

PLIVA CROATIA Ltd.

Global Compact Annual Communication on Progress for 2008 - 2009

Basic Information

Company: PLIVA CROATIA Ltd.
Country: Croatia
Membership date: March 2007
Sector: pharmaceutical industry
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Contact Information

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Brief description of nature of business

With 90 years of successful pharmaceutical experience, PLIVA is today a member of the Teva Group, one of the largest global generic pharmaceutical companies. We at PLIVA are dedicated to providing our customers with high quality, affordable medicines for a better quality of life.

PLIVA manufactures oral and injectable dosage forms, creams/ointments, over-the-counter products and active pharmaceutical ingredients, and its products are mostly intended for exports. PLIVA's strong product portfolio covers the following major therapeutic groups: cardiovascular, gastrointestinal, anti-infectives, cytostatics, musculoskeletal, neurological and psychiatric diseases, and infusion solutions.

Established in 1921, PLIVA is the largest pharmaceutical company in Croatia and one of the leading companies in Southeast Europe. PLIVA's major markets are Croatia, Russia and USA. In addition to Croatia, PLIVA successfully operates on Southeast European markets, primarily in Bosnia and Herzegovina and Macedonia where it has its own representative offices. In Serbia PLIVA operates via a company PLIVA Serbia d.o.o., and its products are also marketed in Albania and Kosovo.

In March 2007 PLIVA CROATIA joined the United Nations Global Compact. PLIVA is also one of the founders of the Croatian Business Council for Sustainable Development, which is a member of the World Business Council for Sustainable Development (WB CSD). We continually keep abreast of global trends and evaluate our business operations in accordance with sustainability criteria.

In 2008 PLIVA reaffirmed itself as a responsible corporate citizen and a reliable partner to the Croatian healthcare system, investing nearly HRK 10 million in health and educational projects. These investments directly contribute to the improvement of treatment and healthcare of citizens. By its own example, PLIVA encourages other companies and its business partners to be socially responsible and help those who need it most.

CEO Commitment

H.E. Ban Ki-Moon
Secretary-General
United Nations
New York, NY 10017
USA

STATEMENT OF CONTINUED SUPPORT

Dear Mr. Secretary-General,

PLIVA is a company with 90 years of successful operations in the pharmaceutical arena, and it strongly supports the Ten Principles of the United Nations Global Compact, the majority of which it has embedded in its business policy and strategy.

Additionally, we incorporated some of these principles into our Sustainable Development Charter already ten years ago, with a commitment to incorporate them into all parts of our business processes. Since 2007, when we joined the Global Compact, we have launched a number of initiatives and recorded positive results. PLIVA has published its annual Sustainable Development Reports for eight consecutive years to present the results achieved under the implementation of the sustainable development principles to the public. These Reports have been drafted in line with the 2006 Global Reporting Initiative guidelines and they cover economic, society and environmental performance indicators.

As a company with the highest market share and the highest number of pharmaceuticals on the Croatian market, PLIVA is a reliable partner to the Croatian healthcare system and a strategically important company for Croatia. For me, as the President of the Management Board of Croatia's largest pharmaceutical company, the compliance with anti-corruption, human rights, labor processes and environmental principles is of utmost interest and importance, and it requires commitment from each and every employee in our company.

However, I am also aware that there is always space for improvement. We shall invest additional efforts in the areas that require upgrading and report on our progress in our next Communication on Progress. I am exceptionally glad to announce new investment and employment cycles. Our new production facilities will comply with the highest environmental protection standards as required under the Integrated Environmental Permit defined by the IPPC Directive, where all new production processes are compared with the best available techniques.

In December 2008 PLIVA became a part of the Teva Group, one of the largest generic pharmaceutical companies in the world and also a Global Compact member. This is a strong foundation for our future sustainable development efforts and successful business operations.

Sincerely yours,

Matko Bolanča, MD, MBA

President of the Management Board

I. HUMAN RIGHTS

PRINCIPLE 1 - BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS WITHIN THEIR RESPECTIVE AREAS OF INFLUENCE

PRINCIPLE 2 - MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Policies

The Republic of Croatia ratified all basic UN documents as well as those of the Council of Europe, including the European Social Charter and the European Convention on Human Rights. It also ratified 58 ILO conventions, including all basic conventions (29, 87, 98, 111 and 182). They are all implemented in Croatia, either as transposed into the Croatian laws and regulations or directly because ratified conventions and their effects prevail over Croatian laws and regulations. The Republic of Croatia draws and submits regular reports on their implementation to the UN, Council of Europe and ILO.

In addition to its full compliance with the Croatian legislation, and consequently the aforementioned international treaties and conventions, PLIVA has adopted its own bylaws stipulating the protection of human rights in the field of labor. Its general bylaw covering this field is the Code of Business Conduct, while some other bylaws detail the procedures for employee protection, especially non-discrimination procedures.

Implementation

Additionally, in September 2009 PLIVA adopted Teva's Code of Conduct which prohibits discrimination and harassment, alcohol and substance abuse and workplace violence, and which lays down employee privacy and environmental protection and occupational safety and health.

Labor rights, as part of basic human rights, and the mechanisms and procedures for their protection, are integral parts of the training attended by all new employees, including new managers. The Managerial Manual contains all guidelines and procedures defining the actions to be taken in order to avoid the violation of employee rights.

The Teva Group also has a confidential hotline for reporting any suspected violation of the code of conduct.

The level of rights stipulated by PLIVA's Collective Agreement is higher than that stipulated by the law as far as periods of notice, severance packages, preventive medical examinations for all employees, etc., are concerned. In addition to employee allowances stipulated by the Collective Agreement, PLIVA also grants extraordinary one-off allowances to socially challenged employees, particularly those affected by natural disasters. These allowances are subject to the proposal by a social worker and approval by an appointed manager.

II. LABOR STANDARDS

PRINCIPLE 3 - BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING

PRINCIPLE 4 - THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR

PRINCIPLE 5 -THE EFFECTIVE ABOLITION OF CHILD LABOR; AND

PRINCIPLE 6 - THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND CHOICE OF OCCUPATION.

Policies

For Croatian standards, PLIVA has a long collective bargaining tradition. The first Collective Agreement was signed as early as in 1996. In addition to compliance with the Croatian legislation, PLIVA has incorporated the provisions on the freedom of establishment of trade unions into its Collective Agreement (Article 64), and thus undertaken to ensure the implementation of all rights from the field of trade unions stipulated by the Constitution of the Republic of Croatia, Internal Labor Organization conventions, laws and collective agreements.

Four trade unions are currently active in PLIVA, with membership covering around a half of its employees. It is important to mention that collective agreements cover both union members and all other employees.

As we have already mentioned, the Republic of Croatia has adopted the provisions on the prohibition of forced and child labor and has accordingly ratified ILO Conventions 29 and 182. The Croatian Labor Act also prohibits the employment of persons below the age of 16, or 18 if they are regular pupils or students. Additionally, PLIVA's Bylaw on Occupational Safety and Health stipulates that the company cannot employ persons below the age of 18, which is a legal age in Croatia.

PLIVA has also ensured a high level of responsibility for employee rights protection, i.e. requests for the protection of rights are filed directly with the President of the Management Board.

Implementation

All Human Resources policies and procedures (SOPs) are posted on PLIVA's Intranet and are available to all employees. They are updated every two years or more frequently, as appropriate.

Lifelong learning: PLIVA is committed to enable each employee the opportunity to acquire the knowledge requisite for their place of work. We make sure that the employees occupying expert positions attend conferences and symposia and have access to the relevant literature covering their fields of work. Also, a significant number of employees attend either doctoral or specialist postgraduate studies.

In addition to training focused on the acquisition of expert knowledge, we invest considerable resources in the acquisition of general and managerial competencies, learning of languages, and improvement of computing skills. In 2009, the budget for training programs for employees of PLIVA CROATIA Ltd. amounted to HRK 6.75 million, or approximately HRK 3.400,00 per employee. These costs do not include literature costs, which amounted to an additional HRK 1.7 million.

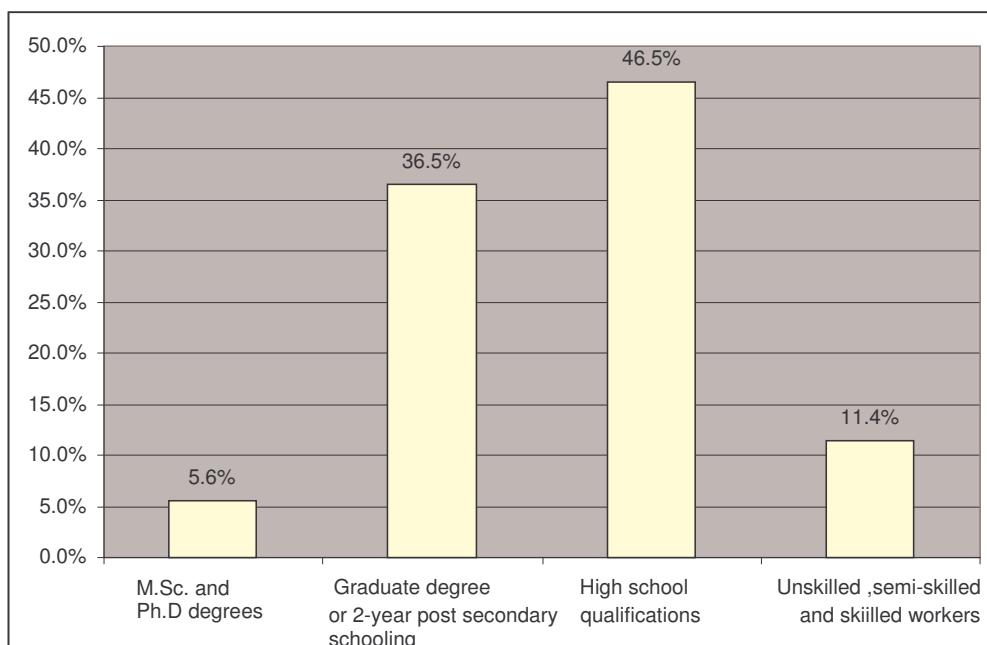
The share of women and men in the total number of employees

SEX	SHARE
Women	55.3%
Men	44.7%

Employees by age and sex

AGE	SHARE IN TOTAL EMPLOYEE NUMBER	SEX	SHARE
Up to 30	12.9%	F	54.0%
		M	46.0%
30-40	30.8%	F	60.2%
		M	39.8%
40-50	41.5%	F	55.5%
		M	44.5%
50-60	14.6%	F	42.2%
		M	57.8%
Above 60	0.2%	F	0%
		M	100.0%

Employee qualifications as at 31 December 2009



PLIVA has additionally established a special procedure for receiving and handling complaints related to harassment and sexual harassment. The Company has appointed employees authorized to receive and handle such complaints. In 2009 they received one complaint only which proved to be unfounded, as confirmed in legal proceedings.

We would like to emphasize the fact that PLIVA fully complies with the principles of equality of salaries for men and women, provided that they occupy identical positions as categorized by the relevant bylaws. This categorization is non-discriminating, because it takes into account the nature and characteristics of particular job positions, while it disregards sex, age or any other characteristics of employees occupying such positions.

PLIVA continuously focuses on occupational safety and health, and it is the only company in Croatia having a special Collective Agreement on Occupational Safety and Health. Its commitment to safety at work is reflected in the appointment of occupational safety and health compliance officers, constant improvements in safety at work through safe working conditions, reduction of occupational injuries and prevention of occupational diseases, and the creation of a pleasant and satisfying working environment.

PLIVA's employees working under special working conditions receive regular checkups, and they can participate in active medical vacation programs. These programs are an important part of healthcare, and their purpose is to improve fitness, general health and employee satisfaction. Active medical vacation is provided under the terms of the Collective Agreement on Occupational Safety and Health. In 2008, 286 employees were referred to the active medical vacation program.

Additionally, the Collective Agreement obliges PLIVA, as an employer, to ensure preventive medical examinations for all its employees. Until the end of 2008, several hundred PLIVA employees had these examinations, while others had the examinations until the middle of 2009. This project continued in 2010.

New project

In cooperation with the trade unions, PLIVA prepares a new occupational health project to be implemented by the end of 2011.

III. ENVIRONMENT

PRINCIPLE 7 - BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE 8 - UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE 9 - ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Policies

As early as in 2004, PLIVA adopted its Sustainable Development Charter which defines the basic sustainable development principles it has embedded in all key segments of its operations, such as a commitment to environmental protection through the quality use of all resources, an active contribution to the long-term social, economic and ecological stability of the communities to which it belongs, the identification and assessment of potential threats in order to minimize the related risks, and the use of raw materials, products and processes with minimum adverse environmental impact.

PLIVA implements various environmental protection measures by monitoring, supervising and optimizing its operations, and in the development of new products and technologies and the design and reconstruction of its existing production plants and facilities. The environmental impact of each and every investment is analyzed in order to achieve an optimal compliance between economic and environmental requirements.

Production processes and materials are controlled in line with the latest knowledge and standards of environmental protection, which results in the fulfillment of requirements of the Croatian laws and regulations and those of PLIVA's stakeholders.

Over the last two years our production portfolio has undergone through many extensive changes. Some old technologies have been replaced with new or transferred products having a different environmental impact. During each product transfer all environmental aspects are analyzed in order to harmonize our production with the relevant legislation and ensure a healthy working and living environment. All this proves PLIVA's uncompromised commitment to environmental protection which ranks first on its priority list and which, as PLIVA firmly believes, is one of its greatest competitive strengths.

In addition to its production portfolio, PLIVA's manufacturing sites are also going through constant changes. Certain products are manufactured at the sites that are more acceptable for environmentally demanding manufacturing processes, i.e. the sites that enable the achievement of higher environmental standards, better utilization of raw materials and reuse of certain substances. Furthermore, such sites also have efficient facilities for the prevention or treatment of air emissions and for the prevention, treatment and control of wastewater effluents.

PLIVA is taking a number of measures to preserve natural resources and the environment. The efficient water management practices have resulted in optimized water consumption and reduced loss of water in distribution. Consequently, in 2009 PLIVA recorded a downward trend in water consumption despite high production requirements.

In order to optimize the quality of its wastewaters, PLIVA continued to upgrade its pretreatment facilities and managed to reduce the quantities of discharged wastewaters by 2009.

Although energy requirements (production and heating) increased, the carbon dioxide emissions slightly dropped, whilst energy production efficiency increased thanks to a change in fuel and increased combustion efficiency.

For a number of years PLIVA has also recorded successful results in the on-site waste management, the reduction of waste quantity by product unit and the reduction of total waste management costs. This is best illustrated by the fact that despite increased production volume, the quantity of generated non-hazardous waste has decreased. It also shows better on-site waste supervision and selection.

In accordance with the requirements of the Integrated Environmental Permit, which is based on the IPPC Directive, new production processes are compared with the best available techniques. This practice ensures a more environmentally friendly approach since production success is measured by the production rate. This means that the period required from production to product launch should be minimized, and that the overall environmental protection measures should be continuously implemented, including during trial and validation production.

New project

To obtain the uniform quality of wastewaters at its production site in Zagreb, the project for their neutralization will be launched this year.

IV. ANTI-CORRUPTION

PRINCIPLE 10 - BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

In its daily operations PLIVA applies high anti-corruption standards in line with the relevant corporate policies, i.e. those of Barr until 2008 and since 2008, when it became a member of the Teva Group, Teva's Anti-Corruption Policy. Teva is committed to operating in line with applicable laws and regulations and regulatory requirements relevant to its activities. Consequently, it drafted its own FCPA Policy, which is a set of rules on gift giving, hospitality at conferences and symposia, engagement of contractors and donations to state officials and institutions.

This Policy contains detailed guidelines for the compliance with bribery and anti-corruption laws which are applicable to all Teva's activities across the world, as well as for the compliance with the requirements of local laws and regulations, and Teva's regional and local policies. It also provides contact info about FCPA compliance officers on all markets.

We should here mention that every single employee at PLIVA is trained in Teva's Code of Ethics and completes a refresher and test every year.

Some parts from its Code of Ethics may be found in [UNGC Communication on Progress](#), posted on Teva's webpage www.tevapharm.com.

New project

As the pharmaceutical industry is rather specific, countries are trying to regulate in detail the field of advertising and promotion of medicinal products, and to monitor whether the relevant ethical principles are applied. Although the Croatian Ordinance on the Manner of Advertising Medicinal Products and Homeopathic Medicinal Products defines all basic issues, in April 2010 PLIVA concluded the Agreement on Ethical Notification about Medicinal Products with the Croatian Institute for Health Insurance. This Agreement additionally specifies the method for notifying the medical community about medicinal products and the conditions to be satisfied in detailing PLIVA's products by its medical representatives to doctors and pharmacists.