

Grindex

JSC “Grindeks”
NON-FINANCIAL STATEMENT
2019

*Prepared in accordance with the requirements of
Section 56.3 of Financial Instruments Market Law of the Republic of Latvia,
following the European Commission Guidelines on non-financial reporting.*

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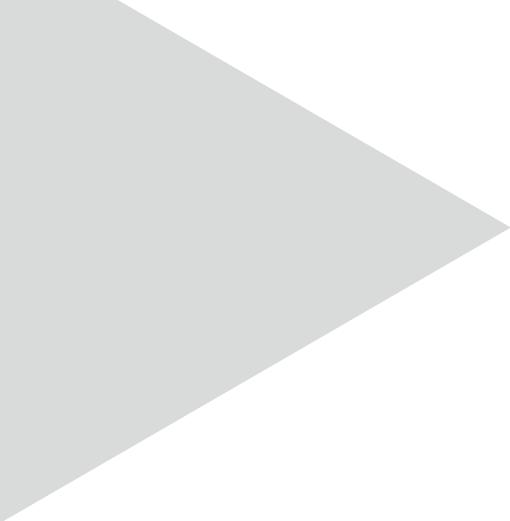
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Introduction





The development of the pharmaceutical industry is driven by science, technology, economics, politics and globalization. In order to win in the global pharmaceutical competition, it is important to understand the opportunities for industry development, to see your own advantages and to be able to overcome obstacles. JSC "Grindeks" is the leading pharmaceutical company in the Baltic States. Having more than 70 years of experience and well-kept industry traditions, "Grindeks" successfully implements its business strategy while focusing on modern healthcare solutions to enhance the quality of life.

Nonetheless "Grindeks" sets ambitious business targets, its main priorities remain the promotion of accessible public healthcare, well-being and motivation of its employees, as well as financial goals and interests of its shareholders. Responsible behavior, thought-through business strategy and innovation-based solutions are key to the company's stable development and excellent reputation over the years. "Grindeks" products are exported to 84 countries around the world and are internationally recognized as being of an exceptional quality. "Grindeks" is proud for its employees' extensive knowledge and high level of professionalism.

As JSC "Grindeks" grows, corporate social responsibility becomes an integral part of its successful business operation. "Grindeks" aims to become a valuable contribution to the well-being of its patients, partners and stakeholders and the general society. The effective partnership based development and society education about health is the roadmap for "Grindeks" corporate social responsibility strategy.

In 2019, "Grindeks" defined three key priorities in the area of corporate social responsibility:

- **Health and Safety**, comprising both our patients and employees
- **Environment** protection
- **Ethics**, demonstrating our ability to act fairly in the multifaceted pharmaceutical business

Each year "Grindeks" evaluates progress in the corporate social responsibility area and sets new goals in accordance with stated priorities. The development is measured and monitored throughout the year using such tools as data collection, inspections, internal audit, equipment evaluation and management system review. Persistence, excellence and responsible business management leads "Grindeks" towards becoming a worldwide recognized expert in the field of corporate social responsibility.

**Kirovs Lipmans,
the Chairman of the Council of JSC “Grindeks”**

I am deeply satisfied with the work done by JSC “Grindeks” in the field of corporate social responsibility last year. This primarily indicates the company's ambitious development goals, its global industry vision and high standards of professionalism and responsibility. The health of patients and employees, financial stability and environmental sustainability are the basis of JSC “Grindeks” successful operation over the years. On behalf of the Shareholders' Council, I would like to thank “Grindeks” for convincing actions, reliability and perseverance in achieving set goals!



**Dr. chem. Juris Hmelnickis,
the Chairman of the Board of JSC “Grindex”**

A correct and well-thought-through corporate social responsibility strategy had a positive effect on both the level of environmental sustainability of JSC “Grindex” and business and financial indicators. We expect that in the long run, the positive return will increase, helping us to gradually grow the value of the company and strengthen our international industry expert image. We worked hard implementing the corporate social responsibility strategy into our daily routines, and we will carry on strengthening our competences to offer our customers products with high added value.



Business model

"Grindeks" is the leading pharmaceutical company in the Baltic States. It was founded in 1946 in Riga, Latvia, where the head office, active pharmaceutical ingredients production plant, final dosage form production plant and the laboratories are still located.

"Grindeks" main business fields are research, development, manufacturing and sales of original products, generics and active pharmaceutical ingredients. One of the main business advantages of the company is the vertically integrated operational structure: "Grindeks" independently ensures and controls the full product life cycle, from research and product development all the way to product registration and its delivery to the points of sale. "Grindeks" is among those pharmaceutical industry players in the European Union, who can ensure a very high production quality control and market adaptability level.

"Grindeks" specializes on the heart and cardiovascular, CNS and anti-cancer medication therapeutic groups. The company's product range includes original products Mildronate® (meldonium) and Ftorafur® (tegafur), generic medicines, food supplements, as well as active pharmaceutical ingredients.

"Grindeks" is a modern and progressive company with years of professional experience and successful operations. "Grindeks" is planning and implementing a sustainable development strategy to offer timely and innovative healthcare solutions with high added value.

Values



Employees



Quality



Innovations

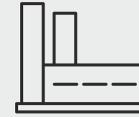


Stability

Mission

We care about patients' health, the motivation of our employees and interests of shareholders. We are innovation based and environmentally friendly company.

“Grindeks” Group



JSC “Tallin Pharmaceutical Plant”,
Estonia



JSC “Kalceks”,
Latvia



“Namu apsaimniekosanas projekti” Ltd.,
Latvia



“HBM Pharma” Ltd.,
Slovakia

Filiāles un pārstāvniecības



Lithuania



Estonia



Belarus



Ukraine



Azerbaijan



Georgia



Uzbekistan



Moldova



Kazakhstan



Armenia



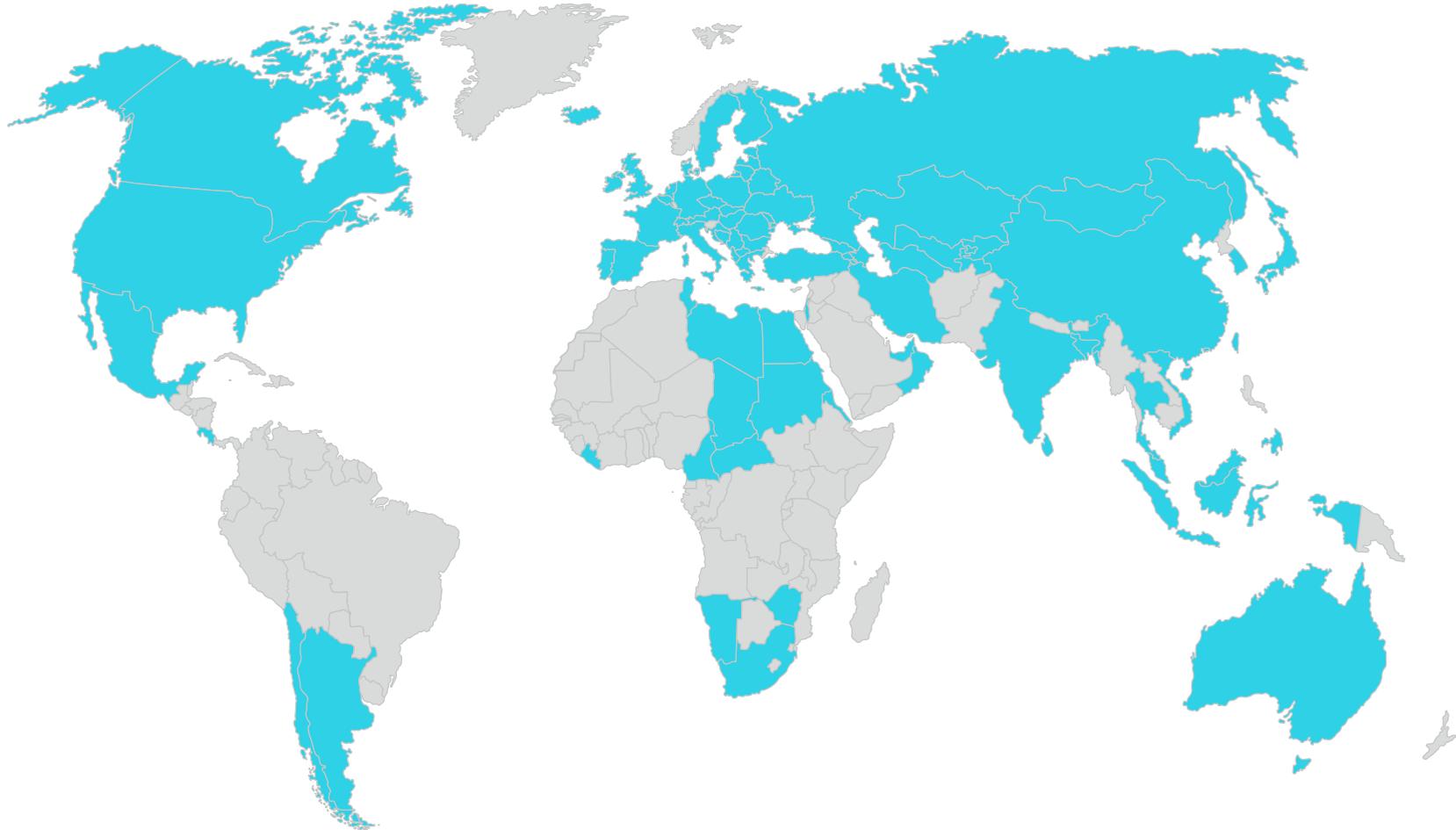
Kyrgyzstan

Markets

Worldwide export to 84 countries in 2019.

Export – 93.3% of total turnover.

The most significant “Grindeks” markets are the European Union countries, Russia and other CIS countries, Japan, Australia and Canada.



TOP products

Final dosage forms

MILDRONĀTS®



FTORAFUR®



Brand products



Prescription medication



OTC products and food supplements

Most demanded active pharmaceutical ingredients

In 2019, the most demanded active pharmaceutical ingredients were dexmedetomidine, xylazine and pimobendan.

“Grindeks” business objectives for 2020

In 2020, “Grindeks” will strategically focus on complex solutions to fulfil the needs of patients, will continue focusing on the new markets and will diversify its operations thereby reducing business risks. Additionally in 2020, “Grindeks” will continue expanding its product range.

- Strategic markets for business development – European Union and South East Asia countries, the USA
- Strengthening positions in Russia and the other CIS countries
- Business expansion of JSC “Kalceks”
- Expected increase in turnover of the Group by at least 10% in 2020
- Investments in 2020 – up to 10 million euro
- Successful maintenance of the new Medicines Verification System
- Successfully overcoming obstacles caused by Covid-19

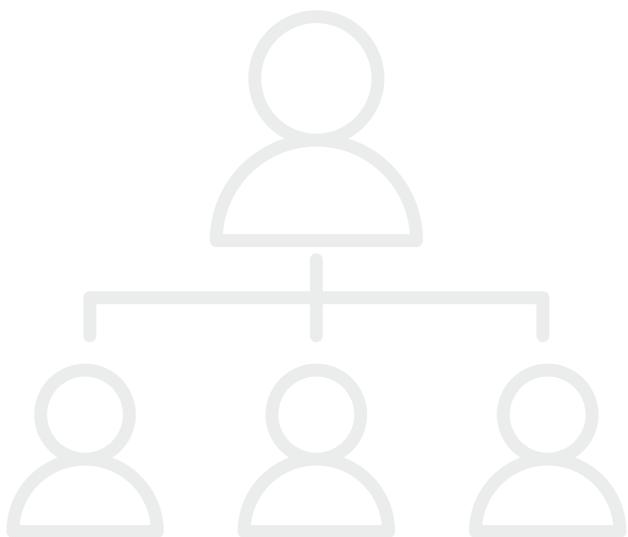
Decrease in value or devaluation of national currencies in the CIS countries and changes in geopolitical situation are still the most significant business risks that might negatively affect the company's performance indicators.

“Grindeks” policies and risk management

www.grindeks.eu/company/policies



<i>CSR priorities</i>	<i>Company's policies</i>	<i>Risk management</i>
<p>Health and Safety</p>	<ul style="list-style-type: none"> <li data-bbox="931 485 1339 538">  The Code of Ethics <li data-bbox="931 571 1547 647">  Quality, Environment, Energy, Occupational Health and Safety Policy <li data-bbox="931 681 1330 749">  Collective Agreement <li data-bbox="931 783 1339 851">  Whistleblowing Policy 	<ul style="list-style-type: none"> <li data-bbox="1599 477 2024 545">  Risk Management Policy
<p>Environment protection</p>	<ul style="list-style-type: none"> <li data-bbox="931 913 1547 988">  Quality, Environment, Energy, Occupational Health and Safety Policy 	
<p>Ethics</p>	<ul style="list-style-type: none"> <li data-bbox="931 1059 1285 1112">  The Code of Ethics <li data-bbox="931 1146 1223 1214">  Privacy Policy <li data-bbox="931 1247 1330 1315">  Collective Agreement <li data-bbox="931 1348 1339 1416">  Whistleblowing Policy 	



Since 2013, the **Code of Ethics of JSC “Grindeks”** is binding on all our employees, including in company's affiliates and representative offices. The Code is comprehensive and defines the Company's principles in:

- employment;
- ethics in scientific research and clinical trials;
- patient safety and pharmacovigilance;
- cooperation with healthcare professionals and institutions;
- prevention of conflict of interest;
- prevention of bribery and corruption;
- communication, information and documentation;
- disclosure of confidential information;
- fair business practice and partnerships;
- cooperation with patient organizations;
- conflicts and their prevention.

According to the Code, managers must ensure that all activities in their responsibility are performed in accordance with the requirements of the Code, as well as they are obliged to consult their employees on implementation of requirements of the Code.

In case of violation of the Code, employees are subject to disciplinary penalty – remark or reprimand, while in case of major violations of the Code, the Company is entitled to terminate the employment contract with employee.

Quality, Environment, Energy, Occupational Health and Safety Policy

Research, development, production and sales of Active Pharmaceutical Ingredients and Final Dosage Forms manufactured by JSC “Grindeks” are managed in such a way to ensure product quality throughout its life cycle, to take care and to save energy resources and environment, and to encourage employee's safety and health protection at work.

The basic principles of the Quality, Environment, Energy, Occupational Health and Safety Policy

Concerted actions and commitment to take into account:

- customer satisfaction and expectations;
- needs and expectations of shareholders and other stakeholders;
- employees needs and consultation from employee representatives and their implication.

Adherence to the requirements of general and industry legislation, current *Good x Practices and Guidance for Industry ICH Q10 Pharmaceutical Quality System principles and continuous supervision of their fulfilment.*

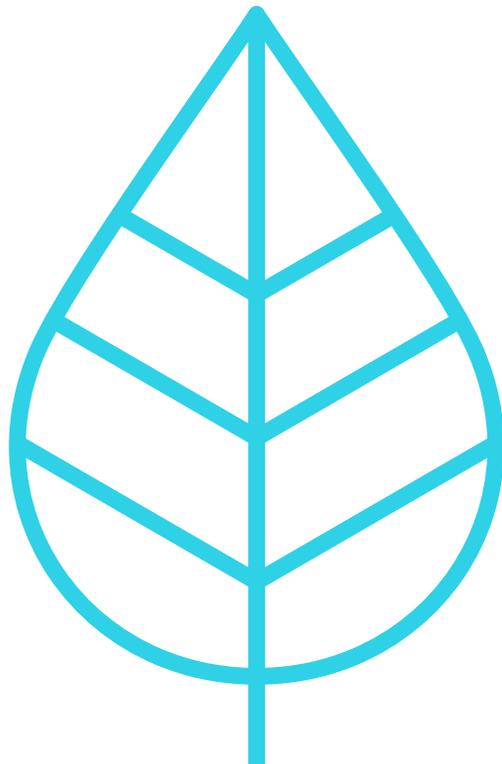
Continuous improvements within the framework of the planned resources:

- of the Quality Management System in accordance with the Standard LVS EN ISO 9001;
- of the Environmental Management System in accordance with the Standard LVS EN ISO 14001;
- of the Energy Management System in accordance with the Standard LVS EN ISO 50001;
- of the Occupational Health and Safety Management System in accordance with the Standard LVS EN ISO 45001.

Continuous reduction of environmental impact of manufacturing process, products and services.

Continuous commitment to improve energy performance ensures procurement of energy efficient services and products, increasing energy efficiency and reducing energy costs.

Continuous risk management and workplace risk reduction ensure safe and healthy working conditions, while preventing accidents at work and occupational diseases and prolonging a healthy, working life.





The Collective Agreement between JSC “Grindeks” and company's trade union provides company employees with more advantageous terms than the Labor Law initially states. The Collective Agreement regulates employment, pay (including the bonus system), work and rest time, holidays, employee training and intellectual property, occupational and social protection, and other affairs in the company. The Agreement is reviewed and updated every two years, and it is accessible to all company employees on the “Grindeks” intranet MyGrindeks.eu.

The Privacy Policy of JSC “Grindeks” certifies that the highest security requirements are followed regarding personal data coming at disposal of the company and privacy of data subjects is under maximum protection. The company invests resources and takes care of personal data in its day-to-day operations.





JSC “Grindeks” Whistleblowing Procedure was developed and approved in accordance with the Whistleblowing Law of the Republic of Latvia from 11 October 2018, which came into force on 1 May 2019, determining how a person (whistleblower) may in a good faith raise the alarm about possible violations.

JSC “Grindeks” Whistleblowing Procedure determines how to react promptly and constructively use trustfully reported information on possible violations in the operations of JSC “Grindeks”.

The company guarantees the protection of the whistleblower, which means that if the whistleblower has reported possible violations in good faith and responsibly, it is forbidden to cause any adverse consequences (repressions), such as initiating disciplinary proceedings or terminating the employment relationship, unless the whistleblower himself is involved in the infringement but has nevertheless decided to report it.

All the reported cases of possible violations or suspicion of such are taken into account and, if necessary, checked in accordance with the company's approved procedures.

The responsible person for **JSC “Grindeks” Whistleblowing Procedure** is Head of the Personnel Department and / or Data Security Specialist.

Reports of possible violations may be submitted in the following ways:

- in paper format in the special post box in the office;
- electronically at grindeks.lv;
- by sending the form via email to trauksmes.celejs@grindeks.lv;
- handing over the report form personally to the responsible persons;
- addressing one of the responsible persons verbally.

The “Whistleblower's Report” form is available to all of the employees at <https://grindeks.lv/lv/uznemums/politikas/>, under the section

Whistleblowing Procedure.



The Risk Management Policy of JSC “Grindeks” states, that company supports and promotes a comprehensive risk management for the benefit of our clients, owners, employees and partners. Our approach is based on grouping risk factors and linking them to relevant business functions, thus department and unit managers are as equally responsible for successful implementation of Risk Management Policy, as they are responsible for an achievement of company's overall objectives. The Policy determines the identification, assessment and management of risks in all company operational areas. For each of identified key risks, potential consequences and existing control procedures are assessed, and specific tasks for further action assigned.

The policy, as well as the company's internal procedure of risk management were both updated in 2016.

The purpose of the JSC “Grindeks” Risk Management System is to ensure a structured and systematic company risk identification process, assessment of identified risks accordingly to a value function of consequences/impact and frequency of occurrence/likelihood and, based on the assessment results, development of appropriate risk prevention and minimization strategy with specific activity plan and performance control measures.

Everyone in the company is responsible for risk management.

At “Grindeks”, following persons are involved in the risk management process:

- Chairman of the Board;
- risk manager;
- managers of structural units (risk owners), who are risk management representatives of their unit, simultaneously;
- Chief Finance and Administrative Officer;
- internal audit team;
- all employees of the company.

The company has a total of 16 risk owners, representing all areas of the company's operations.

Health and Safety



Responsibility for patients

Safety of medicines directly impacts the health of the patients and, under the certain circumstances, the wider society. Therefore, safety measures must be taken into account with great care and attention. Pharmaceutical industry is to the very large extent responsible for patients' health and life condition and plays a significant role in preventing potential risks.

High quality standards

“Grindeks” products are widely exported, therefore health of people all around the world is dependent upon these products' superior quality and safety. As pharmaceutical industry proud participant, “Grindeks” acknowledges the high responsibility level and considers the safety issues to be a priority under all conditions. All the products, that reach patients, meet international regulatory requirements and are proofed to be of the highest quality.

In the pharmaceutical manufacturing and quality assurance, “Grindeks” operations are licensed in accordance with:

- EU “Good Manufacturing Practice” certificates for final dosage forms and active pharmaceutical ingredients
- EU “Good Distribution Practice” certificate for the drug wholesaler
- Russian “Good Manufacturing Practice” certificate for final dosage forms
- Saudi Food and Drug Authority certificate for final dosage forms
- ISO 9001 Quality management system certificate

In 2019, for the maintenance of “Good Manufacturing Practice” certificates the State Agency of Medicines held a successful inspection on manufacturing and quality assurance for seven active pharmaceutical ingredients in the company, additionally Food and Veterinary Service held a successful inspection on food supplements. One successful foreign inspection and 19 customer audits were performed in 2019 regarding the compliance of medicines with the requirements of the “Good Manufacturing Practice” standard.



Multilevel drug security system

In 2019 “Grindeks” fully switched to a new drug verification system, in accordance with the EU Falsified Medicines Directive. The new safety requirements are applied to the prescription medicines, as this category is often the subject to counterfeiting, which creates an additional risk for the patients. Following the regulatory requirements and taking care of the safety of our patients, each package of prescription medicines manufactured by “Grindeks” is provided with safety features: a randomized serial number and an anti-tampering device on the outer packaging of medicines.

In order to prevent the possibility of falsification, “Grindeks” verifies each package of medicines with a three-level security system. The randomized serial number, product code, batch or lot number and expiry date are printed in both the human readable language and the two-dimensional matrix code on all the packages of prescription medicines. Additionally, each package is equipped with an anti-tampering device.

This is a significant investment in quality monitoring, which promotes trust and sense of security about the purchased “Grindeks” medicines among our patients.



Continuous pharmacovigilance

We continuously develop drug adverse reaction monitoring (pharmacovigilance) in all countries, where "Grindeks" medicines are available. "Grindeks" carries out pharmacovigilance in compliance with the standards of "Good Vigilance Practice" set by the European Union and with respective legislation of each country where products are distributed.

"Grindeks" regularly audits the quality of company's pharmacovigilance system, the State Agency of Medicines makes inspections, additional audits are performed by clients and partners.

"Grindeks" acquaints the competent authorities with drug safety related information. Any individual can report side effects of "Grindeks" medicines by submitting a report form under the Pharmacovigilance section on the company's webpage Grindeks.eu, as well as via e-mail or phone call.



Responsible clinical trials

“Grindeks” is a company with high scientific and research potential. The implementation of research projects is a long-term investment in ensuring the health and quality of life of “Grindeks” patients. In the field of clinical research, the company cooperates with Latvian and world researchers, scientific consultants, leading educational institutions and contract organizations.

In clinical trials, “Grindeks” ensures all processes of “Good Manufacturing Practice” and “Good Clinical Practice” that are related to manufacturing and logistics of investigational drugs and organization and implementation of clinical trials are in accordance with following national and international guidelines and legislative acts:

- in manufacturing and logistics of investigational drugs – Pharmaceutical Law, the Republic of Latvia Cabinet Regulations No. 289, No. 304, No 396, EudraLex Volume 4 of “The rules governing medicinal products in the European Union”;
- in organization and performance of clinical trials – the Republic of Latvia Cabinet Regulations No. 289, the quality, safety, efficacy and multidisciplinary guidelines developed by the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH), Regulation (EU) No 536/2014 of the European Parliament and of the Council, Directive 2001/20/EC of the European Parliament and of the Council and other European Commission guidelines, as well as other national legislative requirements of countries, where “Grindeks” performs clinical research.

Internally, procedure for performing clinical trials is regulated by seven SOPs (*standard operating procedures*) approved by “Grindeks”.

In particular, the company would like to note that in 2019, “Grindeks” carried out preclinical studies of a cardioprotective substance - GBB hydroxylase inhibitor with an original structure. The results of the Phase 1 clinical trial indicate a very good safety profile of the medication. The new investigational medicinal product is intended for the treatment of cardiovascular diseases. This treatment will have a unique therapeutic advantage – the new medicine will be available in both parenteral and oral dosage forms.



Responsibility for employees

Dynamic environment, innovation and technology is what describes the pharmaceutical industry best nowadays. At the same time, this is an industry of high risk profile, as countless chemical tests, studies and other complex activities are carried out on a daily basis. People, working within this professional sector, are driven by a common mission to promote public health and find effective ways to enhance the quality of life. The career in pharmaceutical industry is related to number of personal risks, as well as an incredible level of responsibility and very high stakes – each decision can be worth a human life.

From researchers in chemistry labs to a creative marketing team, pharmacy is a multi-profile industry with a high demand for talented, educated and skilled professionals who are able to look beyond the borders and offer a variety of perspectives to address complex health related issues. Trustworthy and respectful inter-company relationships, health and safety and the general well-being have consistently been at the top of the “Grindeks” personnel management strategy priorities. Employees are the key to the longstanding successful “Grindeks” operation. Therefore “Grindeks” takes a good care of the needs of its people, providing comfortable, motivating and safe working environment. In 2019, “Grindeks” ranked 2nd in the CV-Online Latvia employer ranking top in the manufacturing sector.



Personnel in numbers

	2017	2018	2019
Average number of employees in the Group	1355	1422	1506
JSC "Grindeks" in Latvia			
Average number of employees	678	696	736
Employees with the university degree	61%	62%	60%
Average age of employees (<i>years</i>)	43.7	43.61	43,34
Average length of service (<i>years</i>)	10.94	10.5	9.99%
Staff turnover rate	5.75%	5.27%	5.9%
Proportion of females			
Total number of employees	64%	63%	62%
Supervisory Council	25%	25%	40%
Board	-	-	-
Management (<i>running departments under direct supervision of Chairman of the Board</i>)	60%	53%	63%
Trainings			
Total hours of trainings	9409	11008	10453
Average hours of trainings per 1 employee	13.88	15.82	14.20
Student internships			
Number of interns	41	93	42

Human rights

"Grindeks" is an international company with strong democratic values. "Grindeks" respects and strictly follows all internationally recognized human rights, no discrimination or any other form of violence against the individual right for privacy, religion or freedom of belief is acceptable within the company. All of the company employees are treated equally, in accordance with applicable labor law. "Grindeks" supports diversity, human resource management strategy is based on the principles of inclusion and confidence building.

The company respects the right of employees to participate in professional organizations and actively supports the work of the JSC "Grindeks" trade union, promoting constructive dialogue and mutual understanding between the company and its employees.

Motivating work environment

“Grindeks” employees demonstrate outstanding professional performance and high competence level, loyalty and passion for the set company goals. Therefore, “Grindeks” is committed to being a responsible employer and fulfilling its duty of providing the best possible work conditions. One of the important factors for employee well-being is a comprehensive and complete social program of Personnel policy.

“Grindeks” provides its employees with:

- social guarantees and benefits;
- health and accident insurance;
- study leave and paid holidays;
- co-financed lunch;
- shuttle bus to and from work;
- sports classes and free access to sports center, as well as the opportunity to sing in a choir, attend various events and other benefits.

Over the years of professional experience, “Grindeks” has developed a unique recruitment strategy aiming to effectively attract, develop and retain in the long term the most talented professionals of the industry.

Employee satisfaction survey

“Grindeks” promotes openness in internal communication, as well as cares about the opinion of its people. In 2019 “Grindeks” organized an employee satisfaction survey in order to develop a better understanding about the everyday needs and the general mood of company employees.

The research data shows a high level of overall employee satisfaction, as well as employee emotional involvement and loyalty to the company and its goals. Based on the obtained data and employee insights, the company proposed an action plan and set team development goals for the next period.

The “Grindeks” employee satisfaction survey takes place every two years, all “Grindeks” employees in Latvia are invited to take part in the survey.



Labor protection – excellence through continuous improvement!

“Grindeks” is a socially responsible company that has extensive knowledge and broad practical experience in the field of occupational safety and health.

The active pharmaceutical ingredients produced by “Grindeks” are measured in tons per year, but the finished dosage forms - in billions of tablets and capsules. The products are then delivered to end customers, including pharmacies and healthcare institutions, all around the world. In order to fulfill the important mission of taking care of the health related needs of our patients, “Grindeks” employees work in the working conditions which cause or may cause risks to the safety and health. Interaction with various types of chemicals and their emissions can cause damage to the health of employees, therefore “Grindeks” has implemented a broad occupational safety and health system, which aims to prevent or minimize all potential risks for the employees and ensure safe working conditions. “Grindeks” labor protection system is being continuously reviewed and improved.

“Grindeks” Occupational Health and Safety System recertification audit took place in September 2019. After a successful audit, the Occupational Health and Safety System was certified in accordance with the new standard - ISO 45001: 2018, thus proving the company's responsible attitude towards its employees in regards to occupational health and safety issues. The company promotes safe work culture, holds regular trainings on fire safety, civil protection and occupational safety issues, as well as organizes field studies, such as practical evacuation training.

“Grindeks” regularly participates in public events and shares experiences with fellow entrepreneurs, colleagues and the general public. In 2019, the State Labor Inspectorate issued a letter of gratitude to “Grindeks” for frequent participation in knowledge sharing events and successful cooperation over the years.

Pyramid of STOP principle

In labor protection, "Grindeks" follows the STOP principle, which is based on risk identification and preventive action implementation on the very early stage of the new product planning process. The STOP pyramid focuses on eliminating potential risks before they appear, always going for the least dangerous work tactics and tools. If avoiding risk completely is not possible, collective protective equipment must be introduced, and only in the very last stage, if the risk has not been reduced in any other way, personal protective equipment is provided. The implementation of the STOP principle in the "Grindeks" daily operations promotes safe work environment, education and prudence of employees, as well as the company resource efficiency.



**Personal
protective equipment**

**Collective
protective equipment**

**During the development of new products, all
options for substitution of hazardous substances
with less hazardous ones are considered**

**Strict adherence to legislative requirements of
manufacturing of active pharmaceutical
ingredients and final dosage forms**

Investments in safe working environment maintenance

Improving and maintaining the company's infrastructure is an important element of the labor protection system. In 2019, "Grindeks" started a large-scale safe working environment maintenance project. Over the course of 2019-2020 various reconstruction activities will be carried out at "Grindeks" production site, technical and administrative premises. The renovation of engineering communications and fire safety systems, expansion of the parking lot and overall infrastructure modernization were recognized as priority areas for improvement.

"Grindeks" carefully reviews and evaluates the necessary renovation and risk prevention projects, looking for the most effective solution in terms of both, the security and resource efficiency. In 2019, "Grindeks" introduced innovative safety solutions for work with high-acting active pharmaceutical ingredients, adapting the existing scaling station equipment to safety requirements with the help of mobile insulators, which significantly reduced and even completely prevented air pollution in the room.

Accidents at work in the company are registered and investigated in accordance with the regulatory enactments of the Republic of Latvia. In order to prevent new cases, company regularly runs risk assessment procedures and implements measures to eliminate causes of potential accidents at the early stage.

<i>Indicator</i>	<i>Unit of measure</i>	2017	2018	2019
1. Accidents at work (<i>minor</i>)	number	6	5	3
2. Accidents at work (<i>serious</i>)	number	0	0	0
3. Accidents at work (<i>fatal</i>)	number	0	0	0
4. Lost work days	number	129	117	67

Environment protection



Pharmacy is an essential component for human quality of life, health and general well-being. The need for effective and affordable high-quality health solutions is growing worldwide. Rapidly increasing and aging population drives the demand for both existing medicines and dosage forms, and the new, innovative health solutions. Health solutions are closely linked to the production of pharmaceuticals, which is an energy-intensive, complex and multi-stage chemical process that results in a large number of chemical products as well as by-products. It is the responsibility of pharmaceutical manufacturers to manage and reduce environmental risks in order to avoid potential negative effects on human health.



"Grindeks" contribution to environmental protection

As one of the most powerful pharmaceutical manufacturers in the Baltic region, "Grindeks" is well aware that the health of its patients also largely depends on fresh and unpolluted air, good living condition and the availability of natural resources. Careful and responsible attitude towards nature and the environment is another way how "Grindeks" promotes public health and well-being.

"Grindeks" is an international vertically integrated company in the Baltic states that integrated company that independently ensures and controls the entire product life cycle, from laboratory research to the delivery of final dosage forms to customers (pharmacies, hospitals). Sustainable use of resources, efficient waste management system, careful control of the product life cycle and transparency are mandatory requirements for the successful "Grindeks" operation. The company regularly reviews internal business processes in order to identify possibilities for improvement and integrate new innovative solutions for more effective environmental protection in accordance with the standards set by "Grindeks" itself and the requirements of Latvian and international legislation.

"Grindeks" adheres to more than 70 binding legislative acts and requirements of environment protection; additionally, the company holds a category "A" permit for polluting activity issued by The State Environmental Service. The company's Environmental Management System is established in accordance with the Standard LVS EN ISO 14001, while the Energy Management System adheres to the Standard LVS EN ISO 50001.

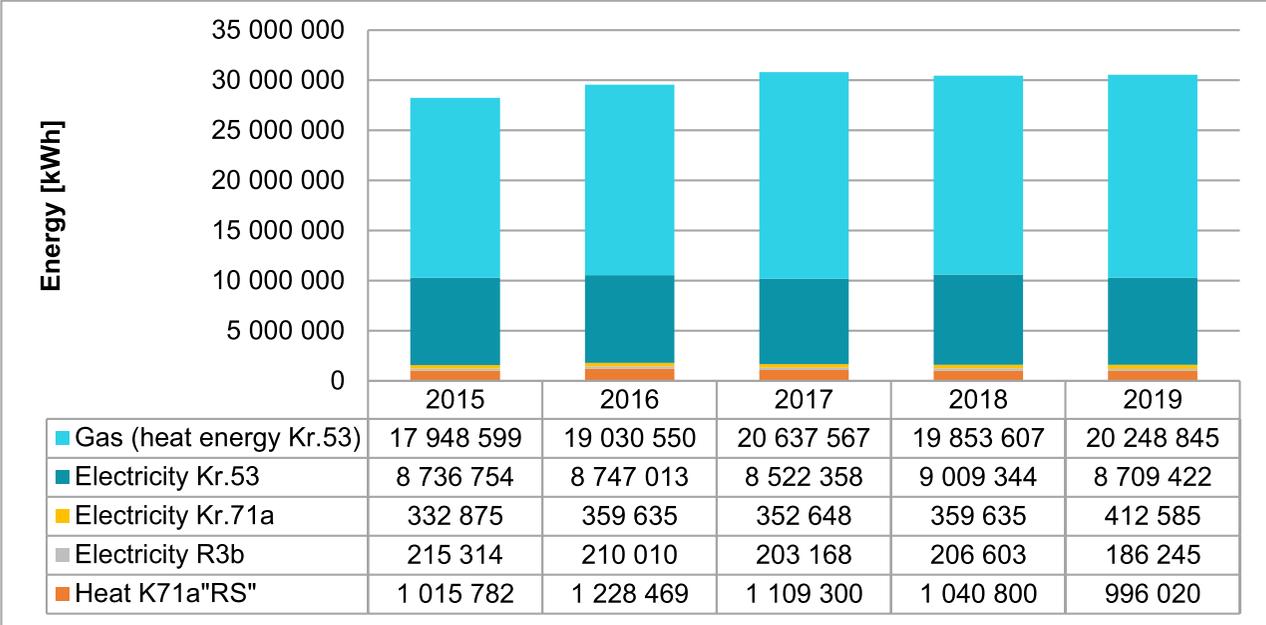
Development of environmentally friendly technologies is carried out by "Grindeks" in accordance with the European Commission recommendations of year 2006, which include the best available technical and technological solutions for implementation of fine organic synthesis processes, as well as reduction and recycling of the emissions and waste. "Grindeks" follows the European Commission's guidelines on best available techniques and analogous pharmaceutical manufacturing complementary sectors.

Since 2009, the company has an environmentally friendly industrial wastewater treatment concept with a modern, closed industrial biological wastewater treatment plant. A modern laboratory operates within the treatment plant, where waste water analysis and performance monitoring is made, as well as wastewater research. Our Environmental Control Laboratory is licensed in compliance with the international standard ISO 17025.

The main performance indicators of "Grindeks" environmental management

Energy management

Despite the rapidly growing production volume, the energy consumption of "Grindeks" in 2019 increased by only 2% compared to 2018. As the production volume grew, "Grindeks" Energy Indicator has notably dropped, which means sufficient increase in "Grindeks" energy efficiency level – in 2019 fewer energy resources were used per unit of "Grindeks" production.



Energy Indicator

(energy consumption per unit of production)

	2017	2018	2019
Final dosage forms manufacturing	245.2	242.4	216.4
Active pharmaceutical ingredients manufacturing	44.67	42.68	33.76

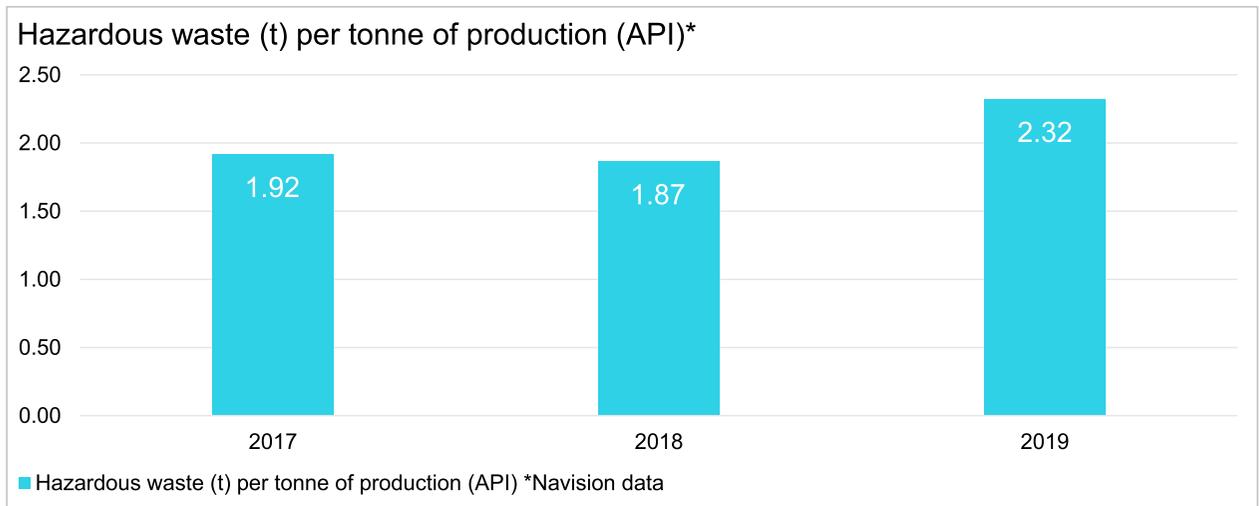
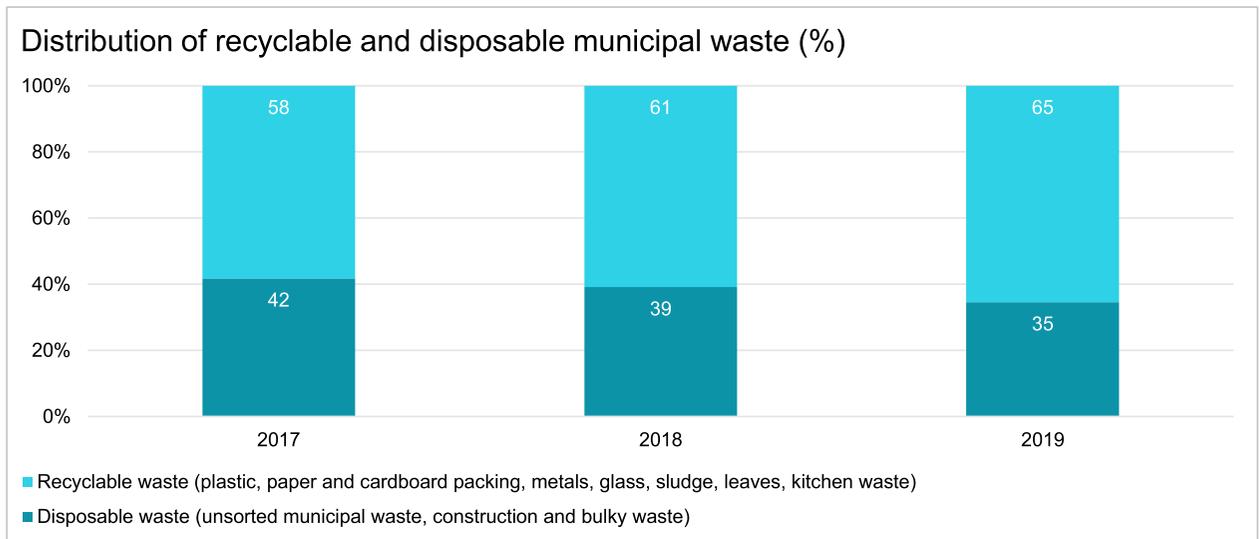
Significant environmental aspects and measurements

Waste management

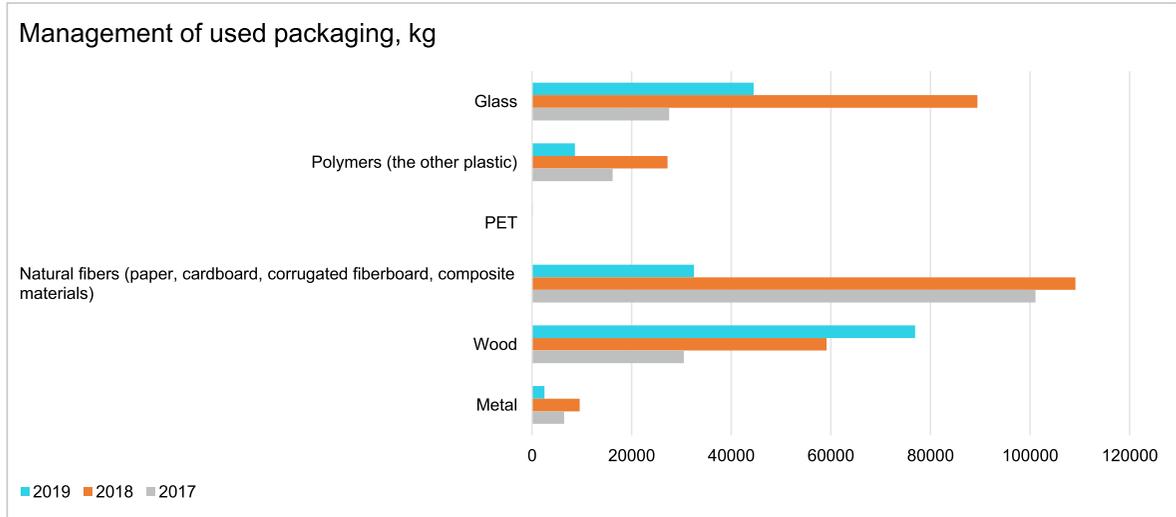
“Grindeks” continuously reviews its operating principles in order to identify areas of potential long-term improvement in the area of waste management and minimize the amount of disposed waste.

“Grindeks” waste management policy is based on three principles: reduce, reuse, recycle. The municipal waste sorting culture is an integral part of the company's operation, which promotes the separation of recyclable waste from the total waste stream, thus contributing to environmental sustainability and saving the valuable natural resources. “Grindeks” aims to reduce the amount of disposable waste annually.

The increase in the amount of hazardous waste in 2019 is explained by the production increase of certain pharmaceutical products, followed by limiting the concentration of wastewater pollution in the wastewater treatment plant, ensuring separate collection of the most concentrated wastewaters and safe transfer to a hazardous waste management company.



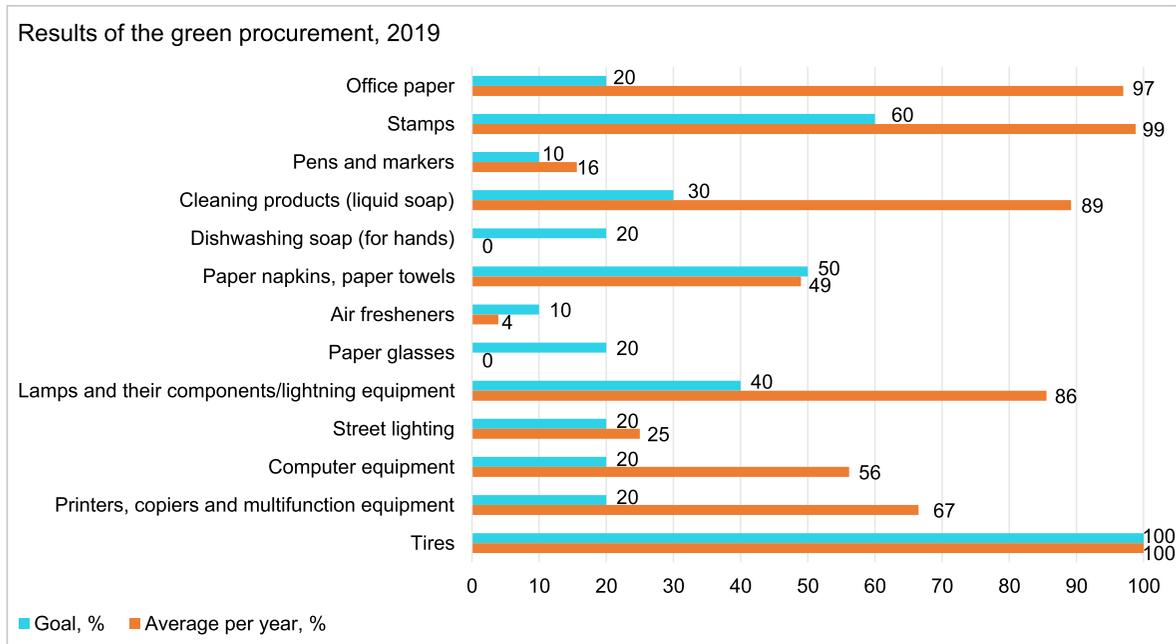
Since 2003 “Grindeks” cooperates with Latvian Green Point to ensure the responsible management of used packaging. “Grindeks” successfully reaches the high recycled packaging ratio, imposed by authorities, and is exempted from paying the natural resource tax.



Green public procurement

Green procurement is a choice in favor of environmentally friendly, energy efficient or otherwise sustainable goods and services. In 2018, the principles of “green procurement” were developed for “Grindeks” for the procurement of certain groups of goods. In 2019, the “green procurement” practice was successfully implemented and procurement targets set (% of the total procurement) for the next period.

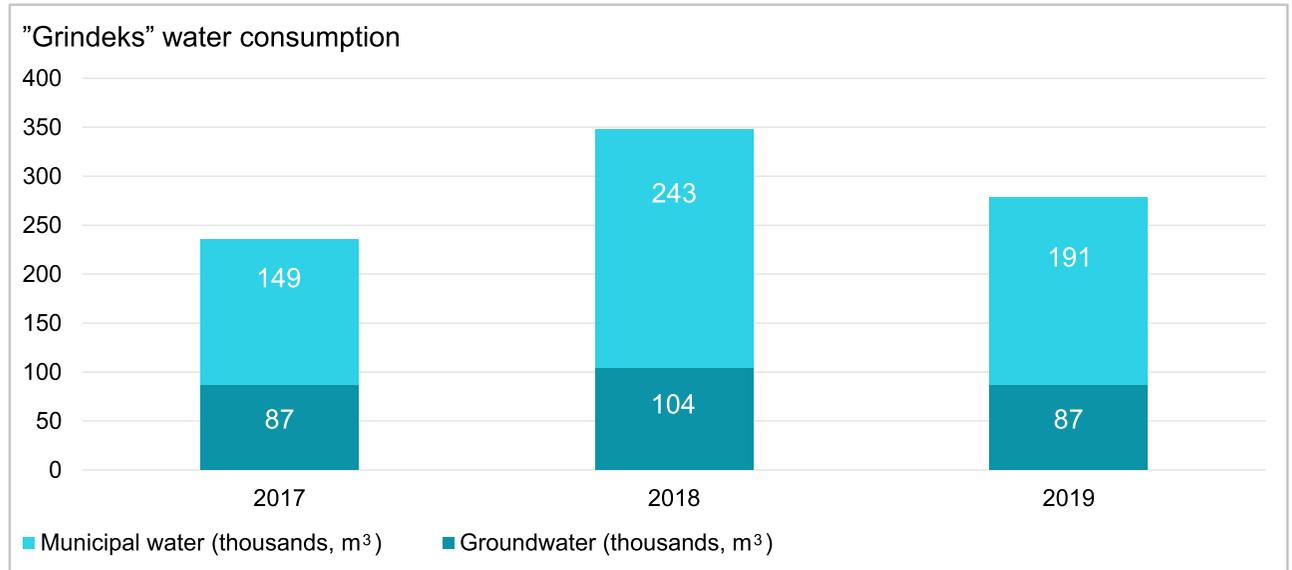
In 2019, the first year of green procurement practice in place, “Grindeks” saw significant results in the procurement of office paper, stamps, liquid soap for hand washing, paper napkins, paper towels, toilet paper from recycled paper fibers, lighting, printers, copiers and multifunction equipment. The tire procurement target was reached by 100%. In some procurements, the result exceeded the set goal by several times. Green procurement provides an opportunity to continuously improve company procurement system, as well as to support the development of sustainable business in the region.





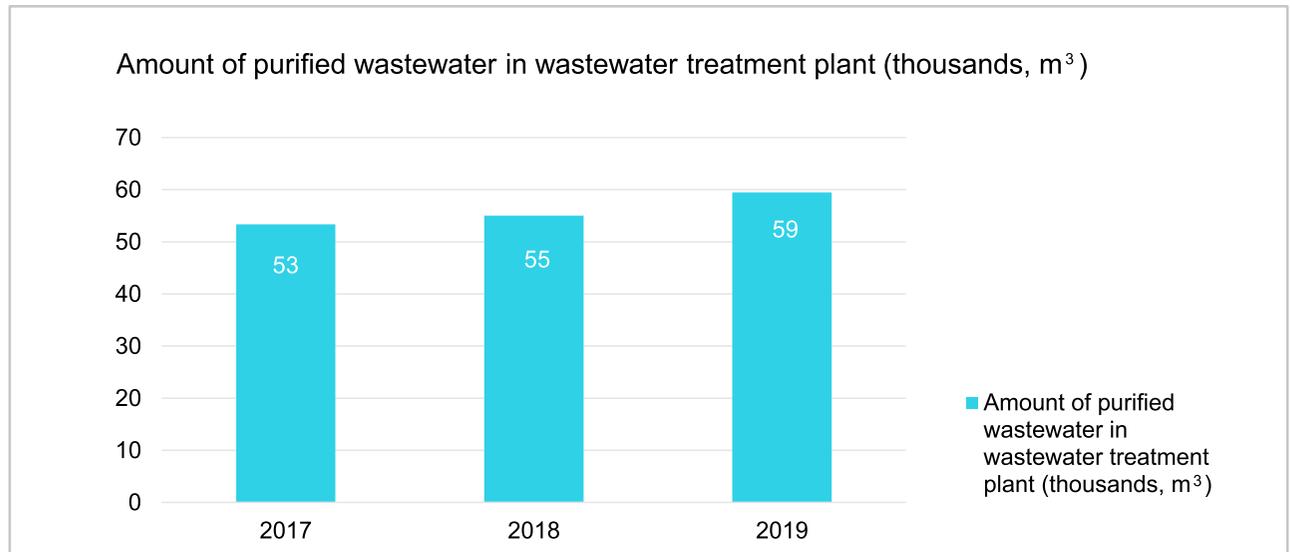
"Grindeks" water consumption

"Grindeks" is concerned about responsible water use and efficient management of natural resources. Successfully implemented production optimization measures and innovative technological solutions helped "Grindeks" to significantly reduce the water consumption of both city water and the company's underground water storage in 2019, despite the ever-increasing production volume.

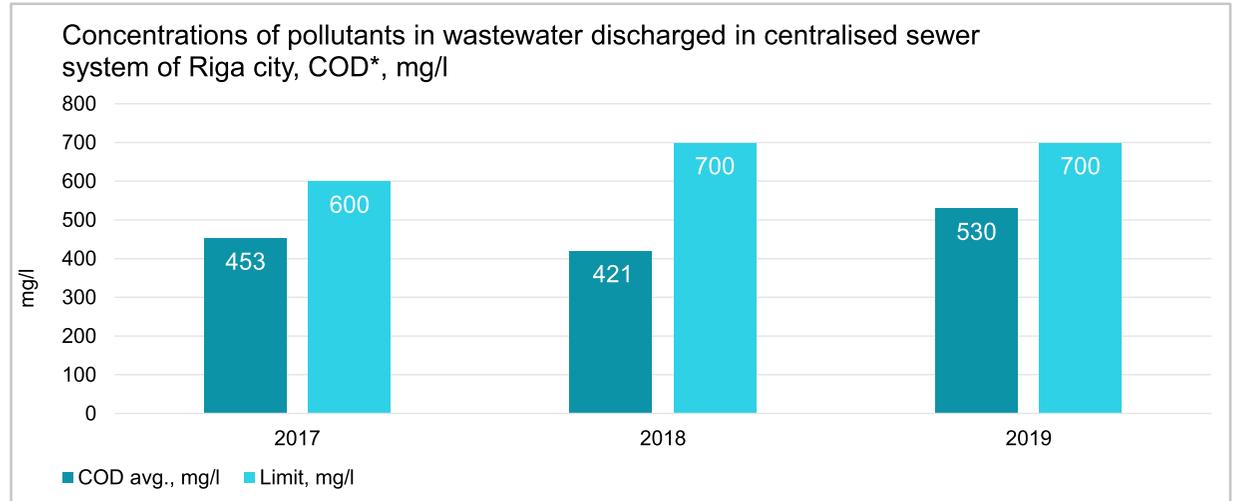


"Grindeks" wastewater treatment and purification

The pharmaceutical industry generates chemically contaminated wastewater. The biological wastewater treatment plants installed in the company purifies wastewater to the level required by the legislation, which allows "Grindeks" to safely dispose wastewaters into the city sewerage network.



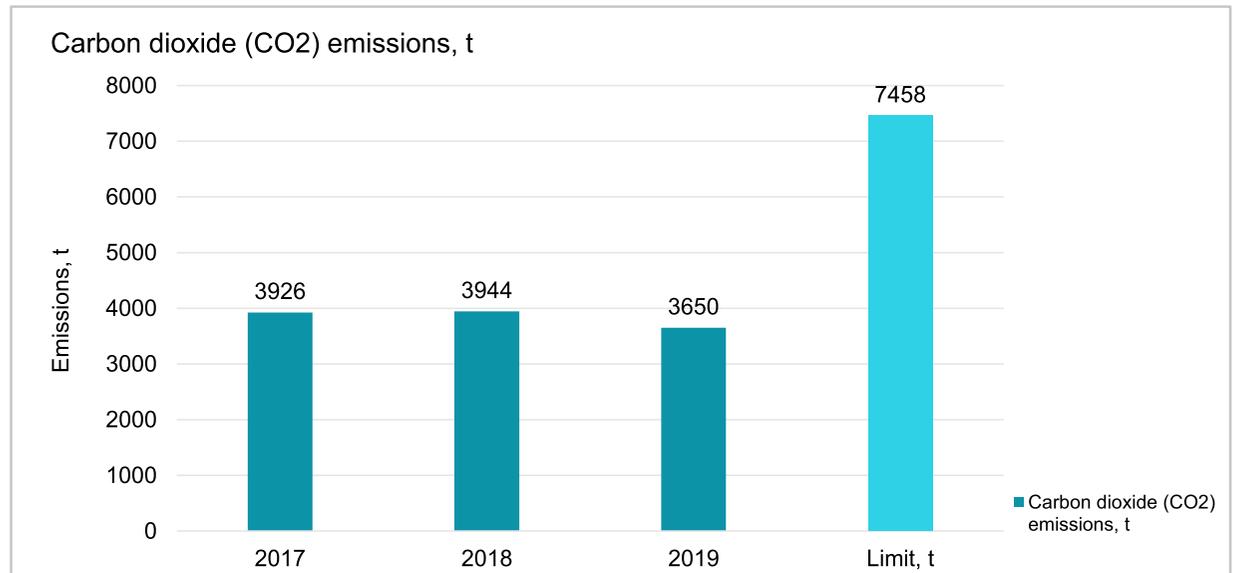


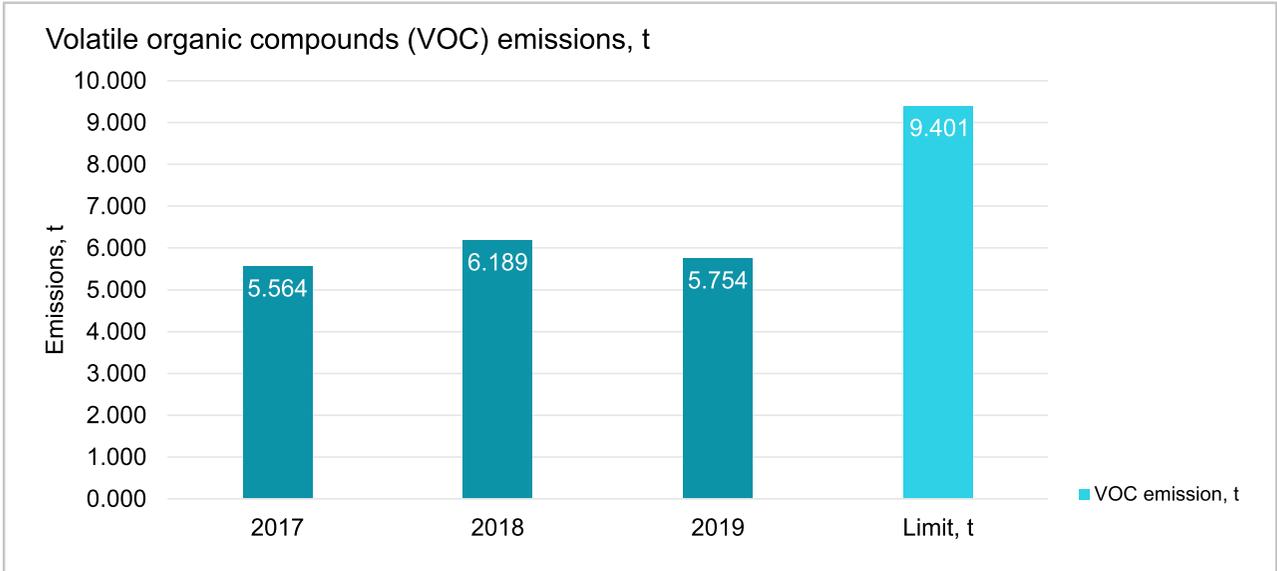
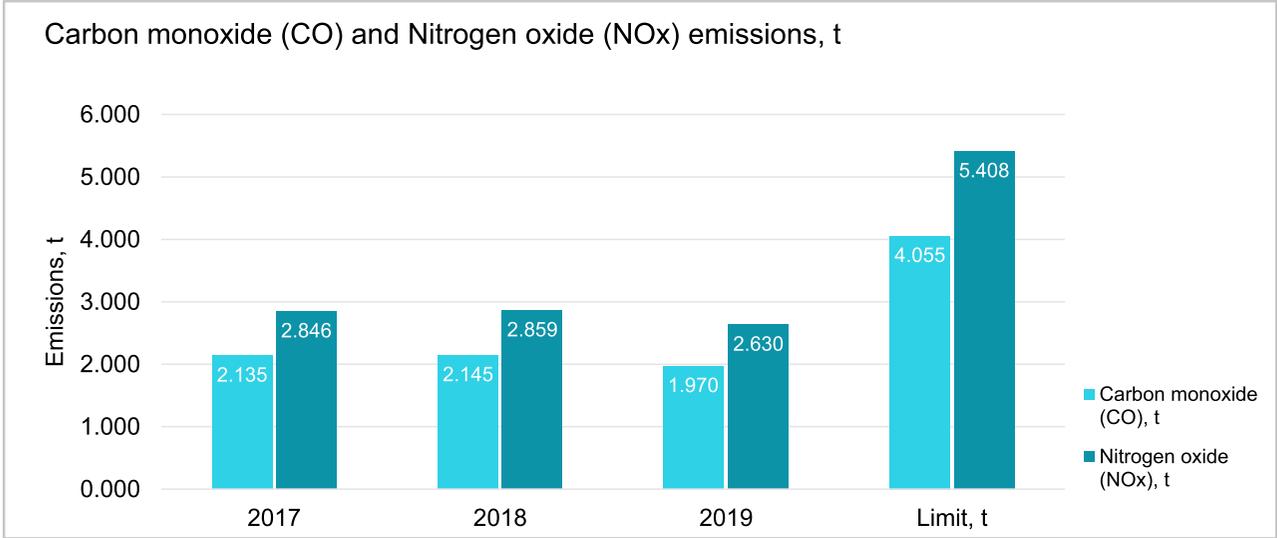


*COD – chemical oxygen demand

Direct emissions

“Grindeks” monitors that the amount of direct emissions generated as a result of company operations not only does not exceed the limit of the permissible norm, but also gradually decreases due to production process optimization measures and responsible behavior of the company.





Ethics

The business environment is changing rapidly. Nowadays society expects more transparency and higher ethical standards from companies rather than before. There are several important reasons for this, related to globalization, technological development and social changes. Companies of pharmacological industry regularly come across ethical issues of a wide range. In response to the changing business environment, the pharmaceutical industry pays particular attention to ensuring appropriate and ethical business practices.

"Grindeks" believes that ethical behavior is one of the cornerstones of sustainable development and is essential to build trust, which is the key to successful long-term cooperation in the global healthcare business environment.

"Grindeks" is a conscientious representative of the pharmaceutical industry and therefore a part of the international healthcare system. The ethical basis on which company interacts with other parts of the community is of particular importance for successful operation. The company's ethical principles focus on both day-to-day operational aspects and partnership management with other healthcare system stakeholders, such as industry professionals and patients.

Upright attitude and ethical considerations are part of "Grindeks" internal culture and decision-making process.

Each one of "Grindeks" employees is an ambassador of the company and is equally responsible for "Grindeks" good name and reputation. Therefore, since 2013 "Grindeks" has its own guide - a comprehensive Code of Ethics, binding to all company's employees, subsidiaries, regional representatives and branches. It aims to develop a common understanding of the basic principles of "Grindeks" ethical behavior and operation.

According to the Code, managers must ensure that all activities in their responsibility are performed in accordance with the requirements of the Code, as well as they are obliged to consult their employees on implementation of requirements of the Code. It is mandatory for all new employees of the company to get familiar with "Grindeks" Code of Ethics. The Code of Ethics provides comprehensive information on the expected actions of employees in their daily work in accordance with the company's mission and vision, general ethical norms, as well as good morals and the requirements of regulatory enactments.

In 2019, zero cases of violation of the Code of Ethics were identified.



Ethical for the society

Since 2016, when the principles of EFPIA Code (The European Federation of Pharmaceutical Industries and Associations Code) were enacted in Latvia and also incorporated in Regulations of Cabinet of Ministers of the Republic of Latvia. In accordance with the EFPIA Code "Grindeks" is disclosing all data on value transfers or any other form of support provided to healthcare organizations, associations, healthcare professionals and other representatives of the industry.

In marketing communication and product advertising, "Grindeks" strictly follows the regulatory enactments, ethical principles and cultural norms of the particular country or region. The company provides unprejudiced and truthful information about the medicinal products and its usage, does not distort the product's characteristics or qualities and strictly avoids manipulating the facts or any other way of misleading messages.

"Grindeks" actively participates in the work of public organizations in the field of health and chemistry, as well as other notable public organizations – Latvian Generic Medicines Association (LPMA), Association of the Latvian Chemical and Pharmaceutical Industry (LAKIFA), Latvian Chamber of Commerce and Industry (LCCI), Employers' Confederation of Latvia (LDDK) etc. The company is involved in the development and improvement of regulatory enactments aimed at promoting the availability of medicines in the country.

Effective patent protection

In order to develop effective intellectual property protection system, "Grindeks" strives to skillfully combine different regulatory aspects, such as patent protection, trademark and design protection, domain protection. "Grindeks" created guidelines on company's intellectual property protection. The purpose of the guidelines is to ensure appropriate and correct registration and protection of the trademarks, designs and domains of new and existing pharmaceutical preparations, medical ointments, cosmetics and nutritional supplements, patent protection of new and existing inventions, as well as the use, maintenance and protection against infringements of the intellectual property at "Grindeks" disposal.

Safe and ethical partnership

It is important that all the different areas of "Grindeks" operation adhere to the same ethical principles and not only "Grindeks" follows ethical principles, but so do "Grindeks" partners. Therefore, "Grindeks" has introduced guidelines "Principles of Cooperation in International Procurements", which stipulate that the goal of all procurement processes is to ensure effective cooperation principles, to follow good procurement practices and business ethics principles. Before starting a new partnership, the company makes sure that all parties are aware and well-informed about the requirements of the "Grindeks" Code of Ethics, their actions are appropriate and comply with the set standards.

Prevention of bribery and corruption

"Grindeks" is strictly against all forms of corruption. All necessary measures are being implemented within company operation to prevent bribery and corruption risk at all the organizational levels.

We are convinced that any day-to-day activity within the company must be carried out in accordance with the principles of corporate social responsibility. Therefore, every employee of the company is proud to be part of the "Grindeks" success and ready to engage in various socially responsible initiatives.

Our highlights of 2019



Grindex

اختر المصداقية ،
ستمتع بالتعاون

Choose reliability
Enjoy cooperation

Grindex

Choose reliability
Enjoy cooperation

Grindex

Internationally operating
pharmaceutical company
since 1946
Latvia, European Union

Conformity to high
quality standards:
GMP, ISO 9001,
ISO 13485, OHSAS 18001

www.grindex.com

“Grindex” participated in one of the largest health exhibitions in the MENA region “Arab Health” in Dubai



“Grindeks” initiated project “Profession Days for Pupils” has been gathering students capable of natural sciences for 10 years already. In 2019, 48 young individuals participated in the project, but over the course of 10 years – 460



“Grindeks” received the Employers' Confederation of Latvia (LDDK) award as the best internship company in the Riga region



“Grindeks” and other leading Latvian companies become participants of the “Ready for Life” program for schoolchildren



“Grindeks” ranked 2nd in the CV-Online Latvia survey “TOP employer 2018” in manufacturing sector



“Grindex” expands its product portfolio with Herbastress® Balzams

GADA BALVA MEDICĪNĀ 2018



“Grindeks” became main supporter of the annual “Award of the Year in Medicine”



Cultivate sporting traditions, 34 employees represented “Grindex” in the annual Riga Marathon



“Grindeks” subsidiary company “Tallinn Pharmaceutical Plant” celebrated its 105th anniversary



“Grindeks” product Viprosal B® ointment received gold evaluation in the “Trademark of the Year 2018” award in Ukraine in the category “Muscle and joint analgesic”



35 inquisitive children of “Grindeks” employees visited company to participate in the event “I am ready for a safe summer!”



The “Grindeks” team participated in the 23rd annual Pharmacists society of Latvia basketball tournament



“Grindeks” employees celebrate the summer solstice



Representatives of the “Grindeks” sales department in Latvia participated in the “Mothers' Club” family Summer Festival in the cultural palace “Ziemeļblāzma”



“Grindex” annually gathers the guests of the Riga City Festival in educational and entertaining activities, in 2019 offering a unique orienteering game “In the Footsteps of Pharmaceutical Legends”



“Grindex”, as Latvian Olympic Committee partner, supported the events of “Riga Beach Volleyball Week”



“Grindeks” visited by representative of the Health Inspectorate and the Ministry of Health within the framework of the event “Civil Servant Shadows Company”



“Grindeks” held Heart health week for employees with physical and educational activities, which ended with a blood donation day



“Grindeks” participated in award ceremony for the winners of International Science Olympiads and their teachers in Riga Castle

LVA



For a significant contribution to Latvian medicine and pharmacy, “Grindeks” presented the D. H. Grindel Prize to pediatric neurologist Jurgis Strautmanis



“Grindeks” oxytocin included in the list of the World Health Organization medicines, providing new opportunities for international procurement



“Grindeks” supported the 120th anniversary celebration of the Children’s Clinical University Hospital



“Grindex” presents Silver and Gold badges of honour to employees on their 15th and 25th work anniversaries



“Grindeks” and its subsidiary “Kalceks” representatives participate in the world leading pharmaceutical industry exhibition “CPhI Worldwide 2019” in Frankfurt, Germany

LATVIJAS FARMACEITU BIEDRĪBAI

25

GADA KONFERENCE
ZINĀŠANAS UN ĒTIKA - FARMACEITA
PROFESIONĀLĀ LĒMUMA PAMATS

2019.gada 8.novembrī
Rīga



“Grindeks” supported the conference of the Pharmacists' Society of Latvia, one of the most important events of the year for pharmaceutical professionals in Latvia



“Grindeks” Viprosal B® ointment received 3rd place in the “Multifunctional analgesic based on natural ingredients” product category of the “Russian Pharma Awards”



Ambassador Extraordinary and Plenipotentiary of Japan Yasuhiro Kawaguchi and Attaché of Japanese Embassy in Latvia Kentaro Morimoto visited “Grindeks”



“Grindeks” final dosage forms (tablets and capsules) plant in Latvia and “HBM Pharma” injection plant in Slovakia received a certification of Saudi Food and Drug Authority of Saudi Arabia, providing new business development opportunities