

PLIVA CROATIA Ltd.

Global Compact Annual Communication on Progress for 2013 - 2014

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

There are only a few companies in Croatia or worldwide which can take pride in the long tradition that PLIVA can. In its history which spans over more than 90 years PLIVA has manufactured hundreds of different high quality medicines and made an exceptional contribution to the treatment of patients in Croatia and globally.

Since 2008 PLIVA has operated as a member of Teva, one of the largest pharmaceutical companies in the world, and PLIVA's site in Zagreb has become one of the strategic production and research and development sites for the Teva Group. Its experts, researchers and scientists have also greatly contributed to scientific and technological developments.

After decades of intensive development, PLIVA is today the largest pharmaceutical company in Croatia and one of the leading companies in Southeast Europe. With about 2000 employees, PLIVA is also among the major economic entities in Croatia and one of the country's leading exporters.

PLIVA has state-of-the-art development and manufacturing capacities and offers a broad portfolio of high-quality generic medicines with superior therapeutic solutions for a large number of European and international markets. In addition to finished dosage forms, PLIVA also manufactures a large number of active pharmaceutical ingredients and is the only pharmaceutical company in Croatia and one of the few in the region with vertically integrated production.

With more than 200 different molecules, PLIVA manufactures about 1000 various products for the USA, the European Union and other markets all around the world.

Through both its current and future efforts PLIVA wants to be available to an even greater number of patients and a high-quality and reliable partner to healthcare systems in Croatia and Southeast Europe.

CEO Commitment

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

Dear Mr. Secretary-General,

PLIVA CROATIA Ltd.: Participation in the UN Global Compact

I am pleased to confirm that PLIVA CROATIA Ltd., a member of the Teva Group, one of the largest global pharmaceutical companies headquartered in Israel, supports the Ten Principles of the United Nations Global Compact in respect of human rights, labor rights, the environment and anti-corruption.

With more than 90 years of successful pharmaceutical experience, PLIVA is dedicated to providing its customers with high quality, affordable medicines for a better quality of life. Aware of PLIVA's role in the Croatian healthcare system, PLIVA's Management Board pays special attention to compliance with business ethics, protection of human rights, product safety and work process safety, occupational health and safety and environmental protection, expecting each and every PLIVA employee to do the same. Both PLIVA's current and future efforts are focused on benefiting a large number of patients, and PLIVA wants to remain a high quality and reliable partner to healthcare systems in Croatia and across Southeast Europe.

In the 2013-2014 COP, PLIVA was focused on the completion of one of the largest investment cycles in the company's history, which has significantly increased its production capacities and resulted in new employment. New production facilities and BAT technologies greatly contributed to cleaner production and reduced the overall environmental impact.

PLIVA is one of the few companies in Croatia that has published a sustainable development report for twelve consecutive years. The Sustainable Development Report for 2013 covers economic, society and environmental performance indicators. It has been drafted in line with the 2006 Global Reporting Initiative guidelines. These reports are intended for all PLIVA's stakeholders and employees and they are publicly available. The indicators described in our reports demonstrate that we are firmly dedicated to the principles and objectives of the UN Global Compact.

Our fourth Communication on Progress, which is drafted in line with the UNGC guidelines, shows PLIVA's additional efforts invested in compliance with and our continued commitment to the ten principles of the Global Compact.

Sincerely yours,

Mihael Furjan

President of Management Board
PLIVA CROATIA Ltd.

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' 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, International Labor Organization conventions, laws and collective agreements.

Three trade unions are currently active in PLIVA, with membership, by the end of 2014, covering 41.9% of its employees. It is important to mention that collective agreements cover all trade 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.

Employment

While Croatia continues to record an increase in unemployment rates, PLIVA is one of the few companies recording a growth in the number of new employees. On 31 December 2013, PLIVA had 1931 employees, and on 31 December 2014, it had 1998 employees.

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

2013

GENDER	SHARE
Women	57%
Men	43%

2014

GENDER	SHARE
Women	57.5%
Men	42.5%

Qualification structure

As far as PLIVA's educational structure is concerned, on 31 December 2013 almost half of all employees had tertiary education, 48.43%., including master's and doctorate degrees, and in the 2014, this percentage was 47%.

In 2014, the average number of training hours was 40 and covered primarily training focused on the development of professional and interpersonal competencies, but also training defined by statutory provisions and various in-house processes. In addition to the above mentioned training, great attention is paid to continuous GMP (good manufacturing practice) training due to the specificities and regulatory requirements in the pharmaceutical industry. This obligatory continuing training covers about 1200 employees, who on average attend 32 hours of GMP training.

In 2014, the highest number of training hours was dedicated to the acquisition of various professional, managerial and interpersonal skills and then to statutory training. However, the highest proportion of the training budget was allocated to the acquisition of specific professional knowledge (more than 50% of the training budget) and to the development of managerial and interpersonal skills.

<i>Qualifications</i>	<i>Total number</i>	<i>Share in total number</i>
Unskilled 0/0	38	1.90%
Unskilled 1/1	11	0.55%
Semiskilled II/2	41	2.05%
Skilled	82	4.10%
High school	767	38.39%
Highly skilled	21	1.05%

Two-year post-secondary schooling	54	2.70%
University	839	41.99%
M.Sc., M.A.	98	4.90%
Ph.D.	47	2.35%

Since the prohibition of discrimination is prescribed by several laws and regulations of the Republic of Croatia, PLIVA has additionally defined the procedure for receiving and handling harassment and sexual harassment complaints. It appointed two people authorized to receive and handle such complaints. In 2013 and 2014, no harassment or sexual harassment complaints were submitted.

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.

Occupational safety and health

PLIVA continuously focuses on occupational safety and health, and is among a few companies 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.

Healthy Workplace Project

Three years ago a new approach was developed as part of the Healthy Workplace Project. The objective was both to keep old activities and enable the creation and development of new activities and projects. The Healthy Workplace Project integrates all existing activities and offers new complementary activities, such as:

- Periodical medical examinations for employees working under the so-called “aggravated working conditions” - in accordance with the company’s legal obligation, all employees who will commence to work or who are working under aggravated conditions must undergo medical examination before commencement of work and in regular intervals during their employment; employees using computers more than 4 hours a day are also included in regular check-ups.
- Exercising to Health – PLIVA-tailored exercises organized after work hours at PLIVA’s premises in Zagreb and Zaprešić (for employees working at the Savski Marof site) and conducted by physical therapists. Occupational medicine specialists highly commended this activity and

confirmed that employees who exercised regularly showed better results at periodical medical examinations and were healthier.

- Dietary Habits – Healthy Nutrition - The Committee for Monitoring Food Quality was established following the engagement of the new food catering service provider for PLIVA's restaurants. The Committee has introduced special measures to improve food catering services and organized staff training in order to ensure that healthy meals are provided in PLIVA's restaurants. Additionally, the education about healthy dietary habits for employees was introduced. This is an area where the most significant progress can be seen and which we expect to develop even further.
- Education of employees about healthy dieting is organized through the monthly events called *Stanka za suradnju* where we present different possibilities of healthy food preparation and consumption, and through monthly print leaflets (for example salt and sugar in every day food etc.)
- Organization of regular preventive physical examinations for all employees at least every two years – purpose: early detection of diseases. As already mentioned, regular preventive physical examinations are organized for all employees. The healthcare provider also offers medical examinations for employees' family members at a minimum price.
- In 2014 started the 55+ project that will take into consideration the needs of different generations of employees and that shall aim for full generational harmony.

New projects

The new activities we are planning to implement are:

- Prevention of stress - Starting activities to prevent and reduce stress at work
 - Outdoor activities for all employees that will combine healthy habits and work for local communities
 - Start a new round of preventive physical examinations and achieve more than an 80% response among employees
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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 and EU laws and regulations and those of PLIVA's stakeholders.

Implementation

Over the last three years PLIVA has completed its investment cycle amounting to more than USD 200 million, mostly earmarked for the construction of environmental protection and new production facilities. In October 2013, it opened its new production facility for oral solid forms which enables a significant increase in production capacities for tablets and capsules and will directly contribute to increasing exports. This project also covers a significant increase in capacities for the production of sterile dosage forms. Basic features of the production facilities are the innovative technology and state-of-the-art and cutting-edge equipment currently available in the world. These production processes require special environmental monitoring and are among the most demanding in the pharmaceutical industry.

At another production site and several months earlier PLIVA finished the construction of its in-house facility for wastewater and process gas treatment, and expanded its capacities for the production of active pharmaceutical ingredients for all global markets. The new facilities are based on Best Available Technologies and comply with the Integrated Environmental Permit. This is a proof that the company is adopting environmentally friendly technologies that will minimize environmental impact and ensure rational use of all necessary resources. All of this will considerably contribute to cleaner production and decreased environmental impact: investments in environmental protection facilities and equipment only total more than US\$ 20 million.

The wastewater treatment facility is based on the MBR (membrane bioreactor) technology. After separation of potentially toxic waters, wastewaters are treated to the quality required for their discharge in the public sewer.

By putting into operation the wastewater treatment facility, the levels of a high number of contamination indicators for process-sanitary wastewaters have been reduced.

Additionally, the optimization of production processes and the upgrading of wastewater pretreatment in the facilities themselves reduced the quantity of discharged wastewaters and COD in 2013 with regard to 2012.

By putting into operation the gas treatment facility in 2013, which is based on regenerative thermal oxidation (RTO), all waste gas emissions dropped significantly below threshold values.

Efforts will be made in the forthcoming period to further reduce the environmental effects of pharmaceutical production processes (air emissions, effluents, water and energy consumption, hazardous and non-hazardous waste, noise levels and unpleasant odors) and thus preserve natural resources and minimize environmental impact.

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.

Teva's Global Anticorruption Policy defines global standards and control mechanisms to ensure the integrity of its business operations and prevent corruption. Its Global Policy on Interactions with Members of the Healthcare Community defines global standards related to interactions with members of the healthcare community, and these interactions include promotional and non-promotional activities.

Teva's Global Policy on Interactions with Government Officials is applied to manage potentially high risk interactions with government officials who are not members of the healthcare community.

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.

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

Implementation

These policies apply to all employees. 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.

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.
