



OlainFarm



JSC Olainfarm **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017**

Report is based on Guidelines of NASDAQ ESG Guide for Nordic and Baltic Markets

Start of financial year:	1 January 2017
End of financial year:	31 December 2017
Company name:	Joint Stock Company Olainfarm Unified registration No. 40003007246
Address and contacts:	Olaine Municipality, Olaine, 5 Rupnicu Street, LV-2114, Latvia (+371) 67013705 E-mail: olainfarm@olainfarm.lv
Chairman of the Board:	Olegs Grigorjevs
Area of business:	Pharmacology
Website:	www.olainfarm.com
Auditing company:	Ernst&Young Baltic

Shares of JSC Olainfarm are listed at Nasdaq Riga Official List (ISIN:LV0000100501, ID: OLF1R)

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JSC Olainfarm is one of the largest manufacturers of finished drug forms and pharmaceutical semiproducts in the Baltic States

Our company

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Mission

JSC Olainfarm is one of the largest manufacturers of finished dosage forms and pharmaceutical semiproducts in the Baltic States. The key principle of our work is manufacturing of reliable and effective high quality products to the whole world. We want to build fair and effective cooperation with our

customers: patients, physicians, pharmacists, and partners. To achieve our goals, we make a team of highly qualified, socially secured and well-motivated employees. Our priority is organization of environmentally friendly manufacturing process and constant increase of the company's value.

Vision

We aim at becoming the leading manufacturer of finished dosage forms and chemical pharmaceutical products in the Baltics with products well known and available worldwide.

Aims and tasks

PRODUCT DEVELOPMENT

- To optimise the product portfolio and supplement it with new finished dosage forms, taking into account market dynamics, specific features, and demands;
- To develop a chemical product direction and create new innovative products and technologies, by specifically promoting co-operation with Latvian scientific institutions;
- To register finished dosage forms manufactured at the company and to supply them to various markets of the world;
- To manufacture finished dosage forms and chemical products for partners;
- To supplement and maintain the intellectual property portfolio of the company.

MARKETING

- To carry out marketing studies, process and analyse information to determine the current market demands;
- To determine market potential in regional markets for further business development;
- To launch new product development and introduction in line with the identified market demands.
- To develop and implement a promotional strategy of the company and partners' products;
- To plan, develop and implement marketing activities in accordance with the company's mission, aims, and strategy;
- To handle marketing activities and trading on regional markets;

MANUFACTURING AND PRODUCT QUALITY

- To enhance client loyalty by making quality products and providing complete information about them;
- To modernise production plants and processes in line with the Good Manufacturing Practice;
- To automate technological processes to increase production efficiency and occupational safety;
- To establish new production plants on the basis of existing plants and to create new jobs.

SOCIAL POLICY

- To promote employees' long term contributions to the achievement of the company's business aims;
- To ensure social guarantees and employees' salaries commensurate to their position and investment;

To ensure employee training and career growth opportunities

ENVIRONMENTAL PROTECTION

- To ensure ethical attitude towards environment and to continue organising an environmentally friendly manufacturing process;
- To reduce the environmental impact of the company's activity both qualitatively and quantitatively.

INVESTOR RELATIONS

- To continuously work on increasing the company's value with innovations, growth and profit increase;
- To provide reliable and clear information in due time about the company's activity and economic standing;
- To be transparent and open to investors' interest in the company.

LEGAL STATUS AND OWNERS

Shares of JSC Olainfarm are listed at Nasdaq Riga Official List (ISIN: LV0000100501, ID: OLF1R).

LARGEST SHAREHOLDERS OF JSC OLAINFARM

LLC Olmafarm (42.56 %), as at 01.01.2018

Heirs of Valery Maligin (26.92 %), as at 01.01.2018

Other shareholders (23.09 %), as at 01.01.2018

On behalf of customers of JSC Swedbank (7.43%), as at 01.01.2018

Finished Dosage Forms, Active Pharmaceutical Ingredients and Intermediates

JSC Olainfarm product portfolio contains over

60

finished dosage forms

25

active pharmaceutical
ingredients

20

intermediates

The key areas of specialization in FDFs include neurology, cardiovascular, antibacterial and antiviral drugs and allergology. JSC Olainfarm has a long-standing technological and know-how advantage in adamantane, quinuclidine and nitrofurane chemistry.

JSC Olainfarm provides research, analytical, marketing authorisation, manufacturing, packaging, distribution and marketing services.

Largest subsidiaries

SIA „Latvijas aptieka” 100% share capital

SIA “Tonus Elast” 100% share capital

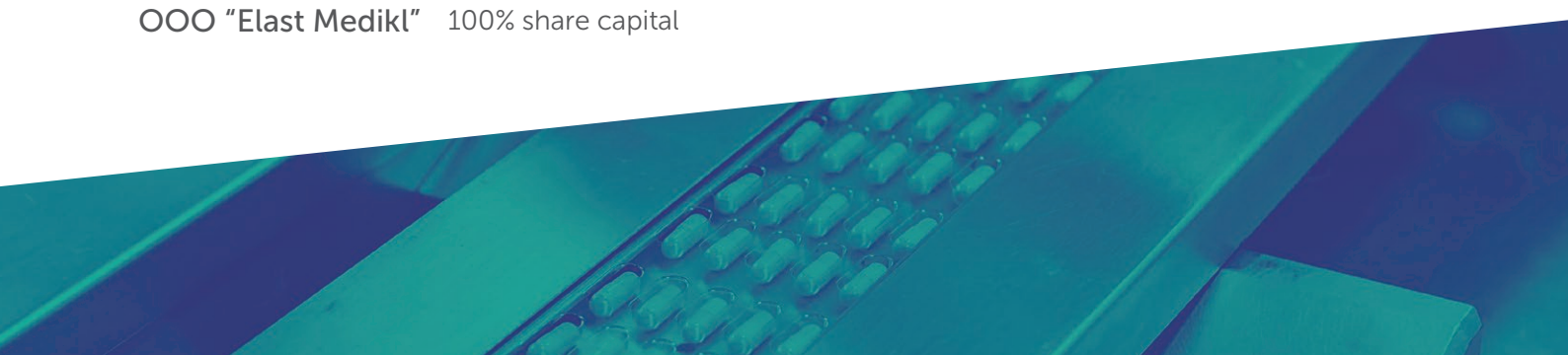
SIA “Silvanols” 100% share capital

OOO “Elast Medikl” 100% share capital

SIA “NPK Biotest” 100% share capital

SIA “Diamed” 100% share capital

SIA “OlainMed” 100% share capital



JSC Olainfarm has subsidiaries in Latvia, Belarus, Russia, Lithuania, Turkey, Azerbaijan, Estonia, Czech Republic and Kyrgyzstan, representative offices in Russia, Ukraine, Belarus, Tajikistan, Kazakhstan, Albania, Armenia, Georgia, Kosovo, Mongolia, and Uzbekistan, contracted agents in the USA, Serbia, Turkmenistan, Moldova, Sweden and Southeast Asia.

For detailed information on subsidiaries and representative offices see company website: <http://olainfarm.lv/company/olainfarm-worldwide/>

Employees

JSC Olainfarm employs over 1000 employees in Latvia, 66% of which are women and 34% are men. 37% of employees have higher education, 29% – secondary advanced education. One third of employees are aged 18 to 40 years. The average length of service of JSC Olainfarm employees is 13 years. Turnover rate in 2017: 0.20%; employee reinstatement rate: 0.08%.

Trade Union of Employees

The company has an active trade union, where 57% of employees are involved. A bargaining agreement is concluded between JSC Olainfarm and the company's trade union, which is supplemented with additional social guarantees on an annual basis. It envisages benefits for employees on national holidays, financial allowances in case of surgery, long diseases or funeral, discounts on health insurance policies

depending on the length of service, greetings on work and personal anniversaries depending on the period of work with the company, when a child starts studies in form 1, when a child graduates a secondary education institution, and other benefits.

The trade union of JSC Olainfarm takes care of unemployed pensioners, who are its members, organising an annual trip and Christmas and Easter celebrations.

Participation in National or International Associations, Organisations Representing Interests

JSC Olainfarm represents interests of the company and the industry in professional associations by clearly defining its position on industry development matters. JSC Olainfarm is a member of the Association of Latvian Chemical and Pharmaceutical

Industry (LAKIFA), the Latvian Employers' Confederation (LDDK), the Latvian Chamber of Commerce and Industry (LTRK), the Latvian Generic Medicines Association and other.

Key performance indicators in 2017

Accurate data on the company turnover and profits are published in the audited annual report of JSC Olainfarm for 2017, which is published together with this non-financial report.

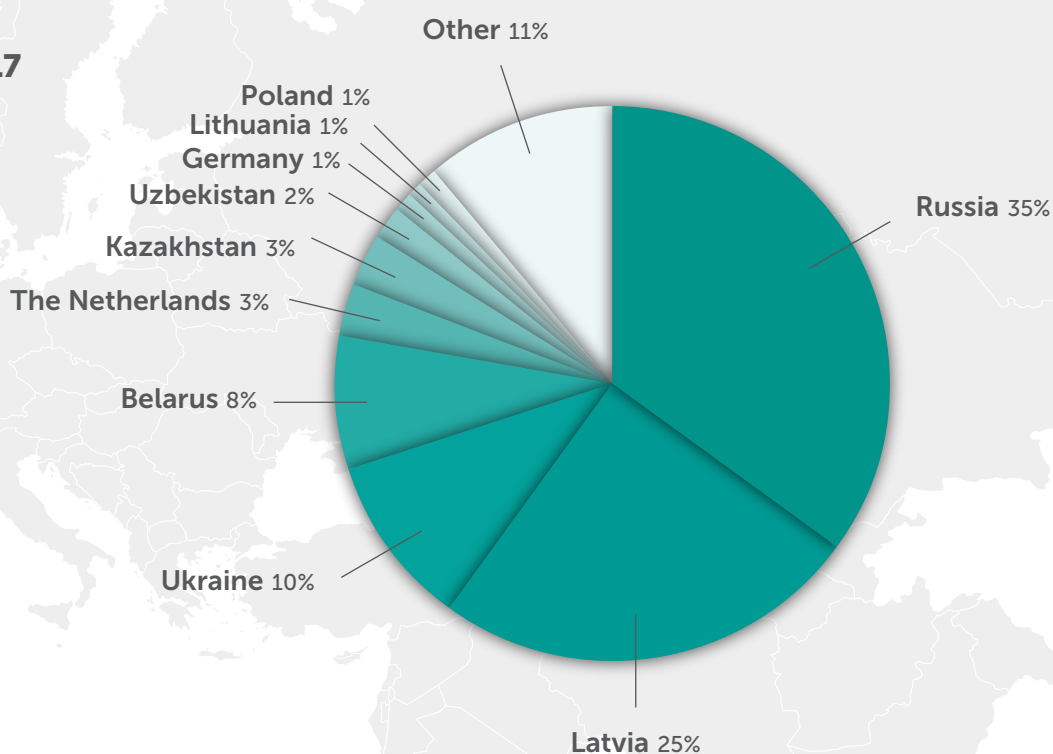
Largest sales markets in 2017

Our FGF, API and intermediates are exported to over 50 world markets.

The company has maintained its traditional major outlets, and at the same time continues active work on increase of its sales in Mongolia, Albania, Kosovo and Turkey to diversify risks. In 2017, 4 new markets (Argentina, Columbia Hong Kong and Romania) extended the geography of our products, where we are planning to survive and grow.

Along with the increase in external trade, JSC Olainfarm is working on the increase of its market share on the domestic market, which is confirmed by the extension of the pharmacy chain Latvijas Aptieka and purchasing of the OlainMed medical facility.

SALES BY COUNTRIES, 2017



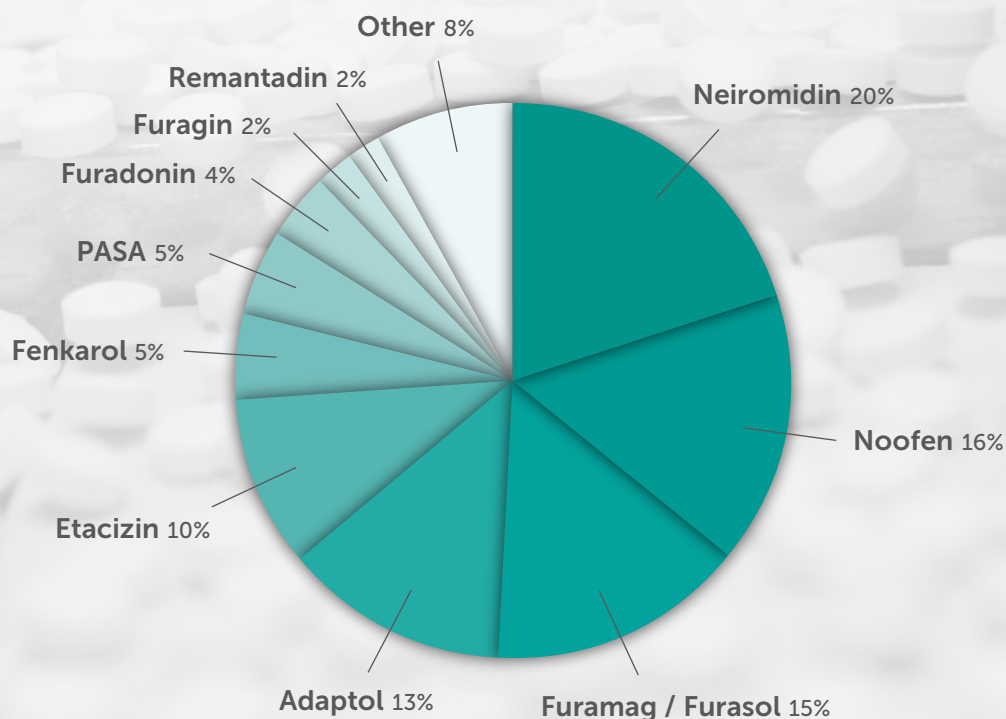
Best-selling Olainfarm products in 2017

Olainfarm's key areas of specialization in FDFs include neurology, cardiovascular, antibacterial and antiviral drugs and allergology.

Product portfolio contains over 60 finished dosage forms, 25 active pharmaceutical ingredients and more than 20 intermediates. The company has a long-standing technological and know-how advantage in adamantane, quinuclidine and nitrofurane chemistry. Ten of our best-selling drugs account for 90% of total sales.

**10 of our
best-selling drugs
account for 90%
of total sales**

SHARE OF OLAINFARM PRODUCTS, 2017



Chairman's statement

The non-financial report of JSC Olainfarm for 2017 reflects performance indicators of the company in financial, social, environmental, quality management and corporate governance areas. It presents JSC Olainfarm as a company, where social responsibility matters are an integral components of business. With this report we wish to tell our shareholders, investors, cooperation partners, customers, patients and colleagues in brief what we have done in 2017, and how we are planning to develop to reach the aims we have set.

JSC Olainfarm has an extensive research potential, where we are developing in two directions. The first is in the development and manufacturing of finished dosage forms. We are purposefully working on the improvement of the quality and efficacy of our products, as well as new dosage forms, which would be more affordable for consumers. In 2017, we have started several completely new projects, which we are planning to complete in 2020. It is a separate group of drugs related to treatment of tuberculosis and successful cooperation experience of JSC Olainfarm with the World Health Organization.

In 2017, the company has purposefully worked on the extension of its outlets. Last year, JSC Olainfarm successfully completed marketing authorisation of products in Armenia and Azerbaijan. Marketing authorisation processes have started in Nepal, continue in Armenia, Turkey, Myanmar, Cameroon and Vietnam. We have purposefully worked on marketing authorisation of our products in Turkey, which we are planning to start in 2018. At the same time, we have started marketing authorisation of our new product Jogurt Actio in several markets of the company.

The second is the development and manufacturing of active pharmaceutical ingredients

(APIs) and chemical intermediaries, which has been developing very dynamically in recent years. In 2017, we launched production of an anti-angiogenic API, which we are registering in 42 countries in cooperation with partners. We have made first deliveries of anti-Alzheimer API to Japan, and started exports of anti-Parkinson API to the United States. We have started exports of chlorbutanol hydrate to Japan. If we compare 2016 and 2017, then sales of APIs and intermediates doubled confirming competitiveness of JSC Olainfarm in the global pharmaceutical market.

Over the past two years our company has invested over 6.5 millions in research and marketing authorisation, updating of product data, continuing successfully started practice in the attraction of funding from European Funds. Thus, for instance, the marketing authorisation of an anti-mucolytic finished dosage form in Latvia is in the final phase of registration, which is not only the home country of JSC Olainfarm, but also the second largest outlet. We are also working on the development of a new form of a paediatric antiallergic dosage form, an anti-tuberculosis API and FDF. Work is ongoing on the development of an analgesic drug with a cold-relief effect. We are planning to register it in Latvia in 2018.

- Sales of APIs and intermediates increased twice in 2017
- >6.5 million euro invested in research, marketing authorisation and production facility modernisation
- Export to more than 50 world markets

I believe that one of our biggest achievements is that the Olainfarm Group set another sales record in 2017 – more than 122 million euro. To be noted, the business environment of the company in most of its important markets was volatile and quite unpredictable in 2017. Losses from currency fluctuations reached only 1.5 million euro.

In 2017, we devoted a lot of attention to the integration of new subsidiaries of JSC Olainfarm in the company, which is part of long-term development strategy of the company. Therefore, a disproportionately high increase in sale and administrative costs vs the increase in sales was observed. The biggest external investments in 2017 were acquisition of OlainMed medical facility (former Olaine Health Centre), which provides primary health care to the population of Olaine municipality, and the extension of the Latvijas Aptieka chain with several pharmacies in Bauska, Rēzekne and Ventspils.

Olainfarm is the manufacturer offering a range of interesting products to the Western

market. These are cardiac, antihistamine, neurological and urological drugs. These drugs are of great interest, and it is our commitment to start marketing authorisation of finished drugs forms of Olainfarm in Europe in 2020. For that, we have to do a lot of homework to comply with regulatory requirements of European countries. Our experienced specialists are working on this actively.

The contribution of Valery Malign, the largest shareholder and owner of the company, to this growth and transformation into a modern and dynamically growing company was tremendous, and his early and unexpected death at the end of 2017 was a major blow for all of us. Nevertheless, the team of JSC Olainfarm reconfirmed again their professionalism, unity and ability to cope with the challenges in this difficult time, continuing the projects started under leadership of Mr. Malign and closing year 2017 successfully.

Vision for 2018

Successful operation of the company in the future will be largely dependent on its ability to diversify its outlets and products and to maintain its positions on existing markets. We will continue initiated marketing authorisation processes in several EU markets, Japan, Brazil. At the same time, we will focus on the largest CIS outlets, where we have strengthened our positions and see the potential to further increase exports.

The company continues and will continue to purchase subsidiaries in different pharmacy-related sectors, including also with different outlets. The ability of the group to integrate purchased companies and to use their opportunities provided by the joint administrative, marketing and logistics structures in the best way possible will be a prerequisite for successful business in the nearest two years.

I would like to thank all employees, shareholders of JSC Olainfarm, and our cooperation partners in Latvia and globally for their support and contribution to the development of the company, which has helped us to have a truly successful year 2017.



Olegs Grigorjevs
Chairman of the Board

Most Important Happenings Affecting Business of JSC Olainfarm in 2017

Purposeful attraction of European co-financing and implemented projects

In 2017, within the framework of the project "Competence Centre for Pharmacy, Biomedicine and Medical Technology" (No.1.2.1.1/16/A/006) JSC Olainfarm continued to implement four research projects:

- "Drug use safety and toxicokinetics study" – preclinical studies of drug use safety and toxicokinetics according to good laboratory practices;
- "Study of natural substances for the development of a new line of cosmetic products" – study of natural products and development of a line of natural cosmetic products.
- "Study for the development of a new finished dosage form for tuberculosis".
- "Development of a new technology to obtain a racemic Quinuclidine derivative".

On 24 May 2017, JSC Olainfarm launched the project "Introduction of an experimental technology for production of new products by JSC Olainfarm". The purpose of the project was to introduce a new product and a new production technology at JSC Olainfarm by creating a production line. The planned period of implementation of the project is from 24 May 2017 to 24 May 2019.

Last year the company participated in the implementation of the project of the Employers' Confederation of Latvia "Participation of students of vocational education institutions in workbased learning and internship in companies" as a cooperation partner.

Investment in development and research of brands

In 2017, marketing authorisation processes for products in Latvia, Kyrgyzstan, Armenia, Azerbaijan and Moldova were completed. Marketing authorisation of several drugs produced by NPK Biotest, a subsidiary of JSC Olainfarm, in Belarus also completed. Marketing authorisation processes continue in Nepal, Armenia, Turkey, Myanmar, Cameroon and Vietnam.

We have invested about 6.5 million euro in different European projects in recent years. Those were related to a reconstruction of a production facility, development of new medicines and improvement of the technical base of the company. We invested

about 2 million euro in marketing authorisation of products last year. And this year we are planning to invest another 3.5 million euro in product-related studies.

Marketing authorisation of our new product Jogurt Actio continues in several markets of the company. The work on synthesis of new ingredients against cancer and tuberculosis has completed.

We invested about 2 million euro in marketing authorisation of products

Investment in development of subsidiaries

In 2017 JSC Olainfarm purposefully worked on strengthening of competitiveness of companies of the group integrating good governance practices, marketing experience, IT solutions in subsidiaries of the group, and will continue to do so in 2018.

On 13 July 2017 LLC Longgo, a subsidiary of JSC Olainfarm was established, which offers modern natural products for human

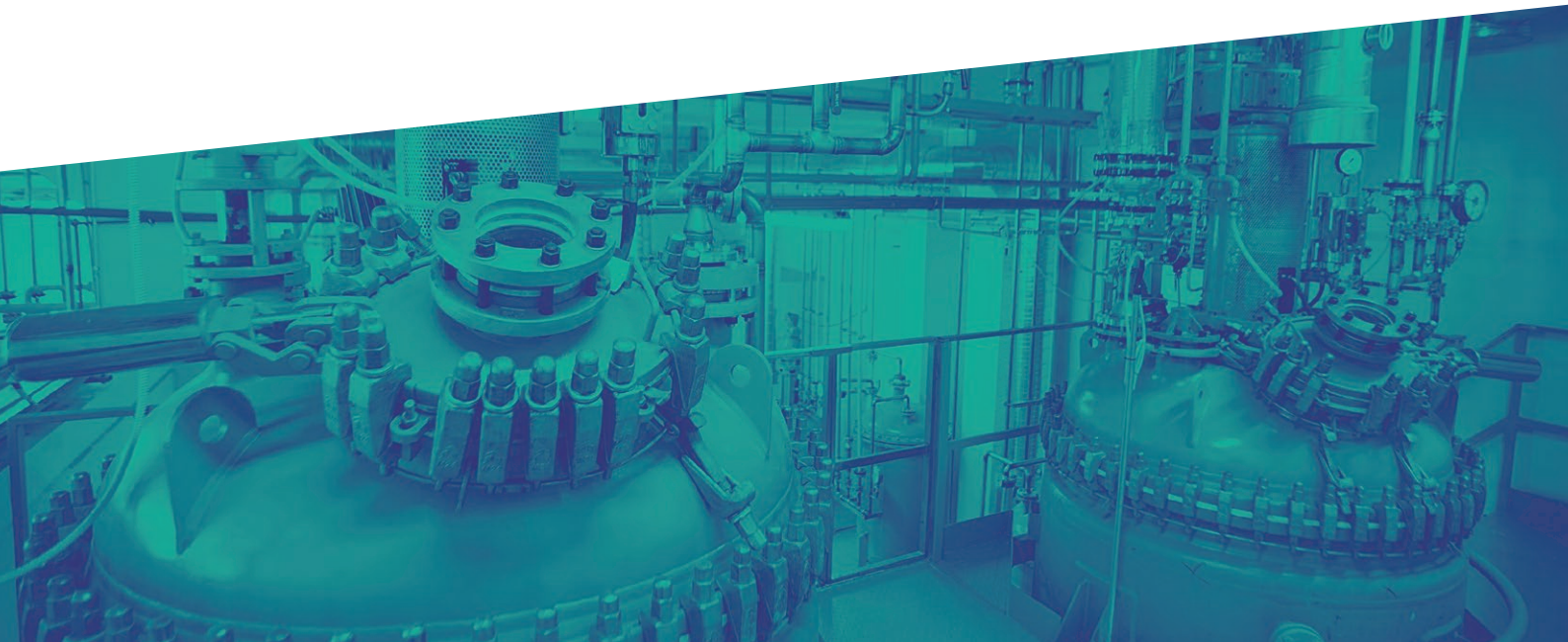
health and well-being.

On 21 July 2017 JSC Olainfarm was registered in the Register of Enterprises of the Republic of Latvia as the sole owner of LLC Olaines veselības centrs. LLC Olaines veselības centrs (from January 2018 changed its name to LLC OlainMed) provides health care outpatient services in Olaine.

JSC Olainfarm has been recognized as the best employer in Riga Region

JSC Olainfarm has been recognised as the best employer in Riga Region for several years. Also in 2017, at the annual award ceremony of the Employers' Confederation of Latvia (LDDK) the company received an award as the best employer in the Riga Region. The award was presented by the Latvian Minister of Economics Arvils Ašerādens. 32 strongest employers were at the final of the LDDK's Annual Award in 2017.

JSC Olainfarm has been recognised as the best employer in Riga Region for several years



Environmental Responsibility

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Environmental Policy and Regulating Documents

The environmental policy of JSC Olainfarm is based on the environmental management system shaped according to the requirements of environmental standard ISO 14001. Since 1 November 2016, the environmental management system has been complemented with a continuous energy consumption evaluation process according to the Energy Efficiency Law and Regulations of the Cabinet of Ministers No. 487 of 26.07.2016 "Regulations on Energy Audits of Companies".



In 2017, an internationally recognized auditing company Bureau Veritas Latvia conducted recertification of the environmental management system of the company according to ISO 14001 version of 2015. This is confirmed by certificate No. LVRIG05616B, valid from 27.01.2016 to 26.01.2019.

The company has developed an environment and climate friendly energy policy (last updated on 15 November 2017). **Top managers of JSC Olainfarm are committed:**

- to improve the Environmental Management System according to changes in ISO 14001 and to increase energy efficiency and competitiveness of the company;
- to ensure sustainable operations and development of technology of the company according to the requirements of regulatory enactments and other binding regulations regulating the environment and energy sector;
- to protect the environment and natural resources by reducing and eliminating environmental pollution to create favourable and safe work and living conditions for animals and community;
- to promote efficient, profitable, environmentally-friendly purchases of services and purchase and balances use of energy sources in order to reduce carbon dioxide emissions;
- to ensure that environmental and energy policy, as well as environmental information is available to employees, customers and other stakeholders;
- to involve employees in the operation of the environmental and energy efficiency management system increasing their awareness and training employees;
- to use a systemic approach in environmental and energy sources management analysing the flow of raw materials and energy sources used in manufacturing of products for the purposes of reducing energy costs and pollution.

The activities of JSC Olainfarm in terms of environment is also regulated by the permit to polluting activities of category A No. RI10IA0004 issued by the Lielriga Environmental Department of the State Environmental Service. Its conditions should be revised every seven years, and therefore in June 2017 the company submitted a new application for a permit of category A, and a new permit will be issued on 11 June 2018.

Every year, the Lielriga Environmental Department of the State Environmental Service conducts an inspection in the company and evaluates the compliance of JSC Olainfarm activities with conditions of the permit. **No non-compliances were found during the inspection of December 2017, administrative penalties for violations of environment protection regulations have not been applied for 10 years.**

In 2017, the Environmental Protection Unit conducted 58 internal environmental and energy audits.

Control of Greenhouse Gas Emissions

The control of CO₂ emissions in the company takes place in the form of calculations using the methodology of SLLC Latvian, Environment, Geology and Meteorology Agency, which is revised and updated on an annual basis.

A local boiler house with five combustion units installed supplies heat to JSC Olainfarm. A cogeneration station LLC Olainfarm enerģija is also operating in the territory of the company, and steam is purchased for its production needs.

As total nominal thermal heat capacity of technologically connected combustion units exceeds 20 MW, JSC Olainfarm has received Greenhouse gas emissions permit No. RI13SG0028 for a period from 2014 to 2020 (publicly available <http://www.vvd.gov.lv/izsniegtas-atlaujas-un-licences>), which includes the requirements of 12 regulatory enactments.

Every year JSC Olainfarm prepares a report on Greenhouse gas emissions, which is verified by LLC Bureau Veritas Latvia and submitted to the Lielriga Environmental Department of the State Environmental Service for approval.

Year	2013.	2014.	2015.	2016.	2017.	2018.	2019.	2020.
Assigned quotas	4436	9060	8899	8739	8578	8418	8257	8097
Exhausted quotas		11452	10726	11653	10455			
		126 %	120 %	133 %	122 %			

1 quota = 1 ton of CO₂ emissions from the combustion unit. The company purchases any missing quotas at a stock exchange.

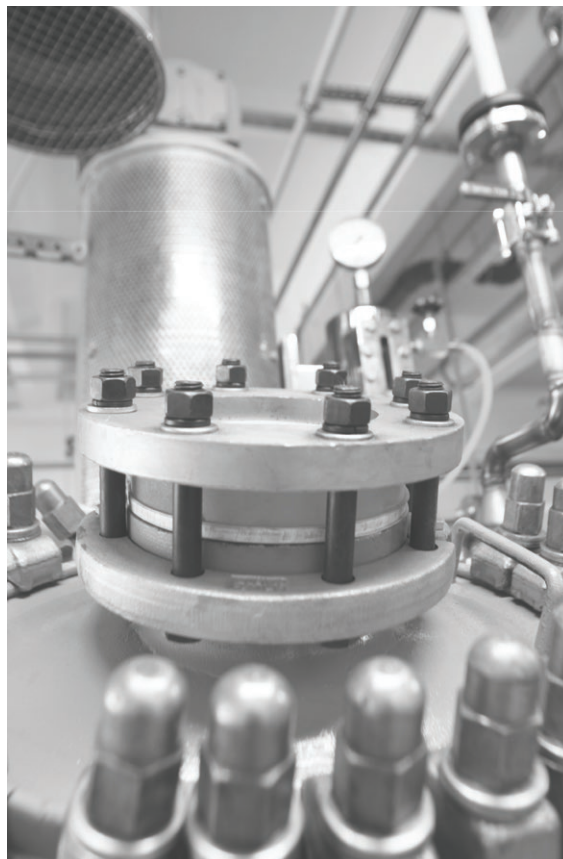
JSC Olainfarm takes a number of actions related to monitoring of direct risks on a regular basis

Management of Environmental Risks

JSC Olainfarm is a high-risk site of category B according to Regulations of the Cabinet of Ministers No. 563 of 19 September 2017 Procedures for Identification and Determination of High-Risk Sites, as well as Planning and Implementation of Civil Protection and Disaster Management. Taking into account properties and quantities of chemicals used and stored in technological processes, which can be present at the site at the same time, **an Industrial Accident Prevention Programme (hereinafter referred to as IAPP) was developed for JSC Olainfarm plant according to the requirements of CM Regulations No. 131 and coordinated in the Environmental State Bureau.**

Industrial accident risk assessment is conducted for:

- **Liquefied ammonia**, which is used as a coolant at the refrigerating stations and as a raw material in production of rimantadine hydrochloride;
- **Acetone cyanohydrin**, which is used in production of phenibut and fenkarol;
- **Hydrogen chloride**, chloride, which is used as a raw material in production of isopropyl alcohol – hydrogen chloride solution;
- **Hydrogen**, which is used as a gaseous raw material in hydration processes;
- **Concentrated nitrogen acid**, which is used as a raw material in production of rimantadine hydrochloride, amantadine hydrochloride, memantine, 1-chloro-3.5- dimethyladamantane, pomalidomide;
- **Hydrazine hydrate**, which is used in production of furadonine, furagine.



Monitoring of Environmental Risks

As a responsible company, JSC Olainfarm takes a number of actions related to monitoring of direct risks on a regular basis. Accredited laboratories of the Quality Management Department (Sanitary-Ecological Laboratory, Water Control Laboratory and Microbiological Laboratory) conduct comprehensive and regular monitoring of the environment in our company. LLC Vides audits laboratory is invited, when needed.

- **Monitoring of volatile organic compounds (hereinafter referred to as VOC)**

VOC emissions are determined once a quarter by calculations, using the methods described in the emission limits project and preparing a report on natural resources tax. VOC solvents management balances are prepared once a year according to Paragraph 26 and Annex 4 to CM Regulations No. 186 and a report according to Annex 5 to these Regulations.

Polluting parameter	Limit in cat. A permit, tons / year	Quantity, tons / year	
		2016.	2017.
VOC	107,43	22,59	23,92

- Quantities of consumed natural gas are registered based on gas meter readings, which are taken once a day. Gas meters are verified. **A reduction in natural gas consumption by 9.65% was achieved in 2017.**

Fuel type	Limit in cat. A permit, thous. m ³ / year	Consumption, thous. m ³ / year	
		2016.	2017.
Natural gas	24017	2804,099	2533,555

- **Instrumental registration of extracted amounts of artesian water** based on readings of water meters is made once a month, the data are recorded in the water extraction registration log. Water meters are verified once in four years.
- **Instrumental registration of extracted amounts of waters (service water) from the Misa River** based on readings of a water meter is made once a month, the data are recorded in the water extraction registration log. The water meter is verified once in four years.
- **Instrumental registration of amounts of waste waters discharged to wastewater treatment plants** is made based on readings of a wastewater meter recording the data in the water extraction registration log every day. The wastewater meter is verified once in four years.

Water type	Limit in cat. A permit, thous. m ³ / year	Quantity, thous. m ³ / year		Notes
		2016.	2017.	
Artesian water	398,500	124,116	85,817	reduction by 30,85 %
Service water	1755,855	1259,114	1154,495	reduction by 8,3 %
Wastewater	2118,655	1318,29	1237,137	reduction by 6,2 %

- **Registration of chemical substances and mixtures** is done in the electronic database, indicating the name, quantity, classification, labelling and safety data sheets according to Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006, and Regulations of the Cabinet of Ministers No. 795 of 22.12.2015 "Procedures for Registration and a Database for Chemical Substances and Mixtures". The database is available to all company employees on the server.



- Once a quarter **Olainfarm conducts a control of observation of production limits for emissions of polluting substances to the air** by calculations, using the methods described in the emission limits project and preparing a report on natural resources tax.

Polluting parameter	Limit in cat. A permit, tons / year	Quantity, tons / year		Notes
		2016.	2017.	
Volatile organic compounds (VOC)	107,4291	22,5953	23,9201	Increased by 5,8 %
Sulphur dioxide SO ₂	2,4038	0,0484	0,4050	Without significant changes
Other inorganic compounds	0,7487	0,2666	0,2826	Without significant changes
Nitrogen dioxide NO ₂	63,8780	22,5281	20,2654	The reduction is related to the reduction in natural gas consumption
Ammonia NH ₃	3,58400	0,7003	1,4990	The increase by 97.9 % is related to the production of Rimantadine base solution in methanol in 2017
Carbon monoxide CO	46,221	25,9112	22,8319	The reduction is related to the reduction in natural gas consumption

- **Monitoring of emissions of polluting substances from combustion units of the boiler house and the cogeneration stations** is carried out by taking measurements once in 2 years and in the form of calculations once a quarter, preparing a report on natural resources tax. Actual emissions of combustion units do not exceed the set limits.
- **Once a month the following polluting parameters are monitored:** testing discharge of wastewater treatment plants for chemical oxygen demand (COD), biological oxygen demand (BOD₅), suspended substances, total nitrogen (N_{tot}), total phosphorus (P_{tot}).
- **Once a quarter the following polluting parameters are monitored:** testing of discharge of wastewater treatment plants for chloroform, BTEX, xylene, toluene, benzene, phenol index, nickel (Ni).

The monitoring of 2017 confirms that concentrations of polluting parameters in the discharge from wastewater treatment plants do not exceed the maximum permissible concentrations indicated in the category A permit.

- **Twice a year the following polluting parameters are monitored in the discharge of wastewater treatment plants:** testing for chemical oxygen demand (COD), biological oxygen demand (BOD₅), suspended substances, total nitrogen (N_{tot}), total phosphorus (P_{tot}). And once a year there is testing for chloroform, BTEX, xylene, toluene, benzene, phenol index, nickel (Ni).
- **Once a year the quality of treated sewage sludge is tested**, determining the following parameters: moisture, dry matter, total nitrogen (N_{tot}), total phosphorus (P_{tot}), cadmium (Cd), chromium (Cr), copper (Cu), nickel (Ni), lead (Pb), zinc (Zn), mercury (Hg). 167 tons of naturally wet sludge with dry matter content of 24.8 % were discharged to sludge fields in 2017. The dry matter mass amounted to 36.38 tons. Quality indicators of treated sewage sludge correspond to class IV, therefore, the sludge can be used on agricultural land for fertilisation, in forestry, for recultivation of degraded areas. As there is no demand for the use of sludge, it is stored in sludge fields and used for recultivation of territories of the company.
- **In the Pupla River monitoring of the condition of the environment of the water body accepting treated wastewater is conducted once a year 150 m upstream and downstream the discharge of wastewater treatment plants**, testing the following parameters: chemical oxygen demand (COD), total nitrogen (N_{tot}), total phosphorus (P_{tot}) and saprobity index is monitored once in 3 years.

The indicators of 2017 lead to the conclusion that wastewater treated by the company does not affect the quality of the Pupla River, indicators downstream water treatment plants are even better than upstream the discharge.

When analysing the content of pollutants in groundwater, monitoring has never found pollution of groundwater with heavy metals, phenol index, petroleum products

- **Once in two years groundwater is monitored in the territory of the petrol station**, testing the following parameters: BTEX, benzene, toluene, xylenes, sum, electrical conductivity and pH of total petroleum products. The results of the monitoring of 2017 certify that there is no pollution of groundwater at the petrol station.
- **In the territory of sludge fields of wastewater treatment plants groundwater is monitored once in 3 years.** When analysing the content of pollutants in groundwater in the territory of the sludge field of WWTP, monitoring has never found pollution of groundwater with heavy metals, phenol index, petroleum products. When analysing testing results of samples of ground, it can be concluded that none of the polluting parameters found in the ground exceeds the critical limit.
- **Monitoring of groundwater in the territory of the plant is conducted once in 5 years**, nosakot: determining: pH, chemical oxygen demand (COD), biological oxygen demand (BOD5), phenol index, total nitrogen (Ntot), xylenes, toluene, benzene, ethylbenzene, chloroform, copper (Cu), lead (Pb), chromium (Cr), nickel (Ni), zinc (Zn), mercury (Hg), synthetic surface active substances, sum of petroleum products. Soil is monitored in the territory of the plant once in 10 years determining: sum of petroleum products, arsenic (As), mercury (Hg), copper (Cu), lead (Pb), zinc (Zn), chromium (Cr), nickel (Ni), cadmium (Cd), cyclohexane, sum of chlorobenzenes, sum of phenols, xylenes, toluene, benzene, ethylbenzene.

The analyses of groundwater and ground in the territory of the company certify that no pollution of groundwater or ground is found.

- Each quarter the company pays natural resources tax (NRT) for consumed natural resources and pollution discharged to the environment. **In 2017 the company paid more than 23 thousand euro as NRT.** NRT payments have increased by 21% in comparison with 2016, which is related to the increase of the NRT rate for extraction of water by 44% starting from 1 January 2017.
- The company conducts monitoring of prepared potable water once a year determining microbiological indicators. The quality of potable water generally corresponds to the indicators set in regulatory enactments, with the exception of sulphate ions. **Modernisation of the potable water preparation station started in 2017, during which reverse osmosis membrane filters were installed, which will ensure the reduction of total water hardness, including sulphate ions, to the set limits.**
- No noise monitoring is performed outside the territory of the company, because production equipment is located inside, and there is no equipment, which could generate noise outside.
- No monitoring of smells is conducted, because there are no complaints about smells from the territory of the company.

Packaging Policy

Since 2006 the company has been having an agreement with AS Latvijas Zaļais punkts (LZP) on management of packaging used in the territory of Latvia.

Packaging materials	Quantity, tons		Payment for management of LZP, EUR	
	2016.	2017.	2016.	2017.
Cardboard	37,57	35,53	1029,36	973,45
Polyethylene	13,50	15,20	1711,36	1926,04
Glass	4,45	4,25	234,73	223,72
Wood	13,92	25,21	181,02	327,84
Metal	10,48	9,43	605,50	545,25
TOTAL	79,92	89,62	3761,97	3996,30

The increase in the amount of packaging by 12% in 2017 compared to 2016 is related to the increase in green trade in Latvia.

Waste Management

A separate waste collection system is introduced in the company – cardboard, paper, polyethylene, glass, metal scrap, daylight bulbs, used batteries, electrical and electronic waste, asbestos, as well as hazardous production and laboratory waste are collected separately on a regular basis.

Domestic waste (non-hazardous production waste) is registered based on accounting invoices on the amount of transferred domestic waste (registration based on the volume of removed containers).

Sorted production waste (paper, cardboard, polyethylene, metal scrap), which is transferred for recycling, is registered based on

accounting invoices on the amount of transferred domestic waste (the weight is determined by the remover of waste by weighting). Invalid drugs are registered based on invoices on the amounts transferred for destruction (weight according to JSC BAO).

A separate waste collection system is introduced in the company

- Hazardous waste is registered** in production workshops and Warehouse economy unit registering weight of generated hazardous waste in registration logs according to Regulations of the Cabinet of Ministers No. 484 of 21.06.2011 "Procedure for the Record Keeping, Identification, Storage, Packing, Marking and Keeping of Transport Records of Hazardous Waste". Hazardous waste is transferred only to such waster managers, who have received a relevant waste management permit. JCS BAO has been a cooperation partner of the company for a long time (since 2001). Since 2012 – there are also LLC Eko Osta and LLC CORVUS COMPANY.

Waste type, code	Limit in permit t/a	Transferred amount of waste, t/ year		Comments
		2016.	2017.	
Organic solvents, other still bottoms and reaction residues, 070504	120	52,612	5,684	The reduction is related sorting using waste type "Solvents 200113" and several products were not produced
Solvents 200113	0	-	30,8066	
Other still bottoms, reaction residues 070508	80	4,779	27,885	The increase is related to cleaning of box 13 in warehouse 4.a from invalid chemical substances that have been collected for a long time
Organic halogenated solvents, halogenated still bottoms and reaction residues 070503	20	4,05	3,399	No significant changes
Organic wastes containing dangerous substances (solid or paste) 070513	35	4,205	27,714	The increase is related to the end of shelf life in a Drug Supermarket
Medicines containing dangerous chemical substances or consisting of chemical substances (drugs). Other medicines containing no dangerous substances 180109	2	3,58276	7,8051	The increase is related to the end of shelf life in a Drug Supermarket
Spent catalysts containing dangerous transition metals (Raney/ Ni catalyst) 160802	10	1,2	0,1	Reduction by 91%; no significant changes
Fluorescent tubes, other mercurycontaining waste 200121	0,585	0,1	0,32	The reduction is related to the transfer of invalid bulbs

Waste type, code	Limit in permit t/a	Transferred amount of waste, t/ year		Comments
		2016.	2017.	
Laboratory chemicals, consisting of dangerous substances 160506	0,2	0,04	0,37	The increase by 91% is related to the transfer of invalid chemicals
Other engine, gear oils 130208	6	3,433	2,9	Reduction by 15,6 %
Construction materials containing asbestos 170605	1	1,474	0.405	Asbestos waste occurs as a result of replacement of old heat insulation
Spent batteries and accumulators 200133	0,06	0	0.043	Voluntary collection from employees
Spent catalysts containing gold, rhodium, catalyst, platinum 160801	1	0,0041	0,6528	Palladium catalyst is accumulated and transferred for recycling to Germany
End-of-life tyres 160103	4,8	0,4	3,5	Transfer of vehicle tyres, the increase is related to stocks of invalid tyres
Glass 200102	1	1,36	0,4	Reduction by 25 %, transferred to LLC Eco Baltia vide for recycling
Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by dangerous substances 150202	0,3	0	0,0677	No significant changes
Waste paint and varnish containing organic solvents or other dangerous substances 080111	0	0	0,55	No significant changes
Other medicines containing dangerous substances 160305	0	0	0,426	No significant changes
Construction waster other than 170901 , 170902 and 170903	280	288	258	No significant changes
Chemicals consisting of or containing dangerous substance 180106	0	0,6569	1,1448	The increase by 74 % is related to the end of shelf-life of a number of medicines. Transferred to JCS BAO for disposal.



Over
90
tons of materials
had been recycled
in 2017

Recycled Materials

In 2017 the company transferred more than 90 tons of materials for recycling.

	2016, tons	2017, tons
Cardboard	27,32	31,53
Polyethylene	8,95	13,38
Metal	81,76	46,52
Glass	1,36	0,4
TOTAL		91,83

A large crowd of people, mostly children and young adults, are gathered in a grassy field, likely a sports field or park. Many are holding up flags, including the Latvian national flag, and banners. Some banners have text like "KOMANDA LV PIRMA LIGA" and "FIFA". The background is filled with tall, leafy trees. The sky is overcast. A large, white number "2" is superimposed on the right side of the image. The text "Social Responsibility" is written in a large, white, sans-serif font across the middle of the image, partially overlapping the crowd and the number "2".

Social Responsibility 2

Care for Employees. “Benefits Basket” of Employees

JSC Olainfarm employs over

1000

employees in Latvia

66%

of which are women

34%

are men

37% of employees have higher education, 29% – secondary advanced education. One third of employees are aged 18 to 40 years. The average length of service of JSC Olainfarm employees is 13 years.

The company has an active trade union, where 57% of employees are involved. A bargaining agreement is concluded between JSC Olainfarm and the company's trade union, which is supplemented with additional social guarantees on an annual basis. It envisages benefits for employees on national holidays, financial allowances in case of surgery, long diseases or funeral, discounts on health insurance policies depending on the length of service, greetings on work and personal anniversaries depending on the period of work with the company, when a child starts studies in form 1, when a child graduates a secondary education institution, and other benefits.

The trade union of JSC Olainfarm takes care of unemployed pensioners, who are its members, organising an annual trip and Christmas and Easter celebrations.

For teambuilding purposes and relief,

during a year JSC Olainfarm provides the possibility to represent the team of the company in over 20 sports activities (in a number of runs, marathons and bicycle marathons, the basketball tournament of the Pharmacists' Society of Latvia, as well as in internal competitions according to interests of employees). JSC Olainfarm organises a Christmas party, joint anniversary celebrations and other events. Employees get actively involved in community support activities like blood donation on Blood Donor Days, which are organised twice a year in JSC Olainfarm.

Olainfarm sports holiday is one of brightest activities to promote healthy lifestyle at JSC Olainfarm, which brings together not only employees, but also their family members to spend sports competition day together.

57%

of employees are
members of the company's
Trade Union

Human Rights Norms

In its activities, JSC Olainfarm observes the human rights enshrined in the Constitution of the Republic of Latvia, as well as internationally recognised human rights according to the International Charter of Human Rights.

Non-Discrimination Principle

In its activities, JSC Olainfarm observes any discrimination bans according to the Latvian and international principles and regulatory enactments regulating the labour law. In its employment policy the company is guided by the principle of equal opportunities and treatment in employment, as well as prevents any form of discrimination against employees in relation to employment or occupation, on the basis of considerations like race, sex, religion, political beliefs, national or social origin or other status.

JSC Olainfarm observes the prohibition of different treatment laid down in regulatory enactments regulating the labour law when establishing the employment relationship and during employment, as well as offers safe and health friendly work conditions and equal pay.

JSC Olainfarm also respects the right of employees to unite in or join organisations freely, without any direct or indirect discrimination.

Child and Forced Labour

JSC Olainfarm takes into account the restrictions provided for in Latvian and international labour regulations in respect of employment of children and forced or compulsory work.

Pay Policy Principles

JSC Olainfarm has no general pay policy in place, because any fixed pay policy will limit the possibilities of the company to operatively recruit necessary specialists. Most of company employees are specialists in specific industries, and their wages are determined taking into account not the principles defined above, but rather qualification, experience and contribution of each specific employee to the development of the company.

When a variable part is envisaged in wages of employees, then the maximum permissible amount is not limited not to restrict motivation of employees.

JSC Olainfarm has no pay schemes, where company shares or share options would be envisaged as a compensation. JSC Olainfarm deems it undesirable to publish wages of top executives in conditions of competition. Total emolument of members of the board and supervisory council can be found in the annual report of the company.

We organize free mandatory health checks, free or partially paid visits to health care professionals

JSC Olainfarm observes the requirements of the labour law of the Republic of Latvia. In addition to wages, employees also receive bonuses on national holidays. The company provides its employees financial assistance in different life situations. Depending on the length of service in the company, employees get days off in addition to the annual leave and paid health insurance.

Health Care of Employees

JSC Olainfarm has proper and well-arranged working environment and equipment meeting all the requirements of occupational safety and good manufacturing practices (both communication tools, work clothing, personal protective equipment, modern technologies and equipment).

JSC Olainfarm has its own recovery centre, where the company organizes free mandatory health checks and offers free or partially paid visits to health care professionals. The company co-finances health insurance of its employees.

Support to Growth of Employees

JSC Olainfarm takes care of social well-being, health protection, occupational safety, professional and career development of its employees. The company provides employees with social guarantees, grants allowances, different benefits – partially paid meals in company canteen or café, transportation to/from work and paid holidays.

- The employees, who are studying or do research, can use a partially paid educational leave, as well as agree on part-time work with their supervisor.
- **26 external and 30 internal trainings were conducted in 2017 to improve professional competence and qualification of top executives.**
- Employees of several departments participate in exhibitions in foreign countries on a regular basis, where they not only represent JSC Olainfarm and present achievements of the Latvian chemical and pharmaceutical industry, but also participate in experience exchange with colleagues from foreign countries and evaluate performance of other professionals of global level.
- JSC Olainfarm observes the requirements of the labour law of the Republic of Latvia. In addition to wages, employees also receive bonuses on national holidays. The company provides its employees financial assistance in different life situations. Depending on the length of service in the company, employees get days off in addition to the annual leave and paid health insurance.

30

internal working
environment audits
completed

Occupational Safety and Protection

The labour protection system at JSC Olainfarm is based on JSC Olainfarm labour protection policy, which is an important component of the integrated management system of the company. It has been developed on the basis of the Labour Protection Law and Regulations of the Cabinet of Ministers on occupational safety.

More than
20 000 €

were invested in occupational
safety activities in 2017

90 000 €

were invested in fire safety in 2017 (46,000
euro – in the construction of an automated
fire detection and alarm system in building 2)

- JSC Olainfarm has proper and well-arranged working environment and equipment meeting all the requirements of occupational safety and good manufacturing practices (both communication tools, work clothing, personal protective equipment, modern technologies and equipment). 60 special coveralls for protection against chemicals were purchased in 2017.
- In 2017, 30 internal audits for monitoring of the work environment were conducted, and there was also an audit by Fabbrica Italiana Sintetici on labour protection.
- Training of employees.** 283 people received an introductory briefing on fire safety and civil protection in 2017, when they were employed by JSC Olainfarm and/or provided services to the company based on a contract. Employees of production sites, laboratories, administrative buildings had practical trainings on fire safety (fire extinction with a fire extinguisher). Subtenants of JSC Olainfarm were also trained on action in case of an industrial emergency.
- Improvements in the area of labour protection.** Due to the entry into force of new regulatory enactments, the industrial accident prevention programme of JSC Olainfarm and instructions on labour protection and fire safety were updated. In continuing the implementation of fire safety measures in the company, automated fire detection and alarm systems were put in operation in several buildings. Last year, the annual independent audit by external advisers in labour protection did not result in any significant remarks about labour protection. In addition to that 30 internal audits were carried out.
- Accident and injury statistics.** There were three accidents in the production facility in 2017, which is 0.3% in the total number of employees – 1079. To make the injury statistics closer to the target – 0% of accidents, in 2018 the company will continue to evaluate work risks, organise new trainings for employees, will increase qualification of labour protection specialists and maintain successful cooperation with inspecting authorities (State Labour Inspectorate, State Fire and Rescue Service, Consumer Rights Protection Centre).

We focus on close, multiannual cooperation with Olaine Town local government

Community support

Corporate social responsibility policy of JSC Olainfarm is based on three pillars:



SOCIETY



SCIENCE AND
EDUCATION



CULTURE

Socially responsible activities of JSC Olainfarm focus on the **society** – through support to health care and healthy lifestyle, science and education, culture and growth of employees. We focus on close, multiannual cooperation with Olaine Town Local Government through cooperation and support to events and projects of importance for the area. We have consciously chosen to support **education and science**, because we believe that innovation and high-quality production go hand in hand with investments in science and young talents. We have established good synergy and cooperation **with the leading Latvian theatre artists and music events**, thus contributing to the availability of culture.

PEOPLE

Support to health care and healthy lifestyle

- Investing in the development of local health care, in 2017 JSC Olainfarm purchased Olaine health centre at a public auction and continues to invest in its development and modernisation.
- Every year, JSC Olainfarm supports the Annual Award in Medicine, an important event in the area of health care organised by the Latvian Medical Association. This is the way for the Latvian society to say thank you to employees of the health care area, who are responsively and selflessly helping people to be healthier despite all the difficulties.
- In 2017, JSC Olainfarm supported the forum of Baltic pharmacists "BaltPharm Forum 2017", as well as the conference organised by the Pharmacists' Society of Latvia "International Conference of Pharmacology: from cellular processes to drug targets".
- JSC Olainfarm supported the amateur hockey tournament of the Olaine Municipality "Olaine Sports Centre Cup 2017", the cross-country running competitive "Olaine circles 2017", the international boxing tournament "Olaine Olympus Cup 2017", the chess tournament "Olaine Chess Celebration 2017", as well as young tennis players, basketball players and football players of the municipality. The Olaine stage of the athletes league of champions, the third Latvian bicycle festivity in Olaine, as well as the Latvian men's roller hockey team participate in the first division tournament of the world championship in Slovakia were held with support of the company.
- JSC Olainfarm supported the Latvian Red Cross, the Latvian Orphans's Society and SOS Children villages, and a number of other non-profit organisations, which help to improve health of socially more sensitive groups.



In 2017,
JSC Olainfarm
trained

52
interns

SUPPORT TO SCIENCE AND EDUCATION

Olainfarm provides not only significant financial, but also practical support to the development and improvement of chemical and pharmaceutical education and science.

- The company supports the development and growth of young professionals with scholarships to students of the RSU Faculty of Pharmacy, the Faculty of Materials Science and Applied Chemistry of the Riga Technical University (RTU), the Faculty of Chemistry and Medicine of the University of Latvia (LU).
- Four students of the RSU Faculty of Pharmacy received excellence scholarship in 2017, and also had internship in the Finished Dosage Forms Laboratory, the Chromatography Centre, the Standardisation Laboratory and the Finished Dosage Forms Workshop of the company. Five Bachelor students of the LU Faculty of Chemistry and 3rd year students of the LU Faculty of Medicine, as well as five students of Chemistry and Chemical Technology study programmes of the RTU Faculty of Materials Science and Applied Chemistry received scholarships of JSC Olainfarm.
- Since 2005 JSC Olainfarm has been supporting the Solomon Hiller award for young doctoral students in chemistry for the best doctoral thesis defended in organic chemistry in the last five years.

The company supported Gustavs Vanags award presented by the Latvian Academy of Sciences, as well as promoted work of the RTU secondary school for engineering sciences.

- In 2017, chemistry teachers and more than 150 pupils of secondary schools and students having deep interest in potential career development in this area were familiarised with work in the pharmacy sector by visiting laboratories and production facilities of JSC Olainfarm. The company supported participation of 25 Latvian pupils in the 25th Baltic Chemistry Olympiad.
- Every year, JSC Olainfarm offered internship in Production, Drug Manufacturing Development and Quality Management Departments to students, who are motivated to relate their future life with science-intensive manufacturing with high value added. Students were also able to develop research and scientific works under guidance of competent specialists of the company. In 2017, JSC Olainfarm trained 52 interns from Olaine College of Mechanics and Technology, the Riga State Vocational School, RSU and RTU.

SUPPORT TO CULTURE

JSC Olainfarm supports cultural events, which are a bright addition to the local cultural life, as well as create possibilities for young artists to grow and improve so that in the future these artists, similarly to drugs and active pharmaceutical ingredients of the company, take the name of Latvia to the world with their high-quality performance.

JSC Olainfarm is the general sponsor of Dailes Theatre, the largest repertoire theatre in Latvia. Financial support of the com-

pany also enables any interested person to visit classes on Dailes Theatre.

Rīgas Ritmi Festival has become a traditional support activity for JSC Olainfarm, where one can meet globally recognised and awarded artists, both young and still unheard talents. Visitors of the festival could enjoy a special series of concerts – “Olainfarm Jazz Nights”. JSC Olainfarm also supported the international competition of jazz artists “Riga Jazz Stage 2017”.



“ We closely cooperate with the leading Latvian Universities ”



Quality management

3

‘ The quality assurance system of JSC Olainfarm is integrated in all company’s operations and areas ,

We ensure high-quality standards in the development, manufacturing, control and distribution of products guaranteeing the highest quality of our manufactured products and provided services thus fostering and improving our patients’ health. Our shareholders and management support and promote innovations, quality-based culture with appropriate systems, processes and decisions, activities for improvement of quality assurance, constant optimisation of company processes, modernisation of equipment and infrastructure. The quality assurance system of JSC Olainfarm is integrated in all company’s operations and areas, which can affect product development, manufacturing, quality control and distribution.

The JSC Olainfarm quality policy includes that:

- management and personnel ensure that all production and support procedures of JSC Olainfarm comply with the requirements of the competent authorities and our customers;
- the Quality Management System undergoes continuous improvements and its efficiency is assessed in internal and external (customers and competent authorities) audits.
- management and personnel observe and fulfil the requirements of international standards, incl. Good Manufacturing Practice, Good Distribution Practice, Good Clinical Practice, Good Pharmacovigilance Practice, etc., Latvian and EU laws and regulating documents of Olainfarm in their daily work;

Each feedback about the quality of JSC Olainfarm products and/or service is reviewed and all possible efforts are taken to identify wishes and satisfy demands of our customers, to ensure compliance of products, manufacturing and support processes with the requirements of customers and competent authorities.

In 2017, 25 external and 26 internal audits were conducted in JSC Olainfarm Quality Management Department, and 19 monitoring audits, three of which were conducted by state authorities and 16 – by customers were received.

General quality objectives of 2018:

1. to improve and optimise operation and processes in the creation of new products,
2. to continue the strategy for gradual upgrading, automation of technological equipment, renovation of buildings and premises,
3. to continue to prepare specialists for the renewal of Olainfarm human resources.

Pharmacovigilance

The key principle of our work is manufacturing of reliable and effective high quality products to the whole world, therefore each Olainfarm medication is carefully tested and tracked on different life cycle projects. The Pharmacovigilance Group of the company ensures monitoring of drug use safety for the drugs, for which we have a marketing authorisation on the market, and the drugs under investigation. This Group:

- identifies new potential risks, which may affect the quality safety and efficacy of drugs;
- evaluates the risk and benefit of drug use;
- provides latest information on drug use safety to physicians, pharmacists, patients, representative offices and cooperation partners of JSC Olainfarm.

JSC Olainfarm receives drug use safety information from physicians, pharmacists, other health care professionals, representative offices, cooperation partners and patients of the company in foreign countries. We evaluate this carefully and report to the Eudravigilance database of the European Agency of Medicines (EMA) and the State Agency of Medicines (SAM) of the Republic of Latvia, when necessary. We also provide information to other competent authorities in the area of pharmacovigilance and representative offices of JSC Olainfarm in foreign countries.

Patients, their relatives, physicians, pharmacists and any interested person, when needed, are welcome to report side effects of drugs of JSC Olainfarm on the website www.olainfarm.com, completing a relevant report in Section "Pharmacovigilance".





Corporate Governance

4

JSC Olainfarm is an active member of the Baltic Institute of Corporate Governance

Responsible Business Environment

We are a responsible company that works to create value for our shareholders, society and employees. JSC Olainfarm operates according to the Corporate Governance Principles and Recommendations approved by JSC NASDAQ OMX Riga. JSC Olainfarm is a development member of the Baltic Corporate Governance Institute, which aims to promote observation of good governance principles in the Baltic States.

On its website www.olainfarm.com the company publishes financial statement of the joint stock company, reports its financial results on a monthly basis, organises a virtual webinar on a quarterly basis, where it informs about financial results and news in company development, as well as organises regular offsite presentations for investors.

Cooperation with NGOs:

- JSC Olainfarm has long cooperation with scientific organisations, research centres and education institutions like Latvian Institute of Organic Synthesis, University of Latvia, the Riga Technical University, Riga Stradins University, Olaine College of Mechanics and Technology and Riga State Vocational School.
- JSC Olainfarm is one of five founders of LLC Farmācijas, biomedicīnas un medicīnas tehnoloģiju Kompetences centrs and from 1 June 2016 to 31 December 2018 participates in the project "Competence Centre for Pharmacy, Biomedicine and Medical Technology", to implement four research projects.
- JSC Olainfarm cooperates with state and non-governmental organisations, including the Ministry of Health of the Republic of Latvia, the Ministry of Finance of the Republic of Latvia, the Ministry of Welfare of the Republic of Latvia, the State Agency of Medicines, the Health Inspectorate, the Investment and Development Agency of Latvia, the Pharmacists' Society of Latvia, the Latvian Medical Association and other. Our cooperation partners include a number of Latvian embassies in foreign countries, embassies of exports markets of JSC Olainfarm in Latvia.

Responsible Board

Obligations and responsibility of the Board of Olainfarm, the composition of the board and the requirements set to members of the board, as well as identification of conflicts of interest in the activities of members of the board are published in the corporate governance report of JSC Olainfarm. It is updated on an annual basis and published on the website of the company and Nasdaq Baltic. This report is drawn up according to Corporate Governance Principles and Recommendations for their implementation approved by JSC Nasdaq OMX Riga (published in May 2010).

OBLIGATIONS AND RESPONSIBILITY OF THE BOARD

The board of JSC Olainfarm has the obligation to manage the business of the company, which includes also the responsibility for the realization of the objectives and strategies determined by JSC Olainfarm and the responsibility for the results achieved. The board is responsible for the said to the council and the shareholders' meeting. In fulfilment of its obligations, the board shall adopt decisions guided by interests of all the shareholders and preventing any potential conflict of interests. The board shall be

responsible also for the compliance with all the binding regulatory acts, risk management, as well as the financial activity of JSC Olainfarm.

The board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or alienation of property, opening of representation offices or branches to expand operations, expansion of business areas, etc.) to the JSC Olainfarm council for approval.

COMPOSITION OF THE BOARD AND REQUIREMENTS TO MEMBERS OF THE BOARD

A board composition of JSC Olainfarm shall be able to ensure sufficiently critical and independent attitude in assessing and taking decisions. In composing the board, it shall be observed that every board member has appropriate education and work experience. Board members have access in due time to accurate information on the activity of JSC

Olainfarm, they have enough time for the performance of their duties.

The board of the company consists of the chairman of the board and six members of the board. All members of the board lead a department of JSC Olainfarm. There are six men and one women in the board or gender diversity is 86% of men and 14% of women.

TRANSPARENT WORK OF THE BOARD

It is the obligation of every board member of JSC Olainfarm to avoid any, even only supposed, interest conflicts in his/her work. In taking decisions, board members shall be guided by the interests of JSC Olainfarm and not use the cooperation offers proposed to the company to obtain personal benefit. Board members of JSC Olainfarm should not participate in taking decisions that could cause an interest conflict.

On the occurrence of any interest conflict or even only on its possibility, a board member shall notify other board members without delay. Board members shall notify on any deal or agreement JSC Olainfarm is planning to conclude with a person who has close relationship or is connected with the board member in question, as well as inform

on any interest conflicts occurred during the validity period of concluded agreements. The following are regarded as persons who have close relationship with a board member by JSC Olainfarm: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the board member has had a common household for at least one year. The following are regarded as persons who are connected with a board member of JSC Olainfarm: legal persons where the board member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.

JSC Olainfarm selects its potential cooperation partners in a careful and balanced way

Transparent Tax Policy

Although JSC Olainfarm has no formal, written policy on corporate tax strategies, we strictly follow the tax law by which Olainfarm and representative offices are bound.

Supplier Ethics Policy

When starting any cooperation JSC Olainfarm selects its potential cooperation partners in a careful and balanced way, on the basis of company standards recognised in commercial practices, which include ethical business practices and principles for

observation of regulatory enactments. When concluding mutual agreements on any cooperation, mutual audits in the planned cooperation is a common practice, thus contributing to observation of the transparency in mutual cooperation.

Prevention of Corruption and Ethical Practices Policy

As a member of the Association of International Research-based Pharmaceutical Manufacturers (SIFFA) and the Latvian Generic Medicines Association (LMPA) JSC Olainfarm observes the Code of Practice on the Promotion of Medicinal Products approved by LMPA, the Application Regulations of the Code of Practice on the Promotion of Medicinal Products and other documents of this organisation, as well as the Code on the Promotion of Prescription-Only Medicines to, and Interactions with, Healthcare Professionals of the European Federation of Pharmaceutical Industries and Associations (EFPIA), EFPIA Code on Disclosure of Transfers of Value from Pharmaceutical Companies to Healthcare Professionals and Healthcare Organisations, EFPIA Code of Practice on Relationships between Pharma and Patient Organisations.

- In addition, JSC Olainfarm is a delegated member of LMPA in the joint Ethics Commission of the Latvian Generic Medicines Association (LMPA) and the European Federation of Pharmaceutical Industries and Associations (EFPIA), which reviews complaints and ethical violations in the pharmacy area, as well as consults Latvian pharmaceutical companies. LMPA members observe a Code of Ethics in their activities, which is stricter than currently applicable laws and regulations on the procedure of promotion of drugs, thus excluding corruption and violations of ethical practice policies as much as possible in their direct business.
- In addition, JSC Olainfarm develops internal control regulations on the application of anti-corruption and ethical practice policy, which would increase the awareness of employees about company's standing and internal control and compliance programmes against bribery, bribing and observation of these programmes or activities.

- Apart from that, when distributing and promoting products, JSC Olainfarm and its employees act according to ethical norms, observing anti-corruption principles, the Criminal Law of the Republic of Latvia, the Advertising Law of the Republic of Latvia, the Unfair Commercial Practice Prohibition Law of the Republic of Latvia, Regulations of the Cabinet of Ministers No. 378 "Procedures for Advertising Medicinal Products and Procedures by Which a Medicinal Product Manufacturer is Entitled to Give Free Samples of Medicinal Products to Physicians", as well as other Latvian and international regulatory enactments regulating this area.

Responsible Marketing Practices and Code of Ethics

JSC Olainfarm works according to Regulations of the Cabinet of Ministers No. 378 "Procedures for Advertising Medicinal Products and Procedures by Which a Medicinal Product Manufacturer is Entitled to Give Free Samples of Medicinal Products to Physicians" and implements responsible marketing practices.

- The company is a member of the Latvian Generic Medicines Association (LMPA) and observes the Code of Practice on the Promotion of Medicinal Products of the Association of International Research-based Pharmaceutical Manufacturers (SIFFA) and LMPA. This code reflects the requirements of Directive 2001/83/EC of the European Parliament and Council to the medicines used in treatment of humans.
- JSC Olainfarm also observes the SIFFA and LMPA Transparency Code, which lays down the procedure of disclosure of information in respect of certain cooperation with health care professionals and health care institutions and organisations.
- A representative of JSC Olainfarm represents the Latvian Generic Medicines Association (LMPA) in the Ethics Commission on the Promotion of Medical Products of the Association of International Research-based Pharmaceutical Manufacturers (SIFFA).



Contacts

Address: 5 Rupnicu Street, Olaine, LV 2114, Latvia

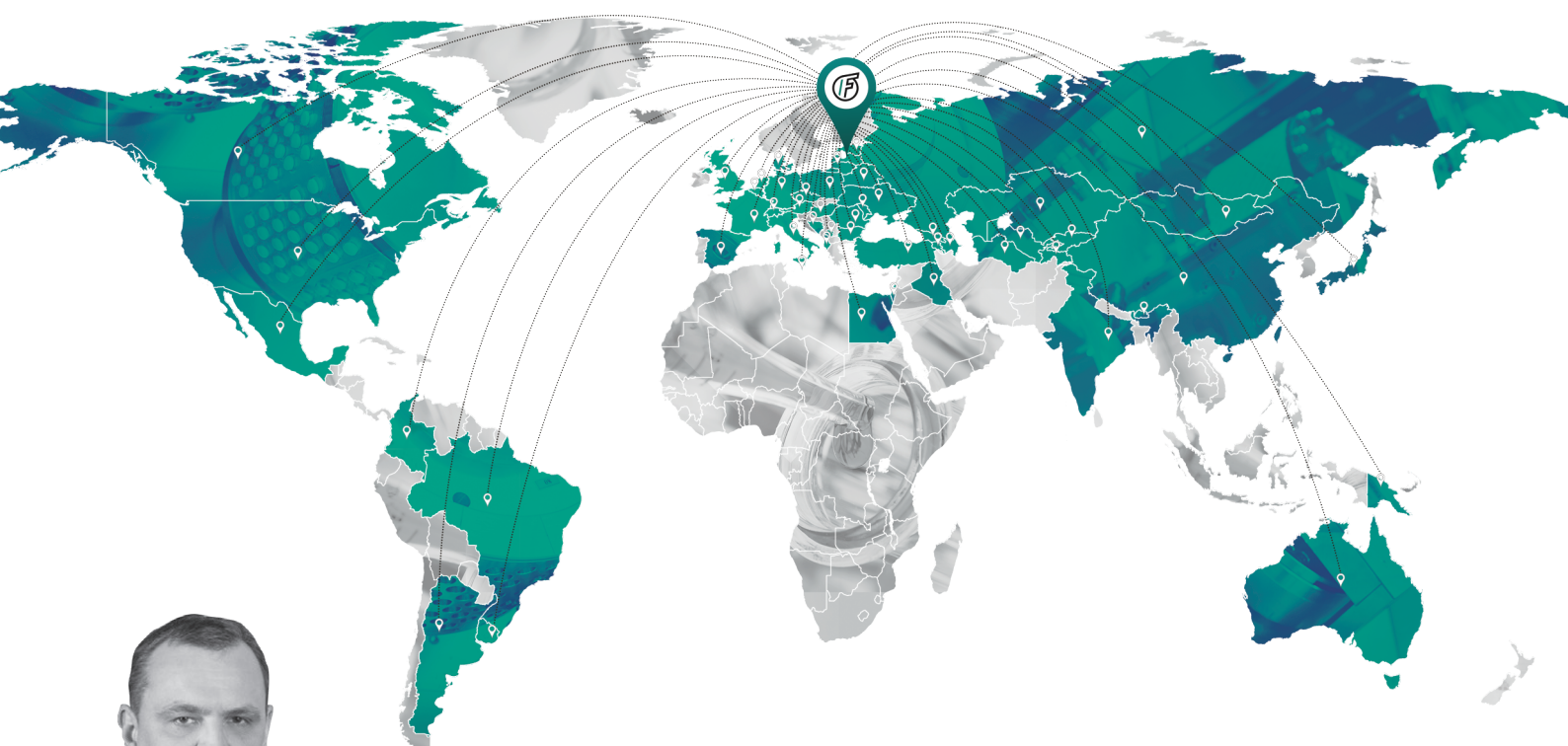
E-mail: olainfarm@olainfarm.lv

Phone: (+371) 67013705

Fax: (+371) 67013777

www.olainfarm.com

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Salvis Lapiņš

Member of the Board and
Head of Investor

E-mail: slapins@olainfarm.lv

Office: +371 67 013 771

Mob.: + 371 26 448 873

