee	-	4.87
Average hours of training per year per employee, by gender:	Unit	2023	2024
Male	hours/employee	-	3.67
Female	hours/employee	-	1.20
Average hours of training per year per employee, by employee category:	Unit	2023	2024
Leading employee	hours/employee	-	0.46
Administrative	hours/employee	-	1.28
Technical	hours/employee	-	2.02
Manufacturing	hours/employee	-	1.08
Other	hours/employee	-	0.03

## Employee Assessment

Assessment of employee performance	Unit	2023	2024
Employees who received a regular performance and career development review (of the total number of employees)	%	45	32
Employees who received review categorized by gender:	Unit	2023	2024
Male	%	37	36
Female	%	63	64
Average hours of training per year per employee, by employee category:	Unit	2023	2024
Machine operator	hours/employee	64	77
Technician	hours/employee	19	17
Administrative	hours/employee	17	6



## Occupational Health And Safety

Employee work – related injuries	Unit	2023	2024
Recordable work-related injuries	number	1	1
	rate	0.7	0.7
Fatalities as a result of work-related injury	number	0	0
	rate	0	0
Types of work-related injury	Unit	2023	2024
Total worked hours	number	1 383 436	1 501 204
Main types of work-related injuries	text	n/a	n/a

Non-employee work – related injuries	Unit	2023	2024
Recordable work-related injuries	number	0	0
	rate	0	0
Fatalities as a result of work-related injury	number	0	0
	rate	0	0
Types of wor- related injuries	Unit	2023	2024
Total worked hours	number	0	0
Main types of work-related injuries	text	n/a	n/a

## Local Prosperity

Supporting local prosperity and communities	Unit	2023	2024
Percentage of senior management hired from the local community	%	94.10	88.89

Assessment of employee performance	Unit	2023	2024
Percentage of the procurement budget spent on local suppliers	%	20.13	16.77



## Supply Chain

Suppliers screening	Unit	2023	2024
New suppliers screened using environmental criteria	%	90	90
New suppliers screened using social criteria	%	-	90
Negative environmental impact	Unit	2023	2024
Suppliers assessed for environmental impacts	number	-	75
Suppliers identified as having significant actual and potential negative environmental impacts	%	-	0
Suppliers with which relationships were terminated as a result of assessment	%	-	0
Negative social impacts	Unit	2023	2024
Suppliers assessed for social impacts.	number	-	75
Suppliers identified as having significant actual and potential negative social impacts	%	-	0
Suppliers with which relationships were terminated as a result of assessment	%	-	0
Operational Efficiency	Unit	2023	2024
Average efficiency coefficient for the reporting period	%	89.18	87.00

## Company Specific

Customer satisfaction	Unit	2023	2024
Customers with tracked satisfaction from the total number of customers which are forming 80% Arexim turnover.	%	100	100
Share of customers with high satisfaction score (A score)	%	90	95
Hit ratio (Number of received orders / Number of send offers)	%	30	17
Product quality	Unit	2023	2024
Percentage of audited products according to the product audit program.	%	100	95
Research and development projects	Unit	2023	2024
Investments in R&D projects	EUR	-	8 181
Number of R&D projects (started/active)	number	-	8/4
Work hours invested in R&D projects	hours	-	200
Percentage of the total worktime invested in research	%	-	3
Innovation projects Ratio (number of implemented/ number of received projects)	%	50	50



## Appendix IV: GRI Content Index

Arexim Engineering has reported the information cited in this GRI content index for the period 2024 with reference to the GRI.

GRI Standard	Disclosure	Location	Page
GRI 2 General Disclosure	2-1 Organizational details	Company overview	6 - 35
	2-2 Entities included in the organization's sustainability reporting	About the report	3
	2-3 Reporting period, frequency and contact point	About the report	3
	2-4 Restatements of information	N/A	-
	2-5 External assurance	About the report	3
	2-6 Activities, value chain and other business relationships	About the company, Annex III	7-12, 88, 93
	2-7 Employees	Annex III	89
	2-8 Workers who are not employees	Annex III	89
	2-9 Governance structure and composition	Governance structure	13 - 15
	2-10 Nomination and selection of the highest governance body	Governance structure	13 - 15
	2-11 Chair of the highest governance body	Governance structure	13 - 15



GRI Standard	Disclosure	Location	Page
<b>GRI 2</b> General Disclosure	<b>2-12</b> Role of the highest governance body in overseeing the management of impacts	Governance structure	13 - 15
	<b>2-13</b> Delegation of responsibility for managing impacts	Governance structure	13 - 15
	<b>2-14</b> Role of the highest governance body in sustainability reporting	Governance structure	13 - 15
	<b>2-15</b> Conflicts of interest	Governance structure	13 - 15
	<b>2-16</b> Communication of critical concerns	Governance structure	13 - 15
	<b>2-17</b> Collective knowledge of the highest governance body	Governance structure	13 - 15
	<b>2-18</b> Evaluation of the performance of the highest governance body	Governance structure	13 - 15
	<b>2-19</b> Remuneration policies	Annex III	90
	<b>2-20</b> Process to determine remuneration	Annex III	90
	<b>2-21</b> Annual total compensation ratio	Annex III	90
	<b>2-22</b> Statement on sustainable development strategy	Foreword, About the company	4 - 5, 7 - 12
	<b>2-23</b> Policy commitments	Foreword, About the company	4 - 5, 7 - 12
<b>2-24</b> Embedding policy commitments	Foreword, About the company	4 - 5, 7 - 12	



GRI Standard	Disclosure	Location	Page
<b>GRI 2</b> General Disclosure	<b>2-25</b> Processes to remediate negative impacts	About the company	7 - 12
	<b>2-26</b> Mechanisms for seeking advice and raising concerns	Annex III	88
	<b>2-27</b> Compliance with laws and regulations	Annex III	88
	<b>2-28</b> Membership associations	Our memberships	21
	<b>2-29</b> Approach to stakeholder engagement	Promoting sustainable practices along the supply chain	40 - 43
	<b>2-30</b> Collective bargaining agreements	Annex III	90
<b>GRI 202</b> Local community	<b>202-2</b> Proportion of senior management hired from the local community	Supporting local prosperity and communities, Annex III	77, 92
<b>GRI 204</b> Local suppliers	<b>204-1</b> Proportion of spending on local suppliers	Supporting local prosperity and communities, Annex III	77, 92
<b>GRI 301</b> Materials	<b>301-1</b> Materials used by weight or volume	Annex III	88
	<b>301-2</b> Recycled input materials used	Annex III	88
<b>GRI 302</b> Energy	<b>302-1</b> Energy consumption within the organization	Sustainability highlights, Annex III	27, 86
	<b>302-3</b> Energy intensity	Annex III	86
<b>GRI 305</b> Emissions	<b>305-1</b> Direct (Scope 1) GHG emissions	Climate change and decarbonization, Annex III	60 – 63, 86
	<b>305-2</b> Energy indirect (Scope 2) GHG emissions	Climate change and decarbonization, Annex III	60 – 63, 86



GRI Standard	Disclosure	Location	Page
	<b>305-3</b> Other indirect (Scope 3) GHG emissions	Climate change and decarbonization, Annex III	60 – 63, 86
	<b>305-4</b> GHG emissions intensity	Climate change and decarbonization, Annex III	60 – 63, 86
<b>GRI 306</b> Waste	<b>306-3</b> Waste generated	Waste, materials and circularity, Annex III	56 – 59, 87
	<b>306-5</b> Waste directed to disposal	Waste, materials and circularity, Annex III	56 – 59, 87
<b>GRI 308</b> Supplier assessment	<b>308-1</b> New suppliers that were screened using environmental criteria	Promoting sustainable practices along the supply chain, Annex III	40 – 43, 93
<b>GRI 401</b> Employment	<b>401-1</b> New employee hires and employee turnover	Employee engagement and development, Annex III	65 – 70, 89
<b>GRI 403</b> Occupational Health and Safety	<b>403-9</b> Work-related injuries	Health and safety at workplace	71 – 73, 92
<b>GRI 404</b> Training and Education	<b>404-1</b> Average hours of training per year per employee	Annex III	91
	<b>404-3</b> Percentage of employees receiving regular performance and career development reviews	Annex III	91
<b>GRI 414</b> Supplier Assessment	<b>414-1</b> New suppliers that were screened using social criteria	Annex III	93
	<b>414-2</b> Negative social impacts in the supply chain and actions taken	Annex III	93
<b>GRI 416</b> Incidents of non-compliance	<b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services	Annex III	90



## Appendix V: ESRS CSRD Content Index

Arexim Engineering has reported the information cited in this GRI content index for the period 2024 with reference to CSRD ESRS Standards.

ESRS Standard	Disclosure	Location	Page
<b>ESRS 2</b>	<b>General Disclosures</b>		
<b>Basis for preparation</b>			
BP - 1	General basis for preparation of the sustainability statement	Materiality assessment	28 - 30
<b>Governance</b>			
GOV - 1	The role of the administrative, management and supervisory bodies	Governance structure	13 - 15
GOV - 2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Governance structure	13 - 15
GOV - 3	Statement on sustainability due diligence	Governance structure	13 - 15
<b>Strategy</b>			
SBM - 1	Market position, strategy, business model(s), and value chain	About the company	7 - 12
SBM - 2	Interests and views of stakeholders	Materiality assessment	28 - 30
SBM - 3	Material impacts, risks and opportunities, and their interaction with strategy and business model(s).	Materiality assessment	28 - 30
<b>Impact, Risk and Opportunity Management</b>			
IRO - 1	Description of the processes to identify and assess material impacts, risks and opportunities	Materiality assessment, Risk assessment	28 – 30, 31



ESRS Standard	Disclosure	Location	Page
<b>ESRS E1</b>	<b>Climate Change</b>		
E1 - 1	Transition plan for climate change mitigation	Climate change and decarbonization	60 - 63
SBM - 3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	Materiality assessment, Risk assessment	28 – 30, 31
IRO - 1	Description of the processes to identify and assess material climate-related impacts risks and opportunities	Materiality assessment, Risk assessment	28 – 30, 31
E1 - 2	Policies related to climate change mitigation and adaptation	Climate change and decarbonization	60 - 63
E1 - 3	Actions and resources in relation to climate change policies	Climate change and decarbonization	60 - 63
E1 - 4	Targets related to climate change mitigation and adaptation	Climate change and decarbonization	60 - 63
E1 - 5	Energy consumption and mix	Annex III	86
E1 - 6	Gross Scopes 1, 2, and 3 and Total GHG emissions	Climate change and decarbonization, Annex III	60 – 63, 86
<b>ESRS E2</b>	<b>Pollution</b>		
<b>ESRS E5</b>	<b>Resource Use and Circular Economy</b>		
E5 - 1	Policies related to resource use and circular economy	Waste, materials and circularity	56 - 59
E5 – 2	Actions and resources related to resource use and circular economy	Waste, materials and circularity	56 - 59
E5 – 3	Targets related to resource use and circular economy	Sustainability goals	32



ESRS Standard	Disclosure	Topic/ Sub-topic	Page
<b>ESRS E5</b>	<b>Resource Use and Circular Economy</b>		
E5 - 4	Resource inflows	Waste, materials and circularity	N/A
E5 - 5	Resource outflows	Waste, materials and circularity	N/A
E5 - 6	Potential financial effects from resource use and circular economy-related impacts, risks and opportunities.	Waste, materials and circularity	N/A
<b>ESRS S1</b>	<b>Own Workforce</b>		
SBM - 2	Interests and views of stakeholders	Materiality assessment	28 - 30
SBM - 3	Material impacts, risks and opportunities, and their interaction with strategy and business model(s)	Materiality assessment	28 - 30
S1 - 1	Policies related to own workforce	Employee engagement and development	65 - 70
S1 - 2	Processes for engaging with own workers and workers' representatives about impacts	Employee engagement and development	65 - 70
S1 - 3	Processes to remediate negative impacts and channels for own workers to raise concern	Annex III	88
S1 - 4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Materiality assessment	28 - 30
S1 - 6	Characteristics of the Undertaking's Employees	Annex III	89
S1 - 7	Characteristics of non-employees in the undertaking's own workforce	Annex III	89



ESRS Standard	Disclosure	Topic/ Sub-topic	Page
S1 - 8	Collective bargaining coverage and social dialogue	Annex III	90
S1 - 13	Training and Skills Development metrics	Employee engagement and development, Annex III	65 – 70, 91
S1 - 14	Health and safety metrics	Ensuring health and safety at workplace, Annex III	71 – 73, 92
S1 - 16	Remuneration metrics (pay gap and total remuneration)	Annex III	90
S1 - 17	Incidents, complaints and severe human rights impacts	Annex III	92
<b>ESRS S3</b>	<b>Affected Communities</b>		
<b>ESRS G1</b>	<b>Business Conduct</b>		
GOV - 1	The role of the administrative, supervisory and management bodies	Governance structure	13 - 15
IRO - 1	Description of the processes to identify and assess material impacts, risks and opportunities	Materiality assessment, Risk assessment	28 – 30, 31
G1 - 1	Corporate culture and business conduct policies	About the company	7 - 12
G1 - 3	Prevention and detection of corruption or bribery	Annex III	88
G1 - 4	Confirmed incidents of corruption or bribery	Annex III	88

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