

JSC Olainfarm

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019

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

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Our company

Start of financial year:	1 January 2019
End of financial year:	31 December 2019
Company name:	Joint Stock Company Olainfarm
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Chairman of the Management Board:	Jeroen Hidde Weites
Area of business:	pharmacology
Website:	www.olainfarm.com
Auditing company:	SIA "PricewaterhouseCoopers"

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

Foreword

This is the third Nonfinancial report prepared by JSC Olainfarm in relation to environmental, social and corporate fields. The report for 2019 is based on Nasdaq ESG Reporting Guide 2.0 published in May, 2019.

The Management Board of JSC Olainfarm has evaluated the guidelines and in this report included data or references to documents in several subfields for each category. Taking into account that JSC Olainfarm is a relatively small capitalization entity, the company balances costs of collecting and publishing data with additional information that is provided by specific indicators. In the next reports the Management Board will evaluate if more information should be included. JSC Olainfarm and its subsidiaries comply with all applicable legal acts. The Group may not have formalized internal policies if it is not directly required by regulation of a respective country.

Nonfinancial report includes information about JSC Olainfarm as the Group's parent company, which generates the largest share of revenues and net profit. Within the Group JSC Olainfarm possesses the most substantial fixed assets necessary for manufacturing therefore the report covers environmental and social aspects for Olaine based entities. The company's management continues to implement a unified management structure in all of Group in order to apply environmental, social and governance principles throughout the whole Group.

Our company

JSC Olainfarm is one of the largest manufacturers of finished dosage forms and pharmaceutical semi products in the Baltic States. The core disease areas in which JSC Olainfarm is operating are: neurology, psychiatry, cardiovascular, urinary, allergy and alimentary. The key principle of our work is manufacturing of effective high-quality products for the entire world. We want to build fair and effective cooperation with our customers: patients, physicians, pharmacists, and partners. To achieve our goals, we have a team of highly qualified, socially secured and well-motivated employees. Our priority is organization of environmentally friendly manufacturing processes and constant increase of the company's value.

Mission

We improve customers' lives and create value to our organization by providing sustainable healthcare products and services leveraging on our manufacturing and commercial expertise.

Vision

By the year 2025 we are amongst the top 10 CEE manufacturing companies sustainably delivering healthcare products and services in specific therapeutic areas in CEE, CIS and beyond.

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 cooperation 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 go-to-market model following the product strategy and by using channels to reach the customer in the best way to drive growth of demand;
- To plan, develop and implement marketing activities in accordance with the company's compliance rules to drive growth of demand;
- To handle marketing activities and trading on regional markets;
- To conduct market analysis on a regular basis to segment and to target the customers in the best way to drive growth of demand;
- To determine market potential in regional markets for further business development;
- To continuously analyse the market and to meet with key opinion leaders for launching new products to expand the portfolio for sustainable growth.

Manufacturing and product quality

- To enhance client loyalty by making quality products in accordance with Good Manufacturing Practice (GMP) requirements;
- To modernise production plants and processes in line with the GMP;
- To automate technological processes in order to increase production efficiency and occupational safety;
- To continuously improve the manufacturing process and look for innovation to remain a reliable partner for our customers.

Social policy

- To promote employee long-term contributions to achieving the company's business aims;
- To ensure social guarantees and provide employee salaries that are commensurate to their position and investment into the company's development and performance;
- To ensure employee training and career growth opportunities;
- To conduct yearly employee surveys and external stakeholders surveys to remain competitive in the market and to be an attractive employer for any new employee.

Environmental protection

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

Investor relations

- To continuously work on increasing the company's value through innovations, growth and profit increase;
- To assess the company's financial condition and development opportunities to offer to the shareholders in order to approve dividend payment;
- 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 of 31 December, 2019, the following shareholders of JSC Olainfarm who at this date have in their holding 5% or more of JSC Olainfarm shares have been registered:

	Number of shares
LLC Olmafarm	42.56%
AS "Swedbank" on behalf of customers	14.72%
Clearstream Banking SA	9.29%
OLFIM OÜ	7.79%

Finished dosage forms, Active Pharmaceutical Ingredients and intermediates

JSC Olainfarm product portfolio contains over 60 finished dosage forms, 25 active pharmaceutical ingredients and more than 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.

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

Largest subsidiaries and representative offices

LLC Latvijas Aptieka	100 % share capital
LLC Tonus Elast	100 % share capital
LLC Silvanols	100 % share capital
ООО Эласт Медикл	100 % share capital
ООО NPK Biotest	100 % share capital
LLC Klīnika DiaMed	100 % share capital
LLC OlainMed	100 % share capital

JSC Olainfarm has subsidiaries in Latvia, Belarus, Russia, Lithuania, Turkey, Azerbaijan, Estonia, Czech Republic, Slovakia and Kyrgyzstan, representative offices in Russia, the 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 the company website: <https://lv.olainfarm.com/en/company/olainfarm-worldwide/>

Employees

JSC Olainfarm employs over 1060 employees in Latvia, 67% of which are female and 33% are male. 42% of employees have higher education, 28% – secondary advanced education. 32% of employees are aged 18 - 40. The average length of service of JSC Olainfarm employees is 12.5 years.

Trade Union of Employees

The company has an active trade union, where 55% of employees are involved. In 2019, a bargaining agreement was reviewed and a new one concluded between JSC Olainfarm and the company's trade union, which foresees opportunities for employees to use various forms of monetary and nonmonetary benefits as well as social guarantees. The company's trade union performs employee representative functions stated in legal acts including representing and defending workers' employment, social and professional rights and interests.

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 others.

Chairman's letter



Dear shareholders,

The annual report of JSC Olainfarm for 2019 reflects the performance indicators of the company in financial, environmental, social, and corporate governance areas. With this report we wish to tell our shareholders, investors, cooperation partners, customers and colleagues in brief what we have done in 2019 and what strategic directions we have set for a sustainable growth.

Our key achievements for 2019 were the following:

- To secure the profitability of the entire JSC Olainfarm Group, focusing on identifying growth opportunities;
- To maintain the competitive position of our products in the key markets;
- To strengthen our product portfolio through new product launches;
- To diversify and enhance JSC Olainfarm's presence in various markets through exporting products;
- To optimize financial control and cost containment measures;
- To optimize production processes and to put cost containment measures in place;
- To expand the Management Board by adding two new members bringing international pharma experience to JSC Olainfarm Group.

In 2019, the internal control system was further optimized by the Group and has been designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Transparency of financial and management information/reporting;
- Compliance with applicable laws and regulations.

To expand and modernise the plant, a strong focus was placed on attracting European funds. This plant is playing an important role in being compliant with the rules on serialisation (track and trace of products) set by regulatory agencies both in the CIS and in the EU countries. The innovative unit's main activities are packaging and blistering of our products.

Future oriented, in 2020 JSC Olainfarm Group will further build on the strategic directions for sustainable growth by focusing on innovation and leveraging synergies across the group. Second growth driver is to adapt the current and future portfolio and geographic scope to mid-term and long-term opportunities. At the same time, we are securing our business by opening subsidiaries or representative offices in our main markets with the objective to work closer to the customer and key stakeholders, to have better control over our promotional efforts and performances, and to anticipate for future growth.

The management will continue to focus on its shareholder relations, proving transparency of the company ability to work successfully as reflected by 2019 performance results. The company will continue to share performance indicators and also organize webinars for investors on a quarterly basis.

I would like to thank all the colleagues at JSC Olainfarm Group for their contribution and passionate work in 2019, demonstrating JSC Olainfarm Group's commitment to healthcare needs and patients' well-being.

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 led to the best year in the history of JSC Olainfarm Group since it was founded almost 50 years ago



Jeroen Hidde Weites
Chairman of the Management Board

Business model and main key performance indicators in 2019



JSC Olainfarm is an international healthcare company focused on the development and marketing of healthcare products including pharmaceuticals, food supplements, compression products for health and cosmetics. The Top-6 pharmaceutical products are indicated for CNS, Cardiovascular, Allergy and Respiratory, and Urinary Tract infection treatments.

JSC Olainfarm has an international sales structure made up of nationally focused sales companies. The subsidiaries are centrally organised but still have a high degree of market proximity. JSC Olainfarm markets its products in over 50 countries and territories.

JSC Olainfarm has worked in 2019 with the international company IQVIA to define the priority disease areas and key markets for a

sustainable growth. In order to compete and to win, JSC Olainfarm has defined the 2020 strategic roadmap to unlock the growth potential. The pillars defined are:

- Accelerate growth by optimizing the current portfolio (high brand equity) and leveraging synergies in core markets;
- Expand portfolio through in-licensing and systemically expanding portfolio by R&D activities (new application form, Rx and OTC products);
- Optimize and innovate in manufacturing (finished products, APIs and intermediates)
- Simplify the organization following the business priorities.

An emphasis, in addition with significant resources, is put on securing our current business, with special focus on our core brands in order to secure business sustainability. In 2019, JSC Olainfarm has implemented a special workstream focusing on the request by registration authorities in Russia: Pharma 2020. The objective of conducting the clinical trials is two fold: collecting clinical data that will bring the registration files to the required level set by the registration authorities in our core markets in the EAEU (Eurasian Economic Union) and these new registration files will allow to expand our market activities towards other markets beyond the CIS (Commonwealth of Independent States) and the CEE (Central Eastern Europe) regions.

New registrations and new product development

In March 2019, JSC Olainfarm obtained registration for one of the produced APIs. During 2019, partners of JSC Olainfarm have finished drug form registrations in Europe with two active substances produced by JSC Olainfarm. Japanese GMP approval was obtained for two API products. In March, 2020, the company received the GMP compliance certificates. Drug Master Files (DMF) for both products are submitted to the agency and are in the registration process for Japan. One product is also in the registration process for the South Korean market. Looking forward, in 2020, JSC Olainfarm will expand its product portfolio in the field of urology with in-licensing of a new generic product. In March, 2020, the company registered the finished drug product Neomidantan in Turkey. Development of a new anti-tuberculosis final dosage form is in process with anticipated launch for 2023.



Five products	Phase 1	Final reports Q1-Q3 2020
Two FDF	Phase 2	Trials to start in 2020
Product peripheral nervous system diseases	Phase 3	Clinical trials in 1Q 2020
One product	Phase 4	Clinical trials in Q4 2020-1Q 2021
Three products	Phase 5	Clinical trials in Q4 2020-1Q 2021

Implementing Projects with EU co-funding

JSC Olainfarm is putting special efforts in place in order to implement projects with EU co-financing:

- Project Implementation of Experimental Technology for Production of New Products of JSC Olainfarm concluded successfully in August, 2019. Investments in the development of a new experimental production line with supporting equipment for research and development, technology transfer and quality control since project launch in May, 2017 were made in the amount of EUR 6 373 thous. through the co-financing of the European Regional Development Fund in amount

of EUR 2 230 thous. Project Audit by The Central Finance and Contracting Agency was successfully performed on January 22, 2020.

- In March, 2019, JSC Olainfarm launched the project Pre-clinical and clinical trials within the programme Support for the development of new products and technologies within centres of competence. Project implementation period is from March 1, 2019 to December 31, 2021. Total costs of project planned are planned to be EUR 3 529 thous., including co-financing of the European Regional Development Fund in the amount of EUR 941 thous.
- In July, 2019, JSC Olainfarm launched the project Reduction of Greenhouse Gas Emissions by Redesigning JSC Olainfarm Cold Station and its Engineering System co-financed by the Cohesion fund. Project implementation period is from July 25, 2019 to December 31, 2020. Total costs of the project are planned to be in the amount of EUR 2 983 thous., including co-financing of the Cohesion fund in the amount of EUR 733 thous.



Business Outlook

After slowing in the last three quarters of 2018, the pace of global economic activity was weak in 2019. The global economy stagnated at the prior year level and was constrained by trade conflicts, in particular between the world's two largest economies, the USA and China. Even though - the China-US agreement has reduced the risks associated with world trade, manufacturing and world trade still remains the weakest link in the global economy. Most major central banks have cut interest rates and resumed stimulus measures in 2019.

At the beginning of 2020 the World Bank assessed that the annual global economy growth could reach 2.5%, with the European Union growth slowing to 1%. However, as the coronavirus (COVID-19) rapidly expanded to most of the countries in the world, significantly increasing the number of people infected, triggering mandatory self-isolation, lockdowns and putting many people out of work, any further forecasts of GDP growth became extremely challenging. In case the virus containment measures have a positive impact in the first half of 2020 on limiting consequences caused by the virus, there is optimism that economic growth can restart in 2021.

There are a number of fundamental trends that point to a positive outlook for the pharmaceutical industry environment JSC Olainfarm is operating in. The global population is growing and aging. Unmet medical needs remain high. Patients around the world, with an

increasing middle-class in emerging markets (eg. the CIS countries and the CEE) are demanding better access to care. In parallel, access to information is increasing, which is leading to more attention in general to the prevention of disease.

At the same time, authorities are putting more austerity measures in place, leading to tighter health care budgets, more pressure on prices, increase of co-pay and reimbursement constraints. Authorities are demanding demonstration of real life outcomes and demonstrating value for society when introducing any new products in the market.

Overall, JSC Olainfarm is active in its home market - the Baltics, in Commonwealth of Independent States (the CIS), and the CEE market, which accounts for more than 400 mln in population and a significant portion of world's GDP.

The Top-5 EAEU & CIS countries excluding Russia represent ~76% of total region population: Ukraine 42 mln, Uzbekistan 33 mln, Kazakhstan 19 mln, Azerbaijan 10 mln, and Belarus 9 mln. Despite currency devaluation in many EAEU & CIS countries in the past, the region's major currencies gained ground against the US Dollar. Still, the excessive dependence on natural resources in many CIS countries remains a source of economic vulnerability.

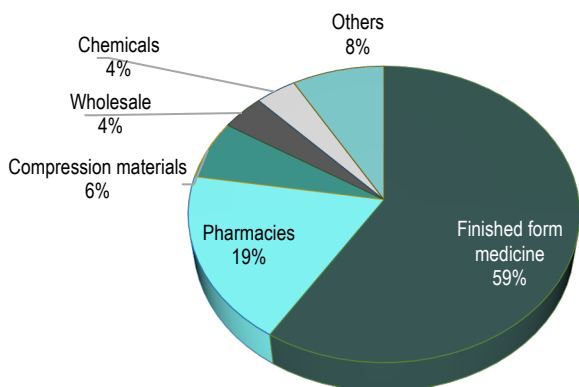
Rising income level, started state health screening programs, introduction of national health insurance and increase of government spending on special diseases provide for attractiveness of pharmaceutical market in post-USSR territories. Although overall state budget is not enough due to unstable economic regulation in EAEU countries, the governments are developing programs to increase support. Markets are becoming more transparent in terms of price and tender regulations. JSC Olainfarm expects Ukraine, Uzbekistan, Mongolia to demonstrate high growth of pharma market in the next 4 years, above 10%, mostly driven by increase in consumption. Besides pharmaceuticals CEE and CIS markets are also providing a significant business opportunity for food supplements and medical devices products.

Major economic growth continued in 2019 in all three Baltic countries, with the strongest contribution from Estonia, while Latvian economic growth turned out to be less significant than in Lithuania and

Estonia. The regulatory pressure on pricing in the pharmaceutical supply chain may change the landscape in pharmaceutical and para-pharmaceutical distribution and economic margin for healthcare business.

Main Key Performance Indicators

GROUP'S REVENUE BREAKDOWN BY SEGMENTS IN 2019

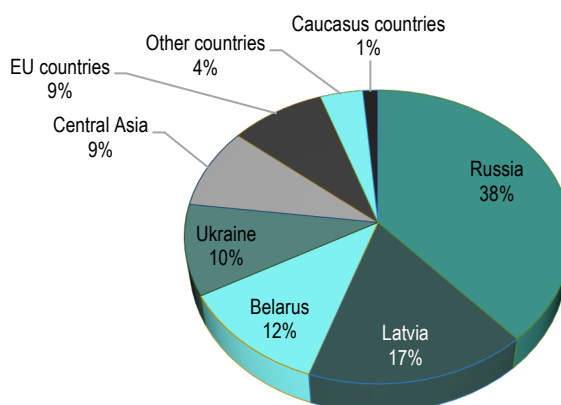


Besides the financial indicators, JSC Olainfarm is closely monitoring indicators related to costs and risks, such as stock level, payment days, foreign currency, credit, liquidity and trade receivables. The strength of JSC Olainfarm is the diversification of the group. The audited annual report of JSC Olainfarm for 2019 describes both turnover and profits.

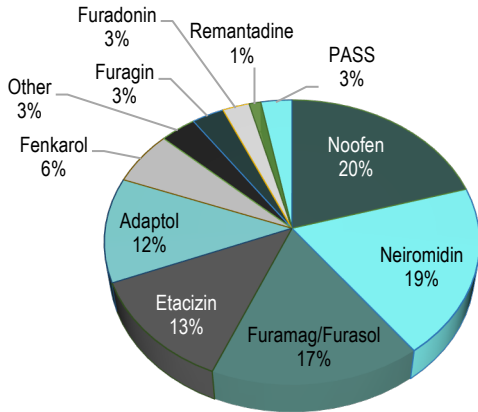
JSC Olainfarm's main export markets are Russia, Ukraine, Belarus and Central Asia (e.g. Uzbekistan). The core pharma markets (Russia, Ukraine, Belarus, Kazakhstan, Latvia and Lithuania) of JSC Olainfarm presence are expected to grow on average of 6% (IQVIA) until 2024, allowing JSC

Olainfarm to grow further in current and new therapeutic areas. Russia is representing 52% of OlainFarm Rx turnover and in the first quarter of 2020 we opened our own subsidiary in Moscow with a dedicated marketing and commercial team to increase our promotional efforts.

JSC OLAINFARM SALES BREAKDOWN BY MARKETS IN 2019



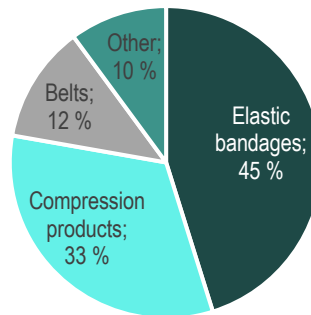
OLAINFARM TOP PRODUCTS, 12 MONTHS 2019



The top products contributed to JSC Olainfarm's 2019 success are Noofen, Neiromidin, "Furamag", "Etacizin" Furamag, Etacizin and Adaptol. Taking into account the consumption per capita (IQVIA), there remains a significant opportunity in many of the core markets to grow further with these top products. Forward looking, still many molecules are missing in CIS and CEE countries and there are several undertreated areas in JSC Olainfarm strategic segments defined (IQVIA).

In 2019, JSC Olainfarm subsidiary **Tonus Elast** launched a new line of compression products - Soft, which is characterized by a highly sophisticated technological process, resulting in a product that is not only curative prophylactic, but also comfortable to wear and available in a wider range of colors. Tonus Elast is expanding the existing product lines that in 2020 will lead to having three new products to the belt and concealer line Air. This product is helping patients during their rehabilitation process, after various spinal and abdominal operations. It is planned to supplement the athletic product line Activ with new products, designed for comfort during sports training. In 2019, Tonus Elast expanded their operational activities in the United Arab Emirates, Saudi Arabia, Tunis and Israel.

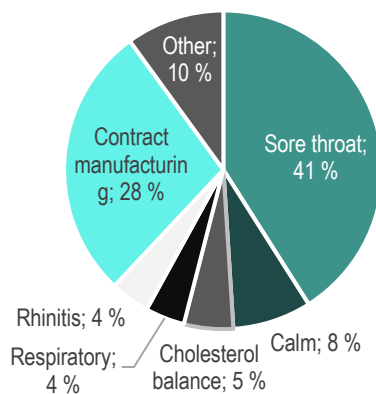
Tonus Elast revenue split by product groups in 2019



Looking forward, in April, 2020, Tonus Elast will present an ambitious growth plan in order to accelerate the turnover of sales and improve the profit margin. In order to meet this ambition, Tonus Elast is transforming the organisational structure with stronger focus on marketing, commercial activities and business development.

JSC Olainfarm subsidiary **Silvanols** is responsible for producing food supplements for the CIS and EU markets. One of the focus areas is to expand the categories. In 2019, Silvanols launched Aller-go-nasal spray against allergic rhinitis, a vitamin complex GoLife Beauty for women and GoLife Strong for men. Both products contain vitamins, minerals and omega 3. Silvanols extended one of their production lines to produce a new taste for Faringospray – orange – for sore throat and changed the composition of Venolux caps for tired legs and Sinustrong balm for upper respiratory tract infection. Looking forward, new launches are planned in the product family GoRelax and line extensions in the current product categories as well as composition changes.

Silvanols revenue split by product groups in 2019



Environmental responsibility

Greenhouse Gas Emissions

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

A local boiler house with five combustion units installed provides heat to JSC Olainfarm. A cogeneration station LLC Olainfarm enerģija is also operating in the territory of the company, and heating energy 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. R113SG0028 for a period from 2014 to 2020, 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.

Year	2013.	2014.	2015.	2016.	2017.	2018.	2019.	2020.
Assigned allowances	4 436	9 060	8 899	8 739	8 578	8 418	8 257	8 097
Exhausted allowances		11 452	10 726	11 653	10 455	10 577	10 219	
Exhausted allowances, %		126 %	121 %	133 %	122 %	126 %	124 %	

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

Although the reduction in exhausted allowances was small in 2019 (only by 3.4 %), this is an important indicator, taking into account that production volumes have increased in 2019.

COMMISSION REGULATION (EU) No 601/2012 of 21 June, 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council is respected.



Emissions of Air Pollutants

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

Emissions of Air Pollutants

No	Environmental pollution	Annual limit, t/a	Actual emission, t/a			Notes
			2017	2018	2019	
1	Dust	0,1017	0,00	0,0762	0,1017	Starting from 2018, the permit includes dust from the Repair and Mechanical Workshop (hereinafter referred to as RMI) (metalworking)
2	Sulphur dioxide SO ₂	0,2550	0,4050	0,1384	0,1608	Increase by 16 % due to the increase in production volumes
3	Other inorganic compounds	0,9510	0,2826	0,7785	0,4520	Reduction by 41.94 % due to changes in production assortment
4	Nitrogen dioxide NO ₂	74,5462	20,2654	32,0236	36,3739	Increase by 13.58 % due to changes in production assortment
5	Ammonia NH ₃	4,3725	1,499	0,6126	1,4899	Increase by 143.21 % due to changes in production assortment
6	Hydrocarbons C _n H _x	0,11853	0,1404	0,0349	0,00	Due to the reviewed category A permit emissions of hydrocarbons C _n H _x from the petrol station are no longer calculated, but volatile organic compounds are calculated
7	Hydrocarbons C _n H _x	0,0000703	-	0,000054	0,0000703	Starting from 2018, the permit includes emissions of hydrocarbons C _n H _x from RMI
8	Volatile organic compounds	73,5266	23,9201	27,1872	24,3281	Reduction by 10.52 %. No significant changes
9	Carbon monoxide CO	39,4956	22,8319	20,4433	17,5972	The reduction by 13.92 % is related to the reduction in natural gas consumption by combustion units
10	Carbon dioxide CO ₂ (from production)	11,9380	—	1,5047	0,4301	The reduction by 71.41 % is related to changes in production assortment.
11	Volatile organic compounds from wastewater treatment plants (hereinafter referred to as WWTP)	0,10594	0,0620	0,05018	0,0647	VOC emissions from WWTP depend on the amount of incoming wastewaters. In 2019, compared to 2018, the amount of discharged wastewaters and therefore VOC from WWTP have increased.
12	Heavy metals	0,00067	—	0,00051	0,00067	Starting from 2018, the permit includes emissions of heavy metals from RMS.

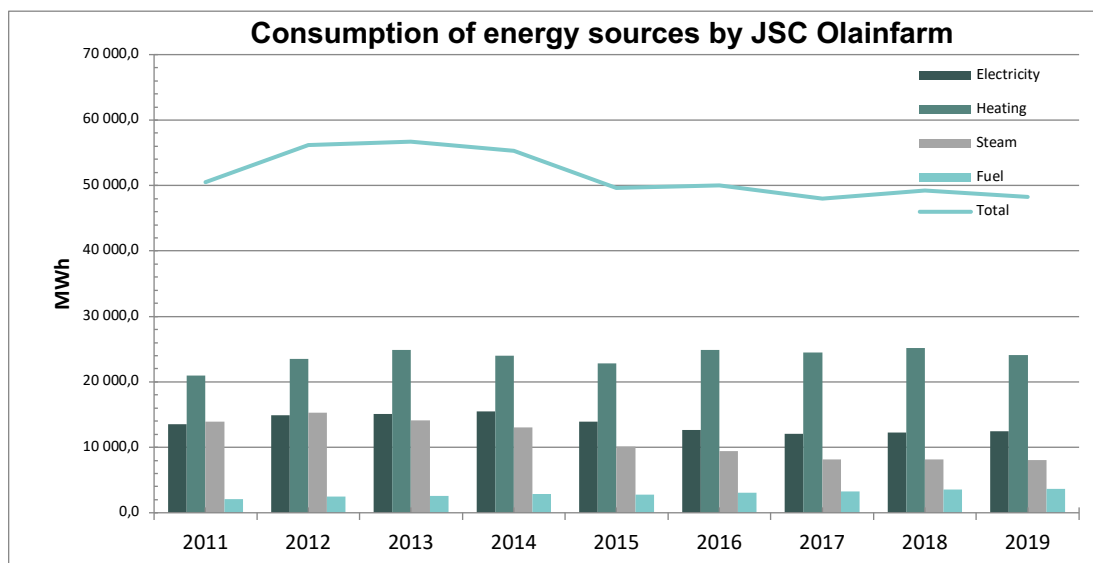
Use of energy sources

Efficient management of energy sources increases energy efficiency of the company, it allows to reduce the consumption of energy sources per unit of produced products, increases competitiveness of the company and reduces greenhouse gas emissions.

Main energy efficiency indicators of JSC Olainfarm in 2019 compared to 2018:

- Volumes of produced chemical products and intermediate products increased by 23 %;
- Electricity consumption increased by 2 %;
- Heating energy:
 - steam consumption reduced by 2 %;
 - heating water consumption reduced by 5 % (taking into account the heating season temperature, the consumption increased by 7%)
- In 2019, the fuel used for vehicles comprised 193.8 thousand litres of petrol and 186.6 thousand litres of diesel fuel. Fuel consumption grew by 1 %.

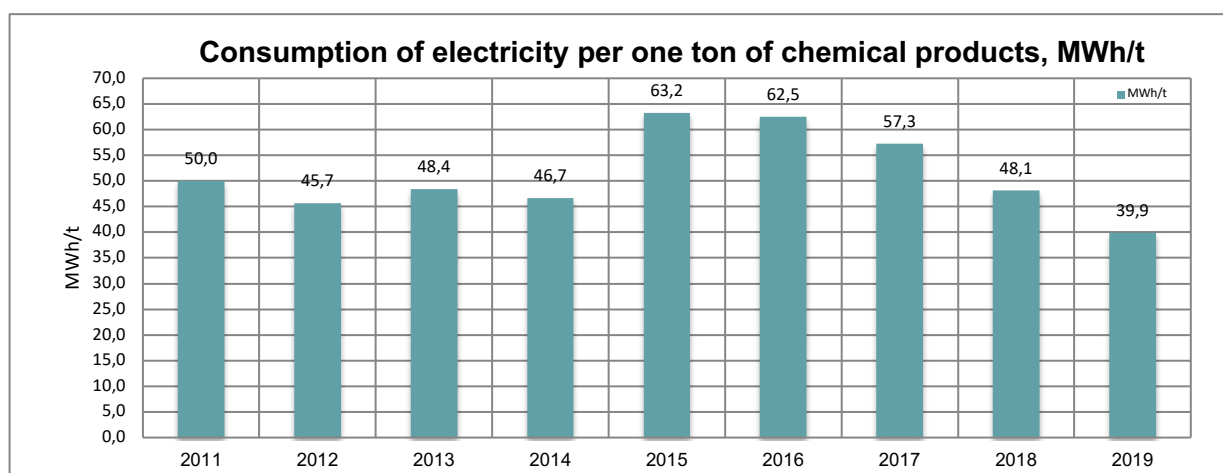
The total consumption of energy sources reduced by 2 % (taking into account the heating season temperature, the consumption increased by 4 %) compared to the previous year, although production volumes have increased.



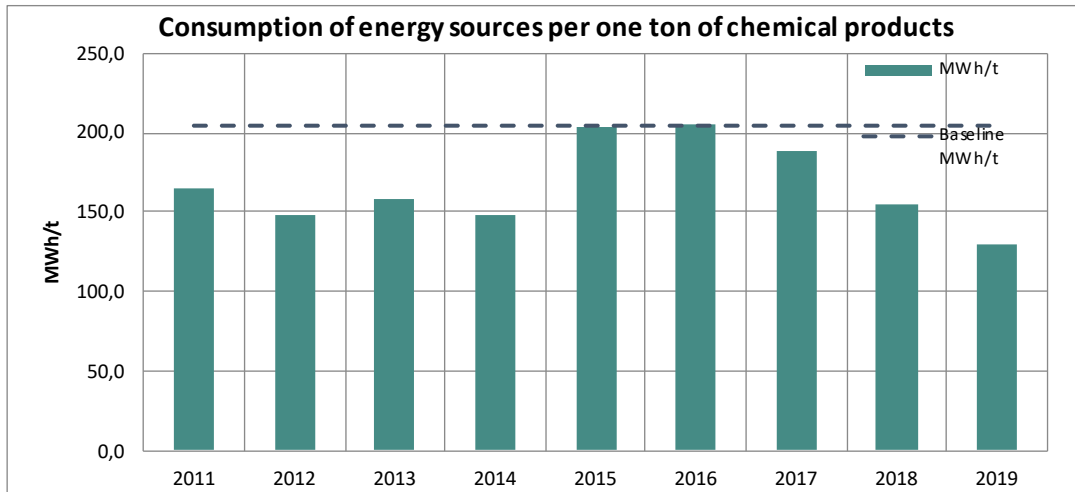
Energy intensity

Energy efficiency measures and the increase in production volumes in JSC Olainfarm in 2019 compared to 2018 allowed:

- To reduce the amount of electricity per unit of produced chemical products by 17 %;
- To reduce the amount of heating energy produced by the boiler house of the company by 15 %:
 - To reduce steam consumed for technological needs by 20 %;
 - To reduce heating water consumed per unit of produced chemical products by 13 %.



The total consumption of energy sources per unit of produced chemical products were reduced by 20 % (taking into account the heating season temperature, consumption of energy sources per unit of produced chemical products were reduced by 15 %) compared to the previous year.

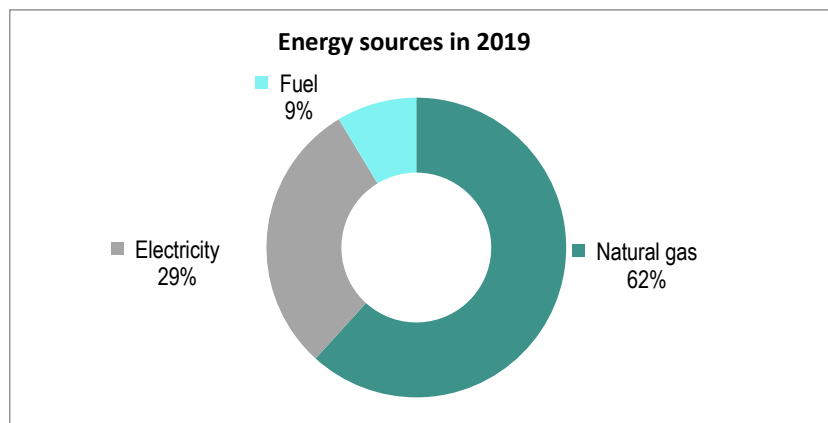


Distribution of energy sources

JSC Olainfarm consumes two types of energy sources evaluating them from their source of acquisition – primary and secondary.

Primary energy sources:

- electricity;
- natural gas;
- fuel oil (diesel fuel, petrol).



Secondary energy sources:

- heating energy (steam and heating water);
- cold energy with a temperature up to – 15 °C, to ensure the technological processes
- compressed air (used to ensure technological and production processes);
- water;
 - underground water (part is used in a treated way as potable water);
 - service (river) water, which is used to ensure technological and production processes.

Registration of energy sources and calculation has been performed based on meter readings and documentation of suppliers of purchased energy sources.

Use of water

Instrumental registration of extracted amounts of underground water based on readings of water meters is made once a month, the data is recorded in the water extraction registration log. Water meters are verified once every four years.

Instrumental registration of extracted amounts of waters (service water) from the Misa River based on readings of a water meter are made every day, the data is recorded in the water extraction registration log. Water meters are verified once every four years.

Instrumental registration of amounts of waste waters discharged to wastewater treatment plants (hereinafter referred to as WWTP) 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 every four years.

Consumed water and treated amount of wastewater

Water type	Limit in cat. A permit, thous. m ³ /year	Quantity, thous. m ³ /year			Notes
		2017	2018	2019	
Underground water	398,500	85,817	148,148	194,675	increase by 31.41 % compared to 2018
Service water	1755,855	1154,495	1207,925	1260,819	increase by 4.38 % compared to 2018
Wastewater	2118,655	1237,137	1261,704	1294,670	increase by 2.61 % compared to 2018

The increase in the amount of water consumption and wastewater is related to the increase in production in 2019.

Environmental governance

The environmental policy of JSC Olainfarm is based on the environmental management system, which has been established based on the requirements of ISO 14001:2015 Environmental management systems. 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 2015. This is confirmed by certificate No. LVRIG05618B, which is valid from 27.01.2019 to 26.01.2022. On 12 December, 2019, LLC Bureau Veritas Latvia conducted a supervisory audit at the company and no non-compliances were stated.

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 dictating the environment and energy sector;
- to protect the environment and natural resources by reducing and eliminating environmental pollution in order to create favourable and safe working and living conditions for the community and wildlife;
- to promote efficient, profitable, environmentally-friendly purchase of services and energy sources as well as balanced utilization in order to reduce carbon dioxide emissions;
- to ensure that the 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 systematic approach in environmental and energy source 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 are also regulated by the category A permit of pollution activities No. RI10IA0004 issued by the Lielriga Regional Environmental Department of the State Environmental Service. On 11 June, 2018, the Lielriga Regional Environmental Department of the State Environmental Service reviewed and renewed the permit of category A pollution activities No. RI10IA0004. Two amendments were introduced in the permit by decisions No. RI18VL0176 and RI18VL0195.

Every year, the Lielriga Environmental Department of the State Environmental Service conducts an inspection of the company and evaluates the compliance of JSC Olainfarm activities with conditions of the permit.

The last complex audit of the company took place in November, 2018, no compliance violations were found, administrative penalties for violations of environment protection regulations have not been allocated for 10 years.

JSC Olainfarm follows the Commission Implementing Decision (EU) 2016/902 of 30 May, 2016 establishing best available technique (BAT) conclusions, under the Directive 2010/75/EU of the European Parliament and the Council, for common waste water and waste gas treatment/management systems in the chemical sector and the best available techniques (hereinafter referred to as BAT) specified there:

- The implementation and maintenance of the environmental management system, which includes;
 - the environmental policy which provides that the management continuously improves its management system;
 - the compliance of procedures guaranteeing observation of the requirements of environmental regulatory enactments;
 - the verification of operational results and corrective measures – independent internal or external audits – the Environmental management system Report on the reference document on the Best available energy efficiency techniques also provides for the need to conduct energy audits.

As a responsible company, JSC Olainfarm monitors environmental impact of its economic activity 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 the company using approved monitoring programmes. Accredited laboratories of LLC Vides audits and SLLC Latvian Environment, Geology and Meteorology Centre are invited, if necessary.

Natural Gas Consumption

Quantities of consumed natural gas are registered based on gas meter readings, which are taken once a day. Gas meters are verified. In 2019, natural gas consumptions reduced by 3.35 % compared to 2018, although production volumes increased.

Fuel amount used

Type of fuel	Limit in cat. A permit, thous. m ³ /year	Consumption, thous. m ³ /year		
		2017	2018	2019
Natural gas	23638,709	2533,555	2547,316	2462,055

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.

Monitoring of emissions of polluting substances from combustion units of the boiler house and the cogeneration stations of LLC Olainfarm enerģija is carried out by calculations once per quarter, preparing a report on natural resources tax. Actual emissions of combustion units do not exceed the limits set in the category A permit.

Wastewater Treatment Monitoring



The following polluting parameters are monitored at the inflow of wastewater treatment plants twice a year: chemical oxygen demand (COD), biological oxygen demand (BOD₅), suspended substances, total nitrogen (N_{tot}), total phosphorus (P_{tot}) testing. And once a year there is testing for chloroform, monoaromatic hydrocarbons (xylene, toluene, benzene – BTEX), phenol index, nickel (Ni), cadmium (Cd), chromium (Cr).

The following polluting parameters are monitored at the discharge of wastewater treatment plants:

- once a month: chemical oxygen demand (COD), biological oxygen demand (BOD₅), suspended substances, total nitrogen (N_{tot}), total phosphorus (P_{tot}) testing;
- once a quarter: chloroform, BTEX, xylene, toluene, benzene, phenol index, nickel (Ni), cadmium (Cd), chromium (Cr), total organic carbon (TOC) testing.

The monitoring of 2019 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 and the BAT-related emission levels for emissions in water.

Pollutants in treated wastewaters

Pollutant, parameter code	BAT-related emission levels for emissions in water, mg/l	Permitted set concentration, which must not be exceeded, mg/l	Average concentration after treatment in 2018, mg/l	Average concentration after treatment in 2019, mg/l	Compliance with BAT and category A permit
Chemical oxygen demand, COD 230004	30-100*	125	86.22	74.1	conforms
Biological oxygen demand, BOD ₅ 230 003	1 – 18 **	25	6.01	5.3	conforms
Suspended substances 230026	5.0-35*	35	7.46	3.7	conforms
Total phosphorus P _{tot.} 230016	0.5-3.0*	2	0.41	1.16	conforms
Total nitrogen N _{tot.} 230015	5-25*	15	9.14	8.99	conforms
Chloroform 230017	0,2 – 1*	0.0085	0.00128	0.0029775	conforms
Total chromium, Cr 230019	0,005 – 0.025*	0.011	0.00222	0.0056	conforms
Nickel, Ni 230019	0,005 – 0.05*	0.05	0.0137	0.0110775	conforms
Total organic carbon (TOC)	10-30*	33	22.7	26.75	conforms

* Decision (EU) 2016/902

(<https://eur-lex.europa.eu/legal-content/LV/TXT/HTML/?uri=CELEX:32016D0902&from=EN>)

**Reference Document on BAT for the Manufacture of Organic Fine Chemicals (<http://eippcb.jrc.ec.europa.eu/reference/ofc.html>)

The quality of treatment wastewater sludge is monitored by determining:

- **twice a year:** agrochemical indicators (environmental response, organic substances, total nitrogen, total phosphorus);
- **three times a year:** heavy metals (cadmium, chromium, copper, mercury, nickel, lead, zinc);
- **twelve times per year:** dry matter content.

In 2019, 150.5 tons of naturally wet sludge with dry matter content of 25.91 % were discharged to sludge fields. Dry matter – 39 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 the sludge field territory 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 150 m upstream and 150 m downstream the discharge of wastewater treatment plants testing the following parameters:

- **once a year:** suspended substances, biological oxygen demand (BOD₅), ammonium ions (N/NH₄⁺), nitrite ions (NO₂⁻), unionised ammonium (NH₃) and dissolved oxygen (O₂);
- **once a quarter:** cadmium (Cd), chromium (Cr), nickel (Ni), chloroform, phenol index, benzene, BTEX.

The indicators of 2019 for the quality of water in the Pupla River 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.

Once every 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 last results of the monitoring of 2019 certify that no pollution of groundwater at the petrol station has been stated.

In the territory of sludge fields of wastewater treatment plants groundwater and soil is monitored once every 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.

Monitoring of groundwater in the territory of the plant is conducted once every 5 years determining: pH, chemical oxygen demand (COD), biological oxygen demand (BOD₅), phenol index, total nitrogen (N_{tot.}), BTEX (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, BTEX (xylenes, toluene, benzene, ethylbenzene).

The monitoring of groundwater and soil in the territory of the company confirms that no pollution of groundwater or soil is found.

Each quarter the company pays natural resources tax (NRT) for consumed natural resources (extraction of underground water and service water from the Misa River) and pollution discharged to the environment. **In 2019, the company paid EUR 29 thousand as NRT.** Compared to 2018, NRT payments increased by 7.4 % due to the increase in production.

The company conducts monitoring of prepared potable water once a year determining microbiological indicators.

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 no complaints were received about smells from the territory of the company.

**The monitoring is conducted in accordance with Directive 2010/75/EU of the European Parliament and of the Council of 24 November, 2010 on industrial emissions (integrated pollution prevention and control); European Commission BAT Reference Document on the General Principles of Monitoring and category A permit for pollution activity No. R110IA0004.*

Packaging management policy

Since 2006, the company has had an agreement with JSC Latvijas Zaļais punkts (LZP) on management of packaging materials imported to and used in the territory of Latvia.

Packaging materials imported to and sold in Latvia

Packaging material	Quantity, tons		
	2017	2018	2019
Cardboard	35.53	Cardboard	35.53
Polyethylene	15.20	Polyethylene	15.20
Glass	4.25	Glass	4.25
Wood	25.21	Wood	25.21
Metal	9.43	Metal	9.43
TOTAL	89.62	TOTAL	89.62

The reduction in the amount of packaging material by 4.23 % in 2019 compared to 2018 is related to its cost-efficient use.

Waste management

A separate waste collection system has been introduced in the company – cardboard, paper, polyethylene and other plastic, 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). The domestic waste management company LLC Clean R has been a long-term cooperation partner of the company.

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).

Hazardous waste is registered in production workshops. Laboratories and Warehouse economy unit registers weight of generated hazardous waste in registration logs according to Regulations of the Cabinet of Ministers No. 494 of 07.08.2018 Waste Transportation Registration Procedure. Hazardous waste is transferred only to such waste 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.

Transferred amount of waste

Type of waste	Transferred amount of waste, t			Notes
	2017	2018	2019	
Hazardous production waste	114,4583	126,3665	213,114	In 2019, the transferred amount increased by 68.65 % compared to 2018. This is related to the increase in production and transfer of previously accumulated waste to clear the warehouse before reconstruction.
Hazardous laboratory waste	0,37	3,8566	10,80332	The amount transferred in 2019 tripled compared to 2018. This is related to the increase in production and transfer of previously accumulated waste to clear the warehouse before reconstruction.
Invalid drugs	7,8051	6,8549	8,0678	In 2019, the transferred amount increased by 17.69 % compared to 2018.
Other hazardous waste (including oils, asbestos, bulbs, waste containing mercury, invalid paints, batteries)	5,7888	3,4321	16,27504	The amount transferred in 2019 quintupled compared to 2018. This is related to the increase in production and transfer of previously accumulated waste to clear the warehouse before reconstruction.
Other non-hazardous waste	353,332	444,491	268,089	In 2019, the amount transferred reduced by 39.68 % compared to 2018.
Domestic waste	331,8	480	276,6	In 2019, the amount transferred reduced by 42.3 % compared to 2018.
Electrical and electronic waste	0	0	1,8	Previously collected electrical and electronic waste was transferred in 2019.

Materials transferred for recycling

In 2019 the company transferred more than 76 tons of materials for recycling.

Amount of materials transferred for recycling

Material	2017, tons	2018, tons	2019, tons
Cardboard	31,53	31,562	24,791
Polyethylene	13,38	9,389	4,992
Metal	46,52	70,3	46,7
Glass	0,4	5,28	0
Total:	91,83	116,531	76,483

Climate Monitoring in the Company

An environmental and energy management commission was created in the company and renewed by an order of April, 2019. In 2019, the Environmental Protection Unit in cooperation with the chief energy specialist conducted 50 internal environmental and energy audits.

An annual report on introduced energy efficiency improvement measures and energy savings achieved as a result of them for 2018 was submitted to the Ministry of Economics in October, 2019. Based on calculations, the savings achieved amounted to 713 MWh.

Climate Monitoring/Management

The following energy efficiency measures were implemented in 2019:

- The replacement of several fans in production workshops with less powerful ones, thus reducing electricity consumption;
- The replacement of a 400 kW air blower in the wastewater treatment workshop with a less powerful one (132 kW), thus reducing electricity consumption;
- The replacement of lighting using energy efficient bulbs and luminaries;
- The replacement of heat insulation in cold and heat energy networks reducing losses;
- The partial replacement of external and internal medium-voltage networks in order to improve security of electricity supply and reduce losses in supply networks.

Modernisation of the potable water preparation station was completed in 2018, during which reverse osmosis membrane filters were installed, which ensures the reduction of total water hardness, including sulphate ions, to the limits set in Regulations of the Cabinet of Ministers No. 671 of 14 November 2017 Mandatory Harmlessness and Quality Requirements for Drinking Water, and the Procedures for Monitoring and Control Thereof.

Social responsibility

Employee and their remuneration

In 2019, JSC Olainfarm developed a personnel policy, the purpose of which is to ensure the achievement of the business goals listed in the strategy of the company by attracting and keeping a qualified and motivated labour force. JSC Olainfarm employs over 1060 employees in Latvia, 67% of which are female and 33% are male. 42% of employees have higher education, 28% – secondary advanced education. 32% of the employees are aged 18 – 40. The average length of service of JSC Olainfarm employees is 12.5 years.

Social, economic and professional rights and interests of more than 55% of employees of the company are represented by the trade union established by the company. Every year, JSC Olainfarm and the OlainFarm trade union conclude a new collective bargaining agreement, the purpose of which is to jointly share a positive working environment and to regulate the content of the legal employment relationships in line with the principles of trust, understanding and openness.

In accordance with the collective bargaining agreement employees are provided with a safe and favourable working environment. Long-standing employees can get extra leave in addition to the one defined in regulatory enactments. All employees get paid days-off in case of certain personal reasons. For all employees, JSC Olainfarm:

- Covers costs of purchasing eyesight correction items;
- Covers expenses for employee sporting events (with families), as well as pays for participation in paid marathons and sports events organised by the Pharmacists' Society of Latvia /LFB/;
- Provides employees with the possibility to get to and from the work free of charge;
- Greets employees on all national holidays;
- Greets employees and their children, as well as unemployed seniors, who are members of the trade union, on Christmas;
- Provides health insurance policies for employees;
- Supports employees materially in case of death of their family members, as well as family members of an employee in case of death of the employee;
- Promotes professional growth of employees, provides a loan to cover tuition fees.

In addition to the aforementioned, JSC Olainfarm provides members of the trade union of the company:

- One-time material benefit for employees, who requires surgery;
- Periodic material benefit for dental prosthetics;
- One-time material benefit in case of childbirth;
- One-time material benefit, when children of employees start studies in grade 1, graduate from a secondary or advanced secondary education institution;
- A gift to long-standing employees on significant work and life milestones, as well as to employees retiring.

The trade union materially supports employees, who are members of the trade union:

- In purchasing a swimming pool pass;
- In sporting activities, for example, skating, skiing, alpine skiing, bowling, squash, gym membership, water aerobics, yoga, etc.;
- Sightseeing tours for employees;
- Cultural and team building activities;
- On other occasions important for employees (for example, important job and life anniversaries, death of employee's relatives, prolonged disease and injuries, surgeries, etc.).

A new collective bargaining agreement was concluded at the end of 2019, which provides for material and non-material benefits, as well as social security of employees in 2020.

Every year, JSC Olainfarm organises annual events for employees of the company and their families. Employees get actively involved in different community support activities, for example, donate blood twice a year on Blood Donors' Days.

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

Human rights norms

In its operations, JSC Olainfarm respects the fundamental rights enshrined in the Constitution of the Republic of Latvia, the Convention for the Protection of Human Rights and Fundamental Freedoms, the European Social Charter and other applicable national and international regulatory enactments of the Republic of Latvia.

Non-Discrimination Principle

In its activities, JSC Olainfarm observes any discrimination bans according to applicable national and international regulatory enactments of the Republic of Latvia. 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, skin colour, sex, age, disability, religious, political or other beliefs, national or social origin, marital or family status, sexual orientation or other circumstances.

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 by applicable regulatory enactments of the Republic of Latvia in respect of employment of children and forced labour.

Remuneration Principle for Employees

JSC Olainfarm respects the requirements of all the applicable regulatory enactments of the Republic of Latvia in the field of employment. In addition to wages, employees receive bonuses and social guarantees. 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 paid leave and fully paid health insurance.

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 as well male and female employee pay ratio and CEO pay ratio in conditions of competition. Total emolument of members of the Management Board and Supervisory Council can be found in the annual report of the company.

Support Personal Development of Employees



JSC Olainfarm takes care of professional and career growth. The company organises and ensures different types of training aiming to improve professional qualifications of employees. 64 external and 44 internal trainings were conducted in 2019 to improve professional competence and qualification of top executives. The employees, who are studying or conducting research, are provided with a partially paid educational leave, as well as may agree on part-time work with their supervisor. 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 at the global level.

Personnel Turnover

Personnel turnover at JSC Olainfarm is considered to be moderate and there are no conditions, which could increase personnel turnover in the future

Indicators	2017	2018	2019
Concluded employment contracts (employed)	91	112	121
Terminated employment contracts (dismissed)	130	123	105
Personnel rotation coefficient *	0,20	0,22	0,21
Personnel replenishment coefficient **	0,08	0,10	0,11
Personnel leaving coefficient ***	0,12	0,11	0,10

* *Personnel rotation coefficient = (number of employed + resigned employees)/average number of employees*

** *Personnel replenishment coefficient = number of employed employees/average number of employees*

*** *Personnel leaving coefficient = number of dismissed employees/average number of employees*

JSC Olainfarm does not have temporary employees but for some services certain specialists can be contracted.

Health and Safety

Health Care of Employees

JSC Olainfarm has established a safe and modern working environment meeting the requirements of occupational safety and good manufacturing practices.

Monitoring of harmful work environment factors is carried out in the working environment on a regular basis. In case of non-compliances corrective measures for prevention of harmful work environment factors are defined.

JSC Olainfarm has established a Recovery Centre, where the company provides free of charge periodic mandatory health checks of employees, the possibility for employees to get a vaccine against influenza and tick-borne encephalitis, as well as an opportunity to receive consultations from different medical practitioners, which are funded or co-funded by the company.

Employees have a possibility to use conformable locker rooms, recreation rooms, dining rooms, high-quality drinking water and company transport. In November, 2019, the company started renovating the locker rooms and showers with the capacity of 100 employees. This project includes a complete reconstruction of water, sewage and heating systems of the building.

In accordance with the collective bargaining agreement, the company grants a paid day-off to those employees, who take care of their health and avoid sick leave.

Labour 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 related Cabinet Regulations.

In order to ensure the functionality of the labour protection system, an organisational unit for labour protection Labour Protection and Technical Security Division has been created. The labour protection system is truly important in the operations of the company, because it implements the provisions arising from the Council Directive 89/391/EEC of 12 June, 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work.

In order to ensure safety and health at work, the working environment is internally supervised in accordance with the requirements of Regulations of the Cabinet of Ministers No. 660 of 02.10.2007 Procedures for the Performance of Internal Supervision of the Work Environment.

It is the duty of each employee to observe labour protection requirements not to endanger his or her own health and health of those around them. This arises from internal workplace rules, regulations, instructions and other documentation of the company.

The evaluation of working environment and accident risk factors takes place in a commission, which includes:

- A specialist of the Labour Protection and Technical Security Division;
- The head of the structural unit;
- The chief energy specialist;
- The chief mechanic;
- The head of the Control and Measuring Instruments Unit;
- The person responsible for supervision of dangerous equipment in the company;

- The trustee of employees.

Several approaches are used in the evaluation of efficiency of the labour protection system:

- Labour protection training: training results;
- Reduction of working environment and accident risk factors: fulfilment of planned measures, their control.

Inspection results by public administration institutions

AS JSC Olainfarm has a tidy work environment corresponding to all labour safety and good production practice requirements and advanced equipment (both communication means and working clothes, personal protection equipment, as well as most advanced technologies and equipment).

Monitoring of harmful work environment factors is carried out in the working environment on a regular basis. In case of compliance violations corrective measures for prevention of harmful work environment factors are defined.

In 2019, more than EUR 23 000 were invested in occupational safety activities (training, registration and inspections of dangerous equipment). In addition, EUR 86 000 were invested in fire safety.

In 2019, there were 27 internal working environment supervisory audits, 4 extraordinary working environment supervisory audits, incl. related to the implementation of unit modernisation projects, 25 unscheduled inspections.

Training of Employees

In 2019, introductory training in environmental protection, labour protection, fire safety and civil protection was conducted for 299 people who were hired by JSC Olainfarm and/or provided contractual services to the company. Practical training in fire safety (eliminating fire by using fire extinguishers) was conducted for the employees of manufacturing sites, laboratories, administrative areas.



Performed:

- Training of guards of LLC Security O.P.S in fire safety, civil protection and industrial accidents prevention matters;
- Training of 20 responsible specialists on the use of dangerous equipment at LLC Mācību centrs Liepa;
- Training of warehouse employees in the EU funds support programme Driving a fork-lift truck.

JSC Olainfarm participated in the good practices contest on labour protection Zelta ķivere organised by the State Labour Inspectorate and the State Fire and Rescue Service. 17 Latvian companies and organisations, who are effectively implementing fire safety supervision and disaster management activities, participated in the contest. JSC Olainfarm presented comprehensive Management of Emergencies in the company emphasising those protection measures, which exceed the requirements defined in regulatory enactments in fire safety and disaster management. Special attention was focused on novelties, for example, in education (briefing) of employees and technical solutions.

Specialists of JSC Olainfarm participated in:

- The seminar organised by the State Environmental Service in cooperation with the State Fire and Rescue Service, the State Labour Inspectorate and the Consumer Rights Protection Centre – the discussion on the aspects of control of Regulations of the Cabinet of Ministers No. 131 of 01.03.2016 Industrial Accident Risk Assessment Procedures and Risk Reduction Measures;

- The work group for the preparation of amendments to Regulations of the Cabinet of Ministers No. 238 Fire Safety Regulations organised by the Employers' Confederation of Latvia;
- The campaign of the State Labour Inspectorate Feel Safe that Your Work is Safe. A short educational video Safe Work in a Warehouse was prepared;
- The exchange of experiences in the training centre of Sadales tīkls on introduction of electronic training (Moodle) in the company.

Training was also held for shift personnel of the Olaine Division of the Riga Region Administration of the State Fire and Rescue Service for the improvement of response measures, ensuring firefighting water supply in company facilities and territory.



Improvements in the area of labour protection

In accordance with the new effective laws and regulations the civil defence plan for the high-risk site of JSC Olainfarm and instructions in labour protection and 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:

- Building 22, axes 003-9;
- Building 12, axes 19-27;
- Packing Unit of the Finished Form Workshop (building 44.a).

Participation in production unit modernisation projects:

- Creation of a batch mixing unit in workshop 4 building 4;
- Construction of the Packing Unit of GFC (building 44.a);
- Creation of a rectification unit in Workshop 4, Building 4.

The hazardous equipment used by the company is registered, operated and supervised in accordance with the requirements of Regulations of the Cabinet of Ministers No. 348 of 07.2016 Rules for Pressure Equipment and their Assemblies and Directive 2014/68/EU of the European Parliament and of the Council of 15 May, 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of pressure equipment:

- In 2019, 17 units of new hazardous equipment were registered in the register of hazardous equipment of the Consumer Rights Protection Centre;
- 111 technical inspections of hazardous equipment were carried out.

Gas analysers are installed in the premises of production units, where explosive environment is likely, in accordance with the requirements of Regulations of the Cabinet of Ministers No. 300 of 10.06.2003 Labour Protection Requirements at Work in Explosive Atmospheres (in accordance with Directive 1999/92/EC of the European Parliament and of the Council of 16 December, 1999) and standard LVS EN 60079-10-1:2016 Explosive atmospheres - Part 10-1: Classification of areas - Explosive gas atmospheres.

In order to be able to operatively respond to emergencies, guards have electronic access to Safety Data Sheets of chemicals, the Civil Defence Plan and the Industrial Accidents Prevention Programme.

The State Fire and Rescue Service conducted an unscheduled night inspection. Conclusion after the inspection – the level of the guards' theoretical knowledge on the specificity of the site and action in case of emergency is sufficient.

Accident and Injury Statistics

In 2019, there were six mild incidents related to negligence of employees in the production facility, which is 0.6 % of the total number of employees – 1060. In order to make the injury statistics closer to the target – 0 % of accidents, in 2020, the company will continue to evaluate workplace risks, repeatedly organise trainings for employees, participate in activities organised by the State Labour Inspectorate, increase the qualification of labour protection specialists and maintain successful cooperation with public inspecting authorities (State Labour Inspectorate, State Fire and Rescue Service, Consumer Rights Protection Centre).

Industrial Risk Management

JSC Olainfarm is a category B high-risk site [sites, which produce, use, manage or store hazardous substances and in accordance with the requirements of regulatory enactments on the procedure of evaluation of the risk of industrial accidents and risk mitigation measures should develop an industrial accident prevention programme] according to the Regulations of the Cabinet of Ministers No. 563 of 19.09.2017 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, JSC Olainfarm has developed an Industrial Accident Prevention Programme, a Description of the Safety Management System in accordance with the requirements of the Regulations of the Cabinet of Ministers No. 131 of 01.03.2016 Industrial Accident Risk Assessment Procedures and Risk Reduction Measures and integrated them in the general enterprise management system. An allocation of responsibilities in management of risks for industrial accidents has been established by an internal order of the company:

The *Accident Risk Commission* plans, supervises and controls industrial accident risk mitigation measures. The *Head of the Accident Risk Commission* – the Director of the Technical department ensures the development of the plan of industrial accident risk mitigation measures and *supervises* the implementation of this plan.

The zones of undesirable impact of potential consequences have been modelled and necessary protection measures have been defined.

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.



Industrial accident risk mitigation measures were performed in accordance with the Long-Term Plan of Measures for Mitigation of the Risk of Industrial Accidents for 2018-2025:

- A shed has been created near building 6.b for storage of Raney – nickel catalyst;
- The construction of a new cold generation plant has started;
- Pneumatic valves for supplying the reaction mass of raw materials have been installed;
- New autoclaves have been installed for hydration processes in building 6.b;
- Roofing structures that are easy to dismantle have been created in the premises for hydration processes in building 6.b;
- Anti-emergency alarm and locking systems have been installed in the places, where flammable liquids are used;
- Autonomous emergency lighting has been created in workshops.

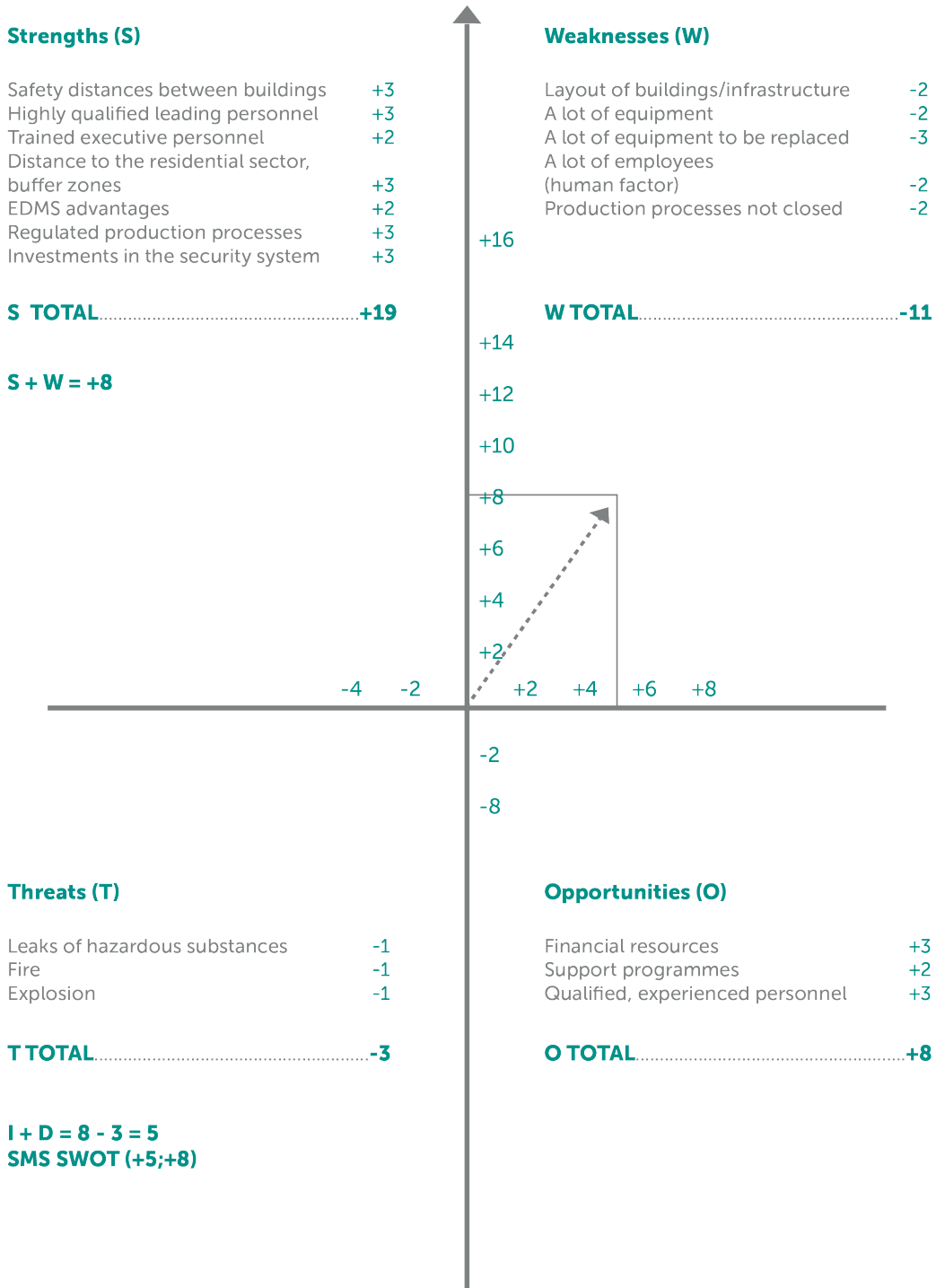
Evidence of the implementation of appropriate industrial accident prevention policy at the company:

- The results of a complex inspection by public supervisory authorities: the inspection reports issued by supervisory authorities with necessary improvement measures for readiness in case of emergency shows that the implementation of

the industrial accident prevention policy at the company is in continuous development: when one target is reached the next one is planned.

- The supervisory audit on maintenance of ISO 14001:2015 standard Environmental Management Systems with an energy extension, which was conducted by the auditing company Bureau Veritas Latvia. One of the requirements for this standard is readiness for emergencies.
- The company takes into account the requirements of applicable regulatory enactments when drafting documentation on industrial accident prevention measures.
- All the documents are maintained in accordance with the company's internal documentation management system, which is defined by the Quality Code regulations Documentation System. The regulations provide that documents should be updated at least once every five years or more often if needed, in case the requirements of regulatory enactments or other actual circumstances change.
- Regular meetings of the Accident Risk Commissions, the Safety Management System Commission.

SWOT analysis is used for the evaluation of the Safety Management System:



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 of health care and healthy lifestyle, science and education, culture and growth of employees. We have long-term cooperation with Olaine Town Local Government through cooperation and support for 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 event organizers**, thus contributing to the availability of culture.

In 2019, JSC Olainfarm sponsorship and community support principles and policy were approved and publicly communicated, based on the plans mentioned before and in reflecting the company's philosophy and business strategy.

We SUPPORT:



- Initiatives promoting healthy lifestyle and linked to the area of healthcare;
- Projects promoting development of chemical and pharmaceutical industries;
- Cooperation with higher education institutions in projects aimed at increasing the knowledge and experience of students and teaching staff in the programmes of pharmaceutical and chemical studies;
- Promotion of sports, culture and a healthy lifestyle in Olaine municipality;
- Charity projects promoting the public welfare;
- Cultural 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 Sponsorship and Support section. Thus, we have implemented a transparent project evaluation system.

In 2019, JSC Olainfarm implemented a number of initiatives for projects and community support in accordance with the company's Sponsorship and Support Policy:

- Olainfarm continued to support the development and growth of the young professionals in the industry by providing scholarships to the students of the Faculty of Pharmacy of Riga Stradiņa University, the Faculty of Material Science and Applied Chemistry of Riga Technical University and the Faculty of Chemistry of the University of Latvia.
- In order to promote the interest of youth in chemistry classes, the company supported participation of students and teachers in competitions, as well as offered an opportunity for students of vocational schools to visit the plant by organising tours guided by specialists.
- In showing efforts for the development of health care and healthy lifestyle, JSC Olainfarm participated in organising 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 support the young football players and boxers of the municipality.
- In support of family values and promotion of public welfare, the company provided aid to the needs of Jelgava municipality disabled persons' association and Olaine Senior Association, as well as Latvian Orphans' Association and charity project Rotaļlietu simfonija.
- JSC Olainfarm provided financial support to the film festival Baltic Pearl thus contributing to the support of high quality cultural events.
- Routinely support was also provided to the international competition of young jazz artists Riga Jazz Stage 2019, Olaine city celebration of 52nd anniversary and Olaine municipality Youth Day.

Quality management

We ensure high-quality standards in the development, manufacturing, control and distribution of products guaranteeing the highest quality of our manufactured products and services provided thus fostering and improving our patients' health. The company's management supports and promotes 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 operations and areas of the company, 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.

All feedback about the quality of JSC Olainfarm products and/or service is reviewed and all possible efforts are made 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 2019, 34 external and 24 internal audits were conducted in JSC Olainfarm Quality Management Department, and 12 monitoring audits, four of which were conducted by state authorities and eight by customers.

General quality objectives of 2019:

- To improve and optimise operation and processes - in quality, control and manufacturing fields;
- To continue the strategy for gradual upgrading, automation of technological and analytical equipment, renovation of buildings and premises;
- For the development of human resources to continue to hire qualified personnel as well as to promote development of employed specialists.

Pharmacovigilance

The key principle of our work is manufacturing of reliable and effective high-quality products to the entire world, therefore each JSC 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 Eudragilance 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 anyone interested, when needed, are welcome to report side effects of drugs of JSC Olainfarm on the website www.olainfarm.com, completing a relevant application in the Section Pharmacovigilance.

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 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 the 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 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 export markets of JSC Olainfarm in Latvia.
- JSC Olainfarm has long-lasting cooperation with scientific organisations, research centres and education institutions, for example, 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 the five founders of LLC Farmācijas, biomedicīnas un medicīnas tehnoloģiju Kompetences centrs and from 1 June, 2016 to 31 December, 2019 participated in the project Competence Centre for Pharmacy, Biomedicine and Medical Technology in order to implement four research projects.

Supervisory Council and Management Board

According to the Commercial law JSC Olainfarm governing bodies are the Supervisory Council and the Management Board. The Supervisory Council of JSC Olainfarm consists of five members who are approved by the general meeting with the majority vote. Rights, obligations and meeting regulations of the Supervisory Council are described in the regulations which are publicly available on the website. Information on the Supervisory Council's remuneration is disclosed in the financial report, and the Corporate Governance report includes information about election of the Supervisory Council. At the moment, JSC Olainfarm does not have an approved remuneration policy that would set principles for the members of the Supervisory Council and the Management Board, incl. in relation to the ESG metrics.

Obligations and responsibility of the Management Board

The Management Board of JSC Olainfarm has the obligation to manage the business of the company, which also includes the responsibility for the realization of the objectives and strategies determined by JSC Olainfarm and the responsibility for the results achieved. Obligations and responsibility of the Management Board of JSC Olainfarm, the composition of the Management Board and the requirements set to members of the Management Board, as well as identification of conflicts of interest in the activities of members of the Management 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 Riga.

The Management Board is responsible for the said to the Supervisory Council and the shareholders' meeting. In fulfilment of its obligations, the Management Board shall adopt decisions guided by interests of all the shareholders and preventing any potential conflict of interests. The Management 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 scope of the Management Board is set in the Regulation of the Management Board of JSC Olainfarm¹ and the scope of the Supervisory Council is set in the Regulation of the Supervisory Council of JSC Olainfarm².

¹ Available in Latvian: https://lv.olainfarm.com/wp-content/uploads/2018/06/Valdes_reglaments.pdf

² Available in Latvian: https://lv.olainfarm.com/wp-content/uploads/2018/06/Padomes_reglaments.pdf

The Commercial Law and the Regulation of the Management Board of JSC Olainfarm there are stated instances when the Management Board has an obligation to receive prior approval of the Supervisory Council.

Composition of the Management Board and Requirements to Members of the Management Board

The Management Board of JSC Olainfarm is composed of the Chairman and six members. The company's Management Board shall be composed in such a way as to ensure successful operations of the company and specialists from various fields shall be represented. The Management Board member shall have higher education and successful professional experience in the represented area.

In 2019, there were changes to the Management Board of the company, specialists with successful experience in managing international pharmaceutical companies joined the team.

Prevention of conflicts of interest

It is the obligation of every Management Board member of JSC Olainfarm to avoid any, even only supposed, conflicts of interests in his/her work. In making decisions, the Management 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. Management Board members of JSC Olainfarm should not participate in making decisions that can cause a conflict of interests.

The Code of Ethics of JSC Olainfarm forbids fraud and corruption and does not allow situations for conflict of interests. The company's partners are advised to follow equivalent ethical principles. In its activities JSC Olainfarm abides by principles of ethics and complies with requirements of legal acts, as evidenced by a fact that in 2019 no corruption cases were registered in JSC Olainfarm.

Transparent Tax Policy

JSC Olainfarm is a socially responsible enterprise and in its activities abides by legal acts regulating taxes.

Privacy policy

With increasing amount of data related to rights of individuals as well as requirements set in legal acts JSC Olainfarm has approved the following documents regulating data protection:

- Guidelines on personal data processing;
- General rules for personal data processing and protection;
- Personal data processing and protection policy;
- Privacy statement for the video surveillance system.

Data processing is regulated by a number of internal documents such as terms for using vehicles, employment agreements and related documents, and others.

Publicly available privacy policy is disclosed on the [webpage](#).

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 are a common practice, thus contributing to the 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 healthcare professionals and healthcare 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 2019, JSC Olainfarm has reviewed internal legal acts regulating ethics topics and has approved a new Code of Ethics, which clearly defines professional performance standards and promotes understanding of ethical thinking, working and behaviour environment as well as enhances professional ethics by creating an ethical environment and a positive image of the company.

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 pharmaceutical 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.

Apart from that, when distributing and promoting products, JSC Olainfarm and its employees act according to the 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.

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