

Communication on Progress

Year: 2007

STATEMENT

JSC “Grindeks” is aware of all the corporate responsibilities towards society and is proud to be one of the first companies in Latvia that responded to the invitation of UN General Secretary Kofi Annan in May 2002 and joined the UN “Global Compact” that unites socially responsible business companies from all over the world. Accordingly, this is the sixth report within the context of the “Global Compact” that JSC “Grindeks” is submitting to the UN.

“Grindeks” continues to develop rapidly and holds the position of the leading pharmaceutical company in the Baltic States specializing in research, development, manufacturing and sales of original cardiovascular and anti-cancer products, generics and active pharmaceutical ingredients.

Looking to the financial performance figures in the past years, we can see that there has been annual growth in turnover of 20-30% for several years. Year 2007 was also very successful to our company – the positive financial performance in 2007 demonstrated corporate development in line with the corporate strategic goals. It excelled with many remarkable achievements in our business activities which will enable us to reach good financial results also in the future – opening of new high-tech and environment friendly analytical scale-up laboratory, introduction of new product – CNS drug Rispaxol® - onto the market, entry to the new markets – China and Turkey, fast growing identification of our high quality products in western markets etc.

However, I would like to stress not only our good business figures, but also continuous corporate responsibility towards society and environment. The Management of “Grindeks” strongly believes that successful, financially stable and positively oriented companies have an obligation to provide support to the society, and this concept is one of the basic assumptions of the “Grindeks” development.

The business strategy of “Grindeks” roots strongly in its mission – it states that we care about human health as well as the interests and welfare of our employees and shareholders and that we are innovation based and environmentally friendly company. The business philosophy of “Grindeks” is closely tied also to four key values of our company – Quality, Stability, Innovations and Employees – that stimulate corporate growth, promote competitiveness and develop the internal culture of the company.

“Grindeks” has always been a driving force in the industry, with a workforce staffed by highly qualified specialists, close relations with science, high quality standards and commitments to the environment and society in general. Our corporate responsibility towards our employees, society and environment was proven by many activities during the whole year 2007:

- We continued to develop our personnel policy by expanding advanced ways of motivating the personnel – payment policy, social policy, training, working environment, employee's performance analysis and development planning, satisfaction survey as well as different recreational events.

- We provided well-organised working environment, complying with all labour safety requirements, and an advanced technical support. As a result, in 2007 we received “European Good Practice Award” recognition for the work place safety.
- We carried out many activities in order to reduce the environmental impact from chemical production. One of them was starting the construction of a new biological wastewater purification plant which will allow us to prevent efficiently the possible harm to the environment.
- Compliance with high quality standards of our work was proven by receiving the “Good Manufacturing Practice” (GMP) certificate repeatedly, by passing successfully pharmaceutical inspections from Latvia, the US and Russia as well as its partners’ audits, also by continuous work on introduction of Quality Management System etc.
- We supported various important events in the field of pharmacy – international conferences, congresses, exhibitions, different activities related to support of innovations, science and the development of industry.
- We carried out charity activities by organizing and taking part in charity campaigns as well as making donations to the University Children’s Clinical Hospital.
- The JSC “Grindeks” foundation “For Support of Education and Science” continued to support science and education by providing scholarships and awards.

Year 2007 resulted by receiving the recognition of “Efficient Management Award” in the nomination “The Best Corporate Management Enterprise” for the implementation of the principles of corporate governance in the Company. Thus “Grindeks” was evaluated as one of the best examples of efficient management and good practice in Latvia.

We are committed to the principles of sustainable development, and to our role as a socially responsible corporate citizen. The board of JSC “Grindeks” fully supports company’s actions in working towards sustainability goals – in particular those contained in the UN “Global Compact”. Here we summarised the progress we have made against these principles and we will continue to follow them up in future.

**Jānis Romanovskis,
Chairman of the Board
JSC “Grindeks”**

Contact: Ilze Kreicmane

Email: ilze.kreicmane@grindeks.lv

Phone: +371 67083336

Fax: +371 67083505

Global Compact Principle	Action Taken and Impact Achieved
<p>1: Businesses should support and respect the protection of internationally proclaimed human rights;</p>	<p>Constantly increasing volumes of manufacturing and sales have ensured that “Grindeks” holds a stable, high position among companies with the highest exporting potential in Latvia. The Management of “Grindeks” strongly believes that successful and financially stable companies have an obligation to provide support to the society. Therefore “Grindeks” allocates funds to focused social and supporting activities every year.</p> <p>In 2007, “Grindeks” continued the implementation of a socially responsible policy, taking care of public health, development and welfare. Goal of the “Grindeks” sponsorship and society support policy is to promote formation of a highly educated, healthy and cultural society.</p> <p>“Grindeks” is one of the few Latvian companies that give practical support to the development of science and education in Latvia. In 2007, we carried out several important events in order to support and promote the education in the fields of engineering sciences, natural sciences and pharmacy as well as to honour Latvian and foreign scientists, teachers for the achievements and contribution in the manufacture of new pharmaceuticals, for the research in pharmacy history of Latvia, for the merits in Latvian pharmacy and development of “Grindeks”.</p> <ul style="list-style-type: none"> – In 2007, within the framework of the “Grindeks” foundation “For the Support of Education and Science” <ul style="list-style-type: none"> ○ awards and grants to the experienced and new scientists of Latvia, teaching staff and education establishments were awarded; ○ promotion of the career in the field of the natural sciences was implemented by creating TV programmes, films, educational aids and field practices. – In 2007 for the thirteenth year already the highest award of “Grindeks” – the Grindelīš medal - was presented to several specialists of pharmaceutical area. <p>“Grindeks” keeps observing continuously the tendencies on pharmaceutical market and responds to them quickly and actively not only by offering new medicines, but also educating the society on healthy lifestyle and the best ways of treatment of certain diseases. “Grindeks” is focusing on research,</p>

	<p>development, manufacturing and sales of three main therapeutic groups – heart and cardiovascular medications; anti-cancer agents; CNS drugs. These are main spheres where support activities are carried out.</p> <ul style="list-style-type: none"> – Considering the fact that the number of heart diseases is constantly increasing in Latvia and all over the world, “Grindeks” is aware of the importance of successful dialogue with cardiologists allowing to find out about the needs of treatment specialists and patients, as well as to exchange the latest information, research and experience. Therefore, in 2007 “Grindeks” was the general sponsor of conference for cardiologists and general practitioners “What can be done under the tissue ischemia conditions?” – We continued to organize monthly educational lectures and discussions within the “Small Academy of Cardiology” of “Grindeks”. It gave the possibility for the doctors to exchange information about the important questions related to cardiology. <p>Being aware of the fact that the innovation is the driving force in meeting society need for new medications and effective healthcare, “Grindeks” is allocating ~10% of its year turnover to the R&D activities which are focused on the fulfilment of the yet unachieved pharmaceutical needs. Our goal is to create innovative brand products that could be used for the fulfilment of health care needs in the future. “Grindeks” not only works towards research and development of new medications, but also stimulates the society’s awareness of increasing need in innovations and science development in Latvia in the future.</p> <p>Therefore in 2007, we continued to support various significant events which were organized to promote the development of science and innovations in Latvia:</p> <ul style="list-style-type: none"> – supported the “Paul Valden Symposium” devoted to organic chemistry; – took part in the event promoting the development of science in Latvia – “The Scientists’ night”; – supported the festival “Innovations week” which demonstrated the importance of innovations in the development of the whole society; – took part in the “Shadows’ days”, when pupils from all Latvian schools were invited to assist in everyday work of Latvian companies, also in “Grindeks”. <p>In 2007, “Grindeks” continued to realize various social activities and support projects in accordance to its Sponsorship and Support policy the priority of which is pharmacy and projects related to this field.</p> <ul style="list-style-type: none"> – Being the stable partner to Latvian pharmacists association, we continued to support activities carried out by this organization – “Pharmacists’ summer holidays”, “Chemists’ day” and various
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	<p>seminars and conferences.</p> <p>“Grindeks” continued to organize and takes part also in various charity events.</p> <ul style="list-style-type: none"> – In 2007, we organized the charity campaign at the chemists' of Latvia and collected money for the purchase of the surgical equipment for the Children’s Clinical University Hospital of Latvia. – At Christmas time, all “Grindeks” employees united in charity campaign and donated many useful things like books, games, toys etc. to Children’s Clinical University Hospital of Latvia. – We took part in Charity campaign “Art for hope, love and life” by purchasing 5 art works. The goal of the campaign was to collect money for obtaining modern diagnostic equipment and creation of psychological relief service to breast cancer patients by selling various art works. <p>“Grindeks” continues to be an active member and supporter of numerous organizations - Pharmacists Society of Latvia, Association of the Latvian Chemical and Pharmaceutical Industry, Latvian Employer’s Confederation, Latvian Chamber of Commerce and Industry, Latvian Quality Association. On the international level, Grindeks is the member and supporter of Latvian Chamber of Commerce in Lithuania, as well as the member of UN Global Compact and partner of the Global Chemical Industry Program “Responsible Care”.</p> <p>In 2007, “Grindeks” became the member of Latvian Biotechnology Association. Membership at the Association gives the opportunity to our company to follow all the current events of the field, take part in promotion and development of the industry as well as find ideas for perspective projects in biotechnologies.</p> <p>“Grindeks” Sponsorship and Support activities are carried out strictly observing the Law on Promotion of Medicines as well as the Code of Ethics.</p>
<p>2: and make sure that they are not complicit in human rights abuses.</p>	<p>In accordance with responsibility for its products and the health of the consumers, “Grindeks” continues to develop its pharmacovigilance system in all sales markets. For the purpose of elimination of potential risks and health hazards, data on the effects of the medicinal products are being summarised, investigated and evaluated and information about the side-effects and interactions of medicinal products is being gathered.</p> <p>The analysis of the reports and their further submission to the competent authorities are carried out in accordance with the relevant guidelines and pharmaceutical company practices. <i>Grindeks</i> is involved in the electronic reporting system “EudraVigilance” which is also the main European Risk Management Strategy support between the EMEA (European Medicines Agency) and the competent</p>

national authorities.

In its daily work, "Grindeks" undoubtedly observes internationally recognised human rights, respects the principle of equality of genders, religions, cultures, races and ethnical groups, freedom of speech, association and assembly.

"Grindeks" is well aware that the skills of employees, creative potential, abilities to generate ideas and create new products are the most important factors for the development of the company. Therefore "Grindeks" devotes great attention to the successful selection of personnel, motivation and retainment of employees while ensuring possibilities of professional growth and development. Well formulated personnel and social policy ensures that human rights are respected, taken into consideration and observed on the regular basis:

- The working environment meets all work safety requirements and encourages promotion of the further career development of employees.
- Every year "Grindeks" accomplishes the evaluation of risks for all work places.
- Company's social policy provides benefits, social guarantees, health and accident insurance as well as various privileges for employees.
- Various problematic issues are resolved within the company by way of social dialogue. "Grindeks" management is always available for discussions with the employees' trade union that has been in existence ever since the company was established. It has become a tradition that at the end of the year the company enters into a joint agreement with its employees that provides them with additional social guarantees besides the obligatory ones referred to in the Employment Law
- In 2007, "Grindeks" carried out the Employee Satisfaction Survey. The overall satisfaction rate was relatively high – 3.81 points from the maximum of 5. Grounding on the results of the survey, the management of the company worked out employee's satisfaction improvement plan for the upcoming year.
- Every year "Grindeks" carry out the work performance evaluation and employees' development planning process. The results help to evaluate the working conditions in the company, understanding of company and individual goals, the compliance with main competencies, ways of professional growth, career development as well as needs for training. In 2007, "Grindeks" allocated a total of 186 042 EUR for personnel training.
- In addition to the obligations towards the employees stipulated by virtue of laws of the Republic of Latvia, "Grindeks" paid the employee health insurance policies, partially compensated catering expenses, organised recreational activities for its employees and their families, as well as the retired employees of the company in 2007. In 2007 for health insurance and health prophylaxis purposes

	<p>"Grindeks" allocated 173 985 EUR.</p>
<p>3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>The employees of "Grindeks" may freely join the trade union, refer to courts in case of labour disputes, and receive all social benefits provided by the laws of the Republic of Latvia as well as those provided by the Collective Agreement concluded between the employer and the trade union.</p>
<p>4: the elimination of all forms of forced and compulsory labour;</p>	<p>Every employee expressing his/her intention to change his/her place of employment may do so as set forth by the law and in accordance with his or her respective Employment Contract.</p> <p>The company's employees are rewarded for their performance by means of salaries in monetary form, payable twice a month.</p>
<p>5: the effective abolition of child labour;</p>	<p>The company neither employs persons, who are under 18 years of age, nor uses forced labour.</p>
<p>6: and the elimination of discrimination in respect of employment and occupation.</p>	<p>In 2007, a determined work has been continued in relation to the occupational health and labour safety, and the action of "Grindeks" in this respect is being recognised also internationally.</p> <p>In the beginning of 2007 Grindeks received European Good Practice Award recognition for the work place safety, risk evaluation and effective risk disposal. It is a high evaluation for the workplace safety and security systems of our company. Labour safety issues in the JSC "Grindeks" are solved methodically and integrated in the work process. We have established successful cooperation with several education establishments, by creating training programmes for the youth that secure acquirement of the practical skills and prepare more professional and skilled young employees. Every employee of "Grindeks" is involved in the labour safety system, being able to report on the needed improvements of working environment and circumstances.</p> <p>Understanding attitude and support of "Grindeks" management together with the involvement of each employee is a warrant of occupational safety and health (OSH) system success leading to continuous improvements to promote safe and health – friendly working environment in company. It is not only the objective of Latvia OSH Development Programme 2007-2010 but is one of the main conditions for sustainable development of JSC "Grindeks".</p>

<p>7: Businesses should support a precautionary approach to environmental challenges;</p>	<p>The manufacturing of pharmaceutical products is one of the most responsible spheres of manufacturing, because it is linked to human life and health and, therefore, the pharmaceutical industry is subject to extremely high quality requirements.</p> <p>The achievements in quality management and environmental protection of “Grindeks” are affirmed by certification of compliance with ISO 9001 and ISO 14001 standards and successfully passed audits in these spheres.</p> <p>In 2007, “Grindeks” successfully passed pharmaceutical inspections from Latvia, the US and Russia as well as its partners’ audits. Our specialists carried out more than 30 audits of raw material production facilities, one of the quality guarantees for pharmaceuticals.</p> <p>“Grindeks” was the first pharmaceutical manufacturer in Latvia to have received the Good Manufacturing Practice (GMP) certificate issued by the State Pharmaceutical Agency. The implementation of Good Management Practice at the company guarantees the conformity of our production with the top international quality standards, regulates the technological production process and quality control. In 2007, “Grindeks” received Good Manufacturing Practice (GMP) certificate repeatedly. This was the first GMP certificate in Latvia that was received after updated – stricter requirements in compliance with the recently adopted unified European Union form.</p> <p>In 2007, “Grindeks” received “A” class permit which allows for operations with hazardous substances according to Integrated Pollution Prevention and Control Directive.</p> <p>In developing its environmental protection system, “Grindeks” achieved significant results in the saving of environmental resources in 2007. We are proud to be partners of the Latvian Green Point, BAO and other waste management organizations.</p>
<p>8: undertake initiatives to promote greater environmental responsibility;</p>	<p>“Grindeks” as a manufacturer of chemical substances is implementing a long-term responsible environmental policy, having continued in 2007, and a systematic work in the sphere of environmental protection.</p> <p>“Grindeks” is a „green thinking” company – all our technological processes and development projects are directed to maximal conservation and non-pollution of environment.</p> <p>In accordance with the company’s Environmental Plan, the construction of the large-scale waste water purification plant was started. The construction of a new, closed-type treatment system will not only ensure the removal of pollution from wastewater, but will also help to eliminate the spreading of the smells characteristic to such systems. Besides the work on the improvement of technologies, change of diluents, research of ventilation emissions, etc. will be continued.</p>

<p>9: and encourage the development and diffusion of environmentally friendly technologies.</p>	<p>“Grindeks” plants have been inspected on several occasions both by co-operation partners and by pharmaceutical inspectorates from all over the world who have subsequently recognized their compliance to international quality standards.</p> <p>The rapid growth of “Grindeks” allows investing of increasingly greater means in development and improvement of production infrastructure. Construction of technologically modern waste water purification plant as well as new plant for manufacturing of final dosage forms are purposefully planned investment projects, in order that we could ensure not only a stable increase of “Grindeks” turnover, but also to care efficiently for environment protection. We are aware that our responsibility is to engage actively in conservation of surrounding environment, ensuring environmentally friendly production processes.</p> <p>In June 2007, “Grindeks” unveiled its new Analytical Scale-up Laboratory that is the only laboratory of this kind in the Baltic States and one of the some in Eastern Europe. In March of 2007 the Laboratory was certified accordingly to the requirements of “Good Laboratory Practice” that attested the compliance of this laboratory with the highest laboratory standards of the world. The new laboratory is equipped with modern high-tech equipment. A modern scrubber system enables the removal of gases and harmful substances, formed during the processes, making the laboratory an environmentally-friendly facility. New technical equipment and trained staff ensure the manufacture of products according to the quality requirements of “Good Manufacturing Practice”.</p>
<p>10: Businesses should work against all forms of corruption, including extortion and bribery.</p>	<p>In 2007 we have continued active participation in several associations and non-governmental organisations. Being the member of the Latvian Confederation of Employers and the Latvian Chamber of Commerce and Industry, “Grindeks” has encouraged a dialogue between state authorities and businesses, as well as facilitated trilateral negotiations among the government, the employers and the employees, contributed to the improvement of the business environment, etc.</p>