

SUSTAINABLE DEVELOPMENT FOR HUMAN LIFE AND HEALTH

Non-financial report

2019

We make the treatment with modern effective medicinal products possible



Filya ZHEBROVSKA,
Chairman of the Supervisory Board
at Farmak JSC

“Farmak” presents to your attention its first non-financial report. We have prepared this document in accordance with our commitments to the UN Global Compact Network, which the Company joined in 2019.

It is symbolic that this report was published this year. As in June the UN Global Compact Network celebrated its 20th anniversary. And in December, our Company celebrates 95 years since its founding. Historically, we have been and remain pioneers in the pharmaceutical industry of Ukraine. Suffice it to say that “Farmak” is the country’s first enterprise for the production of synthetic medications. We began to prove the bioequivalence of medications, ie their effectiveness, almost 10 years before it became a mandatory requirement in the industry. Standardization of production according to GMP, projects in the field of energy efficiency and economical use of natural resources, introduction of innovations and investments in science. All of these are the priorities of “Farmak’s” activities in our recent history, which resonate with the UN Sustainable Development Goals.

The industry leader must exemplify and lead. That is why we decided to systematize the work in the direction of sustainable development and become part of the world’s conscious business, of course, the first among Ukrainian pharmaceutical companies.

Out of 17 Goals of Sustainable Development, “Farmak” has selected 10, which our Company will help to achieve. As people say, one drop and another drop – will make the river. I hope that our example will inspire other companies to do business not only for profit, but also to solve global problems and preserve for future generations a clean planet, suitable for a happy life.



Volodymyr KOSTIUK,
Executive Director at Farmak JSC

RESPONSIBLE LEADERSHIP OF FARMAK

Being the leader of the Ukrainian pharmaceutical industry, “Farmak” was the first among domestic companies to join the UN Global Compact Network, as the Company’s policy fully complies with the guidelines aimed at solving the most pressing problems of our time and caring for future generations.

Leadership positions oblige us to keep pace with international practices and be an example in implementing the principles of sustainable development. Our most important contribution to the present and future is the provision of qualitative and affordable pharmaceutical products to our people and citizens of many other countries. In our commitment to health, we put just as much effort into enhancing other aspects of human well-being. This includes providing decent working conditions, transparent business and investing in scientific and practical research. Each of the Global Compact’s universal principles – from ensuring human rights to dealing with any form of corruption – is clearly set out in our policies and supported by practical actions.

As we care about people, we do not forget that we all live in the same home, on the same planet. Therefore, by increasing our manufacturing capacity, we simultaneously minimize the negative impact on the environment. This is not an exhaustive list of our environmental activities, as numerous educational projects initiated by the Company form a new eco-consciousness.

We realize what a huge role socially responsible business can play in solving global problems, and we will do our best to become a driving force for positive change!

Sustainable development

A guide for the Company	6
Farmak’s strategy	7
UN Global Compact	8
Mission and Values at JSC Farmak	10
JSC Farmak policy	11

Manufacturing

Good health is our ultimate goal	12
Investments in the health of present and future generations	14

Marketing

We are for everyone who needs quality medicinal products	16
--	----

Quality

Maintaining high quality	18
--------------------------	----

Logistics

From the selection of supplier to release	22
---	----

Personnel

People are the company’s most valuable asset	24
Employees’ safety. Decent working conditions guarantee	26
Comprehensive support	28
Continuous growth	30
Education for young people	32

Environment

Environmental care	36
Preservation policy	38
Care about the atmosphere	40
Preserving water resources	42
Smart strategy	44

Projects

Eco-school: let’s save the planet together	34
Clean city, green city	46
Corporate volunteering	48
Donation of blood	49
Science for Future	50
Sport available to everyone	51
Sharing experience with colleagues and partners	52



A GUIDE FOR THE COMPANY

How the UN's global goals on balancing the interests of present and future generations are implemented into specific projects and actions in JSC Farmak.

Today, the world's respected business institutions, when considering possible cooperation, are the first to ask about a contribution a company makes to social existence and ways of implementing the goals of the UN Global Compact.

Quality and affordability

"We provide affordable treatment with modern, effective medicinal products, helping people to be healthy and happy due to the European quality standards, innovations, constant development, professionalism and a solid reputation of the responsible business and reliable partner" – this is the principle specified in the Mission of JSC Farmak. It is the constant development that has distinguished the Company for 95 years! Today, JSC Farmak reinvests a fair share of its profits in the expansion of manufacturing opportunities and scientific research.

Today JSC Farmak reinvests great share of its profits in expanding production opportunities and research. This gives us the opportunity to remain a leader of UA pharmaceutical market for many years and to be one of the largest exporters of medicines to more than 25 countries.

Eco-conscious choice

We expand our manufacturing and at the same time – we reduce our impact on the environment. So, the purification

equipment at our plant in Shostka is so perfect that 99% of all effluents from pharmaceutical (!) manufacture are produced by the boiler plant. That is the modern treatment facilities do not allow harmful substances to be released into the air or into the water.

The Company's world view

We can say that JSC Farmak creates a special corporate culture. You can ask any of the employees what they work for. Probably his or her answer will be – for health reasons. This is the highest goal.

The Company's employees are also involved in social, charitable and environmental activities – annual traditional cleaning of parks and squares, blood donation, volunteering, charity and fundraising, participation in the "green office". Significant attention is paid to the promotion of a healthy lifestyle. For three consecutive years, Farmak has organized the "Run For Your Health" race in Shostka. In 2019, almost 200 employees of the Company took part in six all-Ukrainian races at different distances.

Olena ZUBARIEVA,
Head of Corporate
Communication and
Sustainable Development
Department



Activities carried out with the vision of the future are an integral part of socially responsible business today.

FARMAK'S STRATEGY OF SUSTAINABLE DEVELOPMENT

The principles of sustainable development are implemented in all activities of Farmak JSC

1 Providing people with modern, quality and affordable pharmaceutical products



2 Increasing manufacturing capabilities and at the same time eliminating environmental impact



3 Increasing the ecological awareness of the population - Eco-projects



4 Healthy lifestyle – engaging workers of the Company, central and regional residents in healthy initiatives



Supporting domestic medicine and promoting professional development of doctors

6



Corporate volunteering: engaging 70% of employees

7



Creating conditions for development of scientific potential of Ukraine

5





UN GLOBAL COMPACT



Good health and well-being.

JSC "Farmak" is the leader of the pharmaceutical market of Ukraine, export to 28 countries worldwide and has medications in all therapeutic groups. Mission of the Company follows the Goal №3 – to make treatment affordable with modern, effective medicinal products.

- 20 new products were launched into manufacturing
- 16 new products were developed, investigated in the clinical trials and registered
- DMF was created for three active substances
- Extended presence in therapeutic groups



Quality education.

JSC Farmak takes care of employee training. There are internship programs, training during work, training for managers: "Young Leader's School", "Manager's Development School", "Leadership School".

- The Company implements educational projects for young people and cooperates with schools and 7 universities. Projects: "Eco-School", "School of young scientist", Farmak_Lab. Students regularly undertake an internship.
- JSC Farmak implements the "Level" project for ukrainian doctors



Clean water and sanitation.

JSC Farmak increases manufacturing capabilities and at the same time eliminates environmental impact.

- Harmful substances do not get into the water during production due to multi-stage purification. In 2019 the enterprise's treatment facilities were reconstructed. The use of flocculants allows to accelerate the process of water settling, improve the treatment procedure, significantly reduce the concentration of pollutants in the effluent.
- Workers are provided with working clothes, special footwear and necessary personal protective equipment. Sanitary and living conditions are observed, occupational safety trainings are conducted.



Affordable and clean energy.

Energy efficiency is implemented in the activities of JSC "Farmak". In 2019 electricity consumption was reduced by 9.69% for each hryvnia of output JSC Farmak has implemented an eco-solution

- Installation of a heat recovery system in the boiler plant
- Use of condensate energy for feed water heating
- The first steps in the use of solar energy and cold power have been taken.



Decent work and economic growth.

JSC Farmak has been recognized as one of the largest taxpayers in the region and one of the best employers in the country.

- The company conducts transparent business, thanks to which the national and local budgets are replenished.
- JSC "Farmak" operates and annually revises the collective agreement. Employees receive competitive wages, which was increased by 14% in 2019.



Climate action.

The company is taking urgent action to combat climate change and its consequences.

- JSC Farmak increases manufacturing capabilities and at the same time eliminates environmental impact. Emissions to the atmosphere decreased by 12.42% compared to 2018 in Kyiv and by 22.99% in Shostka.
- The "Green Office" project operates on a permanent basis in JSC Farmak



Industry, Innovation and Infrastructure.

JSC "Farmak" implements modern solutions that improve people's lives.

- API production was established on the basis of the industrial park in Shostka.
- The number of employees increased from approximately 2,500 in 2018 to 2,733 in 2019.
- Investments in the development of scientific potential are \$ 15 million per year.



Life on Land.

In its activity JSC "Farmak" adheres to Ukrainian and European environmental legislation.

- Company projects "Clean City" and "Green City" contribute to the development of cities Kyiv and Shostka.
- The all-Ukrainian project "Eco-school" in 2019 involved 10 schools in Kyiv and 9 schools in Shostka. A textbook with current issues facing the world today has been developed for schoolchildren.



Responsible consumption and production.

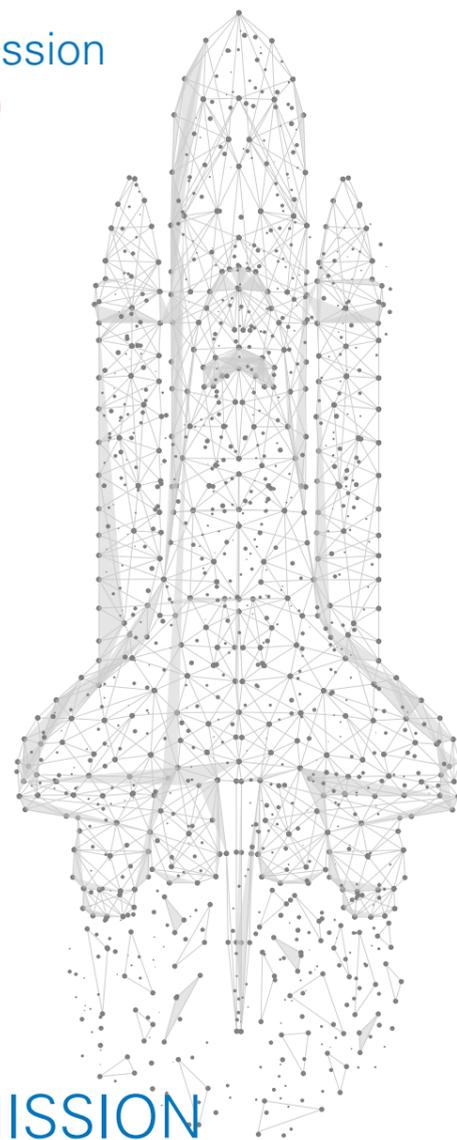
JSC Farmak promotes a rational and economical approach to power resources and production process.

- Consumption of power resources per unit of output reduced by 3% in 2019
- Gas consumption was reduced by more than 22.74 % per hryvnia of the output.



Partnerships.

- JSC Farmak, as a member of the UN Global Compact Network, strengthens its means of implementation and intensifies its work in the framework of the global partnership for sustainable development and strives to be an example of socially responsible business.



MISSION

We make treatment affordable with modern, effective medicinal products, helping people to be healthy and happy.

MISSION AND VALUES AT JSC FARMAK

JSC Farmak is a Ukrainian pharmaceutical company, the market leader with European quality standards.

VISION

JSC Farmak is a successful international pharmaceutical company, a leader of the Ukrainian pharmaceutical industry, with constantly growing market share and solid reputation of a responsible business and a reliable partner. Most of the profit of JSC Farmak is annually reinvested into its growth and development, which makes it possible to expand the business in Ukraine that complies with the European quality standards and strengthen the positions in the global market.

VALUES



GROWTH.

Development of a person within the Company and development of the Company in Ukraine and throughout the world



ENGAGEMENT.

The employees' engagement in the Company and their desire to do their best will help the Company to accomplish its Mission



QUALITY.

Ensuring compliance with the highest standards and requirements both with regard to the products and the individual and team work



PROFESSIONALISM.

High qualification of each employee and the Company as a whole as the basis for success and quality guarantee



INNOVATIVENESS.

Application of best manufacturing and management practices, finding solutions through innovative approaches

JSC Farmak is a leader in the pharmaceutical industry of Ukraine in the development, manufacturing and supply of high-quality, effective and safe medicinal products, medical devices and dietary supplements.

The senior management of JSC Farmak, being aware of its responsibility for the Company's activities, products and services and their impact on consumers, customers, employees of the Company and other interested parties; as well as on the environment and use of power resources, undertakes obligations which are the basis for setting goals in all areas of the integrated business management system:

- to meet the legislative and regulatory requirements applicable to all Company's activities, products and services;
- to meet the needs and expectations of consumers, customers, Company's personnel and other stakeholders;
- to ensure continuous improvement of the integrated business management system, using clear performance and efficiency indicators;
- to implement innovations in all activities;

JSC FARMAK POLICY

regarding quality and safety, pharmacovigilance, power management, occupational health and safety and environmental protection.

The key to success and recognition of the Company at the national and international levels is the implementation, support and continuous improvement of the integrated business management system based on Good Practices (GxP) in the pharmaceutical industry, international standards ISO 9001, ISO 13485, ISO 14001, ISO 22000, ISO 45001, ISO 50001, the current regulatory documents applicable to the Company's activities and the UN Global Compact Goals.

- to apply a risk-oriented approach to all systems, processes, products and services of the Company;
- to ensure a continuous process of evaluating the information on safe use (benefit/risk ratio) of all medicinal products and medical devices of JSC Farmak throughout their life cycle;
- to ensure traceability and data integrity through the use of modern information technologies;
- to maintain clear and transparent external and internal communication processes;
- to ensure the necessary competence, awareness and involvement of personnel at all levels of the Company;
- to ensure the availability of resources necessary for business support and development;
- to introduce measures to prevent pollution and mitigate negative impact on the environment, promote and develop environmental responsibility and conscious consumption of natural resources;
- to create safe working conditions, eliminate hazards and mitigate risks to human health and life, and prevent the occurrence of incidents, accidents and occupational diseases;
- to continuously improve power performance by improving technological processes, introducing power-efficient technologies and using power-efficient equipment.

Understanding, support and implementation of the Policy by all personnel will ensure the Company's sustainable development, reputation of a responsible business and a reliable partner for the main goal – human health.



GOOD HEALTH IS OUR ULTIMATE GOAL

The Company's strong belief is that the medicinal products of JSC Farmak should be available to every patient in Ukraine.

The medicinal products of own manufacturing form a main portion of Farmak products. Also the Company has biologically active additives and medical products in its range and provides services of contract manufacturing of medicinal products for domestic and foreign partners. The main activities of JSC Farmak are focused on the development, manufacturing and sale of prescribed and over-the-counter medicinal products of a wide range, in particular, generic medicinal products and products of well studied medicinal use, sales of which constitute 90.5% of the total sales of the Company for 2019.

JSC Farmak plays an important role in state programs for prevention and treatment of diabetes and arterial hypertension, which are implemented in Ukraine. The Company has been engaged in the "Affordable medicinal products" program since its launch in 2017. Out of 23 molecules present in the program, 8 molecules are supplied by JSC Farmak.

The product portfolio of JSC Farmak covers a wide range of therapeutic groups, but the Company focuses on six main groups of medicinal products, namely:



- Products that are used to treat the digestive system and metabolism
- Products that are used to treat the musculoskeletal system
- Products that are used to treat the respiratory system
- Products that are used to treat the nervous system
- Products that are used to treat the cardiovascular system
- Products that are used to treat hematoses and blood

JSC Farmak has several specialized portfolios, such as ophthalmology portfolio, contrast media, and carries out manufacturing of pharmaceutical products under contract for its partners, Ukrainian market and export.

Tetiana Cherevychna,
Head of Manufacturing Department at JSC Farmak



Today, more than ever, the competitiveness of manufacturing is determined by the use of key digital management systems and innovative planning, organization and control technologies.

In 2019, JSC Farmak confirmed its leadership in the pharmaceutical market of Ukraine, holding its position No. 1 in sales for 10 years in a row

401 nomenclature items on the price list
177 INN (International nonproprietary name)

This is the product portfolio of JSC Farmak at the end of 2019. During 2012-2019 JSC Farmak has been one of the most active local pharmaceutical manufacturers in the Ukrainian market in terms of development, registration and launching of new products in the market, taking into account a number of new unique product items launched in the Ukrainian market.

20 products are launched into the market annually by the Company – these are complex, modern medicinal products, which are essential for millions of people in our country, as well as abroad

20 new products were launched into manufacturing

16 new medicinal products were developed and submitted for clinical trials and registration

3 DMF were created for three active substances.

~110 medicinal products are currently being developed.

Therefore, the pace of the Company's innovative development remains unchanged!

During 2019 year:

Manufacturing (million pcs.):



*According to LLC "Proxima Research"

INVESTMENTS IN THE HEALTH OF PRESENT AND FUTURE GENERATIONS

Sustainable development and goals cannot be achieved without investment and support from science.

Achievements of 2019

The Company directs funds for the expansion of manufacturing and modernization of research laboratories that will contribute to the development of innovations, implementation of industry best practices and competition stimulation among domestic pharmaceutical manufacturers.

- In 2019, the Company launched a project for new manufacturing of liquid medicinal products, which will increase manufacturing capacity and create new jobs.
- The manufacturing shops were modernized. Modern technological and service equipment, devices and others were purchased and installed.
- The project on manufacturing of solid medicinal products is in its final stage and a number of tests and retrofitting have already been carried out.
- Modernization of quality control laboratories, development laboratories, biotechnology and technology transfer laboratories was carried out. The laboratories were retrofitted with new modern laboratory equipment in order to bring them in line with FDA requirements.
- The premises of the laboratories have been re-planned, the power networks, ventilation and air conditioning

systems, water supply systems have been modernized, modern laboratory furniture and equipment have been installed, and profile laboratories for chromatographic analysis have been created. Significant investments in the modernization of laboratories are determined by the Company's significant plans to develop new pharmaceutical products.

- A new site for manufacturing of suppositories was created, equipped and commissioned.
- The engineering and technical infrastructure is being actively renovated. One of such facilities in 2019 was a compressor room, which was equipped with a new air compressor and an absorption dryer, and commissioned.
- The second major object of the engineering infrastructure modernization was a chemical sewage regulator, for which the existing tanks were dismantled, earthworks and sheet piling were performed in 2019.
- Reconstruction of existing facilities for the construction of a new office and laboratory building with built-in parking began. As part of this project, design and preparation work was carried out, including the dismantling of existing facilities and the transfer of utilities.

Development of innovations in numbers



95 %

of income is reinvested annually in the development



By **35 %**

manufacturing expansion allowed to increase the volume of manufactured products over the last 5 years

714 UAH mln

is the sum of the capital investments of JSC Farmak in 2019

15 EUR mln

provided the EBRD to JSC Farmak for a five-year term

72 EUR mln

acquired the Company in total from the EBRD in 2006

3,4 UAH bln

have been invested in the scientific and technological complex, manufacturing equipment, research activities over the last 5 years

30 USD mln

annually is the sum of investments in development and research



150

scientists, 40 of whom are candidates of sciences and 5 are doctors of sciences, working at JSC Farmak



Over **500**

thousand euros received JSC Farmak, having won two grants from the European project of basic researches, as a result of participation in the "Horizon-2020" program



According to the magazine

100

JSC Farmak became the leader of the «Innovation leaders of the industry» rating in 2019.

WE ARE FOR EVERYONE WHO NEEDS QUALITY MEDICINAL PRODUCTS

JSC Farmak is a Ukrainian manufacturer of medicinal products of European level, which holds a leading position in the domestic pharmaceutical market and is one of the leading Ukrainian exporters.

In Ukraine, the Company is the leader in the pharmaceutical market with the share of 5.9%. The Ukrainian pharmaceutical industry is gaining popularity in the world every year. JSC Farmak contributed to it as well – its medicinal products were bought in 28 countries in 2019. The task of marketing experts is to find out the needs for necessary pharmaceutical products and provide quality information to doctors about product novelties and their benefits.

Supplies by tender are made through distributors, specializing in tender sales or, in the case of large procurements, directly from the manufacturer. As part of its distribution strategy, JSC Farmak is developing traditional channels in the retail and hospital sectors. The largest distributors in the market are selected for cooperation.

Trusted internal partnership

Medicinal products are mainly distributed via indirect channels in the pharmaceutical market. The most common sales channel is manufacturer-distributor-pharmacy-consumer. On average, the channels of one distributor cover up to 70-80% of the total number of pharmacy chains and 60-80% of medical institutions. In order to increase market coverage, a manufacturer sometimes sells its products directly to both pharmacy chains and health-care institutions on its own (the share of such sales may vary from 2-20% for different manufacturers).



Mykhailo VANAT,
Marketing and Sales
Director

The main Mission of the Company is to make treatment with modern, effective medicinal products affordable. Our products remain available to consumers both in our country and abroad.

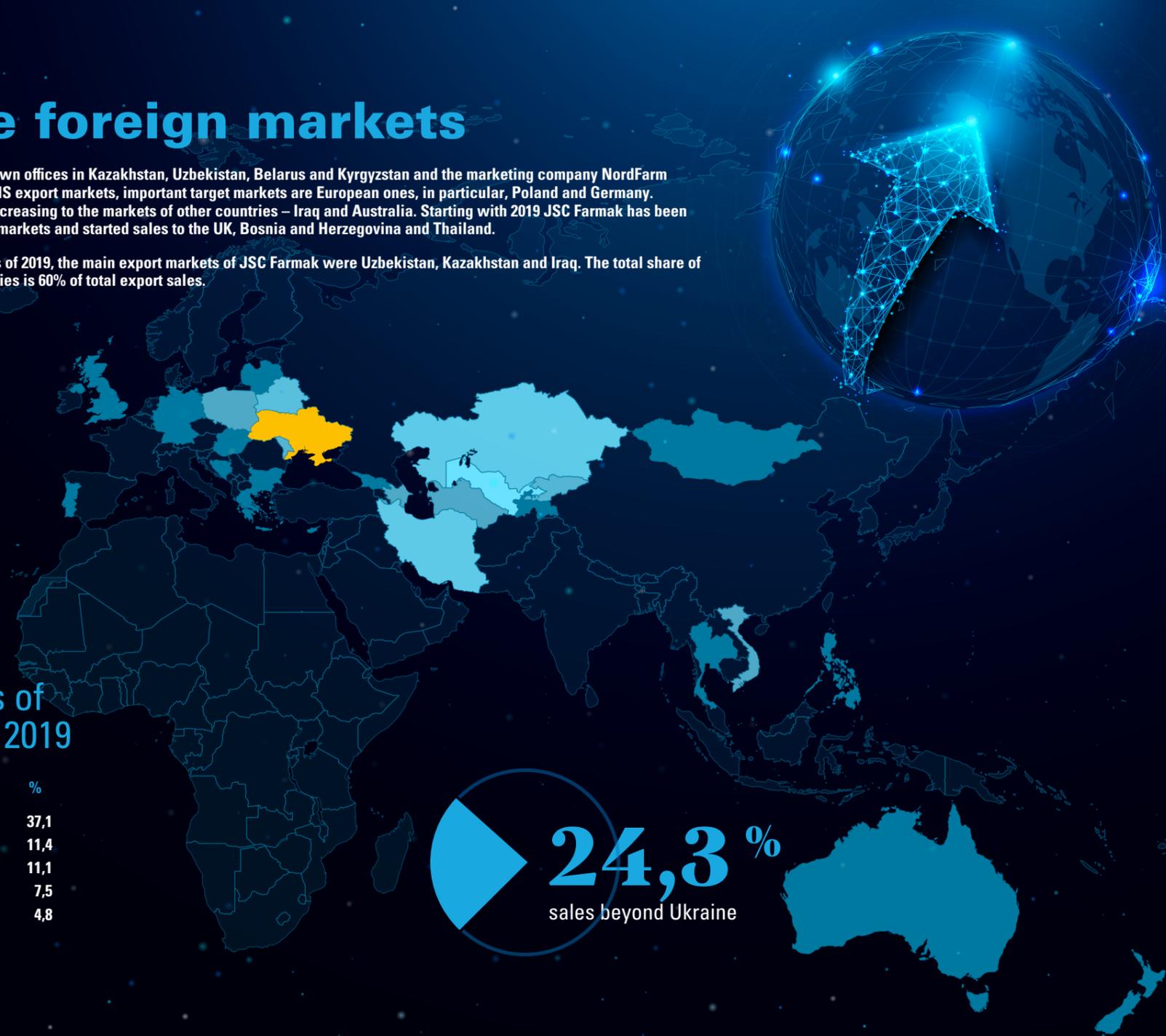
In the foreign markets

JSC Farmak has its own offices in Kazakhstan, Uzbekistan, Belarus and Kyrgyzstan and the marketing company NordFarm in Poland. Besides CIS export markets, important target markets are European ones, in particular, Poland and Germany. Sales volumes are increasing to the markets of other countries – Iraq and Australia. Starting with 2019 JSC Farmak has been expanding into new markets and started sales to the UK, Bosnia and Herzegovina and Thailand.

Following the results of 2019, the main export markets of JSC Farmak were Uzbekistan, Kazakhstan and Iraq. The total share of sales to these countries is 60% of total export sales.

TOP 5 countries of export in 2019

Country	%
Uzbekistan	37,1
Kazakhstan	11,4
Iraq	11,1
Belarus	7,5
Kyrgyzstan	4,8



MAINTAINING HIGH QUALITY

Compliance with high quality standards is the basis of the world-view of each Farmak employee and the Company as a whole.

The Company has an integrated quality management system and pays considerable attention to quality control at all stages of manufacturing. This system is constantly being improved. JSC «Farmak» has implemented a comprehensive integrated business management system based on good

practices of pharmaceutical activities (GxP), international standards ISO 9001, ISO 13485, ISO 14001, ISO 22000, ISO 45001, ISO 50001, current regulations applicable to the Company and the Goals of the UN Global Compact.

RESPONSIBILITY

The key responsibility for the quality in the Company is imposed on the **Quality Director Service** and provides for the regulatory compliance of all quality systems, independent control at all manufacturing stages, and release of finished products by the Authorized person.

The Quality Management Department ensures the functioning, continuous improvement and development of the **Pharmaceutical Quality System** and **Quality Management System** to ensure their regulatory compliance with current GxPs (GMP, GDP, GSP, GEP, etc.) and ISO requirements (ISO 9001, ISO 13485, ISO 22000, etc.).

The **Quality Control Department** ensures control of incoming raw materials, intermediate products

and finished products to confirm quality for use in manufacturing and for releasing to the market. At the same time, the division monitors clean environments, controls validation samples for stability study to ensure regulatory requirements.

The main task of the **Certification and Release Department** is to ensure and guarantee the release of safe, effective and quality medicinal products to the market.

API Quality Department ensures the functioning and continuous improvement of the processes of the Pharmaceutical Quality System (PQS), as well as quality control of raw materials, intermediate and finished products at the API manufacturing in Shostka.



Olha OLEKSIICHUK,
Quality Director at
JSC Farmak

We have built a European quality system in a Ukrainian company

Farmak is convinced:
manufacturing of quality medicinal products is the merit of every single Farmak employee.



249 people work for the Quality Director Service

40 specialists work in the Quality Management Department

172 employees work in the Quality Control Department

17 people, including three authorized, highly qualified persons work in the Certification and Release Department

19 employees work in API Quality Department



Quality Service staff is regularly trained on quality issues both in Ukraine and abroad.



12

auditors have ECA certificates

2

of them are also certified in accordance with the requirements of the APIC (Active Pharmaceutical Ingredients Committee).

for 5 years

75

inspections and audits

by regulatory authorities (Ukraine, Croatia, Poland, Belarus, Kazakhstan, Kyrgyzstan, Libya) and partner companies from UK, Switzerland, Germany, Poland, Slovakia, the Czech Republic, Latvia, Lithuania, Israel, Georgia

Quality – foundation of all processes

The quality system functions according to the Good Practices of the pharmaceutical industry and ISO standards. GxP and ISO compliance is regularly confirmed by the national and European GMP certificates, including:

● Ukraine ● Croatia ● Poland

and international ISO certificates:

ISO 9001; ISO 13485; ISO 14000; ISO 22000;
ISO 45001; ISO 50001

Licenses and certificates of JSC Farmak

100% of production lines are licensed in accordance with the requirements of GMP UA

74% of production lines are EU GMP certified

90% of medicines are manufactured at EU GMP certified production lines

14 production lines have EU GMP certificate



● Croatia 13 production lines

● Poland 2 production lines

In **2019**

the Company completed:

EU GMP recertification by the General Inspectorate of Poland for two sites, additional certificate was obtained for warehouse site 4

UA GMP recertification of PO of Ukraine of 20 sites (in Kyiv – March 2019, in Shostka – September 2019)





Maryna Strihanova,
Director for Logistics and Procurement at JSC Farmak

JSC Farmak provides GMP standards not only in manufacturing, but also during transportation and procurements. The use of modern technologies ensures perfect planning and control of all logistic processes.

FROM THE SELECTION OF SUPPLIER TO RELEASE

At every stage the Company performs careful control – to ensure product quality and optimize resource costs.

JSC “Farmak” uses the following types of raw materials in the manufacturing of its finished products: substances, excipients, packaging materials.

The procurement of substances is strategically important for the Company, since the cost of substances has a direct impact on the prime cost of finished products. JSC “Farmak” procures substances and other raw materials from a variety of external entities, including manufacturers, licensees and traders. Certain types of raw materials are not manufactured in Ukraine with the required level of quality, or

Procurement: analytical approach

In order to prevent disruptions in the supply of raw materials, experts develop effective mechanisms:

- **They make orders in advance**, try to get the appropriate confirmation so that there is no refusal;
- **They look for alternative manufacturers** and include them in the registration documents when there is only one supplier;

are manufactured in insufficient quantities. Therefore, JSC “Farmak” imports almost 63 % of the total need for raw materials and supplies for the manufacturing of pharmaceutical products from a number of countries, including Germany, China, the USA, India, by concluding direct contracts or contracts with distributors. The main suppliers of substances and packaging materials for the manufacturing of pharmaceutical products are such companies: Eli Lilly, Aptar Radolfzell GmbH, Becton Dickinson France S.A.S., System-Invest, LLC, Polymed, LLC.

- **They simplify the system of own control**, if during 2-3 audits there were no critical remarks to the manufacturer and it has the necessary quality certificates. This reduces the time spent in the procurement process.

By **10** indicators at least are used in the evaluation of each type of raw material by the Company.

The specialists of JSC Farmak perform regular audits of API manufacturers, excipients, packages and in general of all outsourcing companies involved in the manufacturing or control to ensure that suppliers provide the proper level of quality.



The Transportation Logistics Department ensures timely delivery

Motor-, air-, rail- and sea transport is used in transportation of raw materials, materials and finished products in Ukraine and abroad. Transportation within Ukraine is carried out by own cars, while abroad outsourcing companies are involved.

- Each car undergoes validation **one time every three years**.
- The sensors **in each car** record the required temperature level.
- **Cars with two temperature zones** allow for simultaneous delivery of various products.
- The project continues with **GPS-monitoring** of all vehicles.
- **Routes are planned** in such a way that transportation in the opposite direction is also carried out, which makes it possible to save resources and funds.

Warehouse logistics department: know everything about each product

For each type of products there are specific conditions of storage. API and auxiliary raw materials are stored in warehouse No. 1; specific raw materials such as alkalies and acids are stored in warehouse No. 2; materials and finished products are stored in warehouse No. 3.

Control automation of microclimatic parameters and equipping storage facilities with ventilation and air conditioning systems ensures compliance with the necessary storage conditions.

The program of accounting and management of warehouse complexes helps in performance of warehouse tasks and provides fixing and transparency of warehouse processes.

Customs service, customs department: we strive to keep borders open for us

JSC Farmak exports its products to 28 countries worldwide and imports raw materials and products in bulk, compliance with customs regulations, timely processing of documents and observance of procedures are under strict control.

Electronic Declaration – JSC Farmak was one of the first companies to adopt this transparent reporting form.

Capacity of warehouses is **31 794** pallet places

22 841 sq. m. – the area of warehouses



PEOPLE ARE THE COMPANY'S MOST VALUABLE ASSET



The Company's HR policy is based on such principles as transparency, consistency and comprehensiveness of work methods, observance of fairness, social responsibility and labour legislation requirements.

The Company attract highly qualified employees, continuously improve their professional skills and create favourable working conditions to ensure the Company's competitiveness and sustainable development through the following measures:

- search, selection and recruitment of employees in accordance with the applications of structural divisions. Candidates are searched according to the profile of positions, which contain the main search criteria (main tasks, competencies, social guarantees, compensation package, work schedule, etc.)
- engagement of the best graduates of higher educational establishments, who have proven themselves during their manufacturing practices;
- conducting adaptation measures to create favourable conditions for organizational and socio-psychological adaptation and accelerate the process of mastering functional responsibilities of the employee;
- assessment of corporate and managerial competencies;
- goal setting and evaluation of their readiness (KPI);
- development of managerial competencies of the Company's managers;

- recognition of talented employees and creation of conditions for their professional and career growth;
- formation of a personnel reserve and provision of appropriate training to perform functions at a new position in the future;
- continuous training of personnel and maintenance of the necessary qualification in the business environment, which is rapidly changing;
- involvement of internal experts in training processes and development of the internal coaching system, with the help of the "SOFT SKILLS TRAINING FARMAK" program;
- development of mentoring culture and knowledge exchange among employees;
- expanding motivation programs based on the results of the employee engagement and satisfaction survey.
- survey of the condition of corporate culture and eNPS involvement. The survey helped to identify priority areas for improving the efficiency of activities and improving the motivational climate of the Company.



Viktoriia KONDRAHIKHINA,
HR Director at JSC Farmak

It is the potential of every employee of the Company that makes Farmak the market leader. Our Company is our people!

Noble work. Professional approach. Fair remuneration.



2733 persons comprise the number of employees of JSC Farmak as of 31/12/2019. Due to manufacturing expansion and increased capacity, new jobs are constantly being created.



7% comprise the Company's staff turnover (whereas in the industry this rate reaches 13%).



8 years is the average length of service in JSC Farmak.



39 years is the average age of employees of JSC Farmak



Remuneration

Employees' salaries consist of basic (permanent), additional (variable), KPI and other incentive and compensation payments. The following principles are observed:

- External and internal remuneration equity** – a grading system is applied to the basic salary according to the Hay gradation system.
- Compliance of remuneration with invested efforts** – additional (variable) salary provides for additional payments and supplements to the salary/rate according to the legislation and the Collective Agreement.
- Incentives** – the system of material incentives for employees provides for the payment of certain types of bonuses to employees for the increase of efficiency based on the received performance indicators following the evaluation results.

EMPLOYEES' SAFETY. DECENT WORKING CONDITIONS GUARANTEE



JSC Farmak makes every possible effort to improve working conditions of its employees – from the implementation of advanced technologies to the provision of individual protective equipment.

The main tasks of occupational safety and health are:

- creation of safe working conditions, preservation of life, health and ability to work;
- development of a stable motivational mechanism of safe behaviour at work for employees of the manufacturing site;
- development of skills to anticipate and prevent incidents at manufacturing site.

In order to perform these tasks, the enterprise has introduced and operates a certified Occupational Health and Safety Management System JSC Farmak, which meets the requirements of DSTU OHSAS 18001:2010. The certification body of SE "Ukrmetrteststandart" performed a supervisory audit of the Occupational Health and Safety Management System for compliance with the requirements of DSTU OHSAS 18001:2010. Based on the audit results, no nonconformities were detected. A certificate UA.O.020-19 was obtained and registered in the Certification Body's Register on 26/11/2019, certifying the compliance of the Occupational Health and Safety Management System with the specified standard.

During 2019, a number of organizational and technical measures to improve working and living conditions of the enterprise's employees, increase the level of occupational safety, fire safety and industrial sanitation were implemented.

- All employees of the enterprise are provided with overalls, special footwear and other personal protective equipment.
- Periodical labour safety trainings in various aspects have been organized and held for managers and specialists, as well as special training of workers who perform high-risk work. There have been no recorded cases of personnel being allowed to manage or perform high-risk work without training, instructions or testing their knowledge on occupational safety issues

- The employees of the enterprise are provided with sanitary and living conditions that meet the established norms.
- During 2019, no accidents related to manufacturing, no accidents of categories 1 and 2 were recorded, and no emergencies related to the use of hazardous substances occurred.
- A number of organizational and technical measures have been taken to improve working and living conditions of the enterprise's employees, to improve the level of occupational safety and industrial sanitation

In order to create safe working conditions at workplaces, the following measures are periodically taken:

-  **certification of workplaces** according to working conditions, analysis is performed and work on bringing workplaces into compliance with established norms is planned;
-  **reduction of the percentage of manual labour** through mechanization of loading and unloading operations, transportation of auxiliary materials involved during manufacturing;
-  **reduction of noise levels** at manufacturing sites;
-  **control over the condition of the manufacturing environment** at the manufacturing site (content of harmful substances in the air of the working zone, noise, microclimate, lighting, etc.).

3 levels of control

The enterprise has introduced and successfully operates a three-stage control of labor protection.

1 Control at the level of supervisor, foreman and shift master. Before the shift starts, they have to make sure that working conditions meet the established norms: safe state of equipment, ventilation systems functioning, proper condition of manufacturing facilities.

2 Weekly control is carried out at the workshop management level

3 The control takes place at the enterprise management level. Under the management of the executive director, a committee, which includes specialists from the occupational safety department, specialists from technical services such as the major construction department, chief mechanic's department and chief power engineering department, was appointed. Such committee performs monthly complex inspections of occupational safety, industrial sanitation and fire safety in main, auxiliary shops and laboratories at the enterprise in accordance with the approved schedule.

COMPREHENSIVE SUPPORT



JSC Farmak creates a complex system of social protection to ensure the respect for human rights and provision of adequate living conditions.

A collective agreement is concluded annually at JSC Farmak. This is a document that was drafted in accordance with current legislation and the Industry Agreement for 2017-2020 between the Ministry of Health of Ukraine, Associations of Employers' Organizations of Medical and Microbiological Industry of Ukraine and the Central Council of the Trade Union of Workers of Chemical and Petrochemical Industries

of Ukraine, on the basis of obligations and joint arrangements that guarantee the protection of rights and interests of the enterprise's employees, their material well-being, with the effective management of the enterprise and the performance of manufacturing tasks and job duties by employees.

Collective agreement is concluded to regulate industrial, labour, social and economic relations and to coordinate the interests of employees and the employer. The scope of the collective agreement are additional, in comparison with legislation, provisions on working conditions and remuneration, improvement of manufacturing and creative activity of employees, enhancing labour discipline, guarantees and benefits.

JSC Farmak guarantees employees' rights in social and labour relations. They may be both intangible (job preservation, position, provision of other work) and tangible (preservation of average salary for the period of annual leave, leave due to training, business trip, stay in a medical institution for examination, payment for the first five days of temporary disability due to illness or injury not related to an accident at the manufacturing site, etc.).

OVERCOMING INEQUALITY

The employment of physically challenged persons is 4% of the total number of full-time employees, which is compliant with legal requirements.



Competitive and official salary



KPI-based bonus system



Medical insurance and health centre working round-the-clock



Convenient and comfortable diner on the Company's territory



New Year presents for the Company's employees and their children



Summer camps for children of the Company's employees



Sports competitions for the Company's employees and members of their families



Weekend excursions to picturesque and historical places of our country



External corporate training, participation in conferences and exhibitions

The "Cafeteria of motivation" program consists of three aspects with partial reimbursement:



development (attending courses or trainings)



recreation (recreation facility "Smuhlianka" on the Black Sea shore)



sports (attending swimming pool or gym)



CONTINUOUS GROWTH

JSC Farmak has created conditions where everyone can realize their professional potential. We do not ignore the desire for development and career growth and we value people's initiative, competence and responsibility!

Training and development

JSC "Farmak" conducts internal training in various areas of activity. We continue to work with the best European companies that provide training and implement best pharmaceutical practices. Specialists also regularly attend external training events - seminars, courses, conferences, trainings, both in Ukraine and abroad.

The Company pays great attention to continuous training and development of employees, including through participation in the Company's projects, mentoring and other planned activities.

Over **80%** been filled by its own reserve over the past two years

Adaptation

The Company has developed and implemented a process of employee adaptation, the purpose of which is to help as quickly as possible to adapt to a new job and become part of the team. Each employee is given goals for the adaptation period, according to which the adaptation can be considered complete. During the first working days of each employee, a mentor is assigned to a new position, who helps to adapt to the Company and undergo mandatory initial training.

Training for managers:

To implement the system of development of managers of different levels of management, modular programs based on the Model of managerial competencies have been introduced:

- "Young Leader's School" - created for Junior Management. Covers newly admitted and transferred young people managers: foremen, heads of production departments, sectors, small laboratories.

- "Manager's Development School" - is aimed at the development and training of middle management. These are usually heads of departments and shops.

- "Leadership School" - is aimed at developing staff included in the personnel reserve for the position of directors.

Transformation of corporate culture of JSC Farmak

As part of this project:

- diagnostics of the condition of the existing corporate culture
- vector of development of renewed corporate culture was chosen. This vector will base on trust, mutual respect and involvement and will increase the efficiency of employees in achieving their own goals and the goals of the Company.
- roadmap "Farmak Culture 2020+" was developed and work on 5 directions of culture development was started.
- a team of "Leaders of Change" from different directorates was formed. Leaders of Changes (20 persons) are involved in the process of working on culture.

1100 employees received training in 2019

58 specialists received training in 2019 in the Czech Republic, Denmark, Germany, Austria and Spain

Over **9000** publications comprise the corporate library of JSC Farmak. Every employee of the Company can order any book, and the enterprise will definitely buy it

Each of them has its own direction of work on the development of culture

- the rules and tools for providing feedback by the manager were defined and workshops were started for the Company's managers;
- "Rules for effective meetings" were developed and agreed upon;
- the rules for communication and interaction were described on the basis of updated values;
- Training on "Formation of Key Performance Indicators (KPI)" for employees and managers was started. Trainings for newly hired and transferred managers were conducted.
- the draft of the "Farmak Code of Corporate Culture" was prepared

More than professionalism.

Workshops were held as part of the Soft Skills Training Farmak program:

- "Mentoring workshop"
- "Finance for non-financiers"
- "Preventing emotional burnout"
- "Excel for Business"
- "Quality feedback"
- "Recruitment and management onboarding"
- "The Way to the West" business game.



EDUCATION FOR YOUNG PEOPLE

Young scientist school

The project aimed at supporting the scientific ambitions of young employees was launched 12 years ago. It was based on scientific groups, sites where knowledge and experience were exchanged between different structural divisions of JSC Farmak. Over time, the management decided to expand the circle of like-minded people and invite young scientists from specialized Ukrainian universities to participate in discussions. Thus, the first scientific and practical conference “Science and Modern Pharmaceutical Manufacturing” was held within the premises of the Company in 2013.

Discussion of important issues.

The conferences that have become regular, addressed the most pressing issues of our time: development of medicinal products and biologic pharmaceutical products according to IGH standards, scientific research of new pharmaceutical and biologic molecules, review of changes in the regulation of medicinal products circulation, carrying out research on bioequivalence and other issues related to pharmaceutical manufacturing, quality control and marketing and finance. Year after year, the new platform attracted an increasing number of participants.

Expanding the frontiers

Now the project has reached the international level. On November 21-22, 2019, JSC Farmak hosted the VII Annual Conference of the School of Young Scientists, which was attended by almost 100 guests and employees of the Company. A total of 21 reports by renowned foreign scientists, medical specialists of the Company, as well as post-graduates and students of leading universities of Ukraine were presented. 13 foreign specialists from the USA, Great Britain, Austria, Ireland, Italy, Germany and Hungary were invited. The students from the following universi-

ties also took part: National University of Pharmacy, National University of Food Technologies, Igor Sikorsky Kyiv Polytechnic Institute, National University of Kyiv-Mohyla Academy, National Aviation University, Lviv Polytechnic National University, Oles Honchar Dnipro National University, Kremenchuk Mykhailo Ostrohradskyi National University and Kyiv International University.

“Young scientist school” is a modern platform for professional development and exchange of experience, which gives:

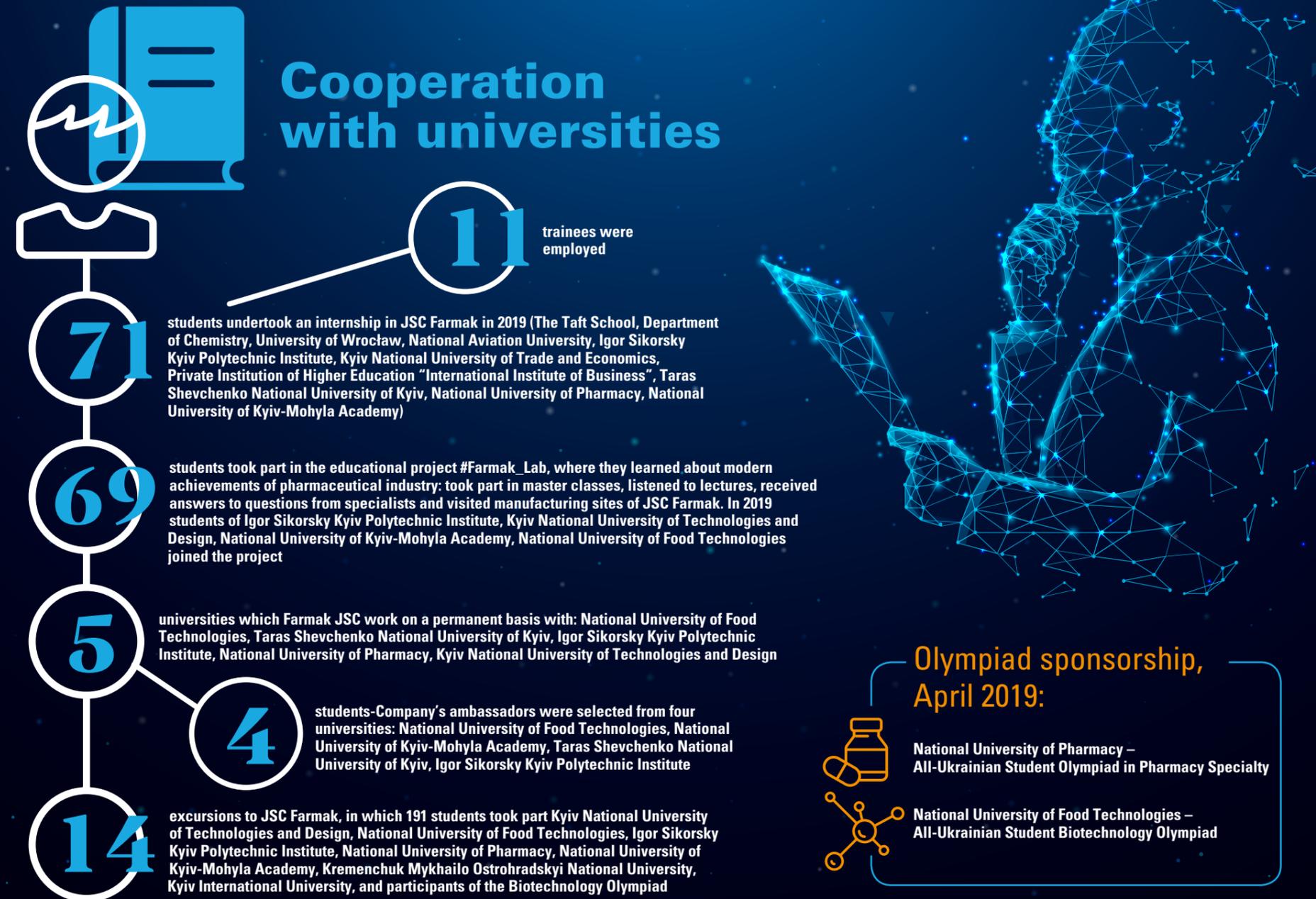
- The opportunity to present his/her scientific developments.
- Growth in the scientific field.
- A chance for professional realization.

Farmak_Lab is an educational project for students and teachers of universities, within which the best experts of our Company cover current topics in the pharmaceutical industry. This is a unique opportunity to learn first-hand about the latest advances in the pharmaceutical industry. In 2019, the project took place for the fifth time and is becoming increasingly popular among students and teachers.

“**Ambassador.**” The essence of the program is in cooperation with students from specialized universities who are committed to the Company, they should involve their peers in work at Farmak JSC. The project helps to attract young talents, promote the HR brand of the Company, and establish strong ties with universities.

Providing quality education is one of the goals set by the UN Global Compact. JSC Farmak is convinced that supporting students and young scientists is an extremely important contribution to future development

Cooperation with universities



ECO-SCHOOL: LET'S SAVE THE PLANET TOGETHER



Strategic mission

Eco-School is an indication of the Company's sustainable development, which is in line with the goals of the UN Global Compact. The Company's management has a clear understanding that socially responsible business cannot stand aside from important environmental issues. The Company believes that today's schoolchildren should be environmentally educated, aware of the threats that humanity faces and be able to find effective solutions to them.

Start of Eco-School

The project was launched in 2018 in Shostka, where the API Manufacturing Unit is located. 7-11th form students from all city schools joined the project. From the first days schoolchildren showed an incredible interest. The teachers, who accompanied the children in lectures and projects, also participated actively. A year later, Kyiv schoolchildren were able to join Eco-School.

In a few months, the students mastered a program consisting of 4 thematic sections: "Me and Nature", "Nature and I", "Me and Energy", "Project Management". They got a

Following the goals of sustainable development, JSC Farmak contributes to combating climate change by creating environmental education projects.

lot of relevant information on environmental issues of our time: deforestation, reduction of drinking water reserves, increase of greenhouse gases. Considerable attention was paid to the presentation of the real environmental situation in Ukraine and in the world, as well as possible forecasts for the next 10 years. The audience was highly interested in power efficiency and power saving issues in educational institutions. Special attention in Eco-School was paid to project management, as modern schoolchildren should not only see the problem, but also be able to find solutions themselves.

The final stage of Eco-School was a contest of projects, each of which was evaluated by a committee, which included representatives of Farmak, non-governmental environmental organizations and teachers. Thus, among all the projects in Shostka, three winners, who received grants for their implementation in schools, were selected. These were the installation of sensor faucets to minimize water consumption, drinking water fountains, and a bicycle for charging mobile phones. The successful implementation of the projects added to the children's confidence that they performed well and that their ideas would be of use.

Online Studying

Following the results of the project in Shostka and Kyiv, the organizers concluded that they were ready to take minor steps, which in the future would have significant consequences. That's why JSC Farmak decided to expand

the scope of the project. At the Company's initiative, Eco-School educational online platform was created so that schoolchildren anywhere in Ukraine could join the environmental initiative, acquire new knowledge, unite with like-minded people, create their own eco-projects in their schools and win grants to implement them.

In the circle of like-minded people

For the successful implementation of Eco-School it was important to involve a team of environmental protection professionals who could share their enthusiasm with the participants to move together towards an ecological society. For example, in Shostka and in Kyiv it was done together with the "Ukrainian Ecological Club "Green Wave". Together with the non-governmental organization, a textbook was created, which at the end of 2018 was approved by the Ministry of Education and Science as a study guide for 11th form teachers.

The unique educational program Eco-school launched by JSC Farmak, recognized as one of the best social projects of Ukraine, in 2019 became a finalist in the «Planet» category at the International Partnership for Sustainability Award.

200
children from 20 school in Kyiv and Shostka received full-time training in Eco-School in 2019

135 000 UAH
was spent on the implementation of children's projects in Shostka and Kyiv in 2019

7 children's projects received grants for implementation in 2019

In **2019** an online platform was created so that schoolchildren from all over Ukraine could be educated in Eco-School.

Implemented projects:

- The second life of organic waste**
A system of fermentation of organic waste in the form of a mini-dairy factory has been installed on the territory of the school.
- Biohumus**
Thermocomposter for processing of organic garbage and receiving biohumus which is fertilizer for plants.
- Drop by drop the river flows**
Water saving thanks to installation of the economizer-aerator on the mixer unit. The device allows to reduce water consumption by 50%.
- Bright school**
Regular lamps are replaced by energy-saving LED lamps. Due to this, electricity consumption can be reduced by 7 times in the school.
- Optimization and efficient use of heat in the room**
- Creation of educational and research eco-garden-beds near the school**
- School - without plastic**



ENVIRONMENTAL CARE

Sustainable development is one of the main concepts by which the world's leading companies work today. JSC Farmak provides the world's population with quality medicinal products, increases manufacturing volumes, and at the same time minimizes the impact on the environment.

JSC Farmak consistently complies with the requirements of Ukrainian legislation, which regulates environmental aspects. Moreover, JSC Farmak has been cooperating fruitfully with the European Bank for Reconstruction and Development for many years, including in environmental issues. A cooperation programme, which the Company complies strictly with, has been developed. Annual audits are performed by the EBRD. The plan provides for organization of work at the enterprise to protect the environment in a number of aspects:

Effluents. Specialists thoroughly control all emissions specified in the air pollution permit conditions, which are released to the atmosphere as a result of the enterprise's activity. Under the terms of cooperation with the EBRD, additional control over new substances, in particular alcohols, has been established.

Water. In order to ensure that no harmful substances are released into the environment, a new process line of the Slovak company AQUAFLOT was installed back in 2015 – the water undergoes several stages of treatment:

Equalization, accumulation and neutralization (pH of water is equalized within the range of 6-9); mechanical purification (mechanical impurities are removed); biological purification (microorganisms that absorb impurities are used) and ultrafiltration..

Waste – training of personnel in waste management is compulsory. Considering the specifics of manufacturing, all waste is divided into categories for further processing, disposal or recycling. According to the plan with the EBRD new items are added annually to the list of waste that can be recycled or reused.

Personnel. The environmental protection management system provides for a number of instructions that are binding on the Company in minimizing the impact of its activities. Systematic staff training is provided to comply with all requirements.

Liudmyla SAYCHENKO,
Head of Occupational Health and Safety and Environmental Protection Department

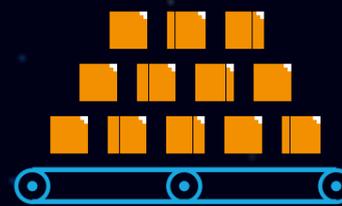


Work to reduce the negative impact on the environment is ongoing and gives a significant result. We consistently comply with Ukrainian and European regulations in terms of environmental issues and plan activities aimed at further significant reduction of any possible consequences of the activities.



Over **55 UAH mln**

have been invested by JSC Farmak in the implementation of projects over the past 5 years



By **3%**

power resource consumption per unit of output was reduced in 2019



By more than

19,5%

per hryvnia of output, gas consumption decreased as compared to the same period in 2018



By more than

9,32%

power consumption was reduced in 2019

By **12,42%**

in comparison with 2018 in Kyiv



and by

22,99%

effluents of API manufacturing department in Shostka were reduced in 2019



6 ISO certificates regulate the Company's activities

- These include the environmental management system (ISO 14001 certification, obtained in 2005) and the power management system (ISO 50001 certification, obtained in 2019). A very small number of domestic enterprises were able to obtain ISO 50001 certification, while among pharmaceutical enterprises only a few were able to obtain it.





Oleh SUPRUNOVYCH,
Chief Power Engineer



We have already implemented everything that allows us to use power resources rationally. Despite the fact that we are a pharmaceutical company, it is very important for us to maintain a balance – to work in such a way as to reduce power consumption costs, but at the same time ensure the highest quality of our products. After all, the quality and safety of our products always comes first!

PRESERVATION POLICY

Careful attitude to natural resources is one of the integral principles in the organization of activities of JSC Farmak.

In search of power sources

JSC Farmak is a large enterprise that is bound to consume a significant amount of power resources. At the same time, the enterprise is in constant search of alternative power sources and their efficient use, but so far the use of currently available technologies under the strict requirements of pharmaceutical manufacturing is either impossible or economically inexpedient. Therefore, the Company is confidently following the chosen approach of rational reuse of power resources and has achieved considerable success in it.

Important steps

JSC Farmak consistently implements the policy of reducing power consumption and annually implements new measures aimed at its rational use. Among many others, we can distinguish the following:

- A heat recovery unit is installed in the boiler plant.
- Condensate energy is used to heat process water.
- The fluorescent lamps at the plant have been replaced by LED lamps.

- Switching off or limiting the work of air conditioning systems and refrigeration systems is applied; the temperature mode of heating systems is adjusted, etc.

Solar energy is also used: solar collectors, which will provide hot water to the dining room and residential buildings, were installed at the corporate recreation centre "Smuhl-ianka" in late 2019.

IN DEVELOPMENT

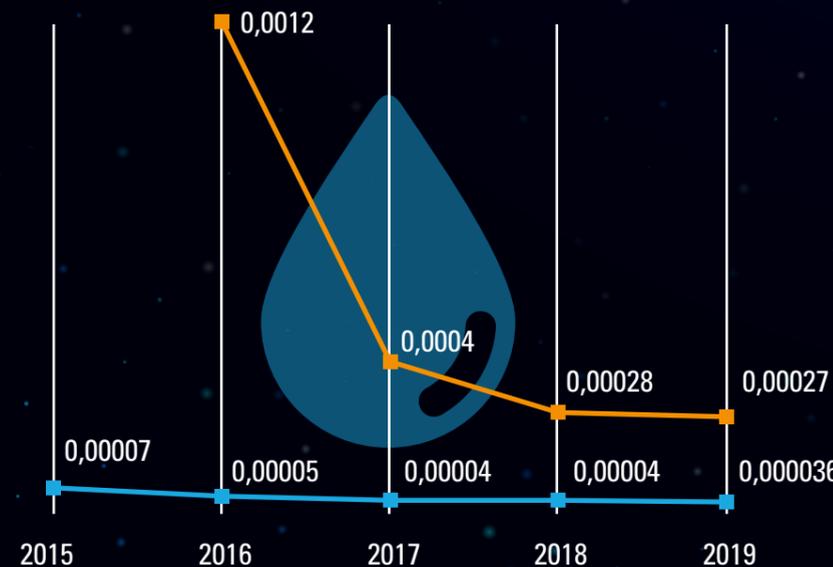
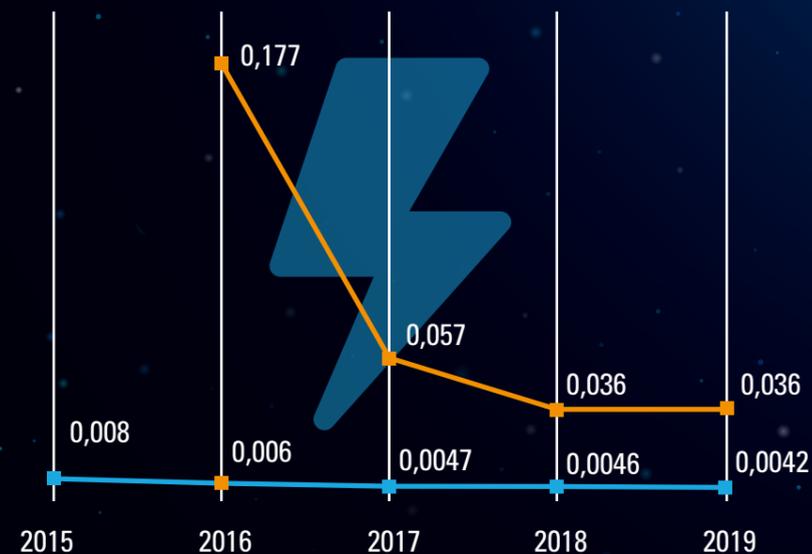


Install solar collectors on the roof of the design and engineering building, which is 650 square meters. According to estimates, such a power plant can produce up to 50,000 kWh of electricity per year.

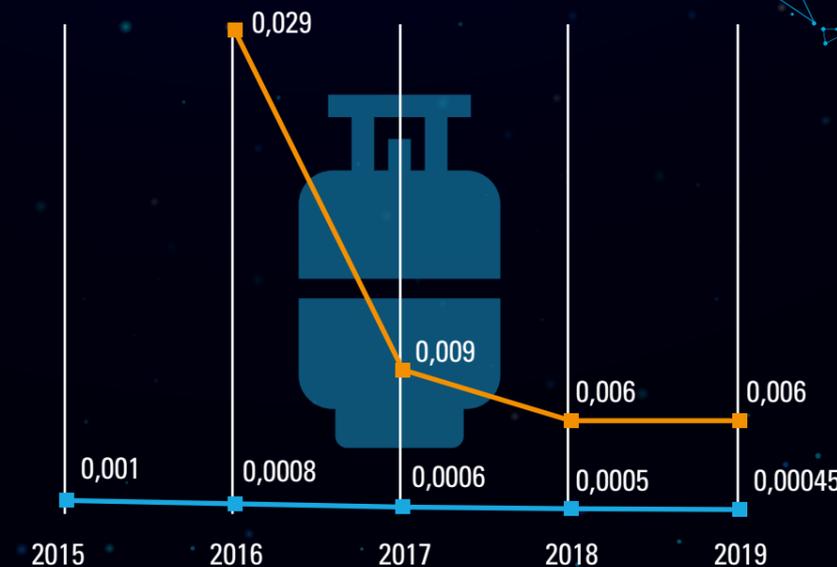


Modernization of the existed out-of-date refrigeration equipment.

POWER CONSUMPTION PER HRYVNYIA OF OUTPUT



- Kyiv
- Shostka
- ⚡ Electricity
- 💧 Water
- 🔥 Gas



CARE ABOUT THE ATMOSPHERE

As early as at the planning stage for manufacturing facilities, sites' expansion, and use of new technologies, specialists carefully consider the possible impacts and promptly offer effective solutions to minimize the potential consequences.

In low-emission facilities, special laminar boxes are installed, i.e. purification filters in places where effluents can be released into the atmosphere. The possible negative environmental impacts from the manufacturing, and during the design and launch of site No. 1, workshop No. 4 were considered: special filter systems that capture all effluents are installed here. The Finished Medicinal Products Unit was also designed and built according to all necessary requirements. The newest equipment, which allows to reduce emissions of harmful substances into the atmosphere, was also installed at the Shostka plant.

Purification at the API manufacturing plant

Organic synthesis is at the heart of manufacturing of such pharmaceutical manufacturing, therefore it is impossible to manage without the newest and modern systems of environmental protection from harmful influence of chemical substances. The enterprise has systems for air purification of such well-known European brands as MVB and GEA. These are filtration systems designed to remove solid and gaseous air emissions that are released into the environment from the premises.

Filtering units from GEA and DencoHappel (Germany), Klima-Service (Czech Republic) complete the exhaust ventilation systems. They are operated and maintained

according to the instructions for ventilation systems and gas treatment plants.

Gas scrubbers systems produced by the Czech company MVB OPAVA GZ s.r.o. are used to clean the vapours from the technological equipment of workshop No. 6. This equipment is designed for absorption and separation of contaminated exhaust gases, condensation of harmful vapours and capture of solid particles in gases.

What about inside premises?

The requirements for air quality in pharmaceutical manufacturing are very strict. It has to meet the norms and standards prescribed in GMP, so it has to undergo a special purification procedure. The air is taken from the outside, it is filtered at the primary filters and then treated in the air conditioning: it is heated or cooled, humidified or dehumidified as required. Depending on the clean room grade, there may be a second, third or sometimes fourth degree of purification. In some rooms air is taken from the inner premises, a small amount is added from the outside and the purification process is performed.



By **95-99%**
modern equipment used by
JSC Farmak allows to purify the air



There are **3 stages**
by which air purification in filtration
(gas purification) units is performed:

-90%
at first stage, F7 pocket filters
capture solid particles with
no less efficiency

-70-90%
at the second and third stages activated carbon
adsorbs gaseous emissions on its surface with
efficiency of 70-90%, depending on the composition
and content of substances in the gas mixture



Kyiv
Shostka



In 2019 air emissions decreased by 12.42% compared to 2018 in Kyiv and by 22.99% in the API manufacturing department in Shostka, which is due to the operation of the boiler plant in a relatively warm winter period, as well as the commissioning of two new Viessmann boilers



PRESERVING WATER RESOURCES

Pharmaceutical companies need the cleanest water to manufacture medicinal products. Also, at the stage of discharge into the municipal sewerage system, the enterprise's water must meet the established requirements.

Natalia SYMONETS,
site manager for industrial
waste-water purification



Our water purification tanks are closed and equipped with special domes. This ensures that contaminated water does not evaporate into the environment. Unlike traditional purification systems, our tanks do not have settling tanks. As a result, Farmak performs the necessary purification procedures very quickly.

Water for medicinal products and for household use

The Company uses usual drinking water for technological processes of manufacturing, which is supplied by and the quality of which is the responsibility of PJSC "AK "Kyiv-vodokanal", but before using it should be completely purified from salts and other substances. This is a complex process, it is carried out in several stages, the enterprise's workshop of clean environment is responsible for it.

Step by step

At first, waste-water from all workshops and laboratories is discharged into a special tank (a regulator), where it is mixed. The next step is neutralization, which regulates the pH process: if the environment is acidic, alkalis are added, if it is alkaline, acid is added. Then, after settling in large metal containers ("settling tanks") and separation of the resulting sludge, purified water is mixed with domestic waste-water and only then discharged into the sewer system.

Several times a day, the sanitary laboratory takes used and purified water for tests to make sure that water that gets into the municipal sewer system meets all hygiene requirements.

Purification in Shostka

Industrial waste-water produced during the API manufacture contains high concentrations of substances of organic and inorganic nature, therefore requires special attention. But before reaching the Shostka sewer system and from there to the Desna and Dnieper basins, the water is purified and becomes safe for the environment.

The waste-water purification processing line was developed and installed by the Slovak company AQUAFLOT. With the latest equipment, such procedures are performed quickly and efficiently:

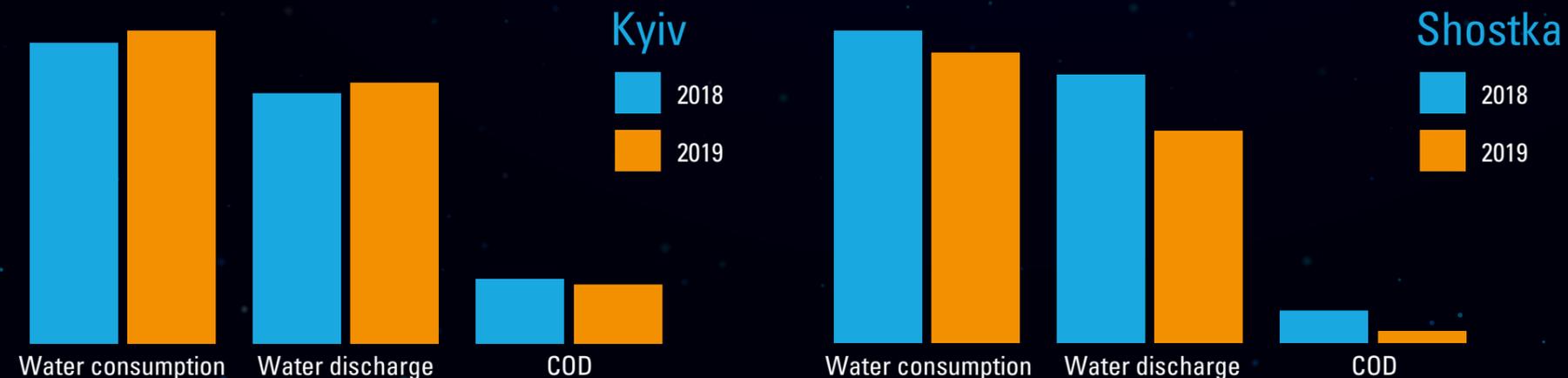
- Equalization, accumulation and neutralization – polluted water from different discharges is collected, mixed together and equalized with alkalis and acids;
- mechanical purification – water is purified from mechanical impurities;
- biological purification is carried out with biologically active sludge. The water is in contact with micro-organisms that absorb the impurities;
- ultrafiltration.



In **2019** reconstruction of the purification facilities of the enterprise was carried out, within the scope of which a new regulator of chemical waste was built, and to speed up the process of settling special excipients – flocculants – are used, which will improve the purification procedure and significantly reduce the levels of pollutants in the discharges.

86%
is the effect of waste-water purification (which fully meets the requirements), but even this result is also constantly being improved by the Company

250–280^{g/l}
this is an indicator that characterizes the content of organic substances in waste-water, and it is significantly below the norm



SMART STRATEGY

For each type of waste JSC Farmak uses the optimal method of processing or recycling.

Industrial waste is divided into 4 main categories:

- household and construction waste;
- waste to be recycled (waste paper, plastic, glassware, wood, rubber);
- pharmaceutical waste to be disposed of (contains hazardous chemicals);
- liquid process waste.

The Company has developed a Waste Management Procedure, which explicitly regulates waste sorting, labelling, storage and disposal processes depending on waste types. Construction waste is sent to a landfill, and a significant part of household waste is sent to Privately owned enterprise Obukhovgorvtorresursy, where it is sorted and further transferred for recycling. Separately collected waste of polyethylene, wood and waste paper is transferred to Obukhovgorvtorresursy as recyclable materials. Polyethylene, wood and paper wastes collected separately are sent to Obukhovgorvtorresursy for recycling.

Special attention

Wastes containing chemicals are disposed of on special equipment by pyrolysis, neutralization at high temperatures (1,000-1,200 °C). Aqueous solutions of medicinal products, which are formed at the stage of manufacturing,

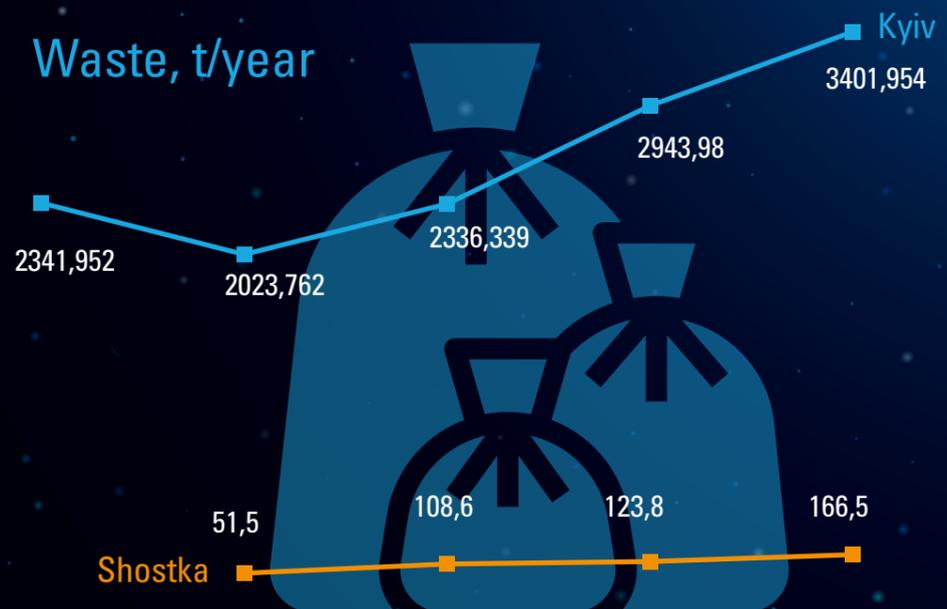
are processed, diluted with water by 10-20 times and discharged into the industrial sewer system.

On Farmak's request, L. I. Medved's Research Centre of Preventive Toxicology, Food and Chemical Safety develops explicit recommendations on how to neutralize liquid technological waste that is produced during manufacturing.

Rational calculation

Farmak disposes of and recycles waste in accordance with all regulations and systematically reduces its amount. This is due to rationing, inventorying of manufacturing waste and recording its manufacturing in each manufacturing unit. Press containers are installed on the territory of the enterprise: waste materials are removed from them only when they are as full as possible. This helps to use transport more efficiently, without wasting extra fuel and reducing the amount of exhaust gases.

In addition, the enterprise uses polyethylene reasonably. During a year of work about 260-270 tons of waste of this material is generated at the bottlepack sites – it is transferred to a specialized organization, which recycles it into bottle caps.



During 2019 year it was transferred for recycling



Waste, 2019



CLEAN CITY, GREEN CITY



flower production. Thujas and young plane trees were also planted in the park.

Farmak employees also joined the improvement of other favourite places of rest of Kyiv citizens and visitors of the capital:

- collected and removed fallen leaves from the territory of Syretskyi Hai Park, an area of 0.5 hectares;
- cleaned up the forest area along the Alley of Artists on Andriivskyi Descent;
- in the park at 8 Zavodska Street, planted young maples and ornamental bushes;
- made flowerbeds at the transport interchange along Novokostiantynivska street, planted fir trees and juniper bushes.

In Shostka, the Company's employees clean the 1.5 km long coastal zone around the lake formed at the quarry site every year: collect household rubbish, fallen branches and leaves.

It is nice to see that every year the number of participants in environmental events of JSC Farmak is increasing. Employees share the Company's important values supporting environmental activities and show their own initiatives to improve the environment in their home towns. The implementation of social projects is a trend for many companies. JSC Farmak is setting an example for other representatives of socially responsible business.



trees) in Kyiv and Shostka. Their goal is to promote a careful attitude towards nature and the ecosystem of their city not only among the Company's employees, but also among Ukrainians.

Over the years of implementation of these projects, the Company's employees have repeatedly participated in the improvement of green areas in the capital's Podol district: Farmak employees together with employees of the communal enterprise for maintenance of greenery cleaned parks, squares and recreation areas from fallen leaves, dry branches and household rubbish. For example, the territory of the park of 2.5 hectares near T.H. Shevchenko cinema was improved: 4 trailers of gathered leaves were handed over for processing for fertilizer, which is used in greenhouses in

Following the goals of sustainable development and taking care of the environment, JSC Farmak holds such campaigns twice a year – and not only the Company's employees, but also their relatives and friends join them.

JSC Farmak implements ecological projects "Green City" (cleaning of park zones, planting of trees and bushes) and "Clean City" (improvement of green zones and planting of

Green office

The Company actively implements eco-principles not only in manufacturing, but also among office employees. Anyone can join in the preservation of the environment.

JSC Farmak has a "Green Office" project on a permanent basis, one of the areas of which is the collection and recycling of waste materials. This contributes to the environmental culture of each employee.

66,6kg
of waste batteries and other power components

collected and handed over for processing in 2019

10 355kg
of office waste paper

Almost **200kg**
of batteries were collected for processing by employees for the period between 2016 and 2018.

Over **20t**
of paper were saved for the period between 2010 and 2018.

It has helped to save more than 320 trees and get 640 litres of oxygen

Ecological habits of employees of JSC Farmak



Reducing the use of paper

We keep accounts and payment systems in electronic format with digital signatures. We use online services for information storage.



We switch off electrical appliances

Before leaving the office, Farmak employees turn off all electrical appliances to prevent phantom power to the devices.



Re-using, whenever possible

We make maximum use of materials and products before they reach the dump site. We give preference to things that can be used repeatedly – porcelain cups have been replaced with paper or plastic cups.



Alternative dehumidifiers

We use microfibre cloths instead of paper towels



We use daylight

This way we reduce our negative impact on the environment and financial losses.



We regularly defrost and clean office refrigerators

This helps to extend service life and efficiency.



We decorate the office with plants

Plants in the office help reduce carbon emissions as well as purify the air in the workplace.



CORPORATE VOLUNTEERING

The employees of JSC Farmak, for the purpose of personal involvement in the implementation of the principles of sustainable development, are constantly engaged in various activities aimed at providing assistance to those who need it.

Fairs – for good purposes

JSC Farmak regularly organizes activities aimed at supporting socially unprotected population groups. Active participation in charity fairs organized on the enterprise's territory allows the Company's employees to prove themselves in mutual assistance and social responsibility. Mostly money is raised at the traditional charity fair in Kyiv and Shostka. After different necessary objects procure to the Children's Hospital and other places.

Children in need of support

JSC Farmak cooperated with the Charity Fund "Tabletochky", which is approached by almost 400 children every month for help. The money raised through fundraising by the Company's runners was spent not only on procurement of medicinal products, but also on palliative care. Sometimes it is also needed to procure special equipment for treatment.

As part of the World Day of People with Down Syndrome on March 21, funds were raised for the All-Ukrainian charitable organization "Down Syndrome". A total of UAH 16,692 was raised.

Helping animals

As part of the project "I am a Farmak volunteer" employees collect charitable assistance for the Sirius animal shelter twice a year. The pets were given medicinal and veterinary products, diet food for kittens and puppies, goats, toys, leashes, as well as insulating materials for cages and open-air cages.

Throughout November, the workers were raising charitable assistance for the pets. In general, they managed to gather 200 kg of "help" – medicinal and veterinary products, medical devices, insulating materials, feed and household items. Besides "gifts" for pets, the volunteers helped personally: they carried water, laid warm hay, cleaned the territory for new open-air cages.

Giving joy to the children

In 2011, the Farmak Charity Fund presented the children of Shostka with a new playground so that they could enjoy life and play in the open air. However, after 8 years of daily use, the playground was out of order and looked outdated.

The Department of Education of the Shostka City Council of Sumy Region appealed to the Farmak Charity Fund with a request for charitable assistance for the repair of the playground. The Fund responded to the request, found a contracting organization and made renovations.

Children will now be able to play in the renovated playground located in the Svobody Park. About 200 thousand hryvnias were spent on the major overhaul.

At least **20%**

of employees of JSC Farmak take part in volunteer projects on a regular basis; and the Company is convinced that the idea of helping neighbours is appealing to the vast majority of employees, so the number of volunteers is growing rapidly.



DONATION OF BLOOD

The active life position of Farmak employees, their desire to participate in positive changes in society and the country, to do good and set an example to show that being active is not only important, but also useful – all this has been united by the "Corporate Volunteering" social project of JSC Farmak and has become an integral part of the Company's corporate culture.

The willingness of the employees of JSC Farmak to perform a socially important function of mutual assistance enables the Company to join the global blood donation movement for many years in a row. Hundreds of employees have taken part in these specific events since the idea was implemented. And these are only those who have donated blood at JSC Farmak; there are also many others who donate blood outside the Company and even have the certificate "Honorary Donor of Ukraine".

Over **70**

Company's employees donated 20 litres of blood for Kyiv regional blood centre and about 10 litres of plasma for Sumy regional blood service centre during 2019.

Over **300** volunteers-Farmak employees donate blood regularly



The development of scientific potential in Ukraine is a strategic task for the government on the one hand and for business on the other. Farmak employs 150 researchers, including 40 candidates of sciences, and 5 doctors of sciences. Farmak invests approximately 95% of its profits in innovation and development annually. This amount also includes a share of investments in the scientific development of the Company.

SCIENCE FOR FUTURE

Knowledge has no boundaries

Our contemporaries should know that Ukrainian scientists have achieved world recognition and their discoveries are used by the whole world. This is a good incentive for young researchers. They should understand that a lot can be achieved on a global scale – there are no boundaries in science. Being a country with huge intellectual potential, we should appreciate what we have. To show respect for researchers who are worthy of representing different sectors, Farmak has prepared a book “Here is your science” dedicated to the stories of 30 people who live in our country.

Contribution of Ukrainian scientists

All project participants come from Ukraine and work for the benefit of the planet: This is a perfect example of how boundaries are being erased and there is one world science left that is concerned about the fate of humanity and is called upon to work relentlessly for its benefit. The discoveries made by these people are evident today and will go down in history. These 30 researchers are our

contemporaries, who have to become role models, so that young people who are just beginning their journey in science are aware of the opportunities that are opening up to them, and are willing to work hard despite the possible difficulties.



Farmak has sent copies of the book to libraries and universities in Ukraine so that a wide range of people could have access to it.

SPORT AVAILABLE TO EVERYONE

In a comprehensive approach to caring for present and future generations, the promotion of healthy lifestyle plays an extremely important role and Farmak employees, as always, set a good example.

“Farmak: Run for Your Health”

Since 2017, the race under this name has been held in Shostka. We also organize runs to draw attention to the fact that health is a choice available to everyone. The sporting events taking place in Shostka are available not only for professional athletes, they are not exhausting semi-marathons or marathons. The distance of 2 km can be overcome by elderly people, the main thing is that everything happens with joy, interest and enthusiasm.



Twice a year there are competitions “We are the Champions!” for children aged 6 to 13 years. Children of Farmak’s employees demonstrate their skills in various sports tasks.

6

In 2019, runners of the Company from different regions took part in 6 city and all-Ukrainian races at distances of 4.2 km, 10, 21 and 42 km

In 2019, JSC Farmak received a certificate of responsible business from UN Global Compact Green Business Ukraine. Among other projects, the project “Farmak: Run for Your Health” was highly evaluated.

1 500

participants joined the 2019 Shostka Run.

From 10 to 93

years – this is the age of runners who, together with JSC Farmak decided to overcome the distance.

Running and more!

There are professional marathon runners among Farmak employees who take part in Ukrainian and international competitions. In general, JSC Farmak is an active participant of city and all-Ukrainian competitions, sports and athletic contests and tournaments in various sports: swimming, football, volleyball, basketball, rowing, chess, as well as tourism, fishing. The Company has teams and groups of reserve participants in each of these sports.



SHARING EXPERIENCE WITH COLLEAGUES AND PARTNERS

Achievements of JSC Farmak in the implementation of sustainable development values have repeatedly become the focus of attention of the leading Ukrainian media. In order to convey the most important principles to its colleagues and external partners, the Company actively uses its own communication tools.

7

awards were granted to JSC Farmak in the contest "The Best Corporate Media of Ukraine 2019" held by the Association of Corporate Media of Ukraine. Farmak Life corporate newspaper won the Grand Prix.

The Company's website was awarded the title of "Best Corpmedia Ukraine 2019". In addition, the magazine "SCIENCE INSIDE", Facebook Farmak page, films "60 years of Corvalol. The history" and "Farmak's Orchestra" and the corporate calendar were praised.

"Sustainable development"
"Quality"
"Ecology"
"Innovations"
"Performance"

take any key corporate newspaper topic, each time it refers to the Global Goals defined by the UN



3

The updated Farmak Life corporate newspaper has been published for three years and between 2018 and 2019 it won the Grand Prix among other corporate publications.

SCIENCE INSIDE is the third issue of the popular scientific magazine focused on the partners of JSC Farmak, specialists of pharmaceutical and medical industries and all those who are concerned about the creation of an effective health care system, dedicated to sustainable development.

Фармак

2020