



OVER 45  
YEARS OF  
PROVEN  
VALUE



JSC Olainfarm  
**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT 2018**

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

<b>Start of financial year:</b>	1 January 2018
<b>End of financial year:</b>	31 December 2018
<b>Company name:</b>	Joint Stock Company Olainfarm Unified registration No. 40003007246
<b>Address and contacts:</b>	Olaine Municipality, Olaine, 5 Rupnicu Street, LV-2114, Latvia (+371) 67013705 E-mail: <a href="mailto:olainfarm@olainfarm.lv">olainfarm@olainfarm.lv</a>
<b>Chairman of the Board:</b>	Lauris Macijevskis
<b>Area of business:</b>	Pharmacology
<b>Website:</b>	<a href="http://www.olainfarm.com">www.olainfarm.com</a>
<b>Auditing company:</b>	LLC PricewaterhouseCoopers

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

# Table of Contents

5

## Company

- Mission, Vision and Main Tasks 5
- Shareholders 7
- Finished Dosage Forms, Active Pharmaceutical Ingredients and Intermediates 7
- Largest Subsidiaries 7
- Employees 8
- Representation of Interests 8

9

## Chairman's Statement

10

## Key Performance Indicators in 2018

15

## Environmental Responsibility

- Environmental Policy and Regulating Documents 16
- Control of Greenhouse Gas Emissions 17
- Management of Environmental Risks 18
- Monitoring of Environmental Risks 19
- Packaging Policy 25
- Waste Management 25
- Recycled Materials 28

29

## Social responsibility

- Care for Employees. "Benefits Basket" of Employees 30
- Human Rights Norms 31
- Non-Discrimination Principle 31
- Child and Forced Labour 31
- Pay Policy Principles 31
- Health Care of Employees 32
- Support to Growth of Employees 32
- Occupational Safety and Protection 33
- Community Support 33

37

## Quality management

40

## Corporate governance

- Responsible Business Environment and Cooperation with NGOs 41
- Responsible Board 41
  - Obligations and responsibility of the Board
  - Composition of the Board and Requirements to Members of the Board
  - Transparent work of the board
- Transparent Tax Policy 43
- Supplier Ethics Policy 43
- Responsible Marketing Practices and Code of Ethics 43
- Prevention of Corruption and Ethical Practice Policy 44

45

## Contacts

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

# Our company



## 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 optimize 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 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;
- To carry out marketing studies, process and analyze 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.

## 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 organizing 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).

As at 31 December 2018, the following shareholders of JSC Olainfarm have been registered who at this date have in their holding 5% or more of JSC Olainfarm shares:

	Number of shares	%
LLC Olmafarm	5994054	42.56 %
Swedbank AS clients account (formerly AS Swedbank Estonia clients)	2066003	14.67 %
Clearstream Banking S.A.	1196160	8.49 %
Olfim OÜ	1097051	7.79 %

## 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 and representarions:

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/lv/olainfarm/olainfarm-pasaule/>

## Employees

JSC Olainfarm employs over 1000 employees in Latvia, 66% of which are women and 34% are men. 39% employees have higher education, 29% – secondary advanced education. One third of the employees are aged 18 - 40 years. The average length of service of JSC Olainfarm employees is 13 years.

## 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.

Much attention is given to various sports activities: participation in paid marathons and other types of sports is paid, as well as opportunity is provided to receive discounts for pool, gym subscriptions, as well as for skiing, skating, bowling, etc.

Trade union of JSC Olainfarm takes care also of unemployed pensioners (122) who are its members by organizing an annual trip and Christmas and Easter celebration.

## 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.

## Chairman's statement

Dear Shareholders,

The non-financial report of JSC Olainfarm for 2018 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 component 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 2018, and how we are planning to develop to reach the aims we have set.

Within the last decade, Olainfarm has shown a steady growth. In 2018 as well the turnover of the group of companies exceeded 124 million euro, being the highest turnover in the history of the company.

In 2018, we continued previously initiated registration processes of medicinal products, as well as new processes were started, including initiation of registration in one more African country – Zimbabwe – and in perspective we will continue the registration processes of medicinal products also in Zambia in 2019 (within the framework of ZAZI-BONA project).

In 2018, research projects taking several years were successfully finished by attracting the European co-financing with the aim to implement new products and forms of medicinal products in production.

In the annual CV-Online survey on most desirable and best employers in Latvia, JSC Olainfarm was nominated in 2018 as the 3rd best employer in manufacturing sector and the 12th most desirable employer in Latvia. This is a truly high evaluation for us as the employer which will surely motivate the management to continue investment

in involvement and welfare of the employees.

In 2019 company management continued focusing on shareholders relations, proving the company's ability to work successfully as shown by performance results in 2018. Being aware of the significance of an open dialogue with the shareholders, meetings with shareholders in Latvia and abroad were organized, informing them of the situation at the company, the planned investment projects and long-term developmental vision. The company continued the started practice to provide information on monthly performance indicators and organize quarterly webinars for investors.

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 authorization 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.

I would like to thank all employees of JSC Olainfarm for their contribution and passionate work in 2018. Thank you to our shareholders and cooperation partners in Latvia and worldwide for their support and contribution to the development of the company, which has helped us to have a truly successful year 2018.



**Lauris Macijevskis**  
Chairman of the Board

## Key performance indicators in 2018

Accurate data on the company turnover and profits are published in the audited annual report of JSC Olainfarm for 2018, which is published together with this non-financial report.

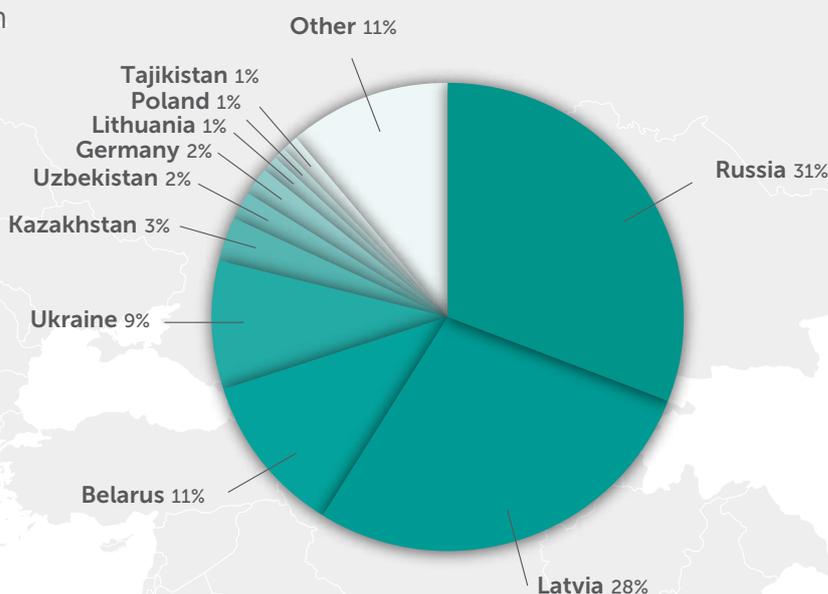
## Largest sales markets in 2018

Our FGF, API and intermediates are exported to over 60 world markets.

In 2018, sales volumes of the company continued to increase across all of its main markets, except Russia, where an insignificant decline was already predicted in 2018 considering the economic situation in Russia and fluctuations of Russian rouble. The largest increase in sales volumes over this period was achieved in Belarus where it increased by 54%, and in Tajikistan where an increase by 32% was achieved. A good increase in volume (+23%) was achieved in Latvia as well, and as the result Latvia became the second largest sales market. Diversification of the sales markets and establishment in Europe will still be a focus of the company's management in the coming years.

We have added 4 new markets to our product geography in 2018: Portugal, Slovakia, Jordan and Bangladesh in which we plan to become established and to grow.

One of the priorities in 2018 was performance of additional research not only to ensure the presence of existing products in already existing sales markets, but to provide future opportunities for opening of new markets. In 2018, we have started registration of products in a new market of an African continent – Zimbabwe, and in perspective we will do it in Zambia (within the framework of ZAZIBONA project). We have enhanced the product portfolios in the existing markets providing the perspective to increase the market share.



### SALES BY COUNTRIES, 2018

## Best-selling Olainfarm products in 2018

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

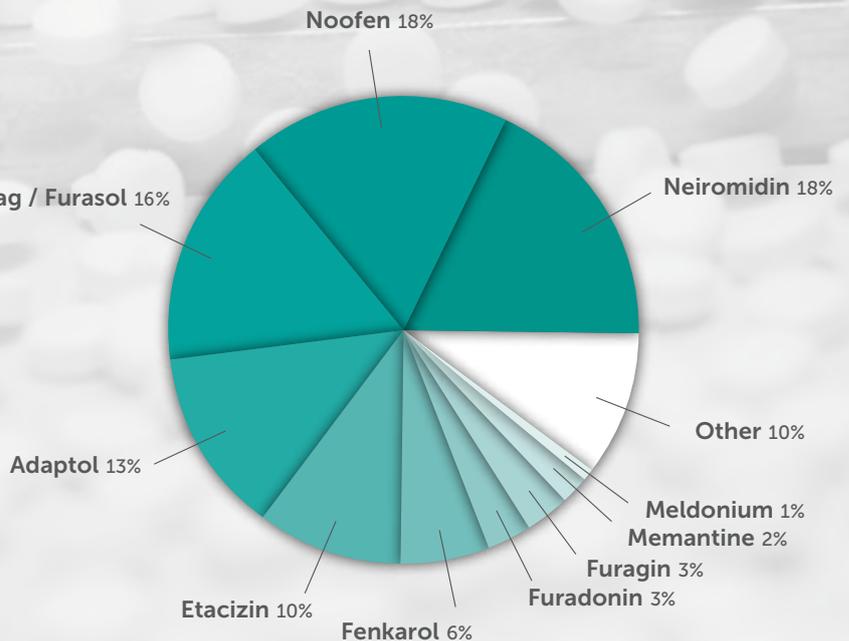
Product portfolio contains over 60 finished dosage forms, 25 active pharmaceutical ingredients and more than 20 intermediates. The company has a long-standing technological and know-how advantage in adamantane, quinuclidine and nitrofurane chemistry. Ten of our best-selling drugs account for 90% of total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

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



We are especially proud of our long-term cooperation with the World Health Organisation, conducting supplies of anti-tuberculosis product PASS sodium salt in 2018 as well.

*“Competition in this segment globally is very large, and we are truly satisfied that Olainfarm can meet the highest quality requirements for the medicinal product set by the WHO partners and has become a long-term partner in the anti-tuberculosis programme already since 2011”, stated JSC Olainfarm Chairman of the Board Lauris Macijevskis.*



**SHARE OF OLAINFARM PRODUCTS, 2018**

## Implemented Projects with EU co – financing

In 2018, Olainfarm finished implementation of four research projects within the framework of the project “Competence Centre for Pharmacy, Biomedicine and Medical Technology” (No.1.2.1.1/16/A/006) that commenced on 01.06.2016.

- “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”.

## The total cost of these projects: EUR 1 565 084, of which EU co-financing amounted to EUR 701 855.

- Introduction of new products in production and increasing of export capacity of JSC Olainfarm

## Implementation Time of the Project: from May 7, 2013 to April 30, 2018 (completed in 2018). Total costs: EUR 24 686 944; State support: EUR 4 640 519.

### Ongoing projects with EU co-financing:

- Implementation of experimental technology for manufacturing of new products at JSC Olainfarm

## Project implementation time 24.05.2017. – 23.08.2019. Total costs: EUR 6 375 348.00; EU financing EUR 2 231 371.80

In 2018, was started registration of products in a new market of an African continent – Zimbabwe, in perspective we plan to continue it in Zambia as well (within the framework of ZAZIBONA project). Last year we have enhanced the product portfolios in the existing markets providing the per-

spective to increase Olainfarm market share in these markets.

Registration of generic medicinal product JSC Olainfarm taking place in 2018 as well was successfully finished by the beginning of 2019.

## Investment in development of subsidiaries

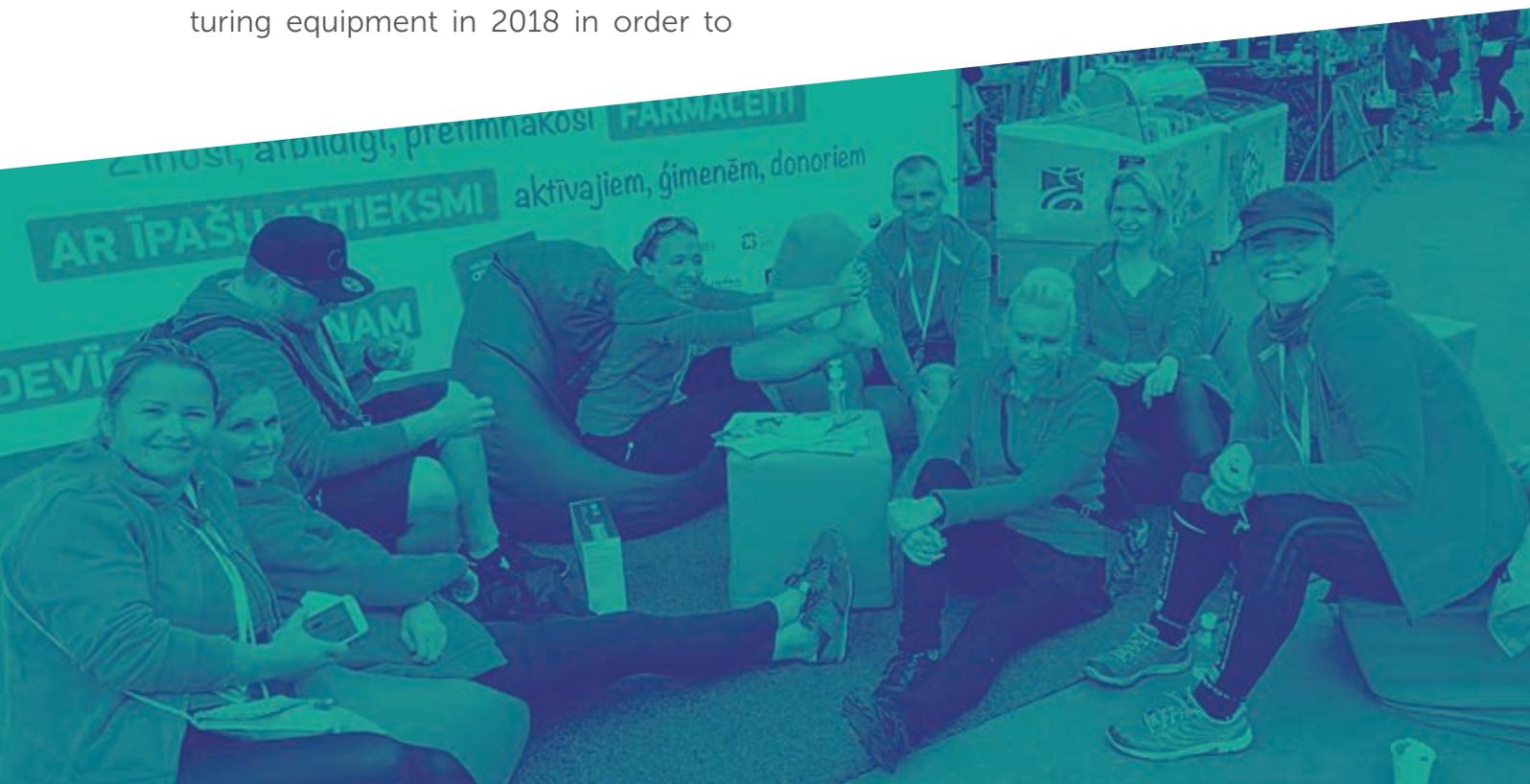
In 2018 JSC Olainfarm purposefully worked on strengthening of competitiveness of companies of the group integrating

- While continuing development of subsidiaries, reconstruction of the **Olainmed Health center** was initiated in 2018, enhancing and upgrading the health center. The planned volume of investments is 350 thousand euro.
- With the support of the parent company of the group of companies the range of services provided by **Diamed clinic** and technical base was upgraded by acquisition of the most advanced neurological examination equipment in the Baltic States.
- **LLC Latvijas aptieka** continued development of the network by upgrading several pharmacies of the network, as well as updating the IT solutions.
- **LLC Tonus Elast** invested more than 487 thousand euro in new manufacturing equipment in 2018 in order to

good governance practices, marketing experience, IT solutions in subsidiaries of the Group.

supplement the range of already existing production with new products. A new warehouse annex with equipment was commissioned: its value was EUR 231,200. In 2018, the total long-term investments in the company reached almost 900 thousand euro.

- In 2018, **LLC Silvanols** finished its first and currently only observation with a food supplement manufactured in Latvia. In 2018, the observation was completed, and the Company has obtained an argued and proofed research concerning the effectiveness of the product that will significantly aid in improving the competitiveness and strengthen the trust of partners and consumers, thus promoting increase in future turnover.



On 31 December 2018 the research project "Development of anti-allergy prevention medical device formed on the basis of natural substances, as well as product quality, safety and effectiveness studies" was concluded and implemented within the framework of the project "Competency Centre for Pharmacy, Bio-medicine and Medical Technologies (No. 1.2.1.1/16/A/006)". Within the framework of the project a new anti-allergy prevention product prototype on the basis of natural substances with the status of a medical device that is currently already available in Latvian pharmacies. Total costs of the project: EUR 116,045, including EUR 50,769.50 ERDF financing.

In 2019, LLC Silvanols by way of reorganization added LLC LONGGO. New, innovative products and its brand were developed, creating an opportunity to increase turnover and recognition at the domestic market and gradually at the export markets – primarily the Company has distributed the products in the Latvian and Estonian markets).

## We are proud to be recognized

- As the 3rd preferable employer in the manufacturing sector and the 12th best in Latvia.

In the annual CV-Online survey on most desirable and best employers in Latvia, JSC Olainfarm was named the 3rd best employer in manufacturing sector and the 12th most desirable employer in Latvia. It is

pleasant to see, as in comparison with 2017 Olainfarm has stepped up by one position in the manufacturing sector and by four positions in the TOP of employers.

- We are the Latvian company whose value has grown most rapidly within the last 12 years

The total value of the companies in 2018 in TOP 101 of most valuable Latvian companies created by Prudentia and Nasdaq Riga was 17.7 billion euro, approximately by one per cent exceeding the value in 2017, by 10% exceeding the value in 2007, and by 42 per cent exceeding the value in 2010.

When studying the values of the companies available in TOP 101 in 2006 and 2018, it was concluded, that within these 12 years the most rapid increase in value has been shown by Olainfarm - its value has increased 19 times or by 78 million euro



# Environmental Responsibility

## 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 2018, an internationally recognized auditing company Bureau Veritas Latvia conducted recertification of the environmental management system of the company according to ISO 14001 version of 2022.

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 analyzing 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. In June 2018 permit of category A was revised and renewed with 2 amendments Nr. RI18VL0176 and RI18VL0195.

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 on November 2018, administrative penalties for violations of environment protection regulations have not been applied for 10 years.**

In 2018, the Environmental Protection Unit in cooperation with Chief Energy Engineer conducted 50 internal environmental and energy audits.

## Control of Greenhouse Gas Emissions

The control of CO<sub>2</sub> 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-atlajas-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 %	126 %		

\*quota = 1 ton of CO<sub>2</sub> emissions from the combustion unit. The company purchases any missing quotas at a stock exchange.

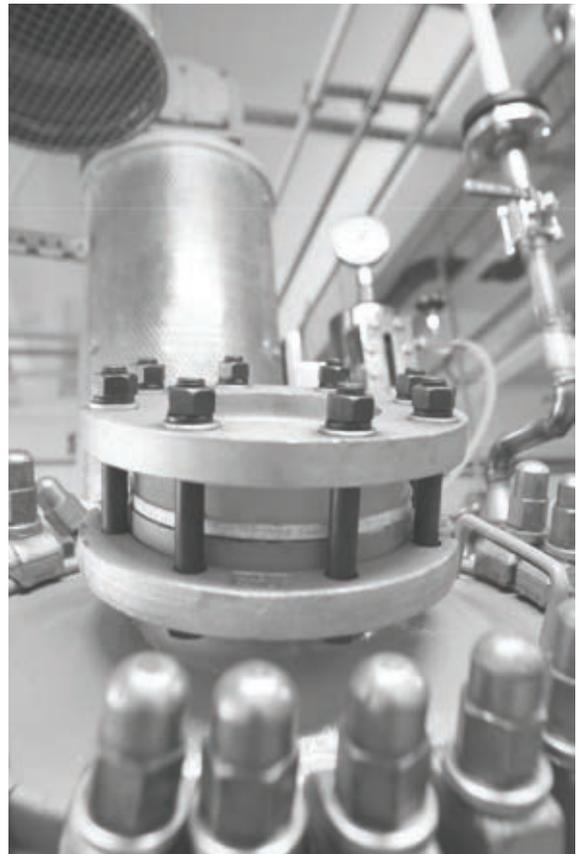
## JSC Olainfarm takes a number of actions related to monitoring of direct risks on a regular basis

### 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**, 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	
		2017.	2018.
VOC	107,43	23,92	27.19

- Quantities of consumed natural gas are registered based on gas meter readings, which are taken once a day. Gas meters are verified. **Consumption of natural gas in 2018 has increased by 0.54%.**

Fuel type	Limit in cat. A permit, thous. m <sup>3</sup> / year	Consumption, thous. m <sup>3</sup> / year	
		2017.	2018.
Natural gas	23638.709	2533.555	2547.316

- **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 <sup>3</sup> / year	Quantity, thous. m <sup>3</sup> / year		Notes
		2017.	2018.	
Artesian water	398,500	85,817	148,148	Increase by 72,63%
Service water	1755,855	1154,495	1207,925	Increase by 4,63%
Wastewater	2118,655	1237,137	1261,704	Increase by 1,98%

- **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
		2017.	2018.	
Volatile organic compounds (VOC)	c	0,00	0,0762	From 2018, the permit includes dust from the Repair station
Sulphur dioxide SO <sub>2</sub>	0,2550	0,4050	0,1384	Decrease by 66% due to changes of produced assortment
Other inorganic compounds	0,9510	0,2826	0,7785	Increase by 175% due to changes of produced assortment
Nitrogen dioxide NO <sub>2</sub>	74,5462	20,2654	32,0236	Increase by 58% due to changes of produced assortment
Ammonia NH <sub>3</sub>	4,3725	1,499	0,6126	Decrease by 41% is related to the production of Rimantadine

Polluting parameter	Limit in cat. A permit, tons / year	Quantity, tons / year		Notes
		2017.	2018.	
Hydrocarbons CnHx	0,11853	0,1404	0,0349	Due to the revised Category A permit, hydrocarbon CnHx emissions from the service station are no longer calculated, but Volatile Organic Compounds are calculated.
Hydrocarbons CnHx	0,0000703	-	0,000054	Starting with 2018, CnHx hydrocarbons emissions from the Repair station are included in the permit
Volatile organic compounds	73,5266	23,9201	27,1872	Increase by 13,6%
Carbon monoxide CO	39,4956	22,8319	20,4433	Decrease in natural gas consumption in combustion plants by 10.46% From 2018, the permit includes heavy metal emissions from the Repair station
Carbon dioxide CO <sub>2</sub> from production	11,9380	-	1,5047	The permit issued from June 2018
Volatile organic compounds from waste water treatment plants	0,10594	0,0620	0,05018	VOC emissions from WWTPs depend on the amount of waste water entering
Heavy metals	0,00067	-	0,00051	As of 2018 permit includes emissions from Repair station

- **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 3 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 for A category.
- **Once a month the following polluting parameters are monitored:** testing discharge of wastewater treatment plants for chemical oxygen demand (COD), biological oxygen demand (BOD<sub>5</sub>), suspended substances, total nitrogen (N<sub>tot</sub>), total phosphorus (P<sub>tot</sub>).
- **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 2018 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.

Polluting substance, parameter, code	BAT related emission levels in relation to emissions in water, mg/l	Concentration laid down in the permit which may not be exceeded, mg/l	Average concentration in 2018 after treatment, mg/l	Compliance with BAT and category A permit
Chemical oxygen consumption, KSP 230004	30-100*	125	86.22	complies
Biological oxygen consumption, BSP5 230 003	1 – 18 **	25	6.01	complies
Suspended matters 230026	5,0-35*	35	7.46	complies
Total phosphorus P <sub>kop.</sub> 230016	0.5-3.0*	2	0.41	complies
Total nitrogen N <sub>kop.</sub> 230015	5-25*	215	9.14	complies
Chloroform 230017	0.2 – 1*	0.0085	0.00128	complies
Total quantity of chrome, Cr 230019	0.005 – 0.025*	0.011	0.00222	complies
Nickel, Ni 230019	0.005 – 0.05*	0.05	0.0137	complies
Total organic carbon (TOC)	10-30*	33	22.7	complies

\* Decision of EU 2016/902 (<https://eur-lex.europa.eu/legal-content/LV/TXT/HTML/?uri=CELEX:32016D0902&from=EN>)

\*\* Reference document on BAT for the production of fine organic synthesis products (<http://eippcb.jrc.ec.europa.eu/reference/ofc.html>)

- **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<sub>tot</sub>), total phosphorus (P<sub>tot</sub>). And once a year there is testing for chloroform, BTEX, xylene, toluene, benzene, phenol index, nickel (Ni).

#### Quality testing of treated sewage sludge is carried out by determining:

- **Twice a year:** agrochemical indicators (environmental reaction, organic matter, total nitrogen, total phosphorus);
- **Three times a year:** heavy metals (cadmium, chromium, copper, mercury, nickel, lead, zinc);
- **Twelve times a year:** dry matter content.

In 2018, 177.5 tons of naturally occurring mud with a dry matter content of 27.55% was discharged into mud fields. Dry weight - 48,901 tons. The quality of treated sewage sludge corresponds to class IV, so the sludge can be used on agricultural land for soil fertilization, forestry, brownfield regeneration. As there is no demand for sludge use, they are stored in mud fields and used for re-cultivation of the company's sites.

- 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 150m downstream the discharge of wastewater treatment plants testing the following parameters.
  - **Quarterly:** cadmium (Cd), chromium (Cr), nickel (Ni), chloroform, phenol index, benzene, BTEX.
- **Once a year:** suspended substances, biological oxygen demand (BSP5), ammonium ions (N / NH<sub>4</sub><sup>-</sup>), nitrite ions (NO<sub>2</sub><sup>-</sup>), non-ionised ammonia (NH<sub>3</sub>) and dissolved oxygen (O<sub>2</sub>).

The indicators of 2018 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** determining: pH, chemical oxygen demand (COD), biological oxygen demand (BOD<sub>5</sub>), phenol index, total nitrogen (N<sub>tot</sub>), 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 2018 the company paid more than 27 thousand euro as NRT.** NRT payments have increased by 17.39% in comparison with 2017, which is related to the changes in production.
- 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 was completed in 2018, 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 JSC Latvijas Zaļais punkts (LZP) on management of packaging used in the territory of Latvia.

Packaging materials	Quantity, tons		Payment for management of LZP, EUR	
	2017.	2018.	2017.	2018.
Cardboard	35,53	43,132	973,45	1358,09
Polyethylene	15,20	17,970	1926,04	2723,11
Glass	4,25	4,914	223,72	372,33
Wood	25,21	18,924	327,84	288,18
Metal	9,43	11,467	545,25	756,66
<b>TOTAL</b>	<b>89,62</b>	<b>96,41</b>	<b>3996,30</b>	<b>5498,37</b>

The increase in the amount of packaging by 7.58% in 2018 compared to 2017 is related to the increase in 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 water by weighing). Invalid drugs are registered based on invoices on the amounts transferred for destruction (weight according to JSC BAO).

Accounting invoices on the amount of transferred domestic waste is based on the weight of the waste.

- 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
		2017.	2018.	
Organic solvents, other still bottoms and reaction residues, <b>070504</b>	120	27,885	97,067	In 2017, organic solvents, other cubic residues were transferred with codes <b>070504</b> and <b>200113</b> , but in 2018 they were released. - only with code <b>070504</b> . Increase by 35%
Solvents <b>200113</b>	0	30,8066	0	No waste of this group was created in 2018
Other still bottoms, reaction residues <b>070508</b>	80	27,885	20,779	Reduction of ~ 25%. No major changes
Organic halogenated solvents, halogenated still bottoms and reaction residues <b>070503</b>	20	0	0,635	Reduction of ~ 25%. No major changes
Organic wastes containing dangerous substances (solid or paste) <b>070513</b>	35	27,714	2,769	The decrease is due to the fact that in 2017 Invalid chemicals were transferred
Medicines containing dangerous chemical substances or consisting of chemical substances (drugs). Other medicines containing no dangerous substances <b>180109</b>	2	7,8051	6,8537	No significant decrease that is determined by the end of shelf life in a Drug Supermarket
Spent catalysts containing dangerous transition metals (Raney/ Ni catalyst) <b>160802</b>	10	0,1	5,036	Increase by 150%
Fluorescent tubes, other mercury-containing waste <b>200121</b>	0,585	0,32	0,14	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
		2017	2018.	
Laboratory chemicals, consisting of dangerous substances <b>160506</b>	0,5	0,37	1,7638	The 5x increase is related to the transfer of invalid chemicals
Other engine, gear oils <b>130208</b>	6	2,9	2,25	No significant changes
Construction materials containing asbestos <b>170605</b>	1	0,405	0,178	Asbestos waste occurs as a result of replacement of old heat insulation
Spent batteries and accumulators <b>200133</b>	0	0,043	0,046	Voluntary collection from employees
Spent catalysts containing gold, rhodium, catalyst, platinum <b>160801</b>	1	0,6528	0	No waste of this group was created in 2018
Scrap metal	1	56,52	70,3	The increase is related to change of old technological equipment
End-of-life tyres <b>160103</b>	4,8	3,5	2,08	No significant changes
Cardboard, paper <b>150101</b>	30	31,532	31,562	No significant changes
Glass <b>200102, 150107</b>	5	0,4	5,28	Transferred to LLC Eco Baltia vide for recycling
Plastic wrapping <b>150102</b>	2	13,38	9,389	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 <b>150202</b>	0,3	0,0677	0,0805	No significant changes
Waste paint and varnish containing organic solvents or other dangerous substances <b>080111</b>	0	0,55	0	No waste of this group was created in 2018
Other org waste containing dangerous substances <b>160305</b>	0	0,426	0	No waste of this group was created in 2018
Other household waste	200	331,8	480	Increase by 18% Transferred to LLC Clean R
Construction waste other than <b>170901, 170902 and 170903</b>	280	258	325,2	Transferred to LLC Meliorators



Over  
**116**  
tons of materials  
had been recycled  
in 2018

Waste type, code	Limit in permit t/a	Transferred amount of waste, t/ year		Comments
		2017.	2018.	
Chemicals consisting of or containing dangerous substance <b>180106</b>	0	1,1448	0,7931	Decrease by 31%, transferred to JSC BAO
Cytotoxic and cytostatic drugs <b>180808</b>	0,2	0	0,0012	Transfer of medication
Invalid organic chemicals consisting of or containing dangerous substances <b>160508</b>	10	0	0,12	Transfer of Invalid Organic Substances
Invalid organic chemicals consisting of or containing dangerous substances <b>160507</b>	10	0	1,9728	Transfer of Invalid Organic Substances
Waste containing mercury <b>060404</b>	0	0	0,025	Transfer of Invalid Organic Substances
Inorganic wastes containing non-hazardous substances <b>160303</b>	0	0	0,68	Transfer of Invalid Organic Substances

## Recycled Materials

In 2018 the company transferred more than 116 tons of materials for recycling.

	2017, tons	2018, tons
Cardboard	31,53	31,562
Polyethylene	13,38	9,389
Metal	46,52	70,3
Glass	0,4	5,28
<b>TOTAL</b>	<b>91,83</b>	<b>116,531</b>



# Social Responsibility

## Care for Employees. “Benefits Basket” of Employees

JSC Olainfarm employs over

**1000**

employees in Latvia

**66%**

of which are women

**34%**

are men

39% 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 55% of employees are involved. A collective 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.

**55%**

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 organises 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.
- **34 external and 26 internal trainings were conducted in 2018 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.



**31**  
internal  
environment audits  
completed

## Occupational Safety and Protection

Labour protection system at JSC Olainfarm is based on JSC Olainfarm labour protection policy that is a significant part of the company's integrated management system. It has been developed on the basis of Labour Protection Law and Cabinet Regulations on labour protection.

In 2018 were performed 31 internal labour environment supervisory audits, as well as complex inspection of the State Supervisory Inspections lasted for three days. All objects in the territory of the company were inspected. The commission of the inspections was shown emergency elimination of a hydrazine hydrate 1m<sup>3</sup> container at NSI site.

### Most significant measures and investments in 2018

More than  
**25 000 €**  
were invested in labour  
safety measures

**150 000 €**  
(120,000 euro for construction of automatic  
fire detection and alarm system) were  
invested in fire safety in 2018

- JSC Olainfarm has a tidy work environment corresponding to all labour safety and good production practice requirements and advanced equipment (both communications mean and working clothes, personal protection equipment, as well as most advanced technologies and equipment). 5 special portable gas analysers were purchased in 2018 for protection of employees against chemical substances.

### Employee training:

In 2018, introductory training in labour protection, fire safety and civil protection was conducted for 269 people who were hired by JSC Olainfarm and/or provided contractual services to the company. Practical training in fire safety (extinguishing the fire by using fire extinguishers) was conducted for the employees of manufacturing sites, laboratories, administrative areas.

- Training of JSC Olainfarm subtenants was also conducted concerning actions in case of industrial emergency at the company.
- Civil protection training together with JSC Olaine chemical factory "Biolars" was conducted.

### **Improvements in the area of labour protection:**

- In accordance with the new effective laws and regulations industrial emergency elimination programme of JSC Olainfarm has been renewed, and instructions in labour protection, fire safety have been updated.
- While continuing implementation of fire safety measures at the company, automatic fire detection and alarm systems have been commissioned in several building complexes.
- OEL calculation for teratogens has been implemented on the basis of international practice: *The Chemical Industries Association Guidance on Allocating Occupational Exposure Bands*, *British Occupational Hygiene Society*.
- Civil protection plan for JSC Olainfarm increased hazard object has been developed and approved with the State Fire and Rescue Service.
- Assessment of accident risks at production sites was performed by using FMECA method.
- Additional alarm sirens of the early warning system have been installed on the roof of buildings 18, 25a.
- Upgraded production sites: Expansion of packaging premises of GFC building No. 44, workshop 4, bld. 2. Workshop 4 AFV extraction site – 2 development, development of Potassium furazidine stabilised production scheme; development of capacity increase of intermediate product extraction scheme No. 3 of workshop 4; in room No. 10 of the building 6b technological schemes of autoclave No. 9 and amazide solution extraction (M-9f→R-9→D/F-9g→ST-9h). Creation of 3-aminophthalhydrazide sodium salt (amazide) plant.

Participation in competition “Limit the Hazardous Substances” organised by SLI should also be noted, as Olainfarm practice was assessed with the highest third position.

### **Accident and injury statistics**

#### **Goal: 0% cases**

2018 – four accidents, comprising 0.4% against the total number of employees – 1032. In order to make the injury statistics closer to the goal, the company will continue to evaluate work risks, repeatedly organise trainings for employees, participate in competitions organised by SLI, 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).



“ In 2018 Olainfarm sponsoring and community support policy was approved and publicly communicated ,”

## 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 invest-

ments 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.

**In 2018, Olainfarm sponsoring and community support principles and policy were approved and publicly communicated**, based on above-mentioned plans and in reflecting the company's philosophy and business strategy.

### WE SUPPORT:

- Initiatives promoting healthy lifestyle and linked to the area of health care;
- Projects promoting development of chemistry and pharmacy industries; sodium salt (amazide) plant;
- Cooperation with higher education institutions in projects aimed at increasing the knowledge and experience of students and teaching staff in the programmes of pharmacy and chemical studies;
- Promotion of sports, culture and healthy lifestyle in Olaine municipality;
- Charity projects promoting the public welfare;
- Culture and art events with high value.

## WE DO NOT SUPPORT:

- Initiatives contrary to good corporate management practice;
- Sports linked to high risk (auto sports, motorsports, bungee jumping, skydiving, etc.)
- Campaigns and organisations of political content;
- Private business initiatives with the purpose to gain profit.

We have publicly defined the procedure for submission and assessment of applications published on [www.olainfarm.com](http://www.olainfarm.com) Sponsorship and Support section. Thus, we have implemented a transparent project evaluation system.

In 2018, JSC Olainfarm implemented a number initiatives of projects and community support in accordance with the company's Sponsorship and Support Policy.

- Olainfarm continued to support development and growth of the young industry professionals by scholarships to the students of Faculty of Pharmacy of Riga Stradiņa University, Faculty of Material Science and Applied Chemistry of Riga Technical University and Faculty of Chemistry of the University of Latvia.
- In order to promote interest of youth in chemistry classes, the company supported participation of pupils, students and teachers in profile Olympiads and competitions, as well as offered an opportunity for students of profile vocational schools to become acquainted with the plant by organising tours guided by specialists.
- In showing care of development of health care and healthy lifestyle, JSC Olainfarm participated in organisation of the Annual Award in medicine, supported Olaine Rogaining competition, annual Olaine biking festival and events organised by Latvian Inline Hockey Centre in the municipality. Olainfarm continued to
- In support of family values and promotion of public welfare, the company provided aid to SOS children's village projects, needs of Jelgava municipality disabled persons' association and Olaine Pensioners' Association, as well as Latvian Orphans' Association.
- As one of the largest national companies, celebrating the centenary of Latvia JSC Olainfarm supported shooting of the documentary "Born Together with Latvia".
- Last year support was provided also to creation of thematic exhibition at Riga Psychiatry Museum, as well as to the Children's Hospital Fund.
- Traditionally the company supported the international competition of young jazz artists "Riga Jazz Stage 2018", Olaine city celebration of 51st anniversary and Olaine municipality Youth Day. support the young football players, boxers and dancers of the municipality.



# Quality management

## 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 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;
- 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.

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 2018, 24 external and 24 internal audits were conducted in JSC Olainfarm Quality Management Department, and 18 monitoring audits, five of which were conducted by state authorities and 13 – 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 all 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](http://www.olainfarm.com), completing a relevant report in Section "Pharmacovigilance".





# Corporate Governance

## 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](http://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 woman 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.

## 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 choosing the suppliers, JSC Olainfarm works on the basis of Good Manufacture Practice (GMP) standards, including GSP (Good Storage Practice), GDP (Good Distribution Practice) guidelines.**

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.

## 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 LPMA 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.
- JSC Olainfarm complies with the Code of Practice of the International Federation of Pharmaceuticals Manufacturers and Associations, IFPMA.
- 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).

## 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 and IFPMA Code of Practice.

- In addition, **JSC Olainfarm is a delegated member of LPMA in the joint Ethics Commission of the Latvian Generic Medicines Association (LPMA) 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. LPMA 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 to the above-mentioned, JSC Olainfarm is developing the internal control by-laws, corporate code of ethics concerning application of corruption prevention and ethical practice policy that will increase the understanding of employees regarding the company guidelines and internal control and compliance programmes or measures against bribing, requesting of bribes and the compliance with the mentioned programmes or measures.
- 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.

## Contacts

---



**OlainFarm**

### **JSC Olainfarm**

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

**Phone:** (+371) 67 013 705

**E-mail:** [olainfarm@olainfarm.com](mailto:olainfarm@olainfarm.com)

**YOUR HEALTH IS OUR PASSION**

**SINCE 1972**

**Jānis Dubrovskis**

Head of Investor Relations

**E-mail:** [janis.dubrovskis@olainfarm.com](mailto:janis.dubrovskis@olainfarm.com)

**Phone:** +371 29 178 878

[www.olainfarm.com](http://www.olainfarm.com)