

# SOPHARMA PHARMACEUTICALS

SOFIA, BULGARIA

COMMUNICATION ON PROGRESS 2006

UNITED NATIONS GLOBAL COMPACT INITIATIVE

## Principle One

The business should support and respect the observation of internationally approved human rights

- company policy and strategy support human rights
- health and safety system

The healthy and safe work conditions are one of the most important elements of labor protection. The establishment of good material conditions for labor process performance is aimed at the protection of workers'/employees' health, working ability and life. During the past year the national policy was changed which resulted in changes in our company policy with regard to the replacement of the compensatory approach (payment for work in harmful conditions) with the preventive one – timely risk forecasting and its placement under control as an economically profitable method for ensuring workers'/employees' health and safety.

Sopharma Plc has signed a contract with an industrial health center. The responsibilities of this center include:

- assessment of the impact of working conditions on workers'/employees' health status and development of medical and prophylactic measures;
- assessment of staff suitability for the performance of the relevant work;
- participation in staff training programs on ensuring health and safety during work.

Sopharma has a working conditions committee that coordinates the cooperation on safety and health issues between the employer, the

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management and the employees (their representatives respectively). Sopharma provides medical examinations for its workers – a preliminary examination is made prior to their appointment and then prophylactic examinations take place at regular intervals. The industrial health center prepares annual reports on the health status of the staff together with a morbidity analysis (both total and with respect to specific jobs).

During the last year the additional paid annual leave for work under harmful and specific working conditions was replaced by an additional leave for work under specific conditions and life and health risks that cannot be avoided, restricted or reduced irrespective of all measures. The selection of the workers and employees entitled to this kind of leave was made after consultations with workers' and employees' representatives, with the industrial health center and upon assessment of the job risks.

## Principle Two

### The business should be sure not to take part in any human rights violation

The employer's responsibility "to protect the workers'/employee's dignity" means that he should treat them according to the usual courtesy and respect of their personality. The fact that the worker or the employee is his subordinate in the performance of relevant tasks does not relieve the employer from the obligation to observe the generally accepted norms of courtesy and respect for the worker's/employee's dignity. These norms exclude the use of rude expressions, any abuse, scandals, physical violation and in general any behavior that discredits the worker/employee, insults and humiliates his self-esteem and dignity. Even when the employer is not satisfied with the worker's/employee's performance, he should respect the worker's/employee's dignity and observe the courtesy norms while explaining openly his dissatisfaction and negative evaluation of the performed work.

## Principle Three

**The business should support the freedom of uniting and should recognize in practice the right to collective bargaining**

The workers'/employees' right to join trade-union organizations and unions for protection of their interests in the field of labor and social security is regulated in Art.49, Par.1 of the Constitution of the Republic of Bulgaria and discussed in detail in various regulations of the labor legislation. The Labor Code confirms undisputedly the workers'/employees' right to form and join any trade-union organizations without a special permission, to join and leave them voluntarily taking into consideration only the organization statutes. No one should be forced to join or discontinue his membership in a trade-union organization. This is a subjective right of each worker/employee and he himself decides whether to exercise this right or not. The main functions of a trade-union organization, for the performance of which it is established, are to represent and protect the interests of its members before the governmental authorities and the employers. This representation is mainly with regard to the issues of remuneration, the size of various leaves, working hours, the amount of compensations in case of dismissal, providing of healthy and safe working conditions, protection in case of dismissal of trade-union leaders and members, employment, income policy, social security etc. The trade-union leaders accomplish the representation and protection of their members' interests by using various forms as participation in the tripartite cooperation, organization of strikes and other activities under the law, i.e.: participation of the trade unions in the preparation of the in-house acts, participation of trade-union

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representatives in the consultations with the employer in case of introduction of longer working hours, in the determination of workers'/employees' categories with open-ended working hours, negotiations for amicable solving of collective labor disputes etc.

There are three trade-union organizations at Sopharma Plc: of the Confederation of Independent Trade Unions, of "Podkrepa" Labor Confederation and of "Promyana" Independent Trade Union.

The employer provides the relevant conditions and assistance to the trade-union organizations and the workers'/employees' representatives for the performance of their functions as well as premises for the performance of their activities.

## Principle Four

### The business should support the eradication of any forms of forced and bonded labor

The deduction of any financial deposits is prohibited at Sopharma Plc.

There is no forced or bonded labor at the Company. All workers are entitled to leave by mutual agreement or by a month notice. In case of work reduction, closing of part of the enterprise or lay-offs, the employer should give a month notice. The worker/employee is entitled to compensation by the employer amounting to his gross remuneration for the period when he had no work, but not more than 1 month.

There is a procedure worked-out at Sopharma for cases of mass lay-offs. Mass lay-offs are dismissals made at the discretion of the employer and for reasons not connected with the individual worker/employee, when the number of dismissals is at least 30 for a period of 30 days. This category covers also dismissals due to closing down part of the enterprise or staff cuts, reduction of work volume and production stoppage for more than 15 days. When the employer intends to undertake mass lay-offs, he is obliged to begin consultations with the trade-union representatives and workers'/employees' representatives in due time, but not later than 45 days prior to the lay-offs, and to make efforts to reach an agreement with them to avoid or restrict the mass lay-offs and to alleviate the consequences from them. The employer should, prior to the consultations, provide written information on: the reasons for the intended lay-offs, the number of workers and/or employees subject to dismissal and the main

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economic activities with the relevant groups of professions and jobs, the specific indicators for application of the criteria for selection of workers/employees subject to dismissal, the period when the lay-offs will take place, as well as the due compensations in relation with the lay-offs.



## Principle Five

### Child labor

The minimum age for employment is 16 years. The persons from 16 to 18 years are employed after a medical examination and a positive medical conclusion that they are fit to perform the relevant job and this job will not harm their health and their physical and mental development. The authorization for appointment of individuals under 18 years is issued by the General Labor Directorate for each specific case and on the basis of the required documents submitted by the employer, i.e.:

- description of the work to be performed by the person under 18 years
- the results from the assessment of the risk to which the person under 18 years will be exposed
- the measures provided for the protection of such person's health and safety
- medical conclusion
- distribution of the working hours

There are no persons under 18 years employed at Sopharma Plc. It is possible, as an exception, students to be appointed during their summer holidays, but only upon observation of all the requirements specified above.

## Principle Six

### The business should support the elimination of discrimination in employment

Diversity is higher with equal opportunities:

- it eliminates inadmissible discrimination
- it motivates the work force
- it ensures fair relations
- it provides a better image of the organization

Diversity excludes any preferential attitude and false adherence to the law, as well as the use of quotas.

Sopharma Plc has a clear policy for staff selection and recruitment that excludes any discrimination with regard to sex, age, religion, political interests. The equal treatment in remuneration is warranted. Approximately 60% of the persons employed at Sopharma Plc are women. The Company takes special care for the pregnant women. When a pregnant woman performs work that is not suitable for her condition, on the prescription of the health authorities, the employer takes the relevant measures to adjust temporarily the working conditions so as to avoid the risk for the health and safety of the pregnant woman or she is transferred to another suitable job.

The working hours at Sopharma Plc amount to 40 hours per week, with a five-day work week. The rest between the workdays is at least 12 hours and two successive days at the week-end.

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The employer has provided a canteen for the workers and employees where the food is prepared according to the relevant norms and specific work conditions. The Company has two recreation centers – at the seaside and in a mountain location near Sofia. Sopharma is a sponsor of a nursery home where the children of company workers/employees are preferentially admitted.

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## Principle Seven

### The business adheres to the principle of prevention in the achievement of ecological objectives

The corporate responsibility assumed by the Management of Sopharma Plc for the implementation of a preventive approach for the achievement of ecological objectives, is reflected in the Company's mission:

*"To contribute to the progress and development of the pharmaceutical industry contributing this way to the economic development of the Bulgarian nation"*

Our aim is to contribute to the economic development of the Bulgarian nation by means of a commitment to such a type of economic growth that is based on the achievements of the scientific and technical progress. This is the economic growth based on knowledge, on new technologies for primary resources economy and new methods for their utilization and transformation.

For the accomplishment of our mission, we coordinate the policies under the various instruments of the marketing mix, i.e. product, price, distribution and promotion, taking into consideration the main tendencies in the development of the society. At present, the attention of the customer is focused on a manufacture that is not anti-social, that satisfies his demands without affecting his need of a quality life environment both for the present and for the future generations. Sopharma's accession to

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UN Global Agreement is an expression of our readiness to integrate Corporate Social Responsibility (CSR) into our culture.

Sopharma Plc contributes to the economic development of the Bulgarian nation by its efforts to be efficient and innovative, to react relevantly to the changes in the environment, to introduce new products and renovate its production facilities and technologies. The Management of the Company considers environment protection an integral part of these development processes. Priority attention in Company's investment programs is paid to the technological manufacture and the requirements of the Good Manufacturing Practice. The Company has implemented measures for:

- Risk assessment – Sopharma, being a company in operation, is not classified with regard to a category of industrial activities of low or high risk potential;
- Product life cycle – the impact of the manufacturing cycle on the environment is assessed from the input of starting and raw materials in manufacture to product release for sale on the market. The whole technological process is brought in line with the rules of the Good Manufacturing Practice by means of the following activities:
  - Input control of raw and starting materials; measures for improvement of energy efficacy; accountability of drinking and waste water consumption; technical measures for achievement of a higher economic and ecological effect in steam utilization; gasification of one of company sites;

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- Manufacturing process – measures have been taken for reduction of environment impact at each manufacturing stage, reduction of volatile organic compound emissions in particular, by introduction of technological modifications (lasting introduction of water filming);
  - Output – Company monitoring of environment parameters – atmospheric air, waste waters and waters from company water sources; wastes – differentiated collection of the wastes generated from the technological process is performed, the limitation and reuse of industrial and household wastes is stimulated; contracts have been signed with licensed companies for neutralization of harmful wastes; the company assumes its responsibility for the product after its sale on the market, thus performing the imperative provisions of Council-of-Ministers Decree No 137, the Regulation on Packages and Package Wastes, the Law on Drugs and Pharmacies in Human Medicine;
  - Environment impact assessment – the development projects report of achievement of ecological objectives:
    - Strategic environmental assessment – The corporate strategy for prevention principle implementation takes into account the tendencies for changing of political, economic, technical and technological environment in which the development of Sopharma takes place. As a factor of principal importance for environment, ecological requirements have a significant effect on the restriction of environment polluting manufactures and stimulate the use of ecologically clean technologies. The

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admissible norms for environment pollution are compulsory and their observation is one of the conditions for success in the competition in the pharmaceutical sector.

- In compliance with the national legislation on environment protection and at the earliest stage of each investment project, the Company makes an inquiry at the relevant governmental authority for the necessity of an environmental impact assessment;
- The Management decisions are aimed at such techniques and technologies, the application of which will achieve reduction of delectable resources and increase of manufacturing efficacy respectively, reduction of technological waste quantity and, as a direct consequence, reduction of operating costs on the waste storage, disposal and neutralization.

Description of the measures taken during the past year on the application of Principle 7:

- Through its participation in the Organization for Utilization of Package Waste, Sopharma Plc contributed to the solving of the ecological problem arising from the most distributed wastes. In collaboration with the experts of Ecobulpack AD, the Company applied in practice the requirements of the national legislation on waste management;
- Together with experts on air cleanness protection, some problems of harmful atmospheric emissions reduction were solved;
- In 2006, an application was filed for the issue of a permit for waste water discharge in a surface water site. Sopharma has already

- acquired such a permit issued by the competent governmental authority;
- In 2006, the Program for remediation of damages from old pollutions and the Program for bringing the manufacturing activity in compliance with the environment regulations were successfully completed. BGN 1,559,599 furnished by the World Bank through the Ministry of Finance and the Ministry of Environment and Waters, was used under the Program for remediation of damages from old pollutions.

The good project solutions for the accomplishment of the Program elements for remediation of damages from old pollutions resulted in the achievement of Program objectives:

- Remediation of old pollutions and closing of Tailings ponds 1 and 2 by encapsulation and concreting;
- Recovery of polluted soils in the East zone of Site B of the Company by application of encapsulation and concreting technology;
- Closing of fuel oil unit and remediation of old pollution by encapsulation;
- Demolition of old buildings;
- The encapsulation technology is a warranty for the achievement of an unprecedented ecological result due to the fact that polluted underground waters shall be recovered and soil pollution shall be prevented.



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## Principle Eight

The business should demonstrate a higher responsibility of  
environment protection  
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## Principle Nine

### Environment

As part of the social responsibility of the Company, the Management has undertaken the application of a manufacturing practice oriented to protection of environment. All efforts and investments in this direction form also a part of the overall concept for the future development and activities of Sopharma. Our vision for tomorrow is directly related to our striving to win the trust of the end user by the manufacture and distribution of high-quality products based on international standards with the simultaneous application of ecological manufacture that guarantees human health protection.

- During the past 2006 the Program for bringing the manufacturing activities of the Company in compliance with the legislative regulations on environment protection was successfully completed. From financial point of view, the amount invested by Sopharma for its implementation totaled BGN 2,914,676. As some of the results, we can mention:

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- Gasification of the steam-boiler station;
  - Introduction of a water filming technology in the manufacture of tablet dosage forms;

**Presentation:** Description of the results from the applied systems and the performed activities:

- The available database from our own monitoring is information sufficiently representative for the defining of the corrective measures for compliance. We can say that the greenhouse gas emissions are within the legally admissible concentrations, and as a result of the gradual implementation of the water-filming technology, reduction of the use of organic solvents has been achieved.

## Principle Ten

### Anti-corruption

Sopharma Pharmaceuticals has taken the following initiatives and actions to ensure that the company's employees, shareholders and partners do not engage in corruption while conducting business for the company:

- Development of Code of Ethics: the IR Department has developed a Code of Ethics in accordance with the National Corporate Governance Code and the respective legislation
- Participation in national anti-corruption initiatives:
  - Dr. Ognian Donev, Executive Director is a member of the National Anti-corruption Commission
  - Mr. Boris Borisov, Financial Director is a member of the Sofia Municipality Anti-corruption Commission
- Anti-corruption instruction of Marketing Business Units members
- Centralized system of complaint management