

# **ECOSYSTEM**

**Nemiroff**

**2008–2011**





Nemiroff Holding is one of the largest spirits producers in the world

Nemiroff is the first Ukrainian spirits brand that won the international status (a brand is declared international if it exports at least 30% of its products)

The Holding structure includes:

- ➔ Managing Company Nemiroff
- ➔ Nemiroff Ukrainian Vodka Company Subsidiary
- ➔ Subsidiary Company «Alko Invest»
- ➔ Nemiroff Trade Representative Office in Russia
- ➔ Nemiroff Trade Representative Office in Poland
- ➔ Nemiroff International

PRODUCTS OF NEMIROFF INTERNATIONAL BRAND IS DELIVERED TO 72 COUNTRIES OF THE WORLD

# GLOBAL RECOGNITION

MORE THAN TWO THOUSAND EMPLOYEES WORK AT THE COMPANY SUBDIVISIONS



THE BRAND PORTFOLIO OF PRODUCTS PRODUCED UNDER NEMIROFF INTERNATIONAL BRAND CONSISTS OF 28 ITEMS

THE MAIN TRADEMARKS ARE UKRAINIAN HONEY WITH PEPPER, NEMIROFF ORIGINAL, UKRAINIAN BIRCH SPECIAL, NEMIROFF PREMIUM AND NEMIROFF LEX

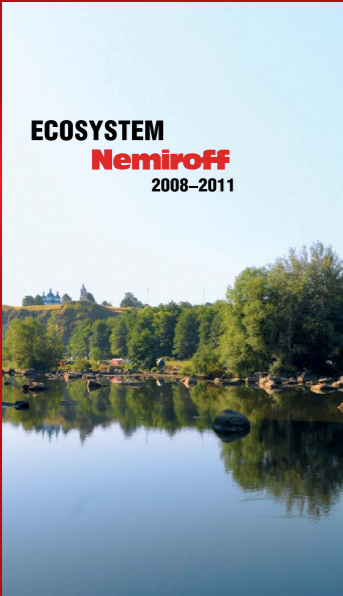


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For more details about corporate social responsibility of Nemiroff Company please see [www.nemiroff.ua](http://www.nemiroff.ua)





Sustainability report “Nemiroff Ecosystem” is the company’s first report on implementation of principles of the UN Global Compact signed by Nemiroff in 2008.

We have prepared both an abridged and a full version of the report. The abridged version includes business cases of corporate social sustainability. The full version encompasses elements of reporting according to GRI standards (economic, social and environmental performance, issues of interaction with stakeholders, etc.)

The presented data mostly cover the period from August 2008 through August 2011. The report gives the information about the company’s activities in Ukraine, Russia and Poland. All the information is verified with internal audit.

This is the first time the report maps the stakeholders (interested parties) of Nemiroff Company. We are aware of the importance of getting on track with our stakeholders; therefore in 2012 we are planning to build up a strategic dialogue on the company’s CSR materiality issues.

In report “Nemiroff Ecosystem” we spotlight the most important CSR projects of the company within the period of 2008-2011 and the results of their performance analysis.

From now on the company is planning to present sustainability reports annually.

The information about the corporate social responsibility and sustainable development is constantly updated at [www.nemiroff.ua](http://www.nemiroff.ua) for all the interested parties (stakeholders) to be able to keep the track of important events in the company’s life.



**DEAR FRIENDS!**

*We are pleased to present the first public sustainability report «Nemiroff Ecosystem» that covers the activity of our company in terms of adherence to the principles of the UN Global Compact.*

We are proud that in 2008 we joined the global movement under the aegis of UN targeted to increase social sustainability and to maintenance of sustainable development of business. As a result we managed to get new experience, to take part in solving the most pressing social and environmental problems and now we are ready to share our knowledge and achievements.

Responsibility of the business to the society, its conscientious approach to environmental compliance and sustainable development are very important issues for Nemiroff Company. The key principles of our business practices are observance of human rights, labor standards, preservation of the environment, counteraction to corruption practices, as well as compliance of the activities with the requirements of the world standards.

Nemiroff Company has already been an active player of the international spirits market for more than nineteen years. Our leading positions and worldwide recognition are based on unassailable reputation and high proficiency of the employees. The products we make are of high quality, and the brand we have created is the first among Ukrainian trademarks in the spirits market to be declared international.

The report Nemiroff Ecosystem includes cases of projects implemented by the company in 2008-2011. They dealt with improvement of the corporate management system and interaction with all the interested parties, with implementation of the corporate code of conduct, upgrade of staff professional competence, and they also contributed to development of sports, local communities, culture and art.

An essential line of the company’s social activity is protection of natural environment. In spite of insignificant risks of negative impact of the spirits manufacturing on the ecosystem, Nemiroff Company exerts much effort to keep the treasures undisturbed, with which nature generously endowed Podillia where our main production facilities are located. For this purpose we have implemented the environment management system (EMS) according to ISO 14000 standard. We have ensured sustainable use of water resources, electric power, paper, separate collection and further separation of manufacturing waste, mitigation of emissions to the atmosphere etc.

The two points of critical importance to us are feedback from everybody who is interested in our activity and experience in the field of corporate social responsibility. I am thoroughly persuaded that this report is a golden opportunity to make the public aware of what we do and what results we achieve. We are ready to listen to the opinions and wishes as for improvement of the social projects we carry out. Thanks to you, we will be able to do even more things that are important and beneficial!

Please send you comments and suggestions to [info@nemiroff.ua](mailto:info@nemiroff.ua)

Best regards,  
Alexander Glus,  
Chairman of Supervisory  
Board of Nemiroff Company



AS FAR BACK AS IN 19TH CENTURY PRINCESS MARIA SHCHERBATOVA (STROGANOVA), WHO OWNED A DISTILLERY THAT LATER BECAME THE BASE OF THE PRESENT-DAY COMPANY, DIRECTED THE INCOME GAINED FROM SELLING ALCOHOL TO CHARITY



The photo depicts Alla Glus, the General Director of the Nemiroff Ukrainian Vodka Company Subsidiary, and Oleg Skrypka, the leader of the band VV.

IN 21ST CENTURY NEMIROFF CARRIES ON THIS TRADITION AND PUTS INTO PRACTICE ITS CORPORATE RESPONSIBILITY TOWARDS ITS EMPLOYEES, PARTNERS, COMMUNITY OF NEMYRIV AND THE COUNTRY AS A WHOLE

### WHERE DOES THE NAME DERIVE FROM?

The name of Nemiroff derives from Ukrainian city of Nemyriv (Vinnytsya region), where the company began its existence and is currently operating

### PRODUCTION

Nemiroff drinks are produced at two distilleries in the city of Nemyriv (Vinnytsya region, Ukraine). The drinks are also bottled in Russia at the lines of OJSC Yaroslavsky Distillery and in Belarus at the Republican unitary enterprise Minsk-Kristall

### RECIPES

Nemiroff uses natural components only in manufacturing of its products. All the drinks of the company are created according to individual copyright recipes based on old-time Slavic traditions

### RECOGNITION

Nemiroff unveiled the Ukrainian vodka to the world and has become the pioneer at all the markets abroad. Famous French fashion designer Jean-Paul Gaultier called Nemiroff “a bliss for human mouth”. In the company archives there is a letter from Ukrainian sailors from Ecuador who thank the company for giving them a droplet of the motherland in one of the most remote nooks of the Earth

### VICTORIES

Nemiroff International Brand enters the top three rapidly growing international spirits brands of the world.

Nemiroff is Hard Spirits Importer #1 to Russia, the most popular certified kosher vodka in Israel.

According to the results of independent testing of global brands Nemiroff products were conferred one of the highest marks (95 out of 100 points) that means “EXCLUSIVE” by the Beverage Testing Institute, Chicago

### HIGHLIGHTS

In 2005 guests of Le Ball de Paris, the most renowned ball in Paris, ceded the traditions and apart from champagne drank Nemiroff vodka. Supported by Nemiroff the whole world was able to watch the TV broadcast of the last fight in Mike Tyson’s career.

In 2005 the company became the first ever international sponsor of Eurovision over the history of existence of this song contest



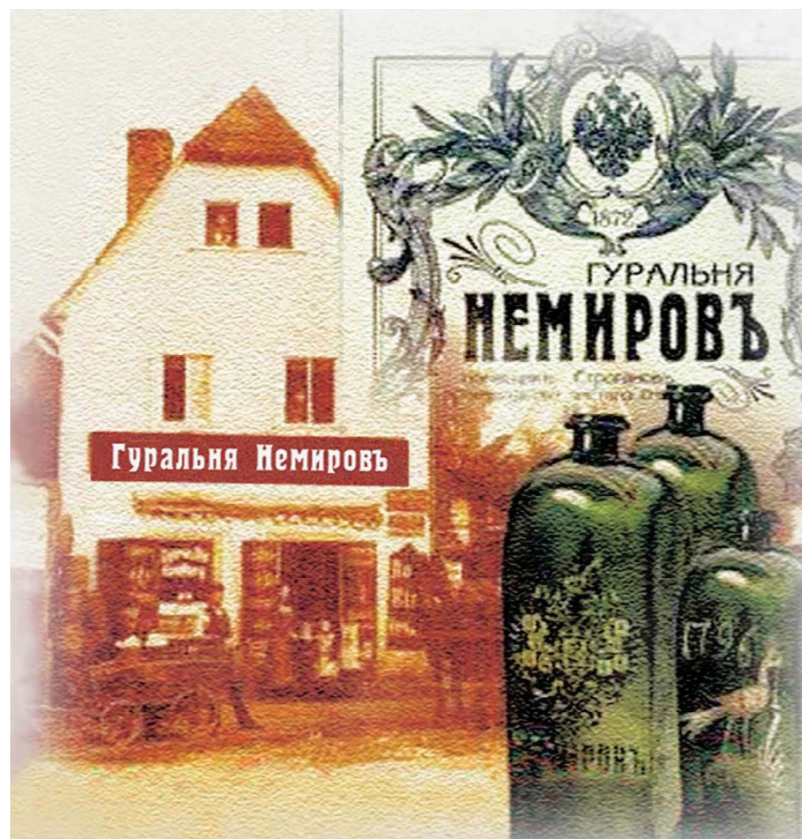
In 1872 in a small town of Nemyriv (Vinnytsya region) Master of the Horse of His Imperial Majesty Court count Grigoriy Stroganov established a distillery. A few years later his daughter Maria (princess Shcherbatova by marriage) inherited her father's business.

In early 20th century the distillery in Nemyriv produced above five thousand half liter bottles of high quality alcohol per diem. The products were delivered to Odessa, Kamianets-Podilsky and from there – outside the Russian Empire. Alcohol from Nemyriv was invariably awarded the highest marks at all the industrial and agricultural exhibitions.

The enduring reputation of the manufacturer of high quality product enabled princess Shcherbatova to enter long-term contracts for supply of alcohol with state-owned vodka distilleries in St. Petersburg and Moscow. Gradually alcohol manufacturing became one of the main items of income of the Stroganovs-Shcherbatovs family.

Part of the income gained from selling alcohol was directed to charity. Maria Shcherbatova sponsored paving streets in Nemyriv, construction of a hospital to provide the poor with free health care, supported a grammar school and an almonry school for girls. The princes financed the construction of Kyiv polytechnic institute, allocated money to education of talented children from Nemyriv in Odessa, Kyiv, Moscow and St. Petersburg.

Princess Maria Shcherbatova laid down the management principles for the company that nowadays produces Nemiroff vodka known all over the world. Severe requirements to the quality of products, involvement of the best specialists and continuous upgrading of production make it possible for Nemiroff Company to remain the leader until now.



**1872** – count Grigoriy Stroganov opened a spirits factory based on an old-time distillery in the town of Nemyriv

**1906** – under the supervision of his daughter princess Maria Shcherbatova the distillery in Nemyriv became one of the largest in Russia and started supplying spirits to state-owned factories of St. Petersburg, Moscow and abroad as well

**1992** – a joint venture to produce liquors was established in Nemyriv on the base of the distillery built by Grigoriy Stroganov

**1997** – the Nemiroff trade mark in its present day form was represented

**1998** – Nemiroff kick-started the production of the first vodka according to the in-house recipe, for the first time in the world Nemiroff Honey Pepper, an authorial vodka with a unique recipe, was presented

**1999** – Nemiroff products were for the first time supplied to the USA

**2000** – Nemiroff entered the market of the Russian Federation and expanded the geography of supplies still more

**2002** – Nemiroff joined the British World Millionaires Club that includes spirits brands with the annual turnover above 1 million cases (1 case – 9 liters)

**2004** – another factory of the company, one of the most advanced in Europe, was put into operation. According to the World Millionaires Club rating, for the second year in a row Nemiroff was recognized the most dynamic international spirits brand in the world

**2006** – Nemiroff Holding is created with Alexander Glus elected head of the Board

**2007** – a large scale project was implemented to create a revolutionary system of protection against fakes – a unique “detector” cap. The total amount of investments in development and implementation of innovative protection technology made 6.6 million dollars

**2008** – Nemiroff International was created with the headquarters in Budapest for more effective development of the company at external markets, in particular in Western Europe, North and South America and China

**2010** – Nemiroff Company became the absolute leader of Ukrainian vodka market

**2011** – Nemiroff drinks were sold in 72 countries of the world. The assortment range was complemented with a new beverage – Nemiroff Distinct, the first ecovodka in Ukraine

*«Business should be responsible. We live in the world we create with our own hands, and it is due to us that it can be better. It's very important that the organization should be ready to render aid to those who needs it without expecting anything in return. After all it is not incomes that charity is measured with, but overall results for people and the country in general».*

**Alexander Glus,**  
**Head of the Supervisory Board**  
**Nemiroff Company**

## Effectiveness

We ensure achievement of the best results which lets us satisfy the expectations of our customers, partners and employees to the maximum.

## Professionalism

Our success is based on the work of a reliable team of professionals. We offer people a chance to fulfill their potential, appreciate and decently reward our employees for their success and achievements. We demonstrate a professional approach to every task and issue, every partner and client.

## Innovativeness

We are constantly seeking new opportunities to achieve a high quality level of our products and business process in our company. Innovativeness is our source of inspiration, achievements, pioneer work and the key to our future.

## Quality

We are striving to be a leader in everything we do by providing the highest quality of our products and showing excellence in all other activity areas.

## Respect

We respect the traditions, culture and life philosophy of all our partners, employees and customers since we are working for the sake of our common development.

## Responsibility

We possess unique experience which lets us solve the most difficult tasks and be fully responsible to our employees, partners and society as a whole for the quality of our products and business standards all over the world.



THE MISSION, VISION AND VALUES DEFINE THE POLICY AND THE KEY BUSINESS LINES OF THE COMPANY AND ARE THE BASE FOR NEMIROFF CODE OF CONDUCT

## NEMIROFF MISSION

***“To be the best-quality vodka in the world, a paragon of fair and responsible business by guaranteeing the welfare of its employees, partners and society as a whole”.***

## NEMIROFF VISION

***Using the cutting-edge technologies and experience of many years, to be the leader of the national and global vodka market.***



## 2009

ACCORDING TO WORLD MILLIONAIRES CLUB RATING NEMIROFF BECAME THE ONLY BRAND AMONG THE TOP 5 INTERNATIONAL BRANDS OF STRONG SPIRITS THAT HAD DEMONSTRATED PRODUCTION GROWTH  
(+6.4% COMPARED TO 2008)

## 2010

NEMIROFF HOLDING INCREASED THE PRODUCT SALES VOLUME UP TO 473.6 MILLION USD  
(+13.6% COMPARED TO 2009)

## 2010

THE AMOUNT OF SOLD PRODUCTS OF THE NEMIROFF INTERNATIONAL BRAND REACHED 8.29 MILLION DAL  
(+3% COMPARED TO 2009, 1 DAL = 10 L)

## 2010

TAX DEDUCTIONS REACHED 211.3 MILLION USD  
(+ 27% COMPARED TO 2009)

## 2010

THE AMOUNT OF TAXES PAID BY THE COMPANY TO STATE BUDGET OF UKRAINE WAS MORE THAN 100 MILLION USD (793.59 MILLION UAH)  
(+ 36% COMPARED TO 2009)

*\*Nemiroff Company passes an annual audit in accordance with International Financial Reporting Standards conducted by PwC.*

NEMIROFF CORPORATE RESPONSIBILITY WAS FIRMLY ESTABLISHED FROM THE MOMENT THE COMPANY WAS STARTED

Our corporate responsibility policy is developed according to demands of stakeholders: employees, suppliers, consumers, communities and government organizations. The company supports social and environmental projects aimed at development and prosperity of Ukraine.

CORPORATE RESPONSIBILITY PRINCIPLES OF THE COMPANY:

- ➔ **Openness**
- ➔ **Consistent compliance with the applicable law**
- ➔ **Ethical conduct**
- ➔ **Interaction with stakeholders**
- ➔ **Compliance with social and environmental standards**

## ACHIEVEMENTS IN THE SPHERE OF CORPORATE SOCIAL RESPONSIBILITY

### 2009

Nemiroff Company became the winner of the 2009 Benefactor of the Year national contest in the nomination "National company – Large business" among one hundred companies and individuals. The contestants were evaluated according to a few criteria: the extent, to which a particular problem is solved; a number of beneficiaries (people who got help); quality changes in people's life that took place after getting help; endurance of the results achieved owing to the charity aid provided; innovation

### 2009

Ukrainian nationwide magazine GVardiya recognized Nemiroff as company #4 in the ranking of openness and activity of companies in the area of corporate social responsibility

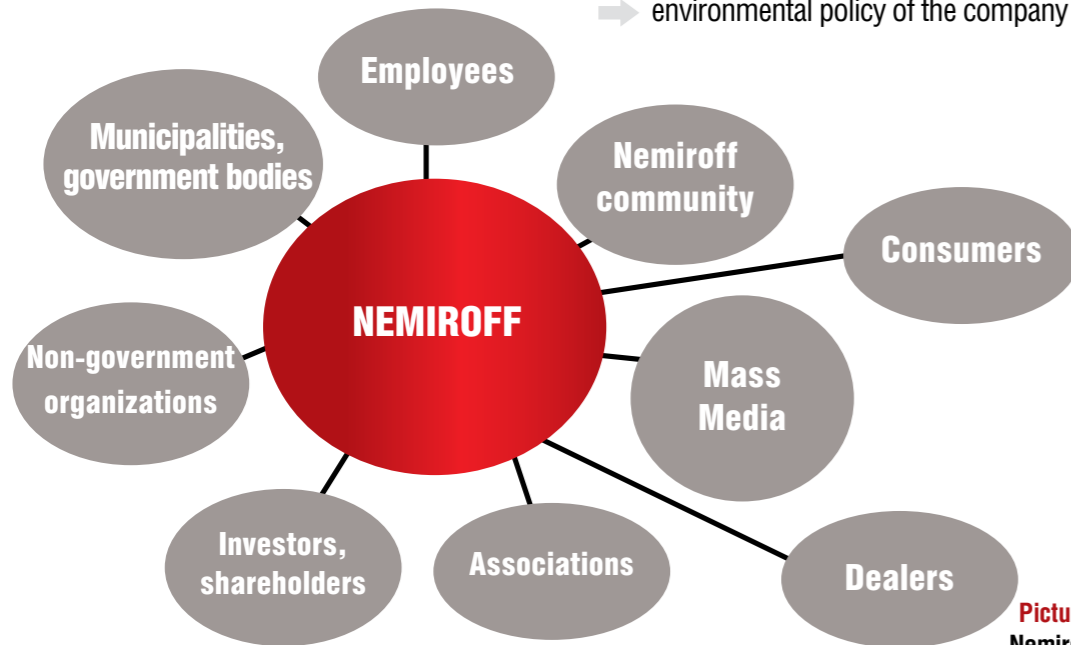
### 2010

Ukrainian nationwide ranking result GVardiya recognized Nemiroff Company #17 in the overall openness and consistency ranking of companies in corporate social responsibility from among 43 national and international companies of various areas of economy. In the commodity production sector the company took up the 7th position

AS A PART OF TRAINING CONDUCTED BY CENTER FOR CORPORATE SOCIAL RESPONSIBILITY DEVELOPMENT IN AUGUST 2011 REPRESENTATIVES OF NEMIROFF COMPANY MADE A MAP OF STAKEHOLDERS (INTERESTED PARTIES).

THE COMPANY REALIZES THE IMPORTANCE OF ITS CONTINUOUS INTERACTION WITH ITS STAKEHOLDERS, AND IN 2012 IT IS PLANNING TO START A STRATEGIC DIALOGUE WITH THEM ON THE COMPANY'S MATERIALITY ISSUES:

- ➔ development of a policy aimed at responsible drinking
- ➔ support and development of the community and non-government organizations
- ➔ environmental policy of the company



Picture 1. Stakeholders of Nemiroff Company in 2011

## COMMUNICATIONS WITH STAKEHOLDERS

Interested parties	Activities
Employees	Loyalty research, development of strategy based on the research results, corporate website, in-house periodical Nemiroff Inform, the newspaper Our Nemiroff for the factory workers, corporate mailout and letters that inform about the latest news of the company, trainings and seminars, corporate special events, all-hands meetings
Shareholders	Quarterly meetings, presentations of new projects
Consumers	Marketing researches
Suppliers	Bidding, continuous interaction
Local communities	Partnership, support of local organizations operating in the company's presence region
Government authorities, municipalities	Dialogue and cooperation with local, national and international authorities and local self-government bodies
Non-government organizations	Discussion of important questions and trends, partnerships
Industry and trade associations	Membership in associations, active work of representatives of Nemiroff Company in committees. Since September 2009 Nemiroff has been a member of the European Business Association, since May 2010 – that of the American Chamber of Commerce in Ukraine). The company is also a member of the industry organization UKRVODKA
Dealers	Discussion of important issues and trends, partnerships, tenders

TO FIND OUT THE STAKEHOLDERS' MATERIAL ISSUES NEMIROFF COMPANY CONSIDERED A NUMBER OF TOPICS, COLLECTED COMMENTS FROM VARIOUS INTERNAL AND EXTERNAL SOURCES, IDENTIFIED IMPORTANT SPHERES

## SOURCES FOR IDENTIFYING THE ESSENTIAL ISSUES:

- ➔ internal documents of the company that contain strategic targets, tasks and programs of Nemiroff
- ➔ press releases of the company
- ➔ results of surveys among employees, partners and consumers
- ➔ communications with suppliers and shareholders
- ➔ press clipping of articles in printed media
- ➔ articles in social networks and internet publications
- ➔ documents of industry and trade associations
- ➔ meetings with interested parties (stakeholders)

## EVALUATION CRITERIA FOR PRIORITY RANKING OF THE ISSUES:

- ➔ the importance of the issue
- ➔ the impact on the environment, company and its stakeholders
- ➔ the ability and capacity of the company to tackle the issue



## 1

### ETHICAL PRINCIPLES OF THE COMPANY'S ACTIVITY

The company builds up its activity on principles of recognizing the rule of law. Relations with counteragents (dealers) are based on integrity and objectivity, compliance with regulations and rules of business ethics in good faith (page 43). In 2012 the company introduced the Code of Conduct. It clearly and transparently reflects standards of conduct both in the company itself and in the spheres referring to its activity (page 20)

## 2

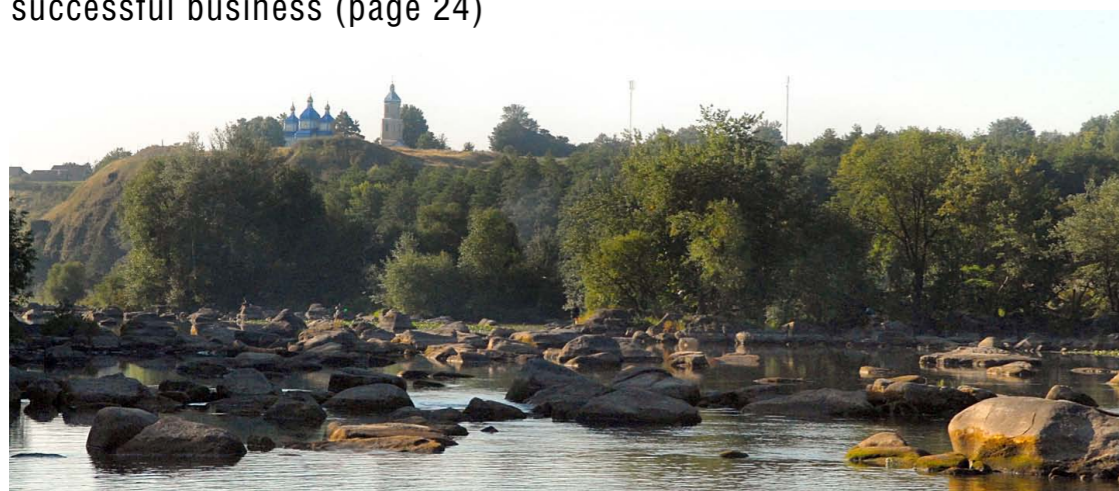
### PRODUCT QUALITY AND SAFETY

Products of Nemiroff have perfect quality characteristics. Original author's recipes, premium quality alcohols and natural ingredients only are used in production. The most prestigious and reputable international tasting competitions confirm high quality of the beverages with the best marks and titles of honor year in, year out. The enterprise is certified according to the requirements of quality management systems ISO 9001 and food safety ISO 22000, as well as environmental labeling ISO 14024. Products of the company are securely protected against fakes due to innovative protection technologies (page 22)

## 3

### RESPONSIBLE USE OF NATURAL RESOURCES

Nemiroff treats with due care the natural riches of Podilla where the company's production facilities are located and considers the environment protection activity to be the mandatory integral part of successful business (page 24)



## 4

### RESPONSIBLE DRINKING

The company is aware of the importance of responsible drinking. Nemiroff activity towards promotion and selling of vodka products meets the requirements of the applicable legislation (page 21)

## 5

### CARE FOR EMPLOYEES

Nemiroff is one of the best Ukrainian employers. HR policy of the company is based on principles of respect and fairness. Taking care of its employees the company created a comfortable working environment, makes it possible to learn, to develop and to build a successful career, it guarantees a worthwhile salary package (page 35)

## 6

### SUPPORT OF NON-GOVERNMENT ORGANIZATIONS AND CHARITY

Nemiroff Company is open to dialogue and cooperation with local communities, supports projects of social dimension (page 30)

## 7

### DIALOGUE WITH STAKEHOLDERS

Efficient communication with all the interested parties (stakeholders) is a key to success of the business. The corporate responsibility policy of Nemiroff Company is based on the principles of dialogue with all the participants of the business process and with their interests taken into consideration

## 8

### FINANCIAL STABILITY

The chosen business development strategy, investment policy and professional risk management ensure financial stability of the company and profitability of its business. Year in, year out the company demonstrates increase in sales and tax deductions (page 10)

THE CORPORATE RESPONSIBILITY POLICY IN NEMIROFF COMPANY IS DEVELOPED AND APPROVED BY THE TOP MANAGEMENT, AND ALL THE STRUCTURAL SUBDIVISIONS ARE INVOLVED IN ITS IMPLEMENTATION

## STRUCTURAL SUBDIVISIONS:

- ➔ Corporate Communications and Public Relations Department
- ➔ Corporate Management Department
- ➔ Marketing Department
- ➔ Business Performance Evaluation Department
- ➔ Human Resource Department
- ➔ Technical Manager's Services
- ➔ Production Department
- ➔ Quality Department



In 2009 Nemiroff completed comprehensive business restructuring aimed at ensuring transparency of the company and raising the overall efficiency. As a result of the restructuring conducted the company turned into a holding with a clear matrix management structure

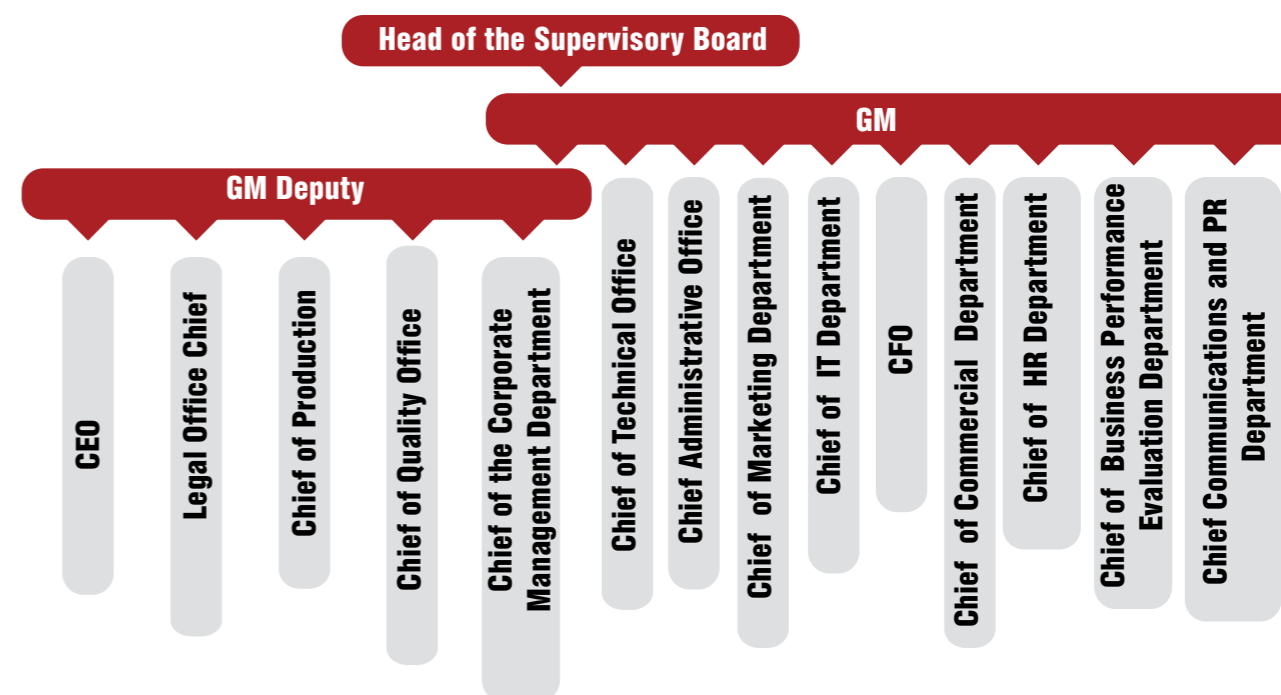
## STAGES OF RESTRUCTURING OF NEMIROFF COMPANY (2006-2009)

### 1 DELINEATION OF STRATEGIC AND OPERATIONAL MANAGEMENT:

- ➔ setting up Nemiroff Holding that incorporated enterprises of Nemiroff Group
- ➔ establishment of the Board of Directors – a management body that defines the development strategy of the holding. It was headed by Alexander Glus
- ➔ foundation of Nemiroff Management Company (MC) – an operational management body that supervises affiliated structures

### 2 ENHANCING OF EFFICIENCY OF ALL BUSINESS PROCESSES OF THE HOLDING:

- ➔ cost optimization
- ➔ creation of new business units (Nemiroff International, in particular, that is responsible for the brand development at the international market)



Picture 3. Corporate management structure of Nemiroff Holding

## RESULTS:

According to the data of financial and production performance analysis, in 2008-2010 Nemiroff reinforced its leadership position at the Ukrainian market and increased payment of tax and levies to budget. Owing to reduction of internal costs the company released 30% of its overall annual turnover. After restructuring the sales of products of Nemiroff International Brand grew even in conditions of contraction of market caused by the crisis (in the first half of 2009 sales went up by 9.2% compared to the similar period in 2008). In 2010 Nemiroff brand beat its own earlier sales record in terms of money as well as in the volume of products sold, for the first time achieving the absolute leadership at the Ukrainian vodka market



## CORPORATE CODE OF CONDUCT

In 2009 after overall business restructuring, systematization of all the processes of operational activity the company faced a new challenge. It was necessary to make a document that would be a reference point for further development, to transmit clearly and transparently the Nemiroff's vision and values, standards of conduct both within the company and at the market. For that purpose Nemiroff developed the Code of Conduct

### STAGES OF CODE OF CONDUCT IMPLEMENTATION

- January 16, 2010, Kyiv – a ceremonial presentation and discussion of the draft Code of Conduct for employees, business unit managers, trade representative offices and company branches in Ukraine
- February 4-5, 2012, Moscow – presentation and discussion of the draft Code of Conduct for employees of the Russian representative office of the company – Moscow Nemiroff Trade House
- February 25 2012, Nemyriv, Vinnytsya Oblast – approval of the Code of Conduct as the main working document
- March 2010 – presentation of the Nemiroff Code of Conduct to all the company employees in Ukraine and Poland

### ACHIEVEMENTS IN THE SPHERE OF CORPORATE GOVERNANCE

#### 2009

President of Nemiroff Company Alexander Glus entered the TOP-10 in Gvardiya of Managers 2009 ranking

#### 2009

Nemiroff Company was the winner of Company of the Year 2009 contest in nomination of Responsible Producer

#### 2010

President of Nemiroff Company was recognized the best top manager of Ukraine in TOP-100 Ranking of the Best Companies of Ukraine

#### 2010

Nemiroff Company entered the TOP-5 of Ukrainian companies with the highest reputation level. The Ukraine's Most Reputable Companies 2012 ranking

#### 2011

Head of the Supervisory Board of Nemiroff Company Alexander Glus was recognized the best in two nominations of the Entrepreneur of the Year 2010 contest: the Best Entrepreneur of the Year 2010 and the Young Entrepreneur\*

#### 2011

Nemiroff Company ranked first in the ranking of the TOP-100 Companies of Ukraine among Spirits Manufacturers

#### 2011

According to the results of Companion magazine ranking of the 10 Best top managers of Ukraine, Head of the Supervisory Board of Nemiroff Company Alexander Glus entered the TOP 5 Most Successful Top Managers of Ukraine

\* The Best Businessman of 2010" is the special nomination by Delo.ua web portal. The winners are assigned by online poll with the Ukrainian people, without jury. Alexander Glus, the Head of the Nemiroff Company, became the winner at "The Young Businessman" nomination as far as he founded his first business at the age of less than twenty years



NEMIROFF COMPANY CONSIDERS THE ISSUE OF RESPONSIBLE DRINKING TO BE AN IMPORTANT PART OF ITS CORPORATE SOCIAL RESPONSIBILITY

### THE ACTIVITY OF NEMIROFF AS A WELL-KNOWN PRODUCER OF STRONG DRINKS IS BASED ON 4 KEY PRINCIPLES:

- ➔ RESPONSIBLE MARKETING
- ➔ PRODUCT QUALITY AND FIGHTING AGAINST ILLEGALLY MADE PRODUCTS
- ➔ CERTIFICATION
- ➔ PRODUCT COST

A MANDATORY INTEGRAL PART OF OUR FURTHER DEVELOPMENT WILL BE COMPLIANCE WITH THE APPLICABLE LAW AND CORPORATE RESPONSIBLE DRINKING POLICY

## RESPONSIBLE MARKETING

Responsible marketing of Nemiroff Company consists in focusing on certain target groups and dialogue with consumers (distribution of reliable information about the products and promoting responsible drinking).

In its marketing communications Nemiroff complies with requirements of law and deliberately focuses on consumers aged above 18. Thus the company places TV ads after 11 p.m. only, supports projects for men's and adult audience, and it does not take part in family projects.

## PRODUCT QUALITY, FIGHTING AGAINST ILLEGALLY MADE PRODUCTS

Nemiroff products have perfect quality characteristics. In their production original author's recipes, premium quality alcohols and natural ingredients only. The most prestigious and reputable international tasting competitions confirm high quality of the beverages with the best marks and titles of honor year in, year out.

Nemiroff is a legal manufacturer of alcohol products that steadily meets the requirements of the applicable legislation. The company's position with regard to fair competition is clear, transparent and consistent. Facing the manifestations of unfair competition Nemiroff stands up for its honor and dignity. Thus, for instance, in June 2009 the company applied to the Antimonopoly Committee of Ukraine (AMCU) with reference to one of spirits manufacturers that started using bottles and labels associated with products of the Nemiroff brand. The judgment of the AMCU in favor of Nemiroff made it possible to protect the well-known international brand from fakes.

Nemiroff Company implements the most innovative product protection technologies. It has already been almost 10 years since a unique system of bottle laser marking was launched (2002) that enables engraving the bottling date and time on the bottle and cap at the same time. Such engraving is impossible to remove. Therefore it eliminates any possibility to use a branded Nemiroff bottle more than once.

In March 2007 Nemiroff implements a new revolutionary system of protection against fakes – a "truth detector" cap: when a bottle is opened for the first time, a black ring emerges on the cap that gives the evidence that the bottle contains the original Nemiroff drink. The total cost of implementation of the technology into production was 6.6 million US dollars.



## CERTIFICATION

The company has the Quality Management System according to DSTU (State Standards of Ukraine) ISO 9001:2009, as well as Food Safety Management System according to DSTU ISO 22000:2007. In 2011 the company started launching a new product – Nemiroff DISTINCT certified according to international standard ISO 14024:1999 (DSTU ISO 14024:2002) Environmental labels and declarations. Type I environmental labeling - Principles and procedures, that yet again confirms quality, safety and environmental friendliness of products made by the international brand.



## CERTIFIED PRODUCT COST

The company adheres to the principle: strong spirits should be available to adults only. The cost of a half-liter bottle of vodka of the international brand is in average about 30 UAH that makes the product less available for young people.



IN CONDITIONS OF CONTINUOUS DEVELOPMENT THE COMPANY PAYS MORE AND MORE ATTENTION TO ENVIRONMENTAL PERFORMANCE AND PREVENTION OF NEGATIVE IMPACT OF ITS ACTIVITY ON THE ENVIRONMENT

NEMIROFF ENVIRONMENTAL MANAGEMENT SYSTEM IS A DOCUMENT THAT DEMONSTRATES ENVIRONMENTAL PRINCIPLES OF THE ENTERPRISE AND CONTAINS THE COMPANY'S COMMITMENTS TO MEET THE REQUIREMENTS OF LAW AND CONSTANTLY IMPROVE

ON THE BASE OF THIS DOCUMENT THE COMPANY SETS ENVIRONMENTAL TARGETS AND ACHIEVES THEM

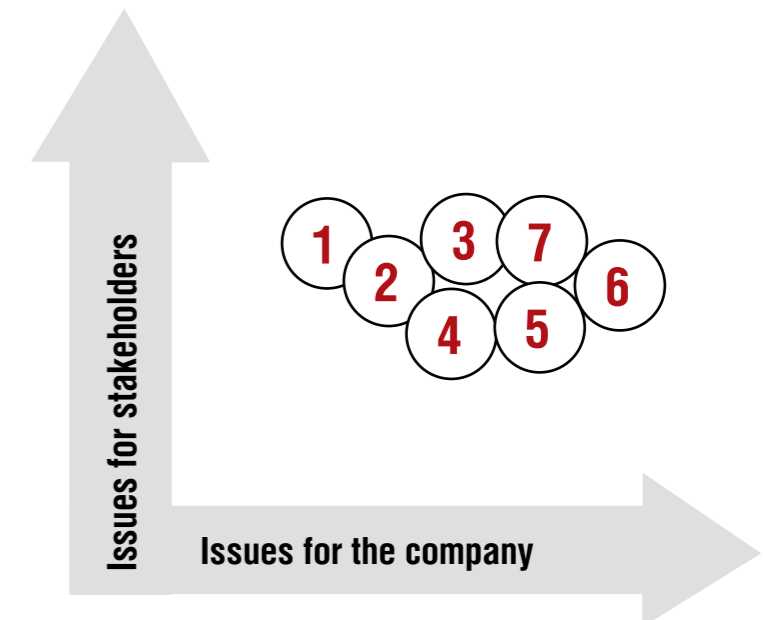


SPIRITS PRODUCTION IS ONE OF THE MOST ENVIRONMENTALLY FRIENDLY FROM THE POINT OF ITS IMPACT. OWING TO THE IMPLEMENTED ENVIRONMENTAL MANAGEMENT SYSTEM THE STRUCTURAL UNITS OF THE COMPANY, WHICH OPERATION AFFECTS THE ENVIRONMENT, SET GOALS TO MITIGATE THIS IMPACT

## ISO 14001

The enterprise has implemented the environmental management system (EMS) according to ISO 14001:2004. This helps to keep the risks of possible pollution caused by the production activity to a minimum. EMS applies to all the processes of production and product storage, it is brought to notice of all the personnel. The EMS policy is specified by the company's management team and gets in line with the nature, scope and ecological impact of the company's activity and the goods produced

- 1 – emissions to air
- 2 – emissions to water
- 3 – waste products
- 4 – energy use
- 5 – emissions to soil
- 6 – use of raw materials and natural resources
- 7 – heat generation and vibrations



## «GREEN PLANET»

Picture 3. Key environmental issues

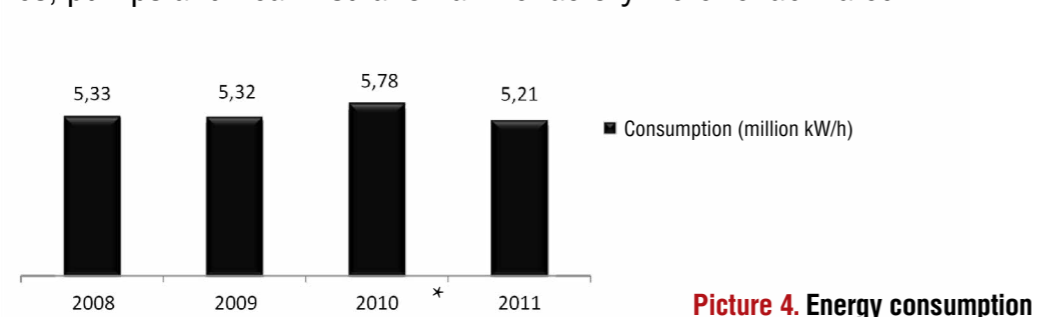
In 2009 Nemiroff Company started implementing the Green Planet project. The idea to bring the environment project to life was the consequence of training the employees completed according to the program of environment management system ISO 14001. At the same time the company made a working group called "the green team" that started implementing principles of environmentally friendly production (saving of energy, paper, natural resources, emission reduction and prevention, separate household waste collection, separation and handover for recycling)

### RESULTS:

Owing to implementation of electronic document circulation, re-use of printouts and surface-reverse printing more than 7 tons of paper is annually saved (about 1.5 kg per employee). Thus for the period of the program implementation almost 240 trees were salvaged

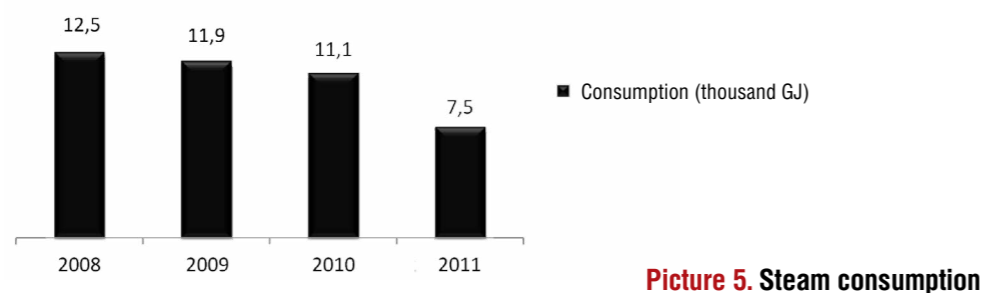
## ENERGY EFFICIENCY PROGRAMS

While designing production sites or production units the company estimates what will be the energy intensity of the equipment, what impact it will have on the environment. Consequently only the type of equipment that does not consume much energy is put into operation. Besides, the company has implemented energy-efficient technologies, and production facilities are fitted with the equipment that consumes energy sparingly. For example, the performance factor of boilers is 0.95%. If there is any necessity to cut down the consumption of heat and electric power, the equipment, steam and hot water pipelines are improved and upgraded. Thus in 2010 the process cold supply system, replaced pipelines, pumps and heat insulation at the factory were rehabilitated.

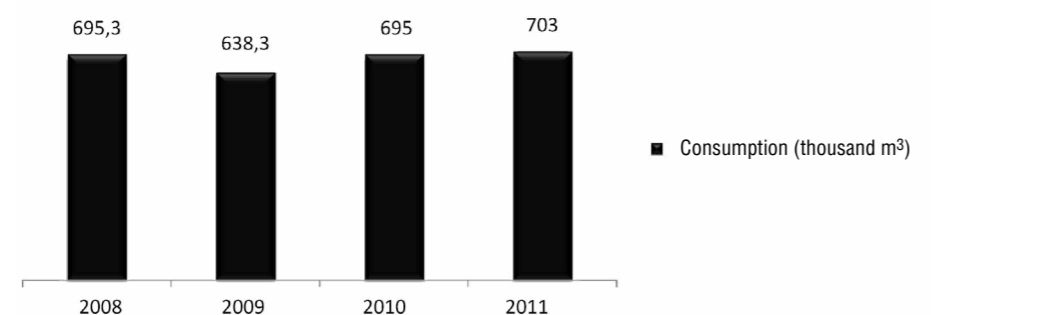


Picture 4. Energy consumption

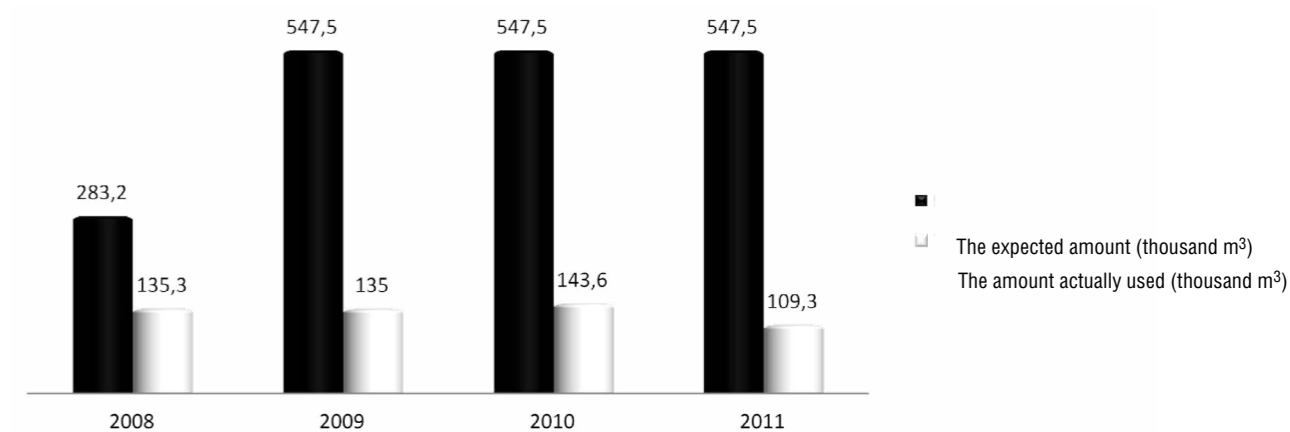
\* In 2010 the product output was 1 million bottles more than in 2009 that called for extra energy consumption for production needs



Picture 5. Steam consumption



Picture 6. Gas consumption

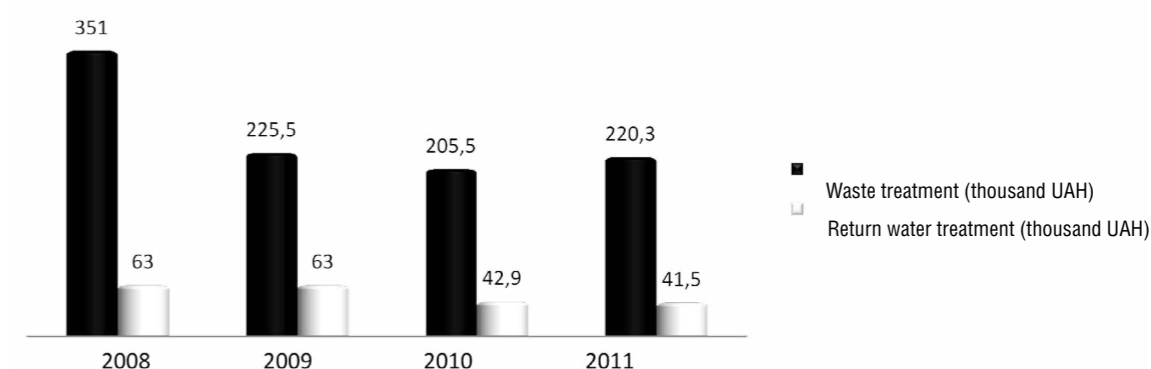


Picture 7. Water consumption

\*In 2010 the product output was 1 million bottles more than in 2009 that called for extra water consumption. However within three years the water consumption was 964 thousand m3 less than the amount allowable for special water use.

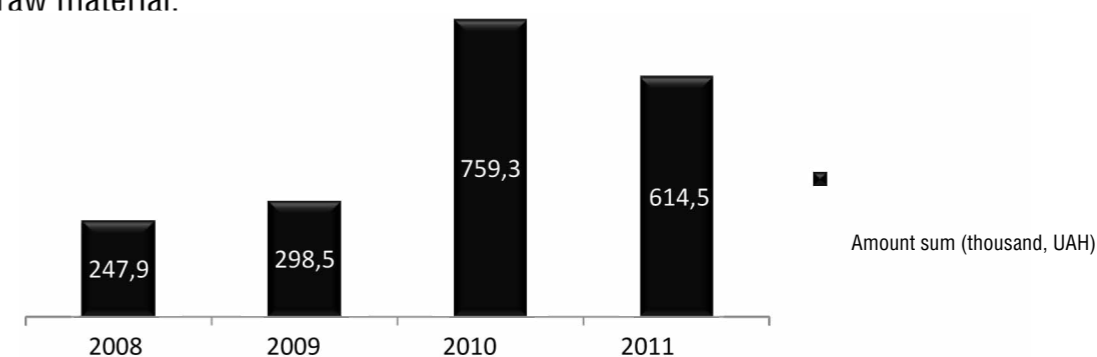
## GREENHOUSE GAS EMISSIONS REDUCING INITIATIVES

According to standard ISO 14001 the company provided the production with the state of the art emission control equipment. So there are alcoholic fume traps installed at the factory to prevent emissions of alcoholic fumes to the air. Implementation of the Green Planet project made it possible to reduce emissions of combustion products to the air (we managed to prevent 210 kg of noxious emissions from getting into the atmosphere).



Picture 8. Total expenditures and investments for environment protection

Within three years the company raised revenues from selling waste as recoverable raw material.



Picture 9. Revenues from selling recoverable raw material



## SUPPORT FOR CIVIC INITIATIVES

Caring for the environment Nemiroff Company not only controls its own manufacturing, but supports civic initiatives aimed at the environment protection (area cleaning, assistance in holding conferences of environmentalists, etc.) as well

### UKRAINE-WIDE CIVIC CAMPAIGN «CLEAN SPRING»

Social campaign “Clean Spring” was on partnership basis organized by Nemiroff, the Fisherman Community of Ukraine and National Hydrometeorological Services of Ukraine. The program participants initiated reviewing the most popular places for fishing in every region and examining water for compliance with environmental standards

In August 2007 fishermen identified popular pieces of water: called the hotlines, voted on fishing websites [www.fishing.kiev.ua](http://www.fishing.kiev.ua) and [www.ribaki.org.ua](http://www.ribaki.org.ua)

Later on during the month there were some field expeditions to the selected pieces of water to take samples of water for analysis by the most exhaustive list of fishery parameters applicable in Ukraine. Each expedition group included: a chemical hydrologist, a hydrobiologist and a radioecologist. The group took samples of surface waters for further hydrobiological, hydrochemical and radionuclide analysis in a laboratory environment. Water samples were taken in presence of representatives of fishermen community of Ukraine and all comers. The schedule of taking samples was published on [www.fishing.kiev.ua](http://www.fishing.kiev.ua)



«Examining water reservoirs according to fishery norms is stricter than hygiene inspection, since fish is more sensitive to technogenic pollution than a human being. Results of such research reflect the ecological condition of surface waters»

**Leonid Tabachny,**  
Deputy Director of the Central Geophysical Observatory of the State  
National Hydrometeorological Services of Ukraine

BY JOINT EFFORTS OF THE ORGANIZERS A NON-BIASED LIST WAS MADE INCLUDING 26 CLEANEST RESERVOIRS (ONE PER EACH OBLAST OF UKRAINE)

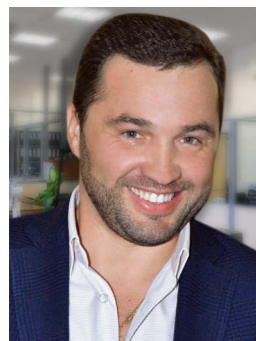


### THE LIST OF THE CLEANEST WATER RESERVOIRS INCLUDED:

- Kyiv – the river Desna , Troyeshchina
- The AR of Crimea – the Black Sea, the Yalta Quay
- Vinnytsya oblast – the Lake, the city of Nemyriv
- Volyn oblast – the river Styr, the city of Lutsk
- Dnepropetrovsk oblast – the Dneprodzerzhinsk water reservoir, the city of Verkhniodniprovsk
- Donetsk oblast – the river Bakhmut, the city of Artemivsk
- Zhytomyr oblast – the river Teteriv, the city of Zhytomyr
- Zakarpattia oblast – the river Uzh, the city of Uzhgorod
- Zaporizhzhia oblast – the Kakhovka water reservoir, the city of Zaporizhzhia
- Ivano-Frankivsk oblast – the river Bystrytsia Solotvynska, the city of Ivano-Frankivsk
- Kyiv oblast – Kaniv water reservoir, the urban type settlement of Ukrainka
- Kirovohrad oblast – Kremenchug water reservoir, the city of Svitlovodsk
- Lugansk oblast – the river Siversky Donets, the city of Lysychansk
- Lviv oblast – the river Dnister, the city of Sambir
- Mykolaiv oblast – the river South Bug, the urban type settlement of Nova Odesa
- Odesa oblast – the river Danube, the city of Vylkovo
- Poltava oblast – the river Khorol, the city of Myrgorod
- Rivne oblast – the river Ustia, the city of Rivne
- Sumy oblast – the river Sula, the urban type settlement of Nedrygailiv
- Ternopil oblast – the river Dnister, the city of Zalishchyky
- Kharkiv oblast – the river Siversky Donets, the city of Izyum
- Kherson oblast – the river Dnieper, the city of Nova Kakhovka
- Khmelnytskyi oblast – the Dnister water reservoir, the village of Ustia
- Cherkasy oblast – the estuary of the river Ros, the village of Khreshchatyk
- Chernihiv oblast – the river Desna, the city of Chernihiv
- Chernivtsi oblast – the river Prut, the city of Chernivtsi

ACCORDING TO THE DEVELOPMENT STRATEGY EVERY YEAR THE COMPANY PLANS FINANCING SOCIALLY FOCUSED PROJECTS ADDRESSING THE MOST IMPORTANT SOCIAL PROBLEMS

FOR THE RECENT TWO YEARS NEMIROFF COMPANY HAS ASSIGNED ALMOST **19 MILLION UAH** FOR CHARITY AND SOCIAL PROJECTS



«Keeping up a decent level of national culture is a demanding challenge. After all the cultural development level is an essential inner support that helps a person in hard times to stay confident and control its own destiny, strive for further development. Keeping that in mind we put special emphasis to implementation of social and charity programs and act as organizer and sponsor of projects of international level in sports, culture, fashion, etc. Supporting such events we first and foremost are eager to contribute to spiritual and cultural enrichment of Ukrainians»

Alexander Glus  
Head of the Supervisory Board of Nemiroff Company

SUPPORT AND DEVELOPMENT OF THE CITY OF NEMYRIV

The company pays considerable attention to support and development of the city of Nemyriv (Vinnytsya oblast) where its production facilities are located. More than 1 million UAH is annually assigned only for arrangement and development of the city, about two thousand inhabitants of which work at the company's factories.

Within the mentioned period the company gave its support to more than twenty institutions in Nemyriv and Vinnytsya region (the Physical Education and Sports Committee of Vinnytsya city council, local center of the Ukrainian Writers Guild, Nemyriv general education high school of levels I-III named after M. D. Leontovych, charitable foundation Golden Horseshoe, non-governmental city organization Rhythm of Life, the Bratslav boarding school etc.) for the amount of about 1.3 million UAH. Nemiroff also helps veterans and unprotected categories of citizens. For this period they were granted nearly 200 thousand UAH.

Local population and local suppliers are involved in pepper handling activities. For three years 190 individuals (the total amount of 1192075.21 UAH was paid) and 33 entrepreneurs (the total amount is 3024197.25 UAH) have cooperated with the company.

Table 1. Involvement of local suppliers

2008		2009		2010		2011	
Number of individuals	Amount, UAH	Number of individuals	Amount, UAH	Number of individuals	Amount, UAH	Number of individuals	Amount, UAH
76	395824	61	325740	53	470510	49	330648
Number of entrepreneurs	Amount, UAH	Number of entrepreneurs	Amount, UAH	Number of entrepreneurs	Amount, UAH	Number of entrepreneurs	Amount, UAH
8	956479	7	808263	7	1259454	6	630923

Besides, Nemiroff Company leases warehouse premises with local suppliers. For three years of cooperation with 16 counteragents the total amount of 1009058.94 UAH has been paid. To meet the manufacturing needs commodity stock and supplies (alcohol, basic and auxiliary supplies, grain, corrugated packaging) are purchased from more than 160 local suppliers.







## BUILDING ATHLETIC UKRAINE TOGETHER! PROGRAM: SUPPORTING GRASSROOTS SPORT

SINCE 2007 NEMIROFF COMPANY HAS BEEN PUTTING INTO PRACTICE BUILDING ATHLETIC UKRAINE TOGETHER! PROGRAM IN COOPERATION WITH KLITSCHKO BROTHERS FOUNDATION. THE AIM OF THE PROGRAM IS TO MAKE SPORTS IN UKRAINE AVAILABLE TO EVERYBODY REGARDLESS OF FINANCIAL ABILITIES, AGE OR RESIDENCE

Through this program publicly available boxing gyms selected on a competitive basis are upgraded and equipped. By their joint efforts the program partners rehabilitate, install new sporting equipment and make free attendance of these sports centers available to anyone who feels like it

### THE KEY CRITERIA FOR SELECTING PROGRAM PARTICIPANTS:

- Number of gyms in the community per number of population
- Necessity of a gym for the inhabitants of the region
- Availability of common free attendance
- Further support of the gym operation (availability of management, coaching and technical staff)
- Commitment of the participants not to change the form of ownership at least for 10 years in the rehabilitated gyms

### RESULTS:

Within four years gyms started working in full operation in Nemyriv (Vinnytsya oblast), Pereyaslav-Khmelnytskyy (Kyiv oblast), Khmelnytskyy, Mariupol (Donetsk oblast), Kolomyia (Ivano-Frankivsk oblast), Ternopil, Gola Prystan (Kherson oblast) and Zhmerynka (Vinnytsya oblast).

The boxing gyms are open from 9 a.m. through 10 p.m., trainings are carried out all working day long and on Saturday as well. Each gym is the only one in city it is located and is in great demand: every year up to 50 competitions are held in each of them. Young boxers from the regions covered by the program of BUILDING ATHLETIC UKRAINE TOGETHER! start winning their first victories at the international level already by this moment.

Consequently, owing to the program, there are conditions to go in for sports for individuals with a low level income, young people are involved in sports life (every day each of the gyms is attended by approximately 130-140 people), financing of coaching staff is provided in the regions of Ukraine

OVERALL INVESTMENTS TO THE PROGRAM ARE ABOVE 2 MILLION UAH

«The most valuable thing people have in life is health. Unfortunately today sports are mainly the thing to be enjoyed by the rich, since not everybody can afford attending state of the art fitness centers or sports clubs. By means of this program we would like to contribute to availability of sports to everybody who is keen on sports regardless of their welfare, age or residence»

Vitali Klitschko, Ukrainian boxer, the founder of Klitschko Brothers Foundation



## UKRAINIAN CINEMA IN THE WORLD PROGRAM (2008-2010) – THE RENAISSANCE OF UKRAINIAN CULTURE

IN COOPERATION WITH UKRAINE 3000 INTERNATIONAL CHARITABLE FOUNDATION AND UKRAINIAN CINEMA FOUNDATION (UCF) NEMIROFF COMPANY PUT INTO PRACTICE THE SOCIAL PROGRAM CALLED UKRAINIAN CINEMA IN THE WORLD

In April 2008 UCF and Nemiroff Company entered the Agreement of cooperation in support of the national cinematography called Ukrainian cinema in the world. Through this program in 2008-2010 about 40 full length films and shorts by Ukrainian directors were presented at the most significant movie forums and movie markets. The program cost above 1.5 million US dollars. The money were aimed at the revival of the Ukrainian cinema, promotion of the national culture abroad, buildup and maintenance of a positive image of Ukraine in the world

### UKRAINIAN CINEMA IN THE WORLD SUPPORTED BY NEMIROFF:

- Festivals of Polish cinema in Ukraine and Ukrainian cinema in Poland
- Days of Ukrainian cinema in Paris (France), Cologne, Munich, Wiesbaden (Germany)
- Presentation of Ukrainian cinema at international cinema festivals in Berlin (Berlinale), Cannes, Moscow, Anapa (Kinoshock)
- International festivals of documentary filmmaking in Stockholm (Sweden, Humanity in the World) and Nyon (Switzerland, Visions du Reel)
- Ukrainian movies at the international coproduction market Baltic Event
- Assistance in post-production of Ukrainian films (English subtitles)
- Days of Ukrainian cinema in Vinnytsya region (Vinnytsya, Nemyriv and Gaisyn)

The final phase of the program was issuing a report of the program Ukrainian Cinema in the World that described details of goals, challenges and achievements of every event of popularization of the local national movies, as well as the Catalogue of Ukrainian cinema 2009/10 containing information about Ukrainian films of this period

### RESULTS:

Due to Nemiroff's support the world got acquainted with the rich Ukrainian culture. Movies shot by Ukrainian filmmakers were presented at the most significant events – festivals in Berlin, Cannes and at the international festival in Moscow. Thus, the Ukrainian cinema got a new impulse for development: opportunities to look for investors and distribution broadened, a platform was created to raise competitive performance of the Ukrainian cinema

«The ideology of the cinema foundation is a purposeful work aimed at communicating the achievements of Ukraine in the cinema field to the world expert and viewing audience. We are very glad that our wish to support the national Ukrainian movie industry is shared by our reliable partner, Nemiroff Company. This gave the Ukrainian cinema a second wind»

Andriy Khalpakhchi, Head of the Ukrainian Cinema Foundation







**COOPERATION OF NEMIROFF COMPANY AND CENTER OF CONTEMPORARY ART PINCHUKARTCENTER**

IN 2010 NEMIROFF COMPANY BECAME THE FIRST PARTNER OF THREE CONTEMPORARY ART EXHIBITIONS AT PINCHUKARTCENTER. THE AIM OF THE PROJECT WAS TO INTRODUCE TO UKRAINIANS THE BRIGHTEST WORLD REPRESENTATIVES OF CONTEMPORARY ART.

SEASON 2010 AT PINCHUKARTCENER:

- January 23 – March 21, 2010 – solo exhibitions of Serhiy Bratkov “Ukraine” and Subodh Gupta “Faith Matters”
- April 24 – September 19, 2010 – group exhibition “Sexuality & Transcendence”
- October 30, 2010 – January 9, 2011 - exhibition “The Future Art Generation Prize” (works of 20 young artist that entered the shortlist of PinchukArtCenter international grant)

**RESULTS:**

**Partner projects of Nemiroff and PinchukArtCenter became significant cultural events in life of the Ukrainian nation. Exhibitions of the artists’ works evoked a wide social response and warmed up Ukrainians’ interest to contemporary art**



**ETHNOFESTIVAL «ARTPOLE» (ARTFIELD)**

FOR SEVERAL YEARS RUNNING NEMIROFF COMPANY SUPPORTS ETHNOFESTIVAL ARTPOLE (TILL 2009 - SHESHORY) THAT IS HELD BY THE VILLAGE OF VOROBIIYVKA (NEMYRIV REGION, VINNYTSYA OBLAST)

In 2009 the festival lasted the whole week and gathered more than 10 000 guests. This is the evidence of the great cultural significance of the event. The participants involved in the international event came from ten countries: Ukraine, Poland, Czech Republic, Romania, Georgia, Russia, Belarus, the USA, France and UK. In 2010 Festival ArtPole was organized in the format of a large open air artistic laboratory that united 30 various workshops – from theatre to handicraft ones, from traditional to those calling for the state of the art equipment (for example, animation and VJ workshops)

**RESULTS:**

**Ethnofestival ArtPole made it possible to improve the state of things with financing the development of Ukrainian national culture, to deepen the knowledge of Ukrainian traditions and contribute to the spiritual and cultural enrichment of the community**

PEOPLE ARE THE MAIN ASSET OF NEMIROFF. THE COMPANY TEAM IS A GROUP OF FELLOW-THINKERS, PROFESSIONALS GUIDED BY THE HIGHEST GLOBAL STANDARDS IN THEIR DEVELOPMENT. THEY SHARE THE STRATEGY AND VALUES OF NEMIROFF INTERNATIONAL BRAND. THE MISSION, VISION AND VALUES ARE THE SAME AT ALL THE WORLD MARKETS WHERE THE COMPANY OPERATES

NEMIROFF IS CONSIDERED TO BE ONE OF THE BEST EMPLOYERS OF UKRAINE. THE COMPANY KEEPS IMPROVING ITS HR POLICY, THE SYSTEMS OF PERSONNEL DEVELOPMENT AND INCENTIVIZATION

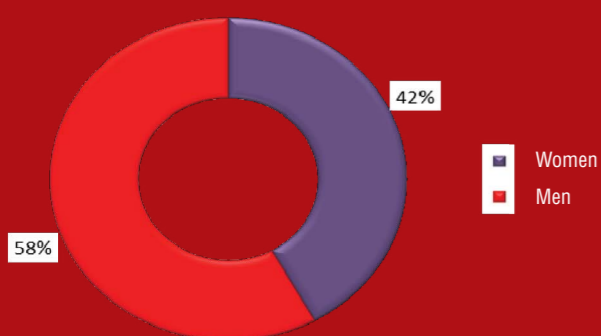




## NEMIROFF COMPANY IS ONE OF THE LARGEST EMPLOYERS IN UKRAINE

Table 2. Total Number of Employees of Nemiroff Holding

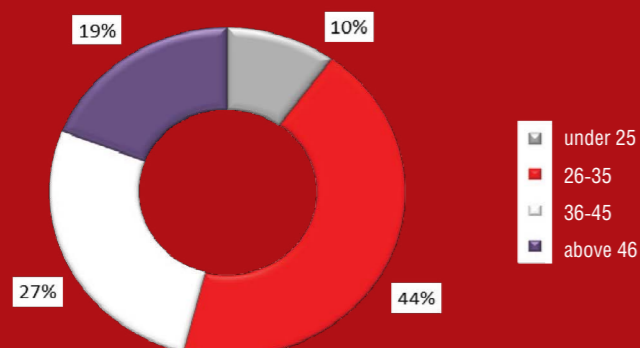
	2008	2009	2010
Employees in Ukraine/ part-time	1822	1768 / 68	1733 / 46
Employees in Russia/ part-time	247	248 / 2	259 / 4
Employees in Poland	-	83	76
<b>Total</b>	<b>2069</b>	<b>2099</b>	<b>2068</b>



Picture 10. Proportion of employees by gender

Table 3. Proportion of full time employees by gender (Ukraine)

	2008	2009	2010
<b>Men</b>	<b>1095</b>	<b>1026</b>	<b>988</b>
<b>Women</b>	<b>709</b>	<b>718</b>	<b>732</b>
<b>Total</b>	<b>1804</b>	<b>1744</b>	<b>1720</b>



Picture 11. Proportion of employees by age

Table 4. Proportion of full time employees by age (Ukraine)

Age	2008	2009	2010
20-25	317	233	171
26-35	706	725	719
36-45	452	457	478
>46	329	329	352

IN 2009 ACCORDING TO THE RESEARCH CONDUCTED BY REPUTATION CAPITAL (THE OFFICIAL REPRESENTATIVE OF INTERNATIONAL ORGANIZATION REPUTATION INSTITUTE, THE USA, THE WORLD LEADER IN THE FIELD OF REPUTATION AUDIT AND CORPORATE AND GOVERNMENT REPUTATION CONSULTING) NEMIROFF ENTERED THE TOP FOUR IN THE RANKING OF THE MOST REPUTABLE EMPLOYERS OF UKRAINE AMONG 30 LARGEST UKRAINIAN COMPANIES AND WAS RECOGNIZED THE BEST EMPLOYER IN THE INDUSTRY. IN 2010 NEMIROFF ENTERED TOP-10 BEST EMPLOYERS IN THE RANKING OF REPUTATION CAPITAL AMONG 50 UKRAINIAN AND INTERNATIONAL COMPANIES

THE COMPANY EMPLOYEES ARE PROVIDED WITH A WORTHWHILE SOCIAL PACKAGE, THERE IS A TRAINING SYSTEM DEVELOPED FOR THEM, TRAININGS AND SEMINARS ARE HELD ON A REGULAR BASIS. THE COMPANY HAS A COLLECTIVE AGREEMENT THAT REGULATES PRODUCTION, LABOR AND SOCIAL AND ECONOMIC RELATIONS BETWEEN THE COMPANY ADMINISTRATION AND THE HIRED EMPLOYEES ON THE BASIS OF THE MUTUAL CONGRUENCE OF INTERESTS OF THE PARTIES. NO LESS THAN ONCE A YEAR THE EMPLOYEES GET REPORTED ABOUT THE WAY THE AGREEMENT COMMITMENTS ARE MET



MOST OF THE EMPLOYEES (51%) HAVE BEEN WORKING FOR THE COMPANY FOR MORE THAN 5 YEARS. THIS IS THE EVIDENCE OF STABILITY OF THE CORE STAFF IN THE COMPANY. 43% OF THE EMPLOYEES HAVE GOT HIGHER EDUCATION. BESIDES, THE EMPLOYEES' QUALIFICATION LEVEL GOES UP

OWING TO THE IN-HOUSE TRAINING SYSTEM AND VOCATIONAL TRAINING BASED ON THE PRODUCTION SITE IN NEMYRIV

**PERSONNEL RECRUITMENT, ASSESSMENT AND DEVELOPMENT**

**RECRUITMENT**

In compliance with the human resource policy of Nemiroff Company all the candidates for vacant positions have equal chances. Preference is given to the candidate, which professional and personal skills meet the requirements and the corporate culture of the company. Both the company employees and outside candidates take part in the competition to fill the vacancy

**ASSESSMENT**

In the course of implementation of a pilot project of Personnel Assessment and Development in 2009 Nemiroff Company assessed its employees by means of the competency model in order to identify areas of further development.

The competency model covers the indicators of professional growth and behavior of the employee that holds a certain position in the company.

The employees of Nemiroff company were assessed by general competencies (knowledge and skills, attitude to work, changes and innovations, management skills, strategic thinking, team performance, communicative skills) and professional (for each department individually). The competency level of each employee was evaluated by the employees themselves (self-assessment) using a special score and their managers

**RESULTS:**

**The obtained results were analyzed by HR department staff and were the base for the annual training plan. Thus, the company created decent and fair conditions for training and career advancement of its employees**

**PERSONNEL TRAINING AND DEVELOPMENT**

IN CONDITIONS OF SHORTAGE OF QUALIFIED MANPOWER AT THE UKRAINIAN LABOR MARKET THE COMPANY SUCCESSFULLY PASSED THE INSPECTION AT THE CENTER OF EDUCATION OF VINNYTSA OBLAST AND AT THE STATE ACCREDITATION COMMITTEE IN KYIV AND IN 2005 IT WAS THE FIRST IN DISTILLING INDUSTRY TO GET THE LICENSE OF THE MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE FOR RENDERING EDUCATIONAL SERVICES. IN 2008 THE LICENSE WAS EXTENDED FOR 5 YEARS (INSTEAD OF THE PRESCRIBED THREE) THAT VERIFIES THE HIGH LEVEL OF OUR EDUCATIONAL SERVICES

THE COMPANY MADE SURE THAT THE TRAINING PROCESS SHOULD BE EFFICIENT AND THAT OF A HIGH QUALITY:

- ➔ It made a classroom with a local computer network and the option to connect to the enterprise's computer network
- ➔ It organizes a labor protection classroom
- ➔ It developed training programs for each profession based on the national standards

Specialists that provide vocational training can improve their own qualification. In 2008 on the base of the Ukrainian vodka Nemiroff company Dnepropetrovsk institute of technical training provided a career development course for teachers as a part of vocational training of the enterprise. Specialists of the company underwent training of vocational training organization on the factory floor in Romania and Germany. Within two months each student employee is provided with individual classes that helps them to master the production skills better

ON THE FACTORY FLOOR STUDENTS ARE PROVIDED WITH EDUCATION IN A NUMBER OF GROUPS OF PROFESSIONS:

- ➔ Metallurgical and machine-building workers
- ➔ Skilled tool operators
- ➔ Industrial equipment maintenance workers
- ➔ Machine maintenance workers and machine fitters
- ➔ Drivers and operators of mobile machinery and assemblies
- ➔ The elementary jobs in extractive industries, construction, manufacturing industry and transportation sector

**Table 5. Statistics of providing professional development course**

Year	Number of trained professionals		Number of trained professionals within the vocational training
	From among them - directly on the factory floor	From among them – in outside institutions of various types under contracts	
<b>2008</b>	184		111
	112	72	
<b>2009</b>	239		42
	232	7	
<b>2010</b>	490		22
	274	216	
<b>2011</b>	244		16
	150	94	



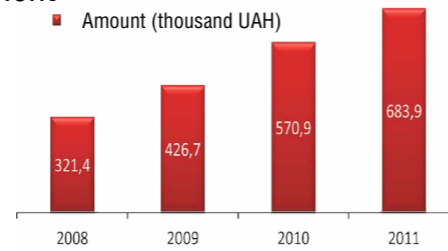
**PERSONNEL INCENTIVIZATION**

WHEN MAKING AND REGULATING THE SALARY FUND THE COMPANY FOLLOWS THE UKRAINIAN LAW "ON REMUNERATION OF LABOR", THE UKRAINIAN LABOR CODE AND OTHER REGULATORY AND LEGISLATIVE INSTRUMENTS OF UKRAINE. IT PROVIDES MANDATORY SOCIAL EMPLOYEE INSURANCE IN THE PROCEDURE SPECIFIED BY THE LAWS OF UKRAINE

In case of exemplary employment duty performance, improvement of the product quality and other achievements at work employees get certificates of gratitudes, incentive payments and other bonuses. In case of special merits of factory and office workers are rewarded by certificates of merit and government awards. Non-material motivation is an opportunity of professional and career advancement and personal development

**Table 6. Pecuniary aid to the factory workers**

Year	2008		2009		2010		2011	
Pecuniary aid to factory workers	Number	Amount, UAH	Number	Amount, UAH	Number	Amount, UAH	Number	Amount, UAH
	158 255	82	106 051	68	37 561	46	29 410	



**Picture 12. Expenditures for transportation of workers to the factory in Nemyriv**

In line with the company's policy the employees are provided with mobile communication in the specified scope. There is a type of compensation for using a vehicle for business purposes and a program of health insurance. Offices and manufacturing departments are provided with drinkable water. The company ensures transportation of its employees to the factories in the city of Nemyriv from other places (Mukhivtsi, Vinnytsya, Bratslav, Great Bushinka).

One of the social benefits for the employees of Nemiroff UVC state enterprise are free lunches

**COMPANY EMPLOYEES SATISFACTION ASSESSMENT**

In February and March 2009 Hudson Global Resources, the company providing recruitment and human resource consulting services, carried out a research of satisfaction of Nemiroff Company personnel called "Motivation and cooperation within the team. Personnel satisfaction assessment" by means of an anonymous survey.

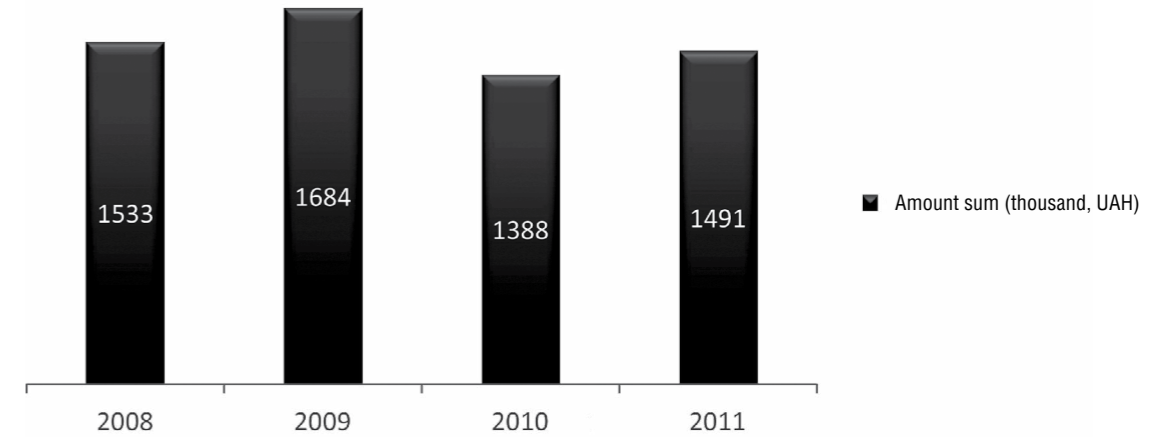
Implementing that project the company set a target to define the level of employees' satisfaction with their employer and to find out ways to raise the employees' motivation and to support a positive working environment. 952 employees of Nemiroff Company in Ukraine and Russia (63.5% from the planned number of those surveyed) gave answers to the questions asked in the questionnaires

**RESULTS:**

**The highest level of employees' satisfaction was found in the categories of relationship management (job climate, focus on customers) and team management. The key issues for the employees were human resource management, i.e. the level of their immediate superiors, job climate and incentives**

**HEALTH AND SAFETY PROGRAM**

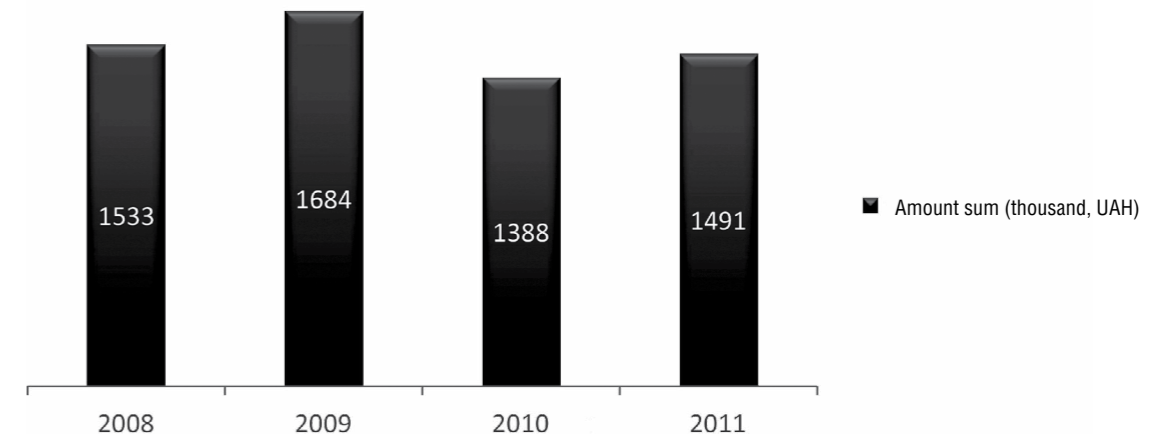
The system of occupational safety management is put into practice, there is a healthcare unit and an in-house physician's office. The company provides its employees with mandatory medical check-ups, special protective clothing and hygiene products. On an annual basis work stations are evaluated, and the Week of Occupational Safety is held that involves about 1200 individuals every time. In 2008-2010 the company spent 78613.91 UAH for health and safety training



**Picture 13. Expenditures for health and safety activities\***

*\*The occupational safety training for managers and employees is provided once in three years. In 2008-2009 due to amendments in employment and labor legislation of Ukraine it was necessary to conduct an unscheduled training. Therefore in 2008-2009 there were more expenditures than a year later*

By the results of medical check-ups the employees can be provided with rehabilitation programs with the health resort treatment being recommended. Within three years at the expense of the Social Insurance Fund for Occupational Accidents and Occupational Diseases 105 individuals received treatment with 36 children among them



**Picture 14. Expenses for providing the employees with meals**



## CORPORATE CULTURE DEVELOPMENT

Nemiroff puts a special emphasis upon its employees' awareness of the processes going on in the company and at the Ukrainian market of alcoholic drinks. There were a number of projects implemented in this direction, namely:

- ➔ corporate magazine Nemiroff Inform. It has been published since 2007 once in two months. In 2008-2010 15 issues of the magazine were published (with 1000 circulation per issue)
- ➔ corporate newspaper for employees Our Nemiroff (with 1200 circulation per issue)
- ➔ corporate website [www.nemiroff.ua](http://www.nemiroff.ua)
- ➔ corporate video Nemiroff Mission is recognized the best corporate video 2009 in Ukraine in the contest of the Best Corporate Media of Ukraine held by Corporate Media Association of Ukraine



NEMIROFF COMPANY IN ITS ACTIVITIES FOLLOWS INTERNATIONAL REGULATIONS AND PRINCIPLES, IN PARTICULAR:

- ➔ PREVENTION OF CONFLICT OF INTERESTS IN THE ACTIVITY OF THE ENTERPRISE
- ➔ COMPLIANCE TO BIDDING PROCEDURE OF ENTERING CONTRACTS
- ➔ ABIDANCE BY THE RULES OF COMPETITIVE BEHAVIOR IN GOOD FAITH AT THE MARKET
- ➔ COMBATING AND PREVENTION OF CORRUPTION PRACTICES
- ➔ MAINTAINING THE UNIFIED PRICING POLICY FOR ALL THE CLIENTS



NEMIROFF COMPANY PAYS SPECIAL ATTENTION TO THE CORPORATE CULTURE DEVELOPMENT. EVERY YEAR THE COMPANY CELEBRATES ST. NICOLAS DAY, FEBRUARY 23, MARCH 8, THE NEW YEAR'S EVE. IT ESPECIALLY CARES FOR CONGRATULATING ITS EMPLOYEES ON THEIR BIRTHDAYS, WEDDING DAYS AND CHILDREN'S BIRTHDAYS





NEMIROFF COMPANY COOPERATES WITH INDEPENDENT DEALERS THROUGH ITS TRADE REPRESENTATIVE OFFICES USING INDIRECT DISTRIBUTION. THE COMPANY'S MARKETING POLICY IS BASED ON A NUMBER OF KEY PRINCIPLES, NAMELY: PRICING CONTROL AND OBSERVANCE OF TERRITORIAL SALES BOUNDARIES BY THE DEALERS. SUCH A POSITION OF THE COMPANY IS STIPULATED BY ITS COMMITMENT TO MAXIMUM PROTECTION OF NEMIROFF BUSINESS PARTNERS' INTERESTS AND MAKES IT POSSIBLE TO PREVENT PRICE COMPETITION BETWEEN DEALERS. THIS VERY APPROACH IS THE GUARANTEE OF LONG-TERM MUTUALLY BENEFICIAL RELATIONS

The overwhelming majority of dealers have been working together with Nemiroff Company for many years. Every trading house ensures product sales in the regions within the area of its responsibility. The key requirements put forward by the company to its partners are as follows:

- Qualified staff
- Availability of warehouse premises
- Well established logistic system
- Observing financial discipline
- Working exclusively in its own region (dealers have a right to work only on the area assigned to them)



**Picture 15. Number of operators cooperating with Nemiroff Company (by the end of 2011)**

**Contracts with dealers are concluded taking into account the key points, namely:**

- Number of outlets
- Warehouse area
- Operational efficiency

To improve interaction with its trade partners in 2009 Nemiroff Company carried out a survey among them aimed at measuring the degree of their satisfaction with the company's commercial policy. Getting the answers and suggestions from dealers the company reconsidered its commercial policy involving all the interested partners in discussion of innovations in the roundtable format.

The dealers' trading teams are provided with merchandizing, time management and sales trainings by Nemiroff Company.

Every year Nemiroff maintains a ranking of dealers, the best of which are awarded by prizes. For example, in March 2010 the best dealers of Ukraine, Russia, other CIS countries and Poland were awarded with a trip to see the fight between Wladimir Klitschko and Edy Chambers

Principles	Plans
<b>AREA - HUMAN RIGHTS</b>	
<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p>	Development and implementation of new corporate social programs
<b>AREA - LABOUR</b>	
<p><b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p><b>Principle 4.</b> Businesses should uphold the elimination of all forms of forced and compulsory labor</p> <p><b>Principle 5.</b> Businesses should contribute to the effective abolition of child labor. Businesses should contribute to extinction of the child labor</p> <p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	Implementation of the Personnel Assessment project Training for sales department employees (Ukraine) and regional development managers (linear retail)
<b>AREA - ENVIRONMENT</b>	
<p><b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges</p> <p><b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility</p> <p><b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies</p>	<p>Geological surveying of the site where the four boreholes of the company are located</p> <p>Development and approval of the design of sanitary protection areas for the four boreholes of the company</p> <p>Collection and transfer for utilization of hazardous waste by specialized companies</p> <p>Monthly examination of waste waters of the enterprise and service maintenance of the water management facilities of the enterprise</p>
<b>AREA - ANTI-CORRUPTION</b>	
<p><b>Principle 10.</b> Businesses should work against corruption in all its forms, including extortion and bribery</p>	Development of a system of measures to raise the awareness of such issues as the code of conduct and anti-corruption

IMPLEMENTATION OF PRINCIPLES OF GLOBAL COMPACT BY NEMIROFF COMPANY IN 2008-2011

Area	Principles	Project Description	Results	Page
<b>HUMAN RIGHTS</b>	<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights	Supporting communities of the city of Nemyriv and other regions of Ukraine	The conditions are made for people with low income to go in for sports (the total number of the involved inhabitants of three cities: Khmelnytsky, Pereyaslav-Khmelnytsky and Mariupol is above 777 thousand people); young people are engaged in sports (about 130-140 individuals attend each of the gyms every day); financing of the coaching staff is provided in the regions of Ukraine	<b>32</b>
	<b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses	A system of company's values is introduced	Helping unprotected categories of citizens	<b>31</b>
		Focus on the product quality and safety	The company products are reliably protected against fakes. The company implemented the Food Safety Management System according to DSTU ISO 22000:2007	<b>23</b>
		Supporting the Ukrainian cinema	For the period of implementation of the program of Ukrainian cinema in the world about 40 works created by Ukrainian directors were presented at the most significant movie forums. The company invested more than 1.5 million US dollars in supporting this project	<b>33</b>
<b>EMPLOYMENT RELATIONS</b>	<b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	There is a collective employment agreement between the administration and the company's workforce. The code of ethics is introduced.	Within three years the company provided 913 of its employees with education and diplomas of the Ministry of Education and Science of Ukraine	<b>39</b>
	<b>Principle 4.</b> Businesses should uphold the elimination of all forms of forced and compulsory labor	Health and safety program is implemented	In 2010 Nemiroff Company entered the top four most reputable employers of Ukraine and was recognized the best employer of the industry according to Reputation Capital research version of the Most Reputable Employers	<b>35, 37</b>
	<b>Principle 5.</b> Businesses should contribute to the effective abolition of child labor. Businesses should contribute to extinction of the child labor	Vocational training is provided on the factory floor	The enterprise implemented the occupational safety management system, there is a healthcare unit and an in-house physician's office. In 2008-2010 the company spent 78613.91 UAH for health and safety training	<b>41</b>
	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation		The company provides its employees with mandatory medical check-ups, special protective clothing and hygiene products. On an annual basis work stations are evaluated, and the Week of Occupational Safety is held that involves about 1200 individuals every time	<b>41</b>

Area	Principles	Project Description	Results	Page
<b>ENVIRONMENT</b>	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges	Certification according to standard ISO 14001 is obtained	Environment management system (EMS) is installed according to the requirements of ISO 14001:2004/ 28 thousand kW/h of the electric power is saved, 7 tons of waste paper is discarded. Paper is saved due to re-use of printouts and double-sided printing. 203 thousand liters of water is saved, 210 kg of noxious emissions did not go to the atmosphere	<b>25</b>
	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	The Green Planet program is implemented that provides for household waste grading and their separation	In order to raise energy efficiency in 2010 the process cold supply system is rehabilitated, pipelines, pumps and heat insulation are replaced	<b>26</b>
	<b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	Greenhouse gas emission mitigation initiatives, energy efficiency raising programs are implemented. "The green team" is formed	The campaign "Clean Spring" resulted in a non-biased list of 26 cleanest water reservoirs in Ukraine	<b>28</b>
<b>FIGHT AGAINST CORRUPTION</b>	<b>Principle 10.</b> Businesses should work against corruption in all its forms, including extortion and bribery	Relations with stakeholders are transparent. Ethical principles of the activity are implemented	Company's mission and values are specified, Corporate Code is implemented	<b>12-13</b>
		The bidding procedure of entering contracts and the rules of competitive behavior in good faith at the market are applied. Measures are taken necessary to fight and prevent corruption; the unified pricing policy for all the customers is put into practice	The work with dealers is made consistent	<b>43-44</b>

The report was prepared in the period from September through November 2011  
Submission of the next report is planned for January 2013

To contact us with your comments, ideas and suggestions please send an e-mail to [info@nemiroff.ua](mailto:info@nemiroff.ua)





# Nemiroff



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