

Grindex

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS JSC "GRINDEKS"

July, 2016





UN GLOBAL COMPACT COMMUNICATION ON PROGRESS –

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COMPANY PROFILE

"Grindeks" is vertically integrated pharmaceutical company in the Baltic States. Its main fields of action are: research, development, manufacturing and sale of original products, generics and active pharmaceutical ingredients. The Group of "Grindeks" consists of five subsidiary companies in Latvia, Estonia, Russia and Slovakia, as well as representative offices in 13 countries.

"Grindeks" specializes in the heart and cardiovascular, CNS and anti-cancer medication therapeutic groups. A range of products covers a successful combination of original products and generics, with the original products Mildronate® and Ftorafur®. Currently "Grindeks" produces 24 active pharmaceutical ingredients.

Products of the company are exported to 70 countries and its export comprises 90% of the total turnover. The key markets include the EU countries, Russia and other CIS countries, the U.S., Canada, Japan and Vietnam.

To increase production capacity and develop infrastructure, since 2002 the company has accomplished many significant investment projects, investing more than 70 million euros over the years.



MISSION

We are concerned about public health, employee motivation and welfare of our shareholders.

We are innovation based and environmentally friendly company

VISION

We aim to become a significant European company

VALUES

EMPLOYEES

We are the professionals using our knowledge and skills to achieve the determined goals



QUALITY

We are responsible for the production of safe and effective medications, ecologically clean environment and work place safety



INNOVATIONS

We are steering development of science and research, as well as implementing the latest technologies



STABILITY

We are reliable partners, socially responsible and honouring traditions





GOVERNANCE AND MANAGEMENT

In its operation "Grindeks" adheres to high standards of corporate governance and ensures that the company is managed in accordance with the "Principles of corporate governance and recommendations on their implementation" adopted by "NASDAQ Riga"

It encourages the transparency of the governance and increases the quality of the company and its appeal from the viewpoint of investors and society as whole.

STRUCTURE OF THE "GRINDEKS" GROUP

JSC "Tallinn Pharmaceutical Plant"

JSC "Kalceks"

"Namu apsaimniekosanas projekti" Ltd.

"Grindeks Rus" Ltd.

"HBM PHARMA" Ltd.

**Branches and
Representative
offices**

Lithuania, Estonia,
Russia, Belarus, Ukraine,
Azerbaijan, Georgia,
Uzbekistan, Moldova,
Kazakhstan, Armenia,
Tajikistan, Kyrgyzstan

More information about the company: Grindeks.lv/en

For the company's financial reports please visit:

Grindeks.lv/en/for-investors/financial-reports



HISTORY

The origins of "Grindeks" go back to Year 1946 when the Vitamin and Hormones Plant was transferred to the supervision of the Latvian Academy of Sciences with the goal of gradually re-establishing it as an experimental plant. Throughout the years company experienced a considerable growth, forming into the pharmaceutical company of European significance with the potential of tremendous growth. "Grindeks" purposefully works on the expansion of the pharmaceutical holding and the development of its operations. "Grindeks" business development is closely bound to the Corporate Social Responsibility, securing manufacturing of high quality products and performing all manufacturing processes in the environmentally friendly manner.

COMPANY AND CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES



PATIENT



SOCIETY



EMPLOYEE



QUALITY AND
ENVIRONMENTAL
PROTECTION

One of the pillars of the company's corporate responsibility is a versatile company's dialogue with different audiences – patients, healthcare professionals, pupils, students, teachers, scientists, as well as non-governmental organizations and other groups of interest.

Being one of the first Latvian companies that responded the invitation and joined UN Global Compact movement in 2001, for several years “Grindeks” is successfully implementing socially responsible behaviour practice in accordance with the ten principles of UN Global Compact. They cover human rights, labour rights, environmental protection and anti-corruption issues in business.

“Grindeks” is not only guided by socially responsible principles in its activities, but also calls others to follow them and act in accordance with good governance guidelines, ensuring continuous development of society and ethical business environment in Latvia and abroad.



SUSTAINABLE OPERATIONS OF “GRINDEKS”
ARE BASED ON CORPORATE SOCIAL RESPONSIBILITY,
WHICH IS IMPLEMENTED IN FOUR MAIN AREAS:



PATIENT



SOCIETY



EMPLOYEE



QUALITY AND
ENVIRONMENTAL
PROTECTION

PATIENT



The greatest values for a human being are safety and health. Therefore, there are three key areas in the foreground of socially responsible actions of “Grindeks” – patient safety, public health promotion and education and dialogue with healthcare professionals.

In fundamentals of “Grindeks” operations is the belief that anyone involved in a medical and health care process is co-responsible for the results – manufacturers of medication, wholesalers, pharmacies, pharmacists and patients themselves.

As the company is caring of public health, “Grindeks” pays a lot of attention to the dialogue with healthcare professionals by regularly participating in various seminars, conferences, discussions, exhibitions and events that promote knowledge and professional exchange of views.

Every year the company supports the brightest event of medical industry “Award of the Year in Medicine”, where the most outstanding health care professionals are awarded. While in its dialogue with the society, the advantage is given to educational projects on a safe, efficient and responsible use of medicinal products and health issues in general. When communicating with the society about medication, including via advertising, “Grindeks” respects respective ethical principles and regulatory requirements by providing objective and truthful information on medication and without exaggerating their properties.

For several years, “Grindeks” is running successfully and is constantly improving the pharmacovigilance system, whose main task is to take care of patients and to prevent potential risks to patients. Pharmacovigilance of “Grindeks” is organized in accordance with “Good Pharmacovigilance Practice” standards set by the European Union and respective national laws, where the company's medications are distributed. As complying with the standards, “Grindeks” provides information on significant adverse drug reactions to responsible institutions. Also, any patient or health care professional may report any side effects caused by “Grindeks” medication by filling out a report on the company's homepage Grindeks.lv, in report section of “Pharmacovigilance”.

Also the clinical studies of “Grindeks” adhere to the Declaration of Helsinki and the principles of ethics, legal regulations, local and international guidelines and requirements, including “Good Clinical Practice” and “Good Laboratory Practice” standards, thus demonstrating its concern for the risks that may affect the health of patients and are associated with the quality, safety and efficacy.



SOCIETY



As a reliable partner to society, for many years, “Grindeks” provides significant financial support for projects of public interest, as well as actively participates in various socially important activities.

Today, when knowledge and information play a huge role, an appropriate education has become one of the most important business resources; therefore “Grindeks” is especially proud of the significant investments in education and science. The company supports and constantly liaise with pupils, teaching staff, students, young and already experienced scientists, a number of educational institutions. While actively supporting education and science, “Grindeks” pays attention to both the needs of the industry today and the future prospects and challenges.





Basic directives of the “Grindeks” Fund “For the Support of Science and Education”, launched in 2016, are support to higher education institutions, support to secondary educational institutions and teachers, facilitating excellence, as well as the promotion of pharmaceutical and chemical industries.

The company created a project “Profession Days for Pupils” in 2010. The aim of this project is to encourage children's interest in chemistry and introduce them to career possibilities in pharmaceutical industry. It should be noted that in 2015 a record number of applicants submitted their applications for the project – 160 9th-12th grade pupils from 42 cities and regions of Latvia. 40 participants of the project spent one working day in the company along with a professional of a chosen area: chemist, chemical technician-analysts, chemist-analyst, microbiologist, manufacturing pharmacist, pharmaceutical technologist, manufacturing operator of pharmaceutical products, reactor operator, unit manager or operators of equipment. Young people had a look in their potential future profession in order to understand whether they would like to associate their studies and professional life with chemistry and pharmacy. Management of “Grindeks” believes that the project “Profession Days for Pupils” is the company's contribution to the development of young and talented professionals.

In 2015, a new sequel to the project “Profession Days for Pupils” was launched – “Profession Days for Lecturers”, which is not meant for students, but for the experienced Riga Stradins University (RSU) lecturers of the Department of Pharmacy. Lecturers had an opportunity to get acquainted with the daily work





Conference of independent Latvian pharmacies



responsibilities of “Grindeks’s” leading specialists. This project aims to bring closer key players of the pharmaceutical industry with the academic knowledge carriers, thus reducing the boundaries between practical business needs and learning theory.

In its turn, to promote chemistry and other exact sciences, “Grindeks” continues cooperation with the Riga Technical University (RTU). This course of action was implemented by the project “Technical Innovation Day”, which in 2015 took place in Riga, Kekava and Daugavpils.

For the third time, “Grindeks” held the 3rd Conference of Independent Latvian pharmacies. The event aims to promote co-operation between manufacturers and pharmacists and discuss the health care industry developments. In 2015 conference was attended by 70 managers and pharmacists of independent Latvian pharmacies.

For several years, “Grindeks” has successfully and actively cooperated with the Ministry of Science and Education. Fund “For the Support of Science and Education” financially supported participation of young talents of chemistry in an international chemistry Olympiad, that, in 2015, took place in the capital of Azerbaijan – Baku. Latvia in the Olympiad was represented by 4 pupils who won one silver medal and three bronze medals.

Traditionally, to celebrate the end of school year, “Grindeks” organised a special event for children of the company's employees. In 2015 children were able to participate in the scientific event at a Curiosity centre “Blue Wonders” (in Latvian – Zili Brīnumi). Children both improved their knowledge of chemistry and pharmacy as well as were entertained in a scientific atmosphere.



“Grindeks” employees’ children at a Curiosity centre “Blue Wonders”





The company annually provides a significant number of internship placements to support chemical and pharmaceutical students and young professionals, thus promoting professional growth and career development. In recent years, more than 600 young specialists have fulfilled their internships in "Grindeks", but in 2015 the company offered internship placements for 75 students from Latvia and abroad. In addition, in 2015, "Grindeks" also offered a paid internship positions. The company has signed a cooperation agreement with the Foundation "Riga Technical University Development Fund" for this purpose. During the internship, students were assigned various tasks according to specifics of respective position, as well as they gained practical knowledge from learning by doing. Paid internship positions for 6 months were acquired by 3 students of chemistry and pharmaceutical areas.

In August of 2015, the Pharmacy museum and "Grindeks" organised event for children – "Wondrous World of Chemistry!" – within the framework of Riga City Festival, to promote pharmaceutical and chemistry industries as well as public awareness. Infotainment event was attended by more than 1000 participants, who watched exciting performances, participated in an educational game on healthy food, medicines and household chemicals.



"Grindeks" is not only developing business, education and science and is an active participant in numerous public campaigns, but also promotes sports and healthy lifestyle. The company is a long-standing general sponsor of the Latvian national ice-hockey team. The company is proud of the opportunity to support professional athletes who bear the Latvian and the company's name in the world.





"Grindeks" is pleased to cooperate with the Latvian cultural pearl and pride the Latvian National Opera and Ballet. As a patron of the opera, "Grindeks" is pleased to promote the Latvian cultural awareness of both local and international cultural environments.





EMPLOYEE

Professional, knowledgeable staff is the foundation and the most important value of any company. Vertically integrated pharmaceutical company "Grindeks" takes care of its employees and working environment that promotes employees' personal and professional growth, which in turn helps the company achieve its business goals. The Group of "Grindeks" employs 962 professionals, of whom 705 work in Latvia, and the rest – the company's representative offices. 74% of employees have a university degree. High trust and loyalty level of employees towards the company certifies the average length of service of "Grindeks" employees, which is 7.8 years.





The company's human resource management focus is on employee health and safe working environment, professional, personal and career development.

"Grindeks" personnel management implements policy that provides social guarantees, benefits, employee health and accident insurance, joint activities of employees, as well as a variety of special social privileges – partial catering service compensation in canteen of "Grindeks", transportation for employees, sports centre services, paid holidays.

Continuing work on the task fulfilment – to raise employees' awareness of occupational health and safety issues – in 2015, several training seminars on current occupational health and safety issues were organized, such as harmful effects of noise on employees' health, psycho-emotional factors of the work environment etc.

Respecting the wishes of employees to develop professionally and personally, as well as to establish new contacts, in 2015 "Grindeks" in cooperation with Riga Technical University (RTU) offered employees to become members of RTU Alumni Association for free of charge. Membership in the Association promotes lifelong learning of graduates and establishes contacts among them.





Sirds veselības diena „Grindeks”



Fizioterapijas diena „Grindeks”



“Grindeks” passed the 2015 in a health promotion atmosphere by inviting employees to pay attention to their health and well-being. Healthy person in a healthy society can work more productively, as well as fulfil social roles and adapt to the changes better. Good health is closely linked to the overall quality of life. Health is the basis for sustainable development. Within the implementation of this direction, on the International Labour Protection Day “Grindeks” employees were invited to participate in the campaign “Work Healthy” (in Latvian – “Strādā vesels”), during which employees were encouraged to think about how they feel and to change their day-to-day health habits, as well as to budge by exercising together, while in September, on the World Physiotherapy day, the “Grindeks” Physiotherapy Day took place, in which more than 60 “Grindeks” employees attended educational lectures on physiotherapy and medical taping, ASICS laboratories, as well as consulted with certified physiotherapists. To draw attention to the health of heart, and to educate employees about heart health risks, “Grindeks” organized three heart health check points and invited to measure blood pressure, as well as to determine body mass index within the framework of World Heart Day.





Grindeks' komanda Lattelecom Rīgas maratonā



Sports activities and healthy lifestyle play an important role in lives of “Grindeks” employees. In 2015, a team of the company's employees along with other runners from 69 countries participated in Lattelecom Riga Marathon. “Grindeks” sportsmen performed in 10 and 5 kilometre distances.

Also in 2015, athletes of the company participated for the 19th time in a basketball tournament organised by the Latvian Pharmacist Association – one of the most significant sports events of the pharmaceutical industry in Latvia. Basketball team of “Grindeks” is the only team, which has participated in all games of the tournament's history. In 2015, 10 companies and institutions related to pharmaceutical industry took part in the tournament. “Grindeks” athletes took the fifth place at this event.

Team of “Grindeks” works unitedly not only at their workplace, but also outside work. Continuing the tradition established in 2014, the company's employees, also in 2015, took part in the apple and pear picking, where they gathered 3 tons of fruit. The fruit obtained at the apple and pear picking were traditionally used as corporate Christmas gifts for clients and partners. Part of harvest picked in autumn was donated to low-income families in December.

Personnel policy implemented by “Grindeks” has gained recognition not only among employees, but also among other inhabitants of Latvia. In the “Top Employer” survey of 2015, “Grindeks” was recognized as the second most desired employer in the manufacturing sector.



Rudens talka



„Grindeks” komanda Latvijas Farmaceitu biedrības rīkotajā basketbola turnīrā



QUALITY AND ENVIRONMENTAL PROTECTION

Being a socially responsible company that uses chemical and biological processes in its manufacturing, "Grindeks" is looking at the manufacturing processes through an eco-friendly prism. While caring about the environment, the company adheres to more than 70 binding environmental regulations and requirements.

Complying with the standards and requirements for the quality of drug manufacturing, that annually remains stringent, "Grindeks" continuously improves its operations and is investing in the company's process developments. Every year manufacturing plants are repeatedly evaluated in various international inspections and audits, which provide their opinion on the compliance with the international quality standards. "Grindeks" is certified according to "Good Manufacturing Practice" requirements and ISO standards.

Caring for the environment and implementing various environmental projects, "Grindeks" carries out a series of measures to protect the environment and reduce pollution resulting from the company's activities, processes, products, services, as well as introducing new and effective natural resource-saving solutions. When implementing projects of strategic significance, environmental aspects are always taken into account in the decision-making process, as well as it is analysed how certain decisions might affect the environment and how to reduce potential environmental pollution risks as much as possible.



IN THE SCOPE OF ENVIRONMENT PROTECTION, "GRINDEKS" OBJECTIVES FOR 2014 – 2016 ARE IN COMPLIANCE WITH THE COMPANY'S LONG-TERM OBJECTIVES TO REDUCE:



ENERGY
CONSUMPTION



WATER
CONSUMPTION



THE QUANTITY
OF WASTE



EMISSIONS INTO THE
AIR OF THE WORKING
ENVIRONMENT AND
THE ATMOSPHERE



PRODUCTS' IMPACT
ON THE ENVIRONMENT
BY IMPROVING ITS
MANUFACTURING
AND INNOVATION
PROCESSES





In order to achieve the objectives, set by the company, including the implementation of new standards, a lot of work is invested in the training for company's management and specialists, the introduction of new equipment and processes. Improvements were introduced to the existing quality management, environmental management, occupational health and safety systems.

"Grindeks" industrial activity is carried out according to the permit of "A" category for existing polluting operations. It is known that complex chemical products can only be obtained from other, simpler chemical products and that is the reason why pharmaceuticals and conventional medicine usually cannot be manufactured from environmentally friendly products. According to the "Grindeks" policy and objectives of environmental protection, the company always examines and evaluates environmentally friendly technologies and raw materials, and, whether they can be used to manufacture high-quality, safe and effective medication, e.g., environmentally friendly solvents (water, alcohol, etc.), water-soluble and vegetable dyes, etc.

Development of environmentally-friendly technologies is in accordance with the European Commission recommendations issued in 2006, which include the best available technical and technological solutions for implementation of fine organic synthesis processes, also reduction and recycling of the emissions and waste.



In order to reduce emissions in the air of the working environment and atmosphere, "Grindeks" improves the manufacturing technologies aimed at reducing environmentally unfavourable solvent consumption. "Grindeks" is following the European Commission's guidelines on best available techniques and analogous pharmaceutical manufacturing complementary sectors.

To reduce the energy consumption "Grindeks" implements measures such as regulation of heat supply, the old steam boiler and ventilation equipment replacement with modern, energy-efficient appliances, building insulation, as well as the installation of thermal insulation and other measures aimed at rational use of equipment.

Chemical manufacturing of "Grindeks" is compatible with respect for the environment. Therefore, in recent years, "Grindeks" implemented and launched a number of ambitious projects in environmental protection and energy reduction. Thus in 2009, the company introduced an environmentally friendly industrial wastewater treatment concept, revealing a modern, closed industrial biological wastewater treatment plant. A modern laboratory operates within the treatment plant, where waste water analysis and performance monitoring is made, as well as wastewater research. When carrying out high-quality wastewater treatment process management and system optimization, industrial wastewater treatment effectiveness is approaching the best available technology indicators worldwide. In 2015, purification efficiency was on average 94.03% on the COD. During 2015, 49 755m³ of industrial wastewater was purified, which is by 14.4% less than in 2014.

In 2010, the company introduced use of artesian water for cooling of manufacturing equipment, which saves energy for the company. Electricity consumption has decreased (%) per unit of products (tonnes) in 2015 by 1.02%, if compared to 2014. Water consumption has increased (%) per unit of products (tonnes) in 2015 by 2.84%, if compared to 2014.

Currently the company implements a project "Grindeks" steam generating system reconstruction to improve energy efficiency", which was launched in the summer of 2014 with the aim of reducing energy in the near future.

Also, "Grindeks" actively implements waste reduction projects. The most significant outcome is a reaction solution increase in chemical processes. One of these techniques is used for solvent recovery and liquid waste, or valid component distribution for residual solution. Wastes that arise from manufacturing processes are collected in groups, and hazardous waste is transferred to licensed disposal organizations. Amount of hazardous waste per unit of products has decreased by 28.73% in 2015, if compared to 2014. In regard to waste management "Grindeks" is cooperating with several companies such as "Latvian Green Point" (in Latvian – "Latvijas Zaļais punkts"), "BAO", "Eko Port" (in Latvian "Eko Osta"), "ECO Baltia environment" (in Latvian "ECO Baltia vide").

In 2015, the internationally recognized company "Bureau Veritas Latvia" conducted "Grindeks" certification on energy management and the company received a certificate confirming the compliance of "Grindeks" Energy Management System with ISO 50001: 2012 (ISO 50001: 2011) standard.

The aim of the newly established "Grindeks" Energy Management System is to ensure the company's operations are in accordance with laws and regulations as well as to continuously reduce impact on the environment from manufacturing, products and services. Improvements introduced along with the acquisition of the certificate will allow even more efficient energy procurement planning, increase energy efficiency and reduce energy costs. The company purposefully perfected the previous Energy Management System to obtain these certificates, by improving energy accounting, raising performance levels, reducing energy costs per unit of products, thereby reducing the company's impact on the environment.



FUTURE COMMITMENTS

Targets for 2016

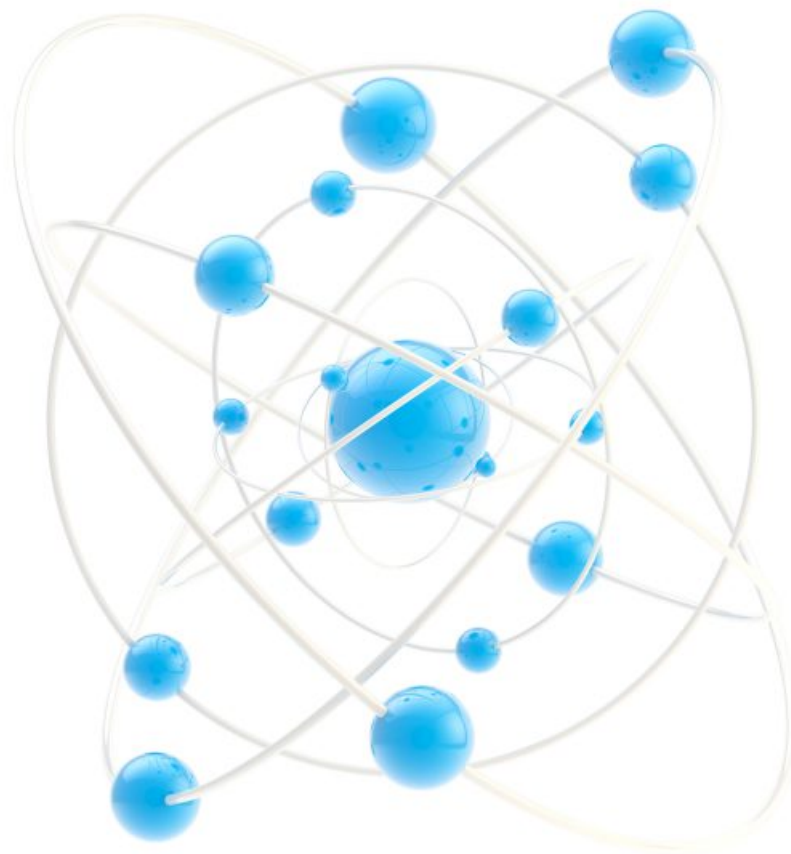
Quality, safety and environmental policy:

- | To look constantly for new, innovative and even more effective solutions to save natural resources
- | To carry out regular environmental measures based on environmental impact assessment and monitoring results
- | To minimize and avoid possible pollution risks by analysing how certain activities may affect the environment



ABOUT THIS COMMUNICATION ON PROGRESS

JSC "Grindeks" joined the United Nations Global Compact in 2002 and this Communication on Progress covers the activities of the leader of the pharmaceutical industry in the Baltic's – JSC "Grindeks" in year 2015. All operations of the company around the world are committed to the Global Compact principles and the company is continuously making further progress as to these commitments. In 2016, "Grindeks" will continue to carry its existing and begin new science and education support initiatives, aiming to encourage the young generation to explore the potential of exact sciences and maintain professionals dedicated to the industry.



Grindex

CONTACT DETAILS

Head Office

JSC "Grindex"

53 Krustpils St, Riga, LV-1057, Latvia

Phone: (+371) 67083500, (+371) 67083252

Fax: (+371) 67083505

E-mail: grindex@grindex.lv

Contact Person

Head of the Communications Department

Laila Kļaviņa

Phone: (+371) 67083370, (+371) 29256012

Fax: (+371) 67083505

E-mail: laila.klavina@grindex.lv