

IOR 2019







17

**SUSTAINABLE
DEVELOPMENT
GOALS**

In its report made in accordance with the Global Reporting Initiative (GRI) Standards, JGL's CSR activities are divided into three key groups of indicators based on company mission and vision, long-term strategic plan, and material feedback from key stakeholders, including shareholders, employees, doctors, pharmacists, end consumers and the financial community:

ECONOMIC

- Sustainable financial growth
- Ensuring drug availability
- Constant work on product improvement and providing an additional value to customers
- Constant work on increasing professional competencies of employees
- Investments in own research and development capacities
- Internationalisation of business and partnerships with suppliers
- Operational efficiency
- Technological focus

SOCIAL

- Continuous development of close relationships with customers and partners
- Constant investments in developmental activities and innovations, employee educations, payroll and reward system
- Work on improving culture and two-way communication
- Including employees in the community and sharing knowledge
- Memberships in Croatian and international societies and associations
- Supporting and co-financing health-related initiatives, projects and activities
- Sport, student projects, consumer education

ENVIRONMENTAL

- Constant investments in work conditions and improvements of processes and technology, with a focus on environmental protection and energy savings
- Constant education of employees on environmental protection, with a special emphasis on the sea as a significant component of JGL products
- Monitoring corporate social responsibility of partners and suppliers
- Encouraging employees to volunteer in sea clean-up, forestation, ragweed removal and charitable activities...

In connection with the above, we devote particular attention to the integration of six global goals in our overall business process and activities:

GOAL NO 3 Ensure a healthy life and promote well-being for people of all generations

GOAL NO 5 Achieve gender equality and empower women and girls

GOAL NO 8 Promote inclusive and sustainable economic growth, full employment and dignified work for all

GOAL NO 9 Build adaptable infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

GOAL NO 12 Ensure sustainable forms of consumption and production

GOAL NO 14 Preserve and sustainably use oceans, seas and sea resources for sustainable development

This report shows our efforts in their implementation and promotion.



GRI 102

GENERAL STANDARDS

GRI 103

MANAGEMENT APPROACH

GRI 200

SPECIFIC STANDARDS
ECONOMIC TOPICS

GRI 300

SPECIFIC STANDARDS
ENVIRONMENTAL TOPICS

GRI 400

SPECIFIC STANDARDS
SOCIAL TOPICS

OPINION OF THE COMMISSION OF
THE MANAGEMENT BOARD OF THE
CROATIAN BUSINESS COUNCIL
FOR SUSTAINABLE DEVELOPMENT
(HR BCSD)

STRATEGY

Thanks to its efforts and performance in 2019, amid increased pressure of competition and a decline in the macroeconomic situation, the JGL Group has achieved growth of key brands, in almost all markets where it maintains its operations. In the reporting period, the Group has also made a big step forward in other markets in the sales of key brands, especially in the strategic segments – respiratory, dermatology and ophthalmology. I am proud and thankful to all our employees for the results we have achieved, and for their strong commitment to performing our role in the healthcare system in a dedicated and responsible manner, by ensuring the availability of medicines and continuously looking to improve products and provide an additional value to our customers. In December 2019, the Group's performance enabled us to pay all employees of the JGL Group a maximum reward for their efforts and excellent results in the past year. One thing especially worth mentioning is the wide base of JGL's growth, from the B2B segment, Aqua Maris and Meralys, to Dramina, Aknekutan and Vizol S. In 2019, we accomplished a 15% growth in revenue, which has enabled us to increase our operating profitability and cash flow, and reduce our debt and indebtedness factor to 2.8x EBITDA.

In December 2019, we completed our fourth issuance of corporate bonds, with HRK 130 million in bonds maturing in 2024. The new uninsured bonds come with a fixed annual interest rate of 1.75%, which is significantly lower than the interest rate for existing bonds that mature in 2020, which is 5.8%.

This situation enables us to make new investments, primarily in our employees, their professional competencies and the payroll and reward system, as well as in new R&D and production capacities and technologies. Through our new investment project “Integra 2020,” we are planning to invest in quality, a pilot plant, and in the automation, robotisation and digitalisation of our business. The goal of this investment is to ensure further sustainable growth and development of the company, especially having in mind the long-term vision of the internationalisation of our business.

Our success, however, would not be complete without continuous control and monitoring of our environmental impacts, and careful planning to reduce our burden on natural resources and to use resources and energy in a rational manner. We pay a lot of attention to environmental protec-

tion in accordance with sustainable development guidelines, and we use the best tools available as preventive safeguards, with the aim of avoiding possible risks and damage to the environment. Building on the previously introduced ISO 50001 standard, in the last reporting period we had the opportunity to further improve our energy management through cooperation with the Ministry of Regional Development and EU Funds as part of the operational programme “Competitiveness and Cohesion 2014-2020.” Through the project “JGL – An Energy Efficient Company,” (JGL – Energetski učinkovito društvo), which was completed at the beginning of 2020, we put into place measures for achieving energy efficiency and using renewable energy sources at JGL Pharma Valley manufacturing facilities. This project had several goals, with the most complex one being the construction of a photovoltaic power station which has enabled JGL to start generating electricity to meet its energy demands. This project led to reducing the amount of electrical power needed to maintain or increase the level of production. In addition, the share of

renewable energy sources in the overall structure of energy sources has increased and CO₂ emissions were reduced.

In 2019, we also supported and co-financed initiatives, projects and activities related to health and the environment, with a special emphasis on the preservation of sea, the key component of many of our products. I am proud that the values of interconnecting science and economy, developing innovations and transferring knowledge among employees, partners and the student community have a high priority within the JGL culture. JGL’s approach to sustainability entails insisting on sustainability throughout the value chain, which is something I strongly believe many of our customers recognise. We will continue adhering to the principles of corporate responsibility and creating values that contribute to the society and the environment, with a focus on improving the standard of life for stakeholders within and outside the company.



Ivo Usmiani

President of JGL's Board of
Directors

GRI 102 – GENERAL DISCLOSURES

1 ORGANISATIONAL PROFILE

102-1 NAME OF THE ORGANISATION

“JADRAN” – GALENSKI LABORATORIJ d.d.
/ JGL d.d.

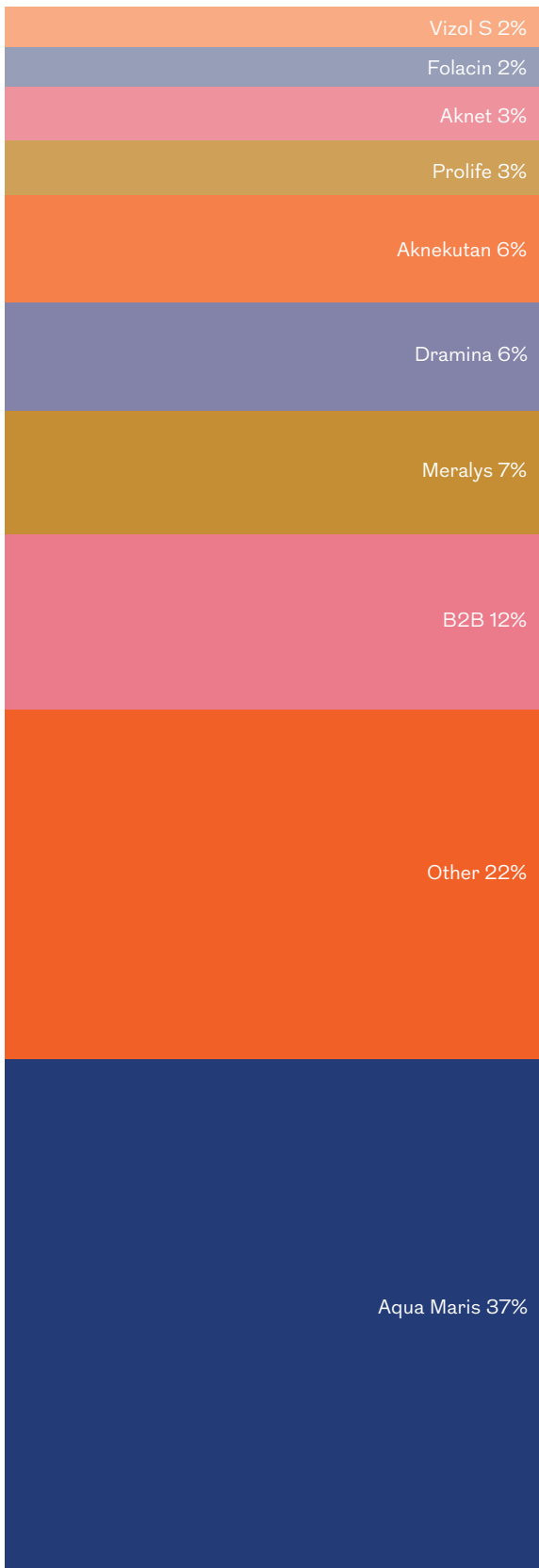
JGL GROUP

102-2 ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES

JGL's portfolio includes products of different legislative categories:

- drugs
- medical devices
- cosmetic products (products for general use)
- food supplements
- food for special medical purposes.

The sales structure by brand in the period from 1 January to 31 December 2019



Products from the above-mentioned legislative categories have various pharmaceutical forms, including the following:

pills, pastilles, hard and soft gelatin capsules

- sterile solutions
- compressed formulations (aerosols)
- powders for injections
- powders for oral solutions
- granules
- suppositories
- non-sterile solutions
- ointments, creams and gels
- teas.

Most of the products are produced at JGL's facilities. Part of the production is contracted to manufacturers with whom the company has developed a partnership. In addition to development and production activities, JGL is also engaged in the wholesale of the above product categories. The company also offers its partners contract manufacturing services, licensing services of JGL products and distribution services (B2B).

12 The portfolio consists of 160 brands, 460 products, 1,360 variations and 6,000 articles. It is adapted to the specificities of each market and has become recognisable in select market and therapeutic segments, especially in the segments of nasal decongestants based on sea water and ophthalmics in the entire therapeutic spectrum.

The most significant brand is Aqua Maris, accounting for 37% of JGL's sales. Meralys, the second most successful brand from the segment of cold and flu medicines also recorded exceptional results in the first half of the year, especially on the markets of Croatia and Ukraine. Dramina has maintained the leading position on the markets of Russia and Croatia, while Vizol S has experienced a stable growth in sales on the Croatian market and successful launches on markets of the CIS region. Aknekutan, a brand from the dermatological portfolio, is gaining an increasingly significant share in JGL's sales, with approx. 6% in 2019.

List of JGL's subsidiaries with an indication of their core business

Subsidiary	Country	Core business
Pablo d.o.o. Zagreb	Croatia	Retail of pharmaceutical preparations
Ljekarna Pablo	Croatia	Pharmacy
Adrialab d.o.o. Rijeka	Croatia	Production of pharmaceutical preparations
Jadran LLC Moskva	Russia	Sale of pharmaceutical preparations
JGL d.o.o Beograd-Sopot	Serbia	Sale of pharmaceutical preparations
Farmis d.o.o. Sarajevo	Bosnia and Herzegovina	Sale of pharmaceutical preparations
Jadran – Galenski laboratorij d.o.o. Ljubljana	Slovenia	Sale of pharmaceutical preparations
JGL North America LLC New York USA – the company is not active	USA	Sale of pharmaceutical preparations

102-3 LOCATION OF HEADQUARTERS

Svilno 20, 51 000 Rijeka,
Republic of Croatia

102-4 LOCATION OF OPERATIONS

The company has its headquarters in Rijeka, where production facilities are also located. There are also two other offices in Croatia; in Zagreb and Split. Except in Croatia, the company is also present in other markets in Central and Eastern Europe with its operations and products, and outside Europe, the key markets are Russia, Ukraine, Kazakhstan and Belarus. JGL's products are present in more than 50 markets.

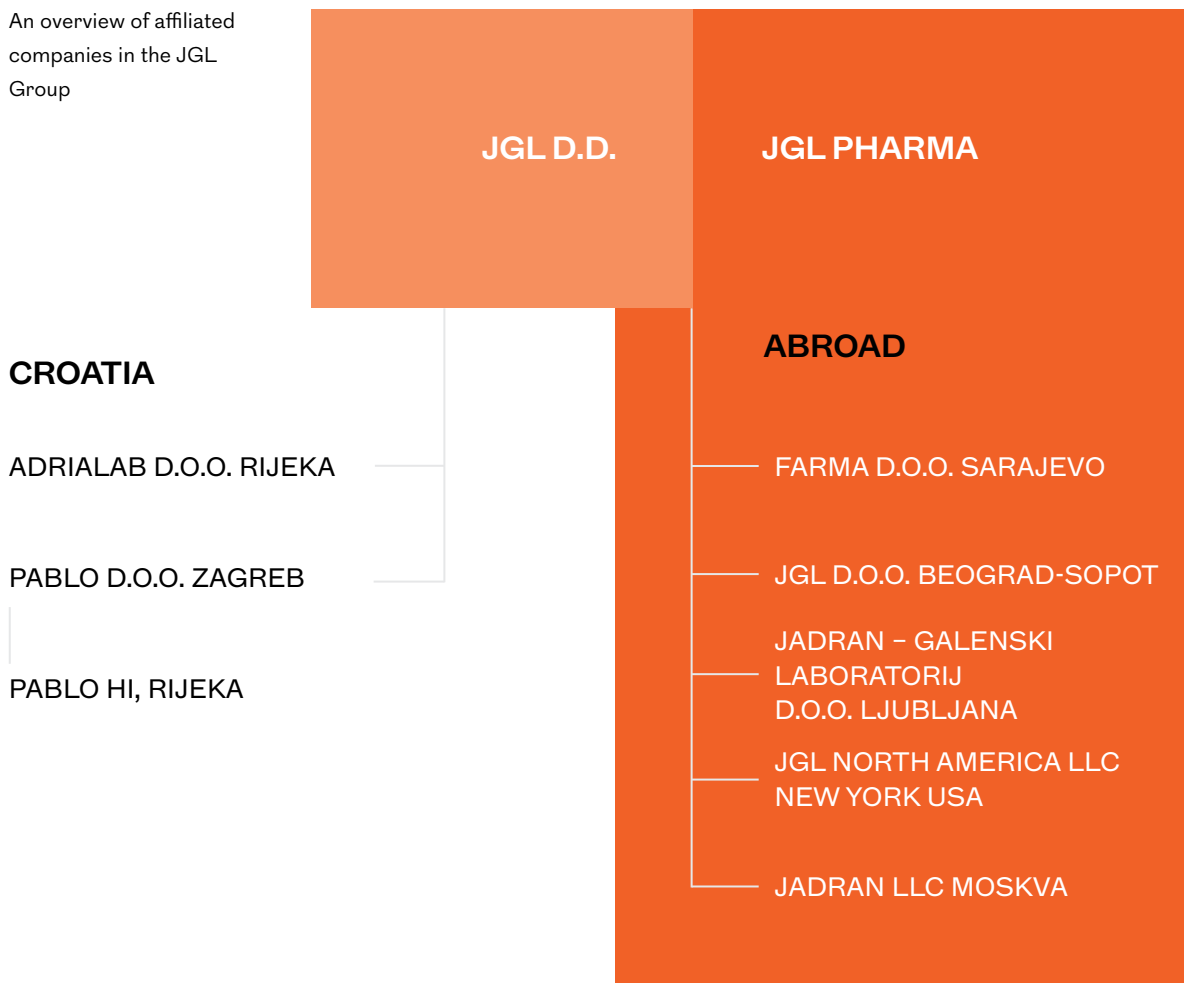
JGL owns other companies that make up the JGL Group (Adrialab d.o.o., Ljekarna Pablo health institution, Pablo d.o.o. in Croatia, Farmis d.o.o. in Bosnia and Herzegovina, JGL d.o.o. Beograd-Sopot in Serbia, Jadran-Galenski laboratorij d.o.o.

Ljubljana in Slovenia, and Jadran LLC Moskva in Russia). The pharmaceutical part of the business (JGL Pharma), i.e. the core business, includes the parent company JGL d.d. and foreign daughter companies.

Key manufacturing activities are located at three addresses:

- JGL d.d. – Svilno 20, 51000 Rijeka, Republic of Croatia
- Adrialab d.o.o. – Pulac 4a, 51000 Rijeka, Republic of Croatia
- JGL d.o.o Beograd-Sopot – Milosava Vlajića 110, 11000 Beograd, Sopot, Serbia

An overview of affiliated companies in the JGL Group



The company is a domestically owned joint stock company. At the beginning of 2019, the company owned 76,853 own shares. By 31 December 2019, the company repurchased 1,150 and allocated 5,266 own shares, so the number of own shares in the portfolio was 72,737 as at 31 December 2019.

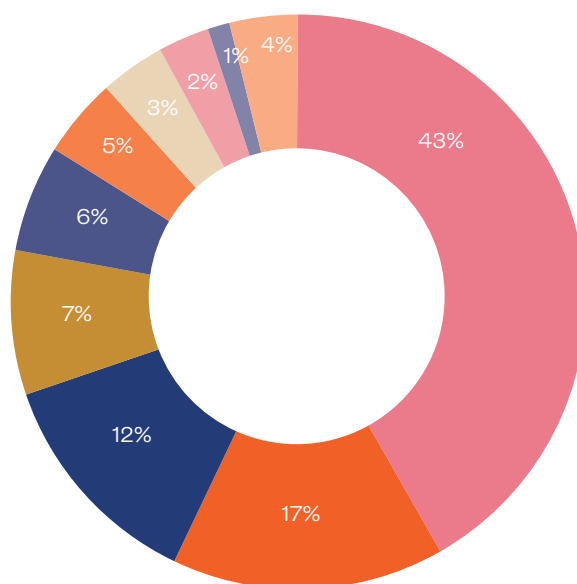
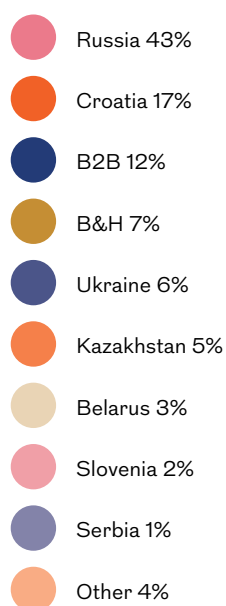
The share capital of JGL d.d. is divided into 1,192,550 shares, 1,119,813 of which are shares with voting rights, while the remaining ones are own shares. Based on the authorisation given by the Resolution of the General Meeting as of 24 June 2014, on 6 May 2019, the Board of Directors issued a Decision on the issue of 7,830 new H series shares, with a nominal amount of HRK 100 per share. This increased the share capital from HRK 118,472,000 to HRK 119,255,000. The increase of the share capital was performed by entry into the court register of the Commercial Court in Rijeka, under No Tt-19/5199-2 on 25 September 2019, with the delivery of the consolidated text of the Articles of Association of JGL on 17 September 2019.

Key markets are the markets in the CIS region – Russia, Kazakhstan, Ukraine and Belarus, and in the SEE region – Croatia, Bosnia and Herzegovina, Serbia, Slovenia, Montenegro, Kosovo and Macedonia, where JGL is present with its own operations. The markets where the company operates with a B2B model currently make up 15% of business and are in propulsive growth (EU, MENA region, ASEAN region). Through its partners, the company operates in approximately 50 additional global markets.

Ownership structure
of JGL d.d. as at
31 December 2019

Owner	number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	364,234	30.54%	32.53%
Small shareholders	348,668	29.24%	31.13%
Zdravko Saršon	239,496	20.08%	21.39%
Own shares	72,737	6.10%	-
Marina Pulišić	31,396	2.63%	2.80%
Eva Usmiani Capobianco	29,632	2.49%	2.65%
Grozdana Božić	28,912	2.42%	2.58%
Vesna Črnjarić	24,162	2.03%	2.16%
Đurđica Miletović Forempoher	19,800	1.66%	1.77%
Sanja Vujić Šmaguc	18,913	1.59%	1.69%
Majid Hejja	14,600	1.22%	1.30%
TOTAL	1,192,550	100.00%	100.00%

The sales structure of JGL Pharma by market in the period from 1 January to 31 December 2019



102-7 SCALE OF THE ORGANISATION

The total number of employees in the JGL Group on 31 December 2019 was 1,002, in JGL Pharma 834, and 578 in the parent company.

In 2019, JGL Group had a 49.37% share of capital in sources of funds, which means that it participated in the total sources of financing with 49.37%.

When comparing the 2019 indicator with previous years, it is clear that the self-financing coefficient is more favourable than in previous years, which is primarily the result of a decrease in net debt of the parent company, the prepayment of an EBRD loan of HRK 33.2 million, and an earlier start of payment of a CBRD loan.

Indicator	Self-financing coefficient
2019	49.37%
2018	48.78%
2017	45.76%
2016	35.08%
2015	31.92%

JGL's market share by sales

Market	Market share	Rank
CROATIA	2.0%	15
RUSSIA	0.3%	64
UKRAINE	0.2%	85
KAZAKHSTAN	0.2%	48
2015	31.92%	

Source: Independent market data



Structure of employees in 2019 by market and key area of work



102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

The Croatian market is the largest in terms of the number of employees, with 629 employees working within the parent company JGL d.d., the company Adrialab and Pablo Health Institution. The Russian market is the second largest in terms of the number of employees (Jadran LLC Moskva) with 210 employees.

Out of the total number of employees in the JGL Group during the 2019 business year, 76% are women, and 24% are men. The percentage of employees with university degrees is 67%, and their average age is 42.

	2017	2018	2019
JGL d.d.	522	546	578
Market of Croatia	410	431	461
Market of Bosnia and Herzegovina	7	1	0
Market of Macedonia	5	5	5
Market of Russia	6	5	5
Market of Belarus	15	15	17
Market of Ukraine	40	47	50
Market of Kazakhstan	38	41	39
Market of Kosovo	1	1	1
AFFILIATED COMPANIES	437	418	424
JGL d.o.o. Beograd-Sopot	20	18	19
Farmis d.o.o. Sarajevo	21	26	26
JGL d.o.o. Ljubljana	5	6	6
Adrialab d.o.o. Rijeka	24	27	28
Ljekarna Pablo health institution	156	144	140
Pablo d.o.o.	1	0	0
Jadran LLC Moskva	210	197	205
TOTAL FOR JGL GROUP	959	964	1,002

An overview of the number of employees on 31 December 2017, 2018 and 2019 in the JGL Group

	Women	Men
<29	107	51
30–49	562	167
>50	95	20
TOTAL	764	238

An overview of the number of employees in the JGL Group in 2019 according to age and gender

	Women	Men
<Secondary education	12	7
Secondary education	214	99
Post-secondary education	20	14
University education	501	115
>University education	17	3
TOTAL	764	238

An overview of the number of employees in the JGL Group in 2019 according to professional qualification

	Fixed-term contract	Indefinite-term contract	
JGL d.d.	103	475	An overview of the number of employees in the JGL Group according to employment contract type in 2019
Market of Croatia	65	396	
Market of Bosnia and Herzegovina	0	0	
Market of Macedonia	0	5	
Market of Russia	0	5	
Market of Belarus	17	0	
Market of Ukraine	0	50	
Market of Kazakhstan	21	18	
Market of Kosovo	0	1	
AFFILIATED COMPANIES	47	377	
JGL d.o.o. Beograd-Sopot	3	16	
Farmis d.o.o. Sarajevo	5	21	
JGL d.o.o. Ljubljana	1	5	
Adrialab d.o.o. Rijeka	4	24	
Ljekarna Pablo health institution	19	121	
Jadran LLC Moskva	15	190	
TOTAL	150	852	

	Part time	Full time	
JGL d.d.	4	574	An overview of the number of employees in the JGL Group according to the type of employment in 2019
Market of Croatia	4	457	
Market of Bosnia and Herzegovina	0	0	
Market of Macedonia	0	5	
Market of Russia	0	5	
Market of Belarus	0	17	
Market of Ukraine	0	50	
Market of Kazakhstan	0	39	
Market of Kosovo	0	1	
AFFILIATED COMPANIES	5	419	
JGL d.o.o. Beograd-Sopot	0	19	
Farmis d.o.o. Sarajevo	0	26	
JGL d.o.o. Ljubljana	0	6	
Adrialab d.o.o. Rijeka	0	28	
Ljekarna Pablo health institution	5	135	
Jadran LLC Moskva	0	205	
TOTAL	9	993	

JGL cooperates with a large number of suppliers in its supply chain – a total of 649 during 2019. All suppliers have to meet the high standards of the pharmaceutical industry, and materials and services are only procured from an approved source of consistent quality.

The selection and approval of a new supplier is a complex and lengthy process, starting with supervision and understanding of the quality process of a potential supplier. In addition to initial verification, both new and long-term suppliers are regularly subjected to inspections (every two to three years), where besides the quality system, their overall business is also evaluated. In addition to the formal audits and questionnaires that we regularly send to suppliers, we also evaluate them through everyday work and contacts with them.

Relationships with partners are built on trust, mutual understanding and mutual respect of wishes and needs. Establishing a partnership creates the prerequisites for meeting delivery deadlines, and maintaining sustainable and fair prices and the quality of products and services. Partnerships with suppliers are also a prerequisite for supply chain management, which directly affects company savings and profitability.

Particular attention is paid to how much our partners care for the community and the environment, for their employees and other stakeholders. Companies that apply the principles of corporate social responsibility have an advantage during our selection process, which is a necessary prerequisite for our key suppliers. All of JGL's suppliers are certified according to ISO 9001, a standard that refers

Within the supply chain, companies that provide transportation services also have an important role. It is expected from the suppliers to prove themselves with quality, speed, innovation and full cost transparency. We select companies that regularly service and properly maintain their vehicles and have lower emission levels for harmful gases. In warehouses and in production, we have largely moved from diesel forklifts to electric forklifts, thus directly leading to a reduction in environmental pollution. We buy all new transport vehicles with a built-in system for engine shutdown when stopped, thus contributing to lower environmental pollution.

The selection of a new supplier, in addition to all of the above, includes a tendering process, or the necessary fulfilment of all pre-defined technical and commercial conditions for suppliers and products.

There were no significant changes in the structure, location, selection, and termination of supplier relationships in the reporting period compared to the last year.

In order to protect human health and the environment, JGL is guided by the precautionary principle. When there are threats of serious or irreversible damage to human health or the environment, JGL does not delay in taking the necessary safeguards, even if the danger is not fully scientifically explored.

Risk management is applied appropriately in different processes and activities. Risk management principles should be implemented in project activities, new product development, design of production equipment and space, change management, non-compliance management, production processes and marketing.

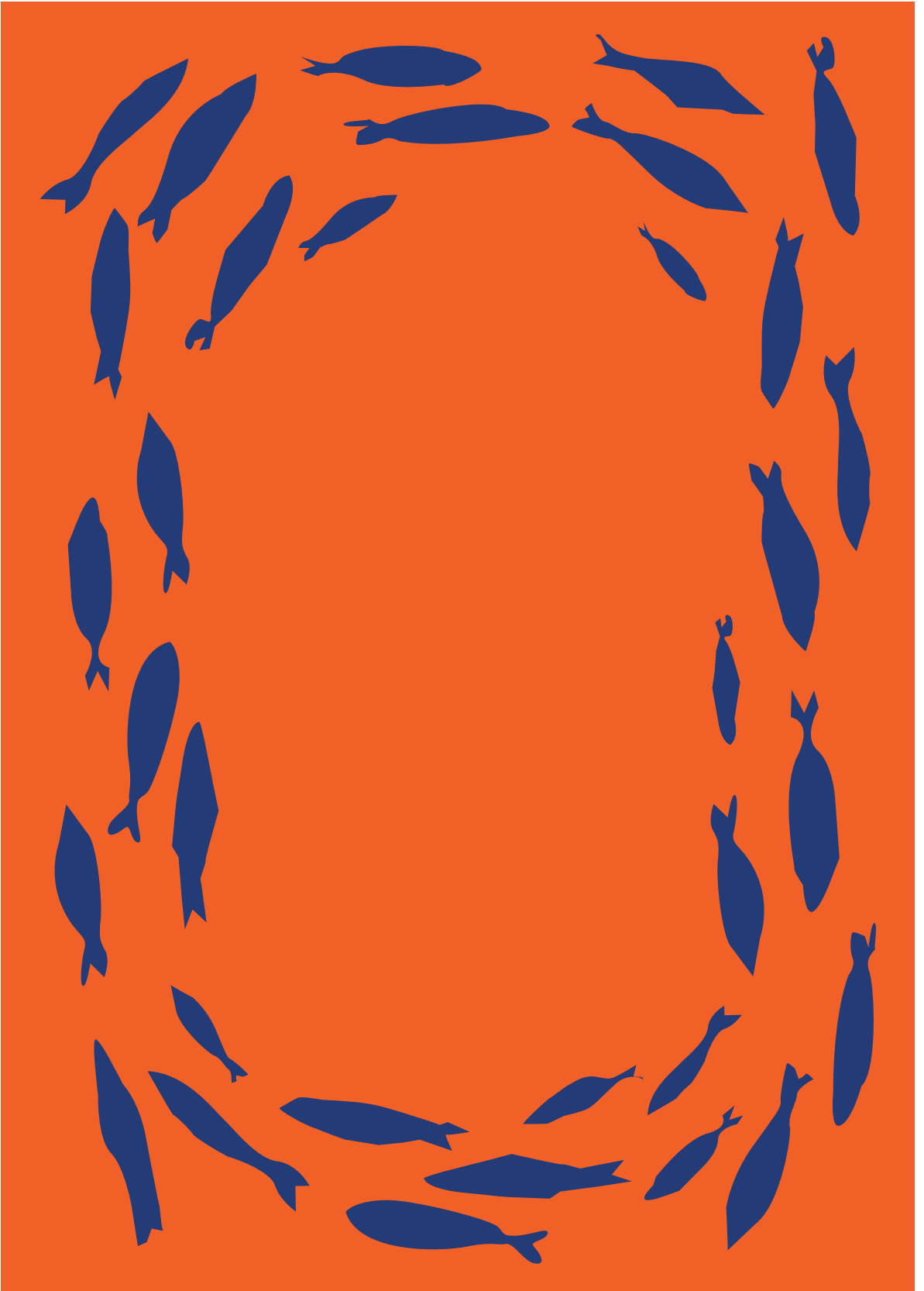
For example, a detailed risk analysis is conducted before and during product development. Based on the results of the analysis, a risk management plan is drawn up, which includes risk reduction or elimination and risk control. In certain stages of development, the evaluation of the achieved results must be performed to determine that the individual requirements have been met and the result must be verified before moving to the next stage. Prior to the start of normal production and application of the new product, it is necessary to carry out the validation of the production process in order to confirm that the production process is reliable and that reproducibility is ensured, which means that the production process is always capable of delivering a product of defined quality.

If any changes occur during development (e.g. change of requirements), it is necessary to assess the need for rating, verification and validation of the change. Records are kept on all stages of development, including risk analysis and developmental changes.

Membership within Croatian and international organisations and associations provides us with an opportunity to constantly monitor and implement new standards and current educational programmes, as well as exchange experience and connections with leading experts in the fields of pharmacy, economics and sustainable development.

- Croatian Business Council for Sustainable Development
- Croatian Chamber of Economy
- CEA's Association of Medicines Manufacturers
- The European Generic Medicines Association
- Croatian Managers' & Entrepreneurs' Association
- Croatian Association for Automatic Identification, Electronic Data Interchange (EDI) and Business Process Enhancement
- Leader's Club of Exporters
- Croatian Pharmaceutical Society
- Croatian Pharmacological Society
- Licensing Executives Society
- Association of the Croatian Business Forum
- Croatian Health Cluster
- Croatian Association of the Self-Medication Industry





102-15 KEY IMPACTS, RISKS, AND OPPORTUNITIES

From the very beginning, JGL has been dedicated to aligning its business with the principles of sustainable development, and every year represents a new challenge in this field. New investments, when it comes to manufacturing medicinal products, must take into account sustainability, for the company, the environment and the community. Previously mentioned projects, such as “JGL – An Energy Efficient Company,” open up the possibility for us to implement measures for achieving energy efficiency and use renewable energy sources in our production facilities. We will continue to carry out such projects in the future, particularly because potential impacts and risks in that area are evaluated better every year. Some of the possible environmental impacts that we have always taken very seriously in the planning of our production and infrastructure projects and activities include, for example:

- Impact on the microclimate and vegetation of the Svilno area
- Risk of releasing hazardous substances into waste water
- Risk of releasing gases into the environment

We also have a responsible approach to our role in the community, and in that field, we consider the following:

- Impact on creating greater opportunities in the local/regional labour market
- Impact on developing a qualified work force, and consequently increasing the employability of young people in the Primorje-Gorski Kotar County and beyond
- Impact on raising awareness of ecological behaviour, and the protection of nature and its resources

However “clean” it may be, industry always carries certain risks. Some of the risks that we take into account in

our company when planning our processes and during their implementation and optimisation include:

Human resources

- Risk of injuries caused by working with machines and tools
- Risk of traffic injuries
- Risk of occupational diseases

Environmental impact (ecological)

- CO₂ emissions from own/supplier vehicle fleet
- Destruction of indigenous vegetation of the area affected by a growing company

Environmental impact (social)

- Unemployment of qualified workers from the nearest professional schools and universities

Measures that we take to reduce the impacts listed above are also presented in this report.

We recognise our opportunities in the area of comprehensive use of renewable energy and more efficient energy consumption as the only way to mitigate the risks arising from the fast-growing demand and limited inventories, and in encouraging the availability of high-quality, safe and effective products for treatment, self-treatment and prevention for every human being. By following trends in the pharmaceutical industry, JGL is continuously striving to improve the existing capacities, having in mind the framework consisting of high regulatory and environmental standards, as well as very strict and demanding rules of good manufacturing practice in pharmaceutical production. With the aim to increase its competitiveness on the global market, which requires investments in key technologies and overall business efficacy, the company is continuously investing in analytical, technological and digital production processes, increasing the competencies of employees, employing new qualified workers, and improving the operational level of business.



2 ETHICS AND INTEGRITY

102-16 VALUES, PRINCIPLES, STANDARDS, AND BEHAVIOURAL NORMS

JGL d.d. has not adopted the Corporate Governance Code developed by the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) and the Zagreb Stock Exchange (Zagrebačka burza d.d.), but implements it in the appropriate manner. JGL d.d. operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, strengthening personal responsibility and corporate social responsibility. JGL d.d.'s organisational structure follows the one-



tier model, in which the functions of governance and supervision are carried out by the Board of Directors, elected by the General Meeting, while an executive director (appointed by the Board of Directors) represents and manages the company's operations.

In its business activities, JGL d.d. applies internal policies with clearly defined procedures for the work of the Board of Directors and Executive Director, and clear principles guaranteeing the protection of interests of all stakeholders (e.g. annual and semi-annual reports are available to stakeholders; persons who use or come into contact with privileged information are familiar

with the nature and significance of the information and the relevant restrictions; control of the flow of privileged information and the possible abuse of such information has been established).

The Board of Directors has established an Audit Committee. In the course of its work, the Committee assesses the quality of the internal control and risk management system, with the aim of properly identifying the main risks the Company is exposed to (including the risks related to compliance with regulations).

JGL d.d. Rijeka has a monistic structure, and the Board of Directors of the company has a leadership and supervisory role.

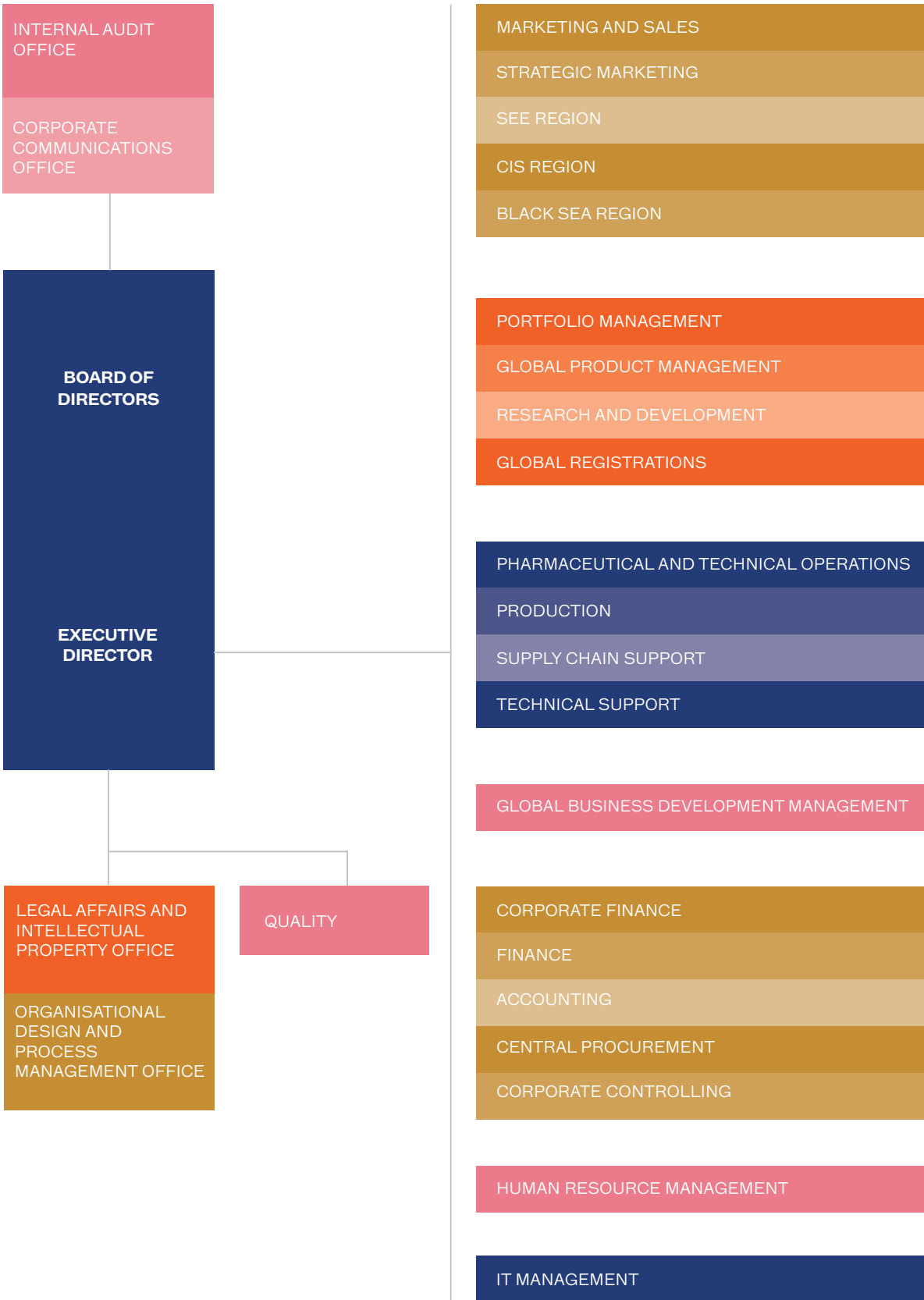
The Board of Directors of JGL d.d. is composed of:

- Ivo Usmiani – President of the Board of Directors,
- Zdravko Saršon – Deputy President of the Board of Directors
- Marina Pulišić – member of the Board of Directors,
- Grozdana Božić – member of the Board of Directors,
- Eva Usmiani Capobianco – member of the Board of Directors,
- Dorotea Pernjak Banić – member of the Board of Directors, workers' representative.
- Mislav Vučić – Chief Executive Director (company representative).

The business address of all members of the Board of Directors, Executive Directors and the new Executive Director is Svilno 20, Rijeka. There is no conflict of interest between the members of the Board of Directors and Executive Directors / Executive Director with regard to the functions and activities performed by them and their personal interests, i.e. their functions and activities outside the company.

In the field of economic, environmental and social impacts, responsibilities are linked to Finance, Accounting and Controlling, Technical Support and Corporate Communications, and the Human Resources Management Department.

Top organisational structure of the parent company in 2019 is represented below.



102-40 LIST OF STAKEHOLDER GROUPS

Our stakeholders are employees, doctors and pharmacists, end consumers, partners, suppliers, students, government bodies, the financial community, the local community, the media.

102-42 IDENTIFYING AND SELECTING STAKEHOLDERS

During the reporting period, as part of the engagement and selection of key stakeholders in the implementation of the strategy and achieving the company's overarching goals, we were guided by the implemented Customer Value Proposition approach to the organisation of our business, where we consider the end user as the main customer, defining certain groups of doctors and pharmacists as key in certain markets. In addition, given that employees are the key value of the company, and that they plan, implement, prepare, report, and inform other stakeholders about JGL's sustainable development goals, they are a key link in this process.

Knowing the importance of investment in the coming generations, strengthening links between the economic and scientific sector, as well as sharing of knowledge and experiences, during the reporting period, we expanded our cooperation with the academic community. We listened to the interests, opinions, attitudes and suggestions of students and included them in this report as the key stakeholders with whom we jointly contribute to the sustainable development of JGL.

The process of continuous improvement of the process of managing and making decisions in the

direction of sustainable development and growth of the company brings added value for the shareholders and the owners of the company. The sustainable business model and promotion of responsible practices have contributed to increased sales and market share, reduced operating costs, increased attractiveness for investors and financial analysts, which are key elements for the survival of modern companies in terms of market competition. Company shareholders, who in JGL's case are company employees, are the key category of the reporting process.



102-43 APPROACH TO STAKEHOLDER ENGAGEMENT

Based on conducted research (CSI questionnaires), joint meetings (company visits and tours), surveys and direct inquiries (expert associates in the field, meetings, joint meetings) that were conducted as part of the process of preparing the report, we posed questions to our engaged stakeholders in relation to their needs, expectations and interests in

the field of JGL's economic, social, and environmental impacts.

We conducted our research throughout the whole reporting period:

- Employees (on a continuous basis – at joint events, within a corporate newsletter, during the evaluation of specific CSR activities, etc.)
- Shareholders (officially once a year – at the annual general meeting of shareholders, since shareholders are partly employees, according to some, communication was ongoing)
- End users (on a continuous basis – on public platforms such as social networks or an online counselling centre, during promotional activities, through CSI surveys)
- Physicians/pharmacists (on a continuous basis – expert associates in the field, meetings, joint meetings, agreed company visits and tours)
- Students (several times a year – joint meetings, joint projects)

102-44 KEY TOPICS AND CONCERNS RAISED

Through the whole year of engaging stakeholders, the following topics and issues were confirmed as key:

- Direct generated economic value and distributed economic value, company liquidity, debt management;
- Significant investments in employees and environmental protection.

Other material topics according to JGL include:

- The need for more frequent and more focused internal and external education;
- The need for significant investments in the research and development of own products.

102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of JGL Group are available at <https://www.jgl.hr/o-nama/jgl-danas/financial-records> and include the following entities:

- JGL d.d.
- Farmis d.o.o. Sarajevo
- Jadran – Galenski laboratorij d.o.o. Ljubljana
- Adrialab d.o.o. Rijeka
- Pablo HI, Rijeka
- LLC Jadran Moskva
- JGL d.o.o. Beograd-Sopot
- Pablo d.o.o. Zagreb

JGL's non-financial report includes, in part, reports from the parent company JGL d.d., and for the most part (economic and social dimension), the JGL Group's complete business operations.

102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The material topics we will report on were determined on the basis of internal and external factors.

The mission of the company is to improve the quality of life with regard to health care, and the strategic guidelines are linked to the internationalisation of business, operational efficiency, technological focus, and continuous development of close relationships with customers and partners. At the core of our business are instrumental values that engender togetherness and reject isolation: responsibility

towards the whole, the importance of the greater good, equality and inclusion, respect for all lifestyles and unconditional care.

Along with the listed internal factors, external factors that have influenced the definition of material topics refer to the directly expressed interests of the stakeholders.

Summing up the answers we received has led us to the following expectations, both our own and those of our key stakeholders, according to which we identified relevant material topics:

- Ensuring drug availability
- Continuous investment in education
- Constant care and improvement of investments in environmental protection
- Inclusion and sharing of knowledge
- Sustainable financial growth.

JGL Group is associated with impacts through its own activities, but also through activities that are the result of business relationships with other bodies.

102-47 47 LIST OF MATERIAL TOPICS**GRI 200 ECONOMIC TOPICS**

- GRI 201 Economic Performance
- GRI 202 Market Presence

GRI 300 ENVIRONMENTAL TOPICS

- GRI 302 Energy
- GRI 303 Water
- GRI 306 Effluents and Waste

GRI 400 SOCIAL TOPICS

- GRI 402 Labour/Management Relations
- GRI 403 Occupational Health and Safety

- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 416 Customer Health and Safety

102-48 RESTATEMENTS OF INFORMATION

Regarding the information provided in previous reports, but also beyond them, there have been no significant changes in the company.

102-49 CHANGES IN REPORTING

A change from the previous reporting period relates to the amended reporting on emissions in the part regarding environmental indicators.

102-50 REPORTING PERIOD

This is the twelfth edition of JGL's Sustainable Development Report, which includes a one-year reporting cycle, i.e. the period between 1 January and 31 December 2019.

102-51 DATE OF MOST RECENT REPORT

The last, eleventh edition of JGL's Sustainable Development Report was published on 30 June 2019. All published JGL Sustainable Development Reports are available on the link <https://www.jgl.hr/en/about-us/jgl-in-the-community/sustainable-development-reports>.

102-52 REPORTING CYCLE

JGL has published only the first two reports (2006/2007 and 2008/2009) in a two-year reporting cycle, and from then, we continue to report continuously in the one-year reporting cycle.

102-53 CONTACT FOR QUESTIONS REGARDING THE REPORT

In case of any questions related to this Report, the need for deeper analyses and/or wider range of data, the contact person is Dea Demić, Head of Corporate Communications, dea.demic@jgl.hr.

102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

This report has been prepared in accordance with the GRI Standards: Core option

102-56 EXTERNAL ASSURANCE

In accordance with the continuous and comprehensive support of the Croatian Business Council for Sustainable Development (HR BCSD), JGL has, for each published report, sought the opinion of the HR BCSD Management Board to be included in the Report. This issue is no exception – HR BCSD is most often called upon when it comes to promoting corporate social responsibility in the Republic of Croatia, and we appreciate their opinions and verification of the Report.

GRI 102: GENERAL DISCLOSURES	PAGE NUMBER
102-14 STATEMENT FROM SENIOR DECISION-MAKER	8
102-1 NAME OF THE ORGANISATION	10
102-2 ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES	10
102-3 LOCATION OF HEADQUARTERS	12
102-4 LOCATION OF OPERATIONS	12
102-5 OWNERSHIP AND LEGAL FORM	14
102-6 MARKETS SERVED	14
102-7 SCALE OF THE ORGANISATION	15
102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS	16
102-9 SUPPLY CHAIN	19
102-11 PRECAUTIONARY PRINCIPLE	20
102-13 MEMBERSHIP IN ASSOCIATIONS	21
102-15 KEY IMPACTS, RISKS, AND OPPORTUNITIES	23
102-16 VALUES, PRINCIPLES, STANDARDS, AND BEHAVIOURAL NORMS	24
102-18 GOVERNANCE STRUCTURE	26
102-40 LIST OF STAKEHOLDER GROUPS	28
102-42 IDENTIFYING AND SELECTING STAKEHOLDERS	28
102-43 APPROACH TO STAKEHOLDER ENGAGEMENT	29
102-44 KEY TOPICS AND CONCERNS RAISED	29
102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS	30
102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES	30
102-47 LIST OF MATERIAL TOPICS	30
102-48 RESTATEMENTS OF INFORMATION	31
102-49 CHANGES IN REPORTING	31
102-50 REPORTING PERIOD	31
102-51 DATE OF MOST RECENT REPORT	31
102-52 REPORTING CYCLE	31
102-53 CONTACT FOR QUESTIONS REGARDING THE REPORT	31
102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS	31
102-56 EXTERNAL ASSURANCE	31
102-55 GRI CONTENT INDEX	32

	PAGE NUMBER	33
GRI 200: ECONOMIC TOPICS		
102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD	38	
GRI 201: ECONOMIC PERFORMANCE		
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	42	
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	43	
103-3 EVALUATION OF THE MANAGEMENT APPROACH	43	
201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	43	
201-2 RISKS DUE TO CLIMATE CHANGE	44	
201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	45	
GRI 202: MARKET PRESENCE		
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	46	
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	47	
103-3 EVALUATION OF THE MANAGEMENT APPROACH	47	
202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE	48	
202-2 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY	49	
GRI 203: INDIRECT ECONOMIC IMPACTS		
203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS	49	
GRI 300: ENVIRONMENTAL TOPICS		
102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD	52	
GRI 302: ENERGY		
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	54	
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	55	
103-3 EVALUATION OF THE MANAGEMENT APPROACH	56	
302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION	56	
302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION	58	
302-3 ENERGY INTENSITY	59	
302-4 REDUCTION OF ENERGY CONSUMPTION	60	
GRI 303: WATER		
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	62	
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	63	
103-3 EVALUATION OF THE MANAGEMENT APPROACH	63	
303-1 WATER WITHDRAWAL BY SOURCE	63	
303-3 WATER RECYCLED AND REUSED	64	
GRI 305: EMISSIONS		
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	66	
GRI 306: EFFLUENTS AND WASTE		
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	68	
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	69	

103-3 EVALUATION OF THE MANAGEMENT APPROACH	69
306-1 WATER DISCHARGE BY QUALITY AND DESTINATION	69
306-2 WASTE BY TYPE AND DISPOSAL METHOD	69

GRI 400: SOCIAL TOPICS

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD	76
--	----

GRI 402: LABOUR/MANAGEMENT RELATIONS

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	80
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	81
103-3 EVALUATION OF THE MANAGEMENT APPROACH	81
402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES	83

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	84
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	83
103-3 EVALUATION OF THE MANAGEMENT APPROACH	86
403-1 WORKERS REPRESENTATION IN HEALTH AND SAFETY COMMITTEES	86
403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES	87
403-3 WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION	88
403-4 HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS	88

GRI 404: TRAINING AND EDUCATION

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	90
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	91
103-3 EVALUATION OF THE MANAGEMENT APPROACH	92
404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE	94
404-2 PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMMES	96
404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	97

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	98
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	99
103-3 EVALUATION OF THE MANAGEMENT APPROACH	99
405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES	100

405-2 RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN 101

GRI 416: CUSTOMER HEALTH AND SAFETY

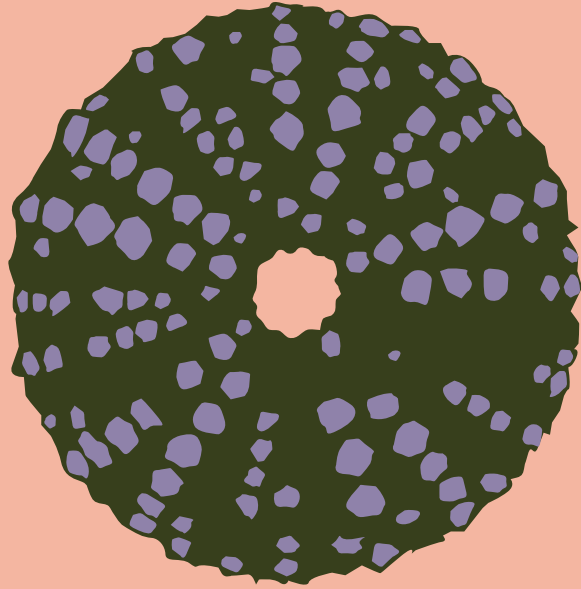
103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY 102

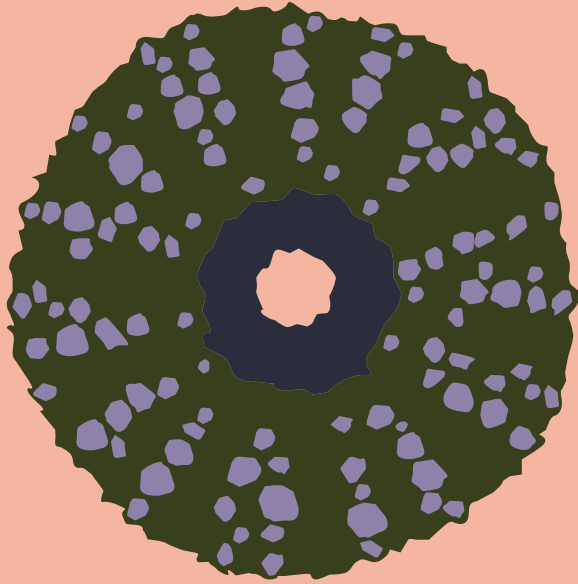
103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS 103

103-3 EVALUATION OF THE MANAGEMENT APPROACH 103

416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES 104

OPINION OF THE EXPERT COMMITTEE FOR NON-FINANCIAL REPORTING 108





GRI 200 – ECONOMIC TOPICS

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD

In 2019, JGL Group made a total of HRK 932 million in revenue, with an operating profit (EBITDA) of HRK 136 million and the EBITDA margin rate of 15%. The most significant success of the reporting period is the growth of sales in key markets of Russia, Croatia, Bosnia and Herzegovina and Ukraine, and a 46% growth in the B2B (Business to Business) segment compared to 2018. Specifically, with total sales of HRK 86 million, the B2B segment leads the growth of JGL's largest brands.

The JGL Group has experienced a positive business trend, increased profitability, and a decrease in the level of net debt/EBITDA to 2.71. By reducing the level of indebtedness and net debt, the Company has achieved financial stability, liquidity, higher profitability, a solid return on assets and capital, and improved creditworthiness.

BOND REFINANCING

At the end of 2019, JGL refinanced bonds in the amount of HRK 127,500,000, with the code DGL-O-20CA, issued on 21 December 2015, with the annual interest rate of 5.8125% and maturity on 21 December 2020, through an early repurchase of a part of a bond issue and their exchange for a new bond issue from bondholders in the nominal amount of HRK 80,735,740, leaving in circulation bonds in the nominal amount of HRK 46,764,260. On 21 November 2019, the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) issued a Decision approving a single prospectus relating to the public offering and listing of bonds on the regulated market up to a maximum of HRK 130,000,000.

On 18 December 2019, JGL d.d. issued a new issue of corporate bonds in HRK on the domestic capital market in the amount of HRK 130,000,000, with the code JDGL-O-24XA, denominated in HRK 1, with a fixed annual interest rate of 1.75%, semi-annual payment and maturity on 18 December 2024, in registered dematerialised form.

Through the refinancing of existing bonds and a new bond issue, JGL d.d. has reduced the costs of bond financing due to a significantly reduced interest rate, and has delayed bond maturity for another five years.

PORTFOLIO REALISATION

JGL had a successful 2019 due to the total number of products manufactured. The output of 37 million units broke the record from 2013. An additional 20 percent increase was set as the plan for 2020.

During the reporting period, a total of 50 new marketing authorisations in the B2C segment were ob-

tained, registration processes for 47 products were initiated, and 118 different products were launched in 35 global markets.

The certification of all products in the medical device category was successfully completed in accordance with the applicable EU Directive (Medical Devices Directive, MDD), ensuring free movement of products on the EU market until 26 May 2024, and certification activities were started according to the new EU regulation (Medical Device Regulation, MDR) which comes into effect on 26 May 2020. In 2019, preparations for the registration of all products in the MD category in the EEU region were also started as per the new regulation, with the aim of ensuring free movement of products in EEU from 1 January 2022. Over the course of the year, a total of 60 new products were launched in the B2C segment in 15 markets, generating just over HRK 16 million in revenue by 31 December 2019. Of the 60 launches, 42 were done in the SEE region, and 18 in CIS markets. The largest number of the products launched were in Croatia (24), and the financially most successful launches in the previous year were those on the Russian market (approx. HRK 9 million).

Special progress was made last year in optimising the management process for printed packaging, as one of the prerequisites for implementing the production plan and registration procedures.

40 RESEARCH AND DEVELOPMENT

A total of 15 projects in various phases of technological maturity were active during 2019: 12 projects were own development of new products (4 of which were started in the current year), 2 were related to the improvement of products from the existing portfolio, and technology transfer projects were initiated with three partners, including several products. Four projects included a significant innovation compared to before. This change was possible due to the increase in technology and resources of the Research and Development Department.

Other activities were related to the preparation for conducting studies and creating documentation for partners and regulatory authorities as part of registration procedures and variation procedures, the introduction of new technologies, professional training, and the preparation of a project for co-financing with EU funds.

AUDITS

As in the previous years, 2019 saw a large number of inspections and audits by business partners. A total of 24 audits were performed. Audits of particular importance include recertification in accordance with ISO 13485:2016 Quality management system for medical devices, recertification by the notified body Istituto Superiore di Sanità for a group of medical devices, recertification by the notified body SIQ for Vizol S 0.21% and Vizol 0.4%, and the obtained EU GMP certificate (issued by the Agency for Medicinal Products and Medical Devices (Hrvatska agencija za lijekove i medicinske proizvode, HALMED)) for the newly introduced manufacturing procedure – terminal sterilisation of semi-solid forms. It should be noted that audits are growing in duration and complexity due to increasingly rigorous regulatory requirements, but also that auditors

and inspectors generally commend our infrastructure, quality system and the expertise of employees.

GLOBALISATION

With growth of 46% compared to 2018, and total sales of HRK 86,028,479, the B2B segment leads the growth of JGL's biggest brands. With regard to market share, the leading market is that of Hungary with 28% of sales, followed by Switzerland with 25%, Italy with 18% and Greece with 14%. Over the course of the year, ten new partnership agreements were signed, 58 new SKUs were launched (seven licensing and distribution, and 51 contract manufacturing), and a total of 17 projects were active within the project portfolio (five related to co-operations with partners, one related to market development, and 11 licensing-in projects).

Notable developments include the registration and launch of Aqua Maris nasal sprays on the market of China, and the strategic partnership with Polpharma which entails sharing prescription and OTC medications, transferring the production of preservative-free ophthalmology products to Croatia, and potentially cooperating in the Russian market. Thanks to the cooperation with Polpharma Group, which has representative offices in 35 countries around the world, JGL products will become available in Poland and other European markets, while part of the Polpharma portfolio will be manufactured at JGL production sites and sold in Croatia and other European markets.

In addition, in the first half of 2019, JGL became an authorised distributor of oral drug formulations for the Medochemie pharmaceutical company. This partnership with one of the largest European manufacturers of generic drugs will greatly contribute to JGL's efforts to further expand its prescription med-

icines portfolio, so that client needs are met more quickly and efficiently.

Other significant partners include Siegfried in the ophthalmology segment, Geoden Richter, that has been selling Aqua Maris in Hungary for several years now, Pharmathen, Sun Pharma, and Dr. Max, one of the largest pharmacy chains in Europe, focused on Central and Eastern Europe, since recently present in Italy.

INVESTMENTS

In 2019, the Group invested a total of HRK 45,550,405 in long-term assets. Investments in intangible assets amounted to HRK 17,453,577, of which HRK 2,908,665 was related to investments in computer software, HRK 1,216,813 was used for purchasing licences, HRK 2,751,220 was allocated for registering own products, and HRK 10,576,879 for investments in development projects. Investments in tangible assets amount to HRK 28,096,828, of which HRK 583,414 was related to the improvement of functions of buildings owned

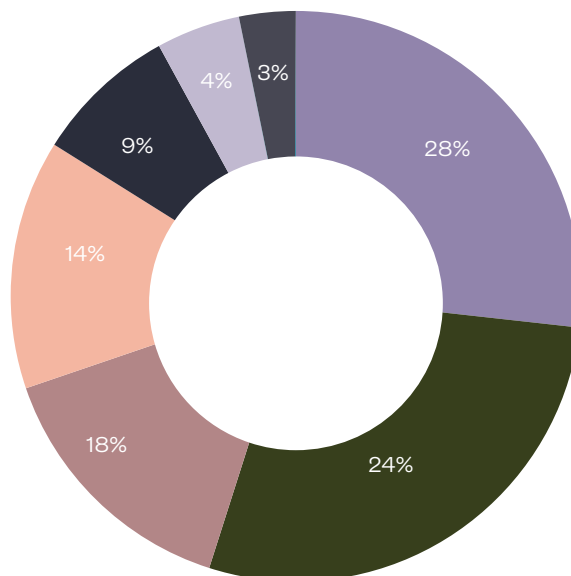
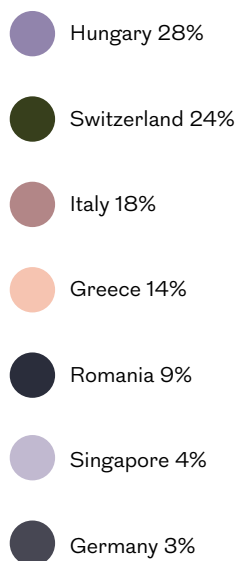
by JGL. Another HRK 27,513,414 was invested in the purchase of production, IT and transport equipment and furniture.

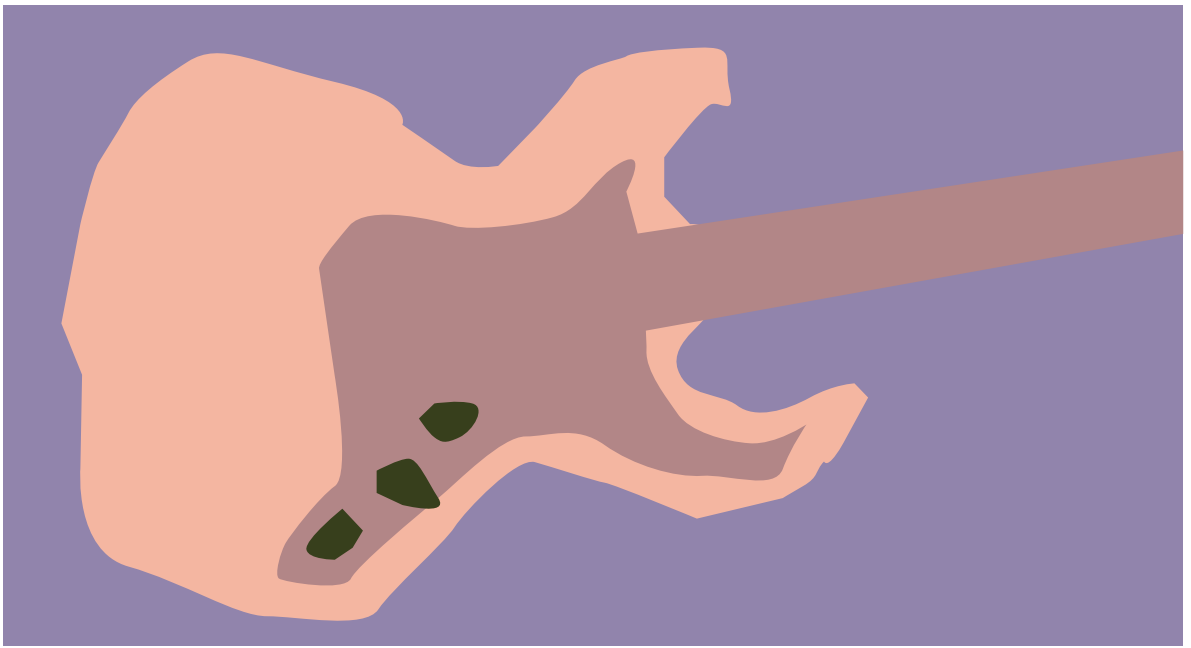
INVESTMENT PROMOTION

On 26 February 2014, JGL d.d. was assigned the status of a recipient of incentive measures for its “Svilno 2” project by the Ministry of Economy pursuant to the Act on Investment Promotion and Development of Investment Climate, *Narodne Novine* (NN; Official Gazette of the Republic of Croatia) No III/12, 28/13.

In 2013, JGL d.d. reported an investment into a new manufacturing plant with the aim of securing capacities for further global growth in existing and new markets. The Ministry issued a decision on the maximum level of incentives in the amount of 40% of the investment, to be used in a period of 10 years in the form of a reduced corporate income tax rate of 0%. The tax incentive on this basis was used in the amount of HRK 15,275,391.18 in the calculation of income tax for 2019.

Structure of net sales by the most significant B2B markets in 2019





GRI 201 – ECONOMIC PERFORMANCE

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to its significant economic impacts on stakeholders and local, regional, national and international economic systems. The material nature of the topic is confirmed by the expectations and interests of stakeholders, who place the focus of the company's business on economic performance.

With the aim of determining significant impacts related to economic performance, the JGL Group conducts systematic monitoring and analysis of its economic performance and reports on it by means of quarterly, semi-annual and annual reports. Economic performance has a significant impact within the entire JGL Group, and outside the Group, it impacts local communities and countries where the Group operates and our business partners.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL manages economic performance through a diverse product portfolio, sales dispersion in existing markets, sophisticated technology and manufacturing processes, investing in highly educated staff, research and development, and opening up new markets.

The long-term strategy of JGL Group is based on increasing the share in sales of other regions and markets and reducing the share of the CIS region. During the reporting period, new markets were opened for licensing business models and several new markets were opened with distribution contracts in the Asia and Middle East clusters. Additional use of technology of sterile forms is realised by projects of simultaneous development of contract manufacturing with partners.

The Group also reduces the risk of securing the collection of claims through the diversification of sales into different markets, the creation of customer credit ratings, credit limits and insuring foreign receivables.

JGL's income is significantly exposed to volatility due to a relatively high revenue concentration on a small number of customers. JGL manages this risk through active and frequent communication with key customers, acquiring new customers and tracking relevant competitors and market conditions both locally and internationally.

The Group also uses financial derivatives to hedge against sharp exchange rate fluctuations, manage liquidity risk by maintaining sufficient cash and working capital, and by contracting credit lines

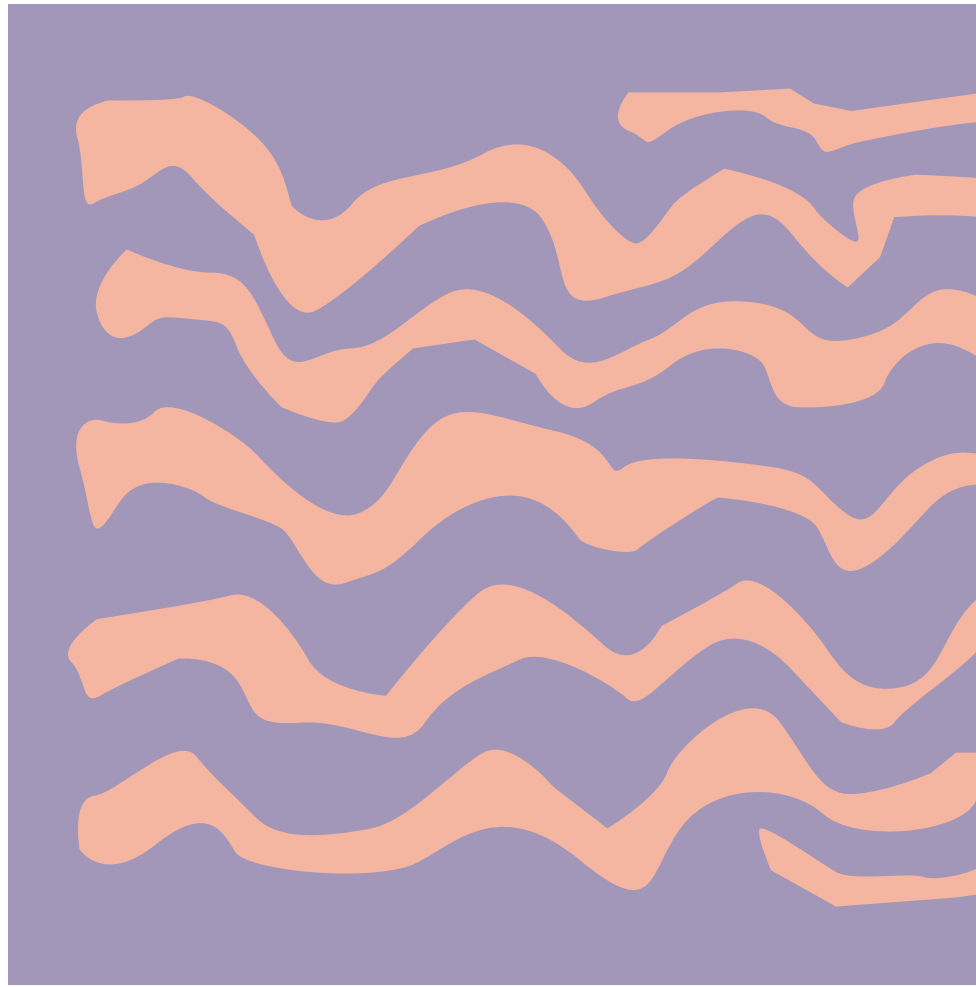
that allow quick withdrawal of short-term funds. The Group minimises the risk of debt by regulating the share of financing with its own resources in relation to financing from other sources.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Mechanisms that the company uses to monitor the management approach effectiveness include external, independent auditing, monitoring the realisation of corporate goals, daily measuring and analysing systems, and feedback from stakeholders.

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	in HRK 000
	2019
Direct generated economic value	909,353
Net sales revenue	904,909
Revenue from the lease and sale of assets	4,296
Revenue from interest	148
Distributed economic value	732,120
Operating costs	534,653
Salaries and employee benefits	172,631
Payments to providers of capital	19,548
Payments to government	4,892
Investments into the community	395
Economic value retained	177,232



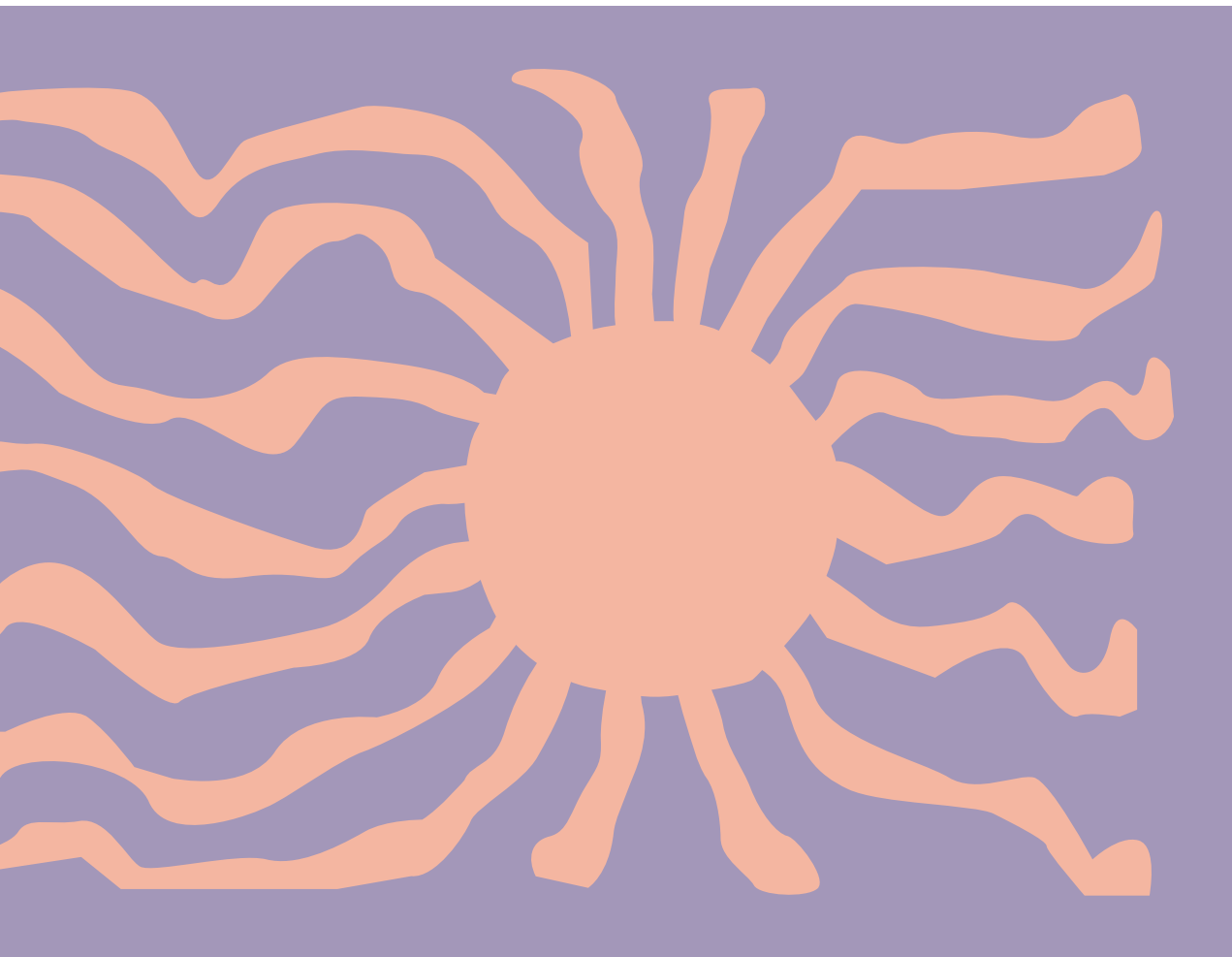
201-2 RISKS DUE TO CLIMATE CHANGE

Climate change is one of the major economic, social and environmental challenges of our time. The effects of climate change exist in all parts of the world. Extreme weather conditions and rain are becoming more frequent in some regions, while others experience increasingly intense heat waves and droughts.

The physical impact of climate change on health is already clear. In some regions, the number of heat-related deaths has increased, while in others the number of cold-related deaths has decreased.

Changes in the prevalence of some water-borne diseases and disease vectors can already be seen. Damage to property and infrastructure and to human health is a major cost to society and the economy.

According to a report by the European Commission, more than 5.5 million people were affected by floods between 1980 and 2011, resulting in direct economic losses of over EUR 90 billion. Particularly affected are the sectors that depend heavily on specific temperatures and rainfall, such as agriculture, forestry, energy and tourism. These effects are expected to become even more intense in the coming decades.



Additional risks associated with climate change are regulatory risks arising from the introduction of regulations related to greenhouse gas emissions.

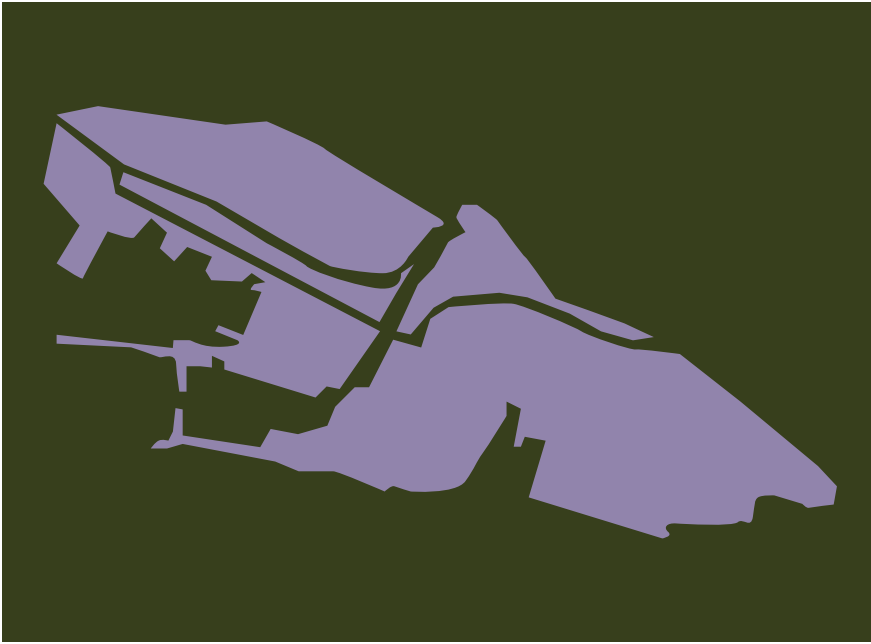
The impact of risks due to climate change in the JGL Group is indirect and relates to potential damage to property and infrastructure, supply chain disruptions, increased employee health problems and increased costs related to regulatory compliance.

The Group protects itself from these risks by improving energy efficiency, constantly taking care of its environmental footprint and minimising harmful gas emissions, investing in infrastructure and improving work and climate conditions at all sites,

and by educating employees about the health consequences of climate change.

201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

In 2019, the parent company qualified for state incentives in the amount of HRK 18,252,854.07. Incentives were realised through tax deduction based on education, investment, employment of long-term unemployed persons and volunteers, and preferential credit interests.



**GRI 202 – MARKET PRESENCE
MANAGEMENT APPROACH
DISCLOSURES**

**103-1 EXPLANATION OF THE
MATERIAL TOPIC AND ITS
BOUNDARY**

This topic is material due to its significant impact on the economic conditions of employees, on economic systems at the local, regional, national and international levels, and on the assessments and decisions of stakeholders.

With the aim of determining significant impacts related to market presence, JGL Group systematically includes members of local communities into senior management and monitors the impact of their inclusion in its management teams.

Significant impacts related to market presence occur in the entire JGL Group, as well as outside the Group, in local communities and in all markets where the Group operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

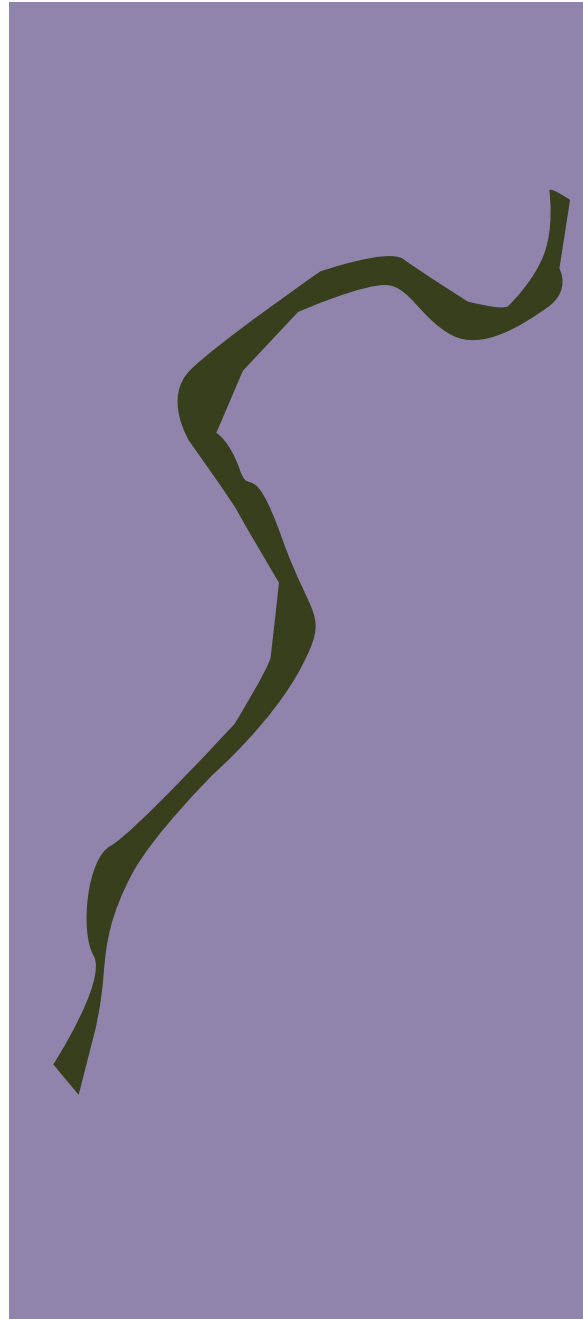
JGL manages this topic through developing a thriving and cooperative culture oriented towards success by developing leadership and management skills and ensuring the accountability and independence of all employees, in all markets where it has sales operations.

The basic salary is determined on the basis of job value (ten evaluation factors that represent the company's strategic orientation and corporate culture), which is used to determine the complexity of jobs and levels of responsibility, and an additional scale for the required level of competence of each individual employee (knowledge, skills and delivery level) in a specific position, which is used to establish an employee's salary.

Based on job value, impact on defining and/or realising the business strategy and goals, and expected levels of impact on creating additional job value, all of the positions are divided into three categories: management, professional and support. Each group of jobs is further defined through three career levels of impact and responsibility.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Employees at JGL progress in their career either hierarchically or, to a larger degree, through the change of responsibilities in their existing workplace, or through internal transfers to other workplaces where they can develop new skills and develop and share existing knowledge with other employees.

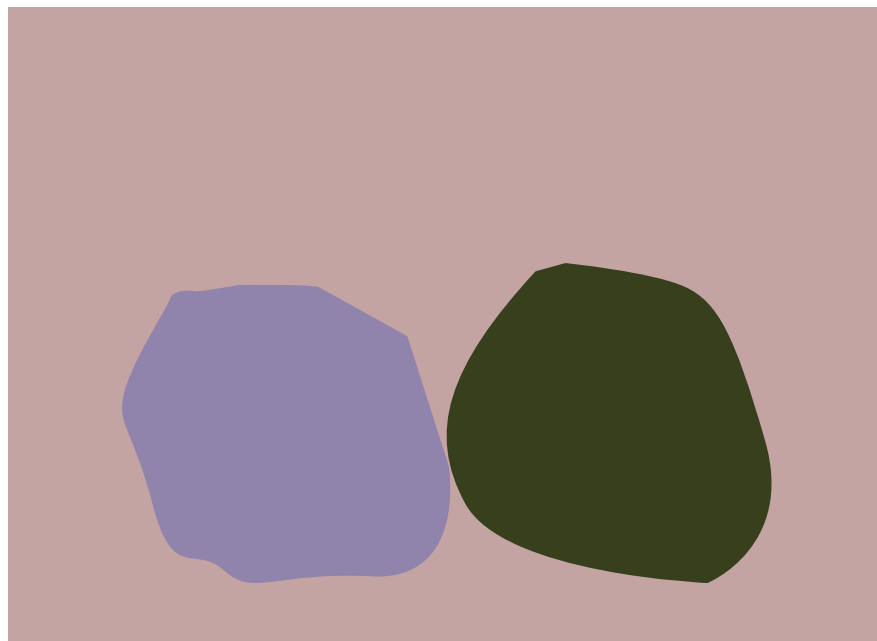


48 **202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE**

	JGL Croatia	Croatia	JGL Russia	Russia
	initial gross 1 salary	minimum salary	initial gross 1 salary	minimum salary
2017	HRK 4,500.00	HRK 3,120.00	HRK 5,528.33	HRK 1,473.36
2018	HRK 4,500.00	HRK 3,439.80	HRK 4,382.37	HRK 1,892.3
2019	HRK 5,000.00	HRK 3,750.00	HRK 4574.1	HRK 1,892.3*

**Data taken from Mazars' Central and Eastern European Tax Guide 2019*

	JGL Croatia	Croatia	JGL Russia	Russia
	average gross 1 salary	average gross 1 salary in the private sector	average gross 1 salary	average salary in the private sector
2017	HRK 11,512.28	HRK 8,023.65	HRK 11,380.35	HRK 6,138.80*
2018	HRK 12,512.22	we do not have reliable data	HRK 13,280.08	HRK 4,373.15*
2019	HRK 11,848.85	we do not have reliable data	HRK 14,276.20	HRK 4,373.15*



202-2 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

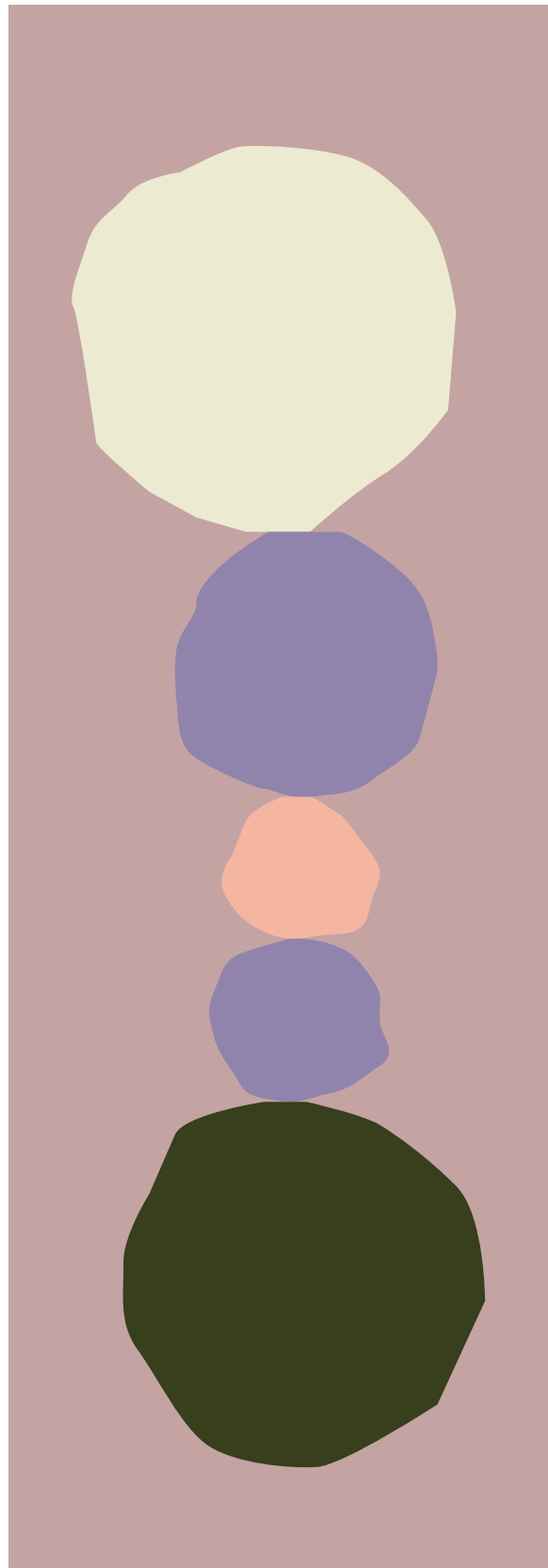
In the JGL Group, there is no difference in the starting salary for men and women, and the business performance of the company is reflected in employee benefits. Significant places of business are considered to be the markets with the largest number of employees (Croatia and Russia), those that account for more than 95% of the total JGL Group production (Croatia), as well as those with the most significant share in total revenue (Russia and Croatia).

All of the senior management (the Board of Directors, the Executive Director, the first line of directors, managers, and department heads) are employed from the local community in significant places of business, whereby the definition of a local community is the country of the business location. The same applies to the middle and lower management.

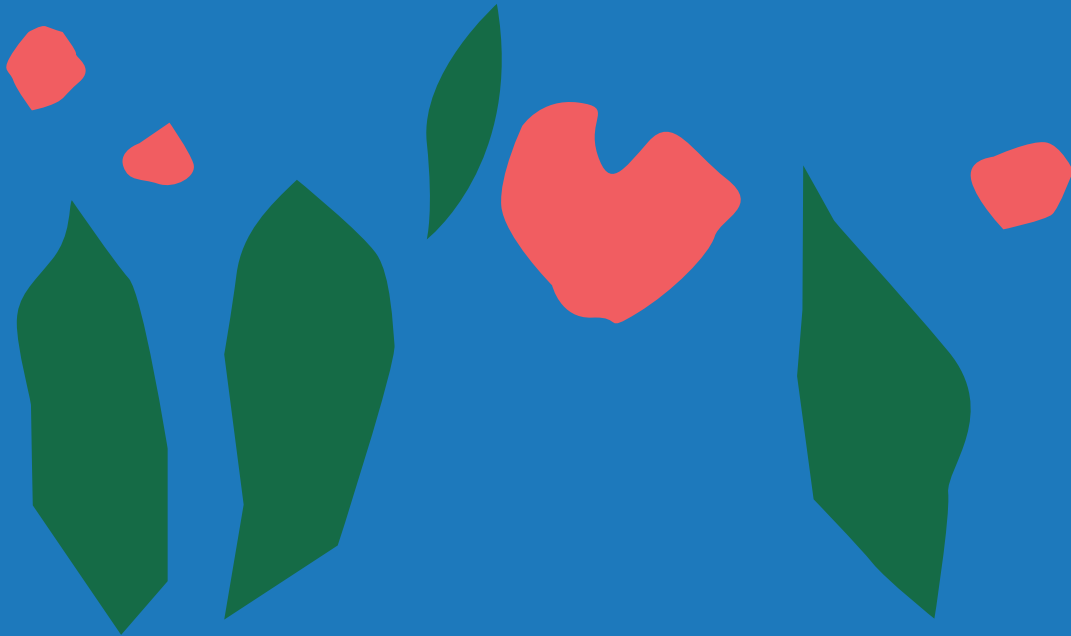
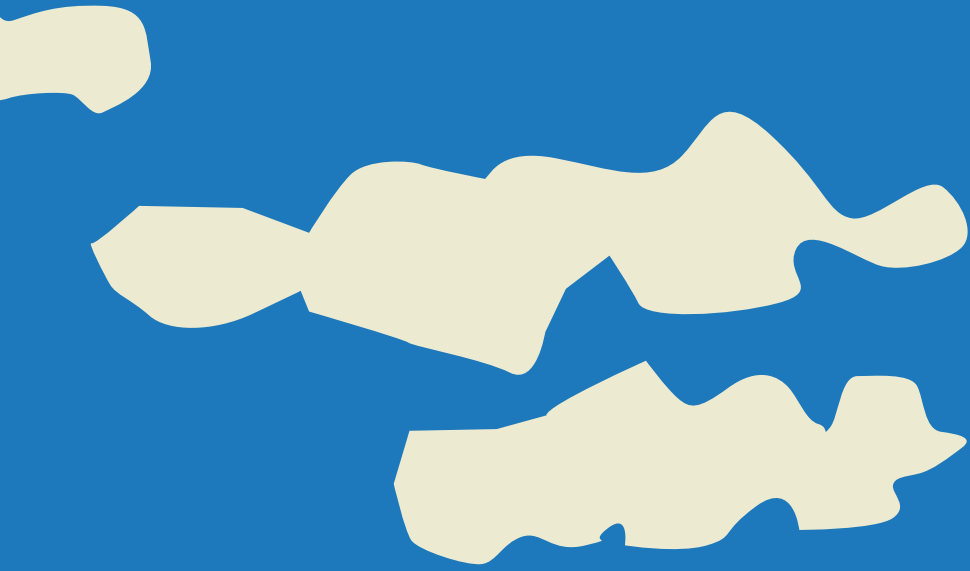
203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The JGL Group has a significant positive impact on the business environment. The intensity and types of indirect economic impacts of the JGL Group differ depending on the environment of individual Group members. The largest positive impact is made by the parent company, which employs the largest number of people and generates indirect economic impacts through:

- Improving skills and knowledge within the professional community
- Increasing production capacities and creating new jobs
- Encouraging local producers and increasing the number of jobs in the supply chain
- Taking part in many charitable initiatives
- Enabling direct foreign investments







SPECIFIC STANDARDS

GRI 300 – ENVIRONMENTAL TOPICS

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD

2019 was marked by the implementation of energy efficiency measures, i.e. new solutions for better energy and resource utilisation with a focus on achieving savings.

JGL achieved savings of 69% through four parts of the project titled “JGL – An Energy Efficient Company”. This included the reconstruction of a roof, replacement of a cooler, implementation of a new hot water preparation system, and the construction of a photovoltaic power station.

The total value of the project is HRK 4,020,117.31, of which HRK 2,514,426.58 is provided by the European Regional Development Fund.

By reconstructing the roof on our storage and logistics facility, we have increased its insulation layer and reduced temperature oscillations. In addition to improving the energy system, this intervention also met the regulatory requirements of good manufacturing practices in key markets in EU and CIS countries.

The installation of a state-of-the-art cooler system enables us to achieve energy savings, ensure uninterrupted operations, reduce noise levels, and use a more eco-friendly coolant. The essential elements for the operation of the strategically most important part of the production plant – sterile solutions – were significantly improved.

Through the reconstruction of the DHW system in the sterile solutions department using solar collectors and a heat pump, we conserve energy for the heating of water which was previously heated by electric heaters. The advantage of this project is that we gain an alternative energy source (solar collectors), while the lower usage of traditional energy sources enables us to achieve significant improvements in performance, while simultaneously ensuring all technological needs for hot water at Svilno 1.

The most important part was the construction of a photovoltaic power station for own use, enabling us to reduce our dependency on the energy supplied from the main power grid. On sunny days, we generate as much as 25% of the required electricity from solar energy on the Svilno 2 site, and achieve 3.1% savings in electrical energy for our

total daily needs on all sites. At the same time, we are reducing the emission of greenhouse gases by a minimum amount of 44.5 tonnes annually.

As a reminder, in 2016, JGL introduced the ISO 50001:2011 standard for energy management systems, based on which we constantly control consumption and seek opportunities for improvement. This year, recertification of the system was performed without any non-compliances, and the method of managing the energy management system was commended by the recertification body.

We have also continuously and actively been looking for a solution for the storage of flammable material, and have worked together to obtain a container with the capacity of up to 10 pallets, with an installed unit for maintaining the required storage temperature.

At the end of the year, we introduced a remote monitoring system for the consumption of significant energy sources in the JGL Pharma Valley complex, i.e. electrical energy, ELFO and water. In addition to enabling a more systematic analysis of consumption, the system sets off an alarm in case of increased consumption, enabling us to react quickly and undertake corrective actions to resolve the problem.



GRI 302 – ENERGY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material for the JGL Group due to significant ecological and economic impacts related to energy and to shareholders' reasonable expectations and interests in the company's systematic care about the following:

- Control over energy losses in development, production and distribution through the implementation of preventive methods for network maintenance and investments in the entire system;
- Ensuring the availability of information and data, continuous improvement of methods

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

for the analysis of data on energy source consumption (electricity, water, fuel, gas), and recognising opportunities and implementing activities for the improvement of energy performance;

- Permanently raising awareness on the importance of energy efficiency among all users;
- Procurement of energy efficient machines, devices and vehicles, and energy services;
- Energy efficiency when designing, upgrading and modernising the company's systems;
- Continuous improvements of the energy management system in accordance with the requirements of the ISO 50001:2011 standard;
- Permanent harmonisation and intention of surpassing legal and other requirements in the field of energy management, and in all other areas applicable to the business.

For the fifth year in a row, JGL has successfully managed the energy aspect through the ISO 50001:2018 energy management system. We have proven our success in this field by completing recertification in accordance with the new standard. We are proud certificate holders and we use all available tools in energy management and environmental conservation.

We apply the energy management system to the activities of development, production and distribution of medicines, medical devices, cosmetics, food supplements, food for special medical purposes, and other support activities.

To achieve the above, the management define goals for energy system management and provide resources for their attainment. At the same time, participation in the energy management system is a duty of all employees, who have a key role in carrying out the system activities.

Our Energy Management Policy is a public document, available to all employees, partners, and other interested parties.

Consistent energy management governed by the ISO 50001:2011 norm was supplemented by the ZelEn certificate for the purchase of total energy for consumption from renewable sources.



56 **103-3** EVALUATION OF THE MANAGEMENT APPROACH

The monitoring of the energy management system is carried out by an external audit in accordance with the ISO 50001:2011 standard, based on continuous systems of measurement, analyses and goals that are approved by the Board of Directors, which monitors their realisation.

302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

The main energy sources used within JGL are electricity and extra light fuel oil (ELFO). By encouraging sustainable economic growth within the environment, JGL continues to use only electricity produced from renewable sources.

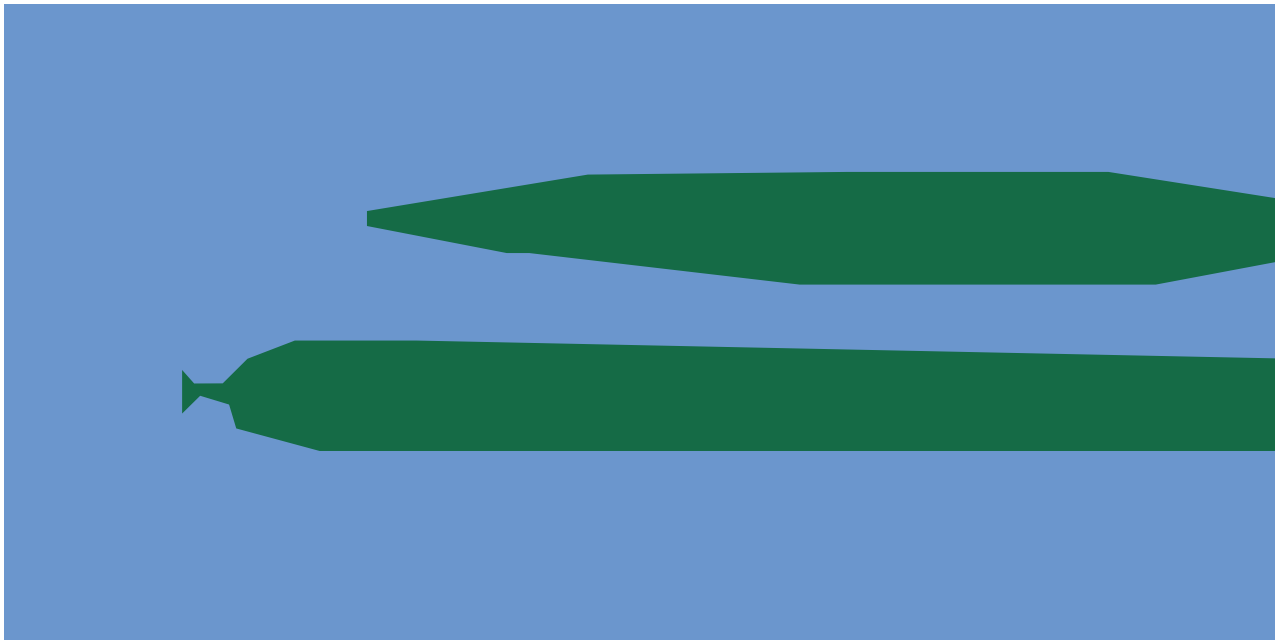
ELFO is a relatively new energy source that has been in use since the opening of the new production plant. Seeing as JGL is not in the position to

use a more environmentally friendly energy source due to the remote location of the facility, it will continue to use ELFO for now. In the long run, a facility that uses ELFO as fuel is also prepared to use natural gas as an energy source. The alternative to ELFO is natural gas, and transition to natural gas is planned as soon as possible.

Since mid-2013, JGL has been one of the leading Croatian companies that buys electricity produced exclusively from renewable sources, so it can boast a CO₂ specific emission of zero tonnes.

The energy input is distributed to the following consumers:

- heating/cooling – 30%
- production – 54%
- lighting – 5%
- office equipment – 10%
- other – 1%



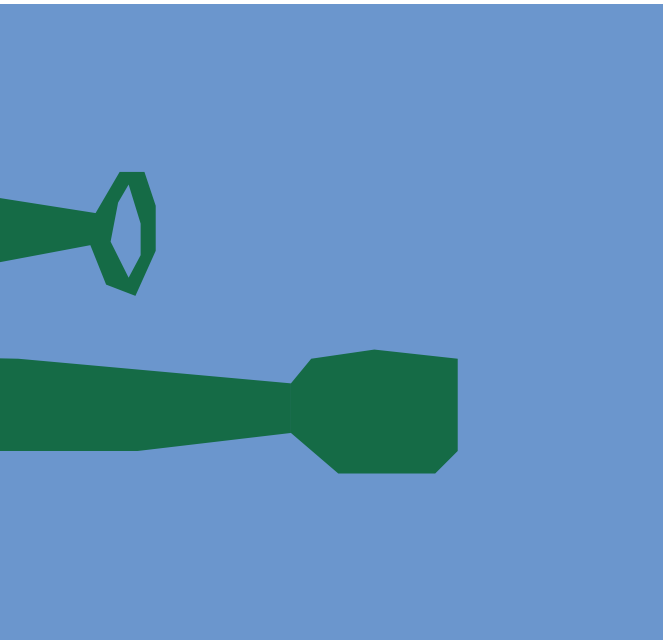
	Electrical energy			ELLU			
	MWh	GJ	tCO ₂ *	I	MWh	GJ	tCO ₂ *
2011	4.383	15.779	1.213	0	0	0	0
2012	5.080	18.288	1.406	0	0	0	0
2013	5.821	20.956	685**	0	0	0	0
2014	5.749	20.696	0**	0	0	0	0
2015	7.287	26.233	0**	169.000	1.791	6.449	496
2016	8.193	29.495	0**	260.000	2.756	9.922	763
2017	8.769	31.568	0**	247.000	2.618	9.426	725
2018	8.428	30.341	0**	260.000	2.756	9.922	763
2019	8.327	30.139	0**	273.00	2.894	10.418	801

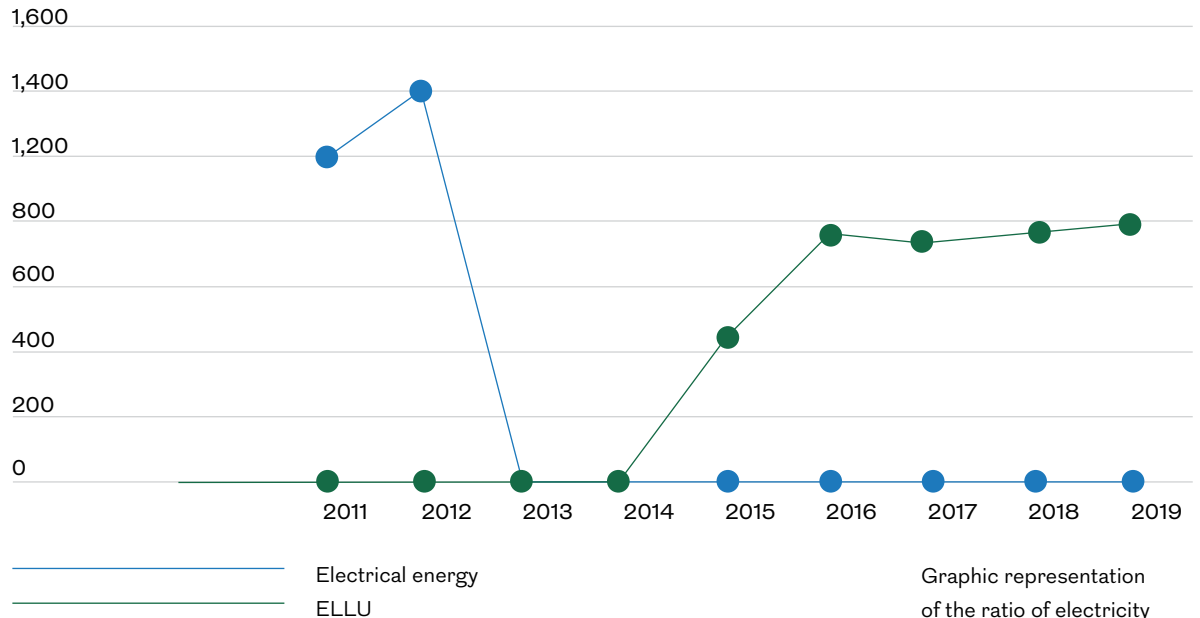
* Specific CO₂ emissions per kWh of energy produced are 276.75 g/kWh; for ELFO, it is 299.70 g/kWh. Source: Manual for Energy Consultants, UNDP

** On 1 September 2013,

a contract was signed with HEP Opskrba for the supply of electricity from renewable sources (ZelEn – Green Energy)

The ratio of electricity and ELFO consumption in relation to greenhouse gas emissions (tCO₂)





Graphic representation of the ratio of electricity and ELFO consumption in relation to greenhouse gas emissions (CO₂)

302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION

Personal vehicles – petrol

	I	MWh	GJ	tCO ₂ *
2015	13.305	138.732	498.139	37.687
2016	12.348	128.422	462.320	34.977
2017	15.407	160.235	576.846	43.642
2018	18.200	189.280	681.408	51.552
2019	19.937	207.345	746.441	56.472

Personal vehicles – diesel

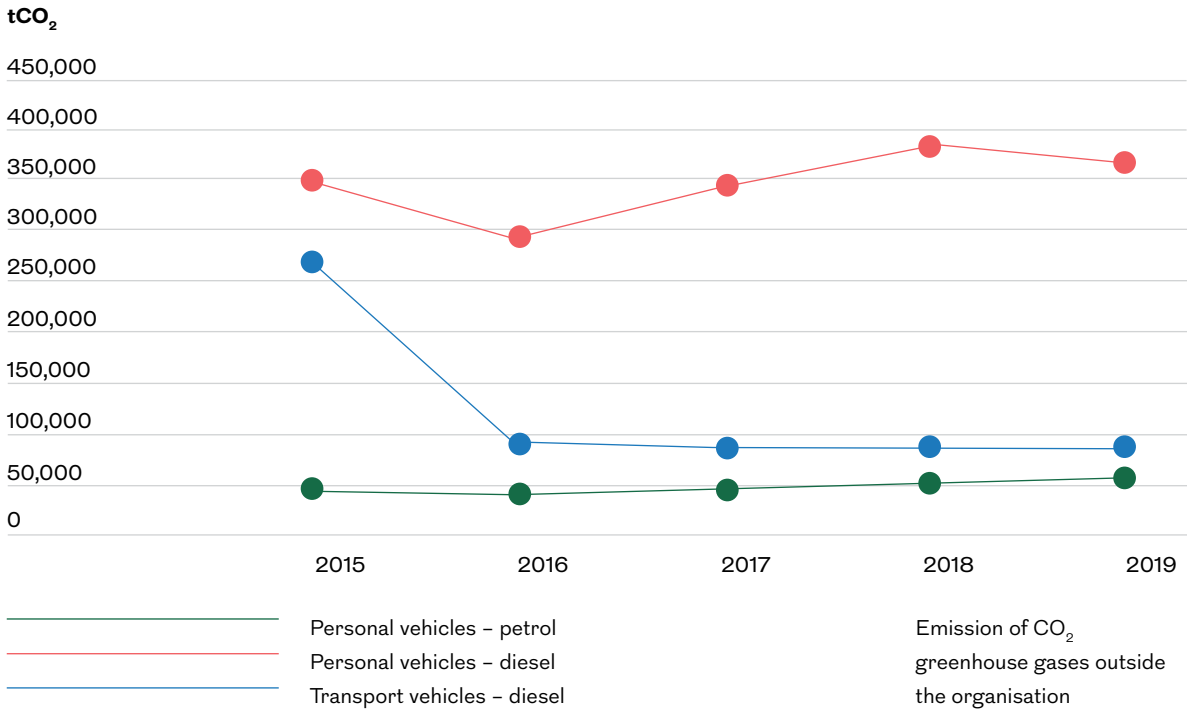
	I	MWh	GJ	tCO ₂
2015	112.850	1,196,210	4,306,356	346,458.30
2016	96.330	1,021,098	3,675,953	295,740.61
2017	109.646	1,162,248	4,184,091	336,621.77
2018	126.339	1,339,193	4,821,096	387,870.58
2019	121.718	1,290,211	4,644,759	373,683.75

Transport vehicles – diesel

	I	MWh	GJ	tCO ₂
2015	85.888	910.413	3,277,486	263,682.86
2016	28.343	300.436	1,081,569	87,015.22
2017	26.523	281.144	1,012,118	81,427.68
2018	26.523	281.146	1,012,124	81,428.20
2019	25.890	274.434	987.962	79,484.32

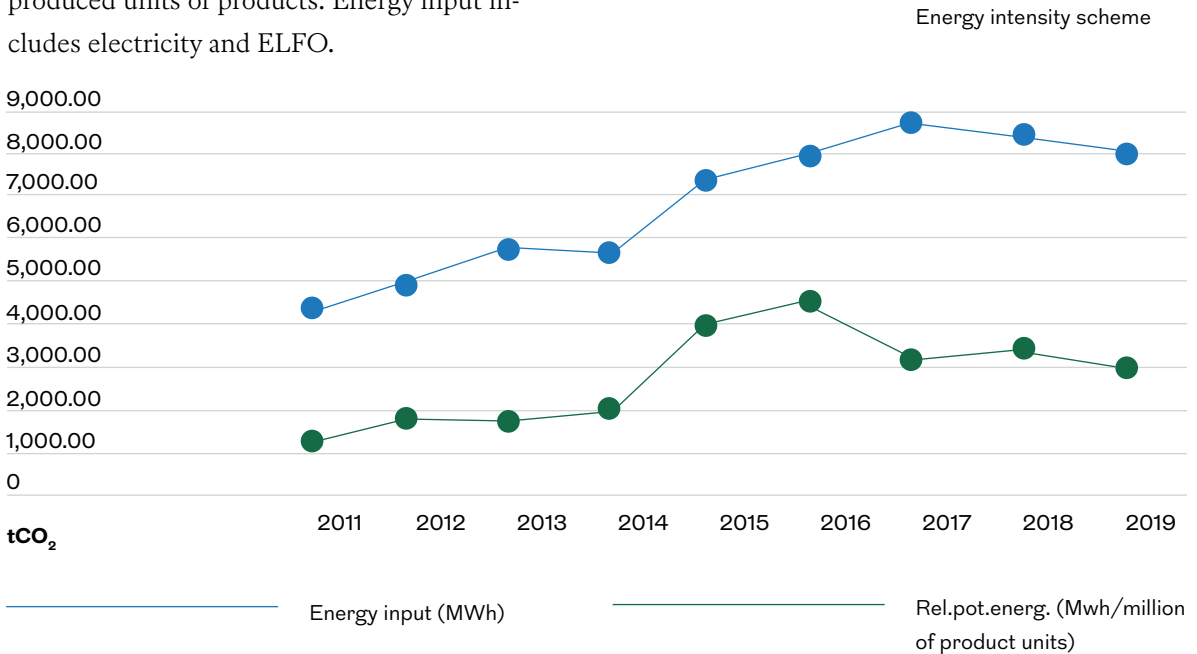
Relationship between the consumption of eurosuper fuel in personal vehicles, diesel fuels in personal vehicles and diesel fuels in freight vehicles in relation to greenhouse gas emissions (CO₂)

* Specific CO₂ emissions per kWh of energy produced from diesel fuels are 296.45 g/kWh. Source: Manual for Energy Consultants, UNDP



302-3 ENERGY INTENSITY

The energy intensity diagram shows the ratio of power consumption in relation to the number of produced units of products. Energy input includes electricity and ELFO.



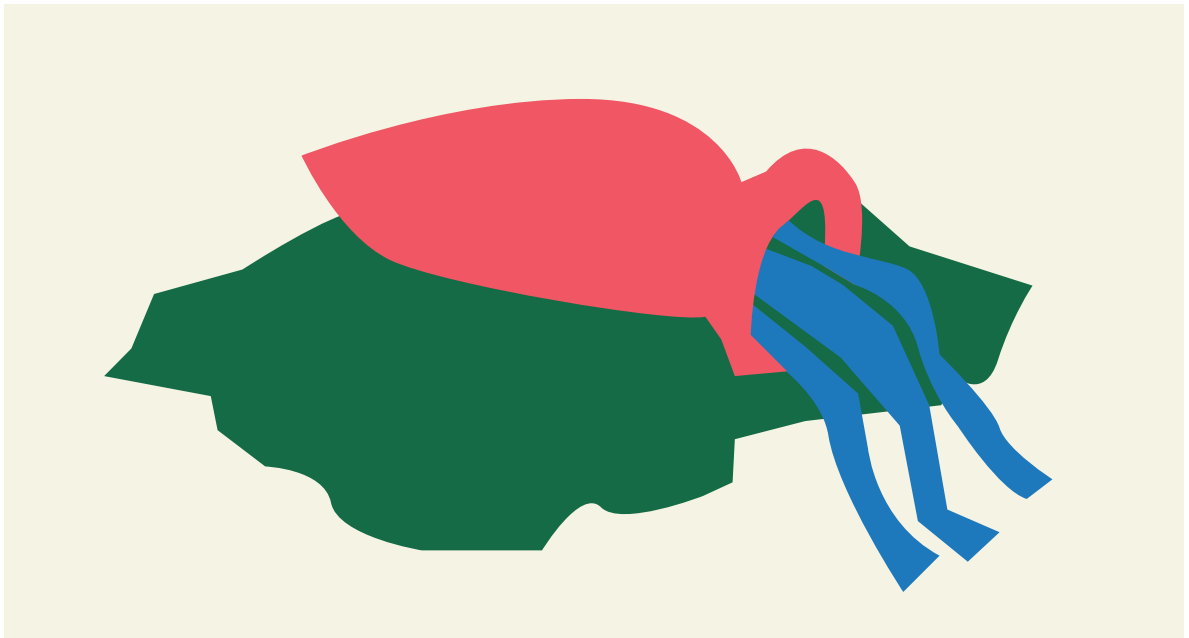
60 **302-4** REDUCTION OF ENERGY CONSUMPTION

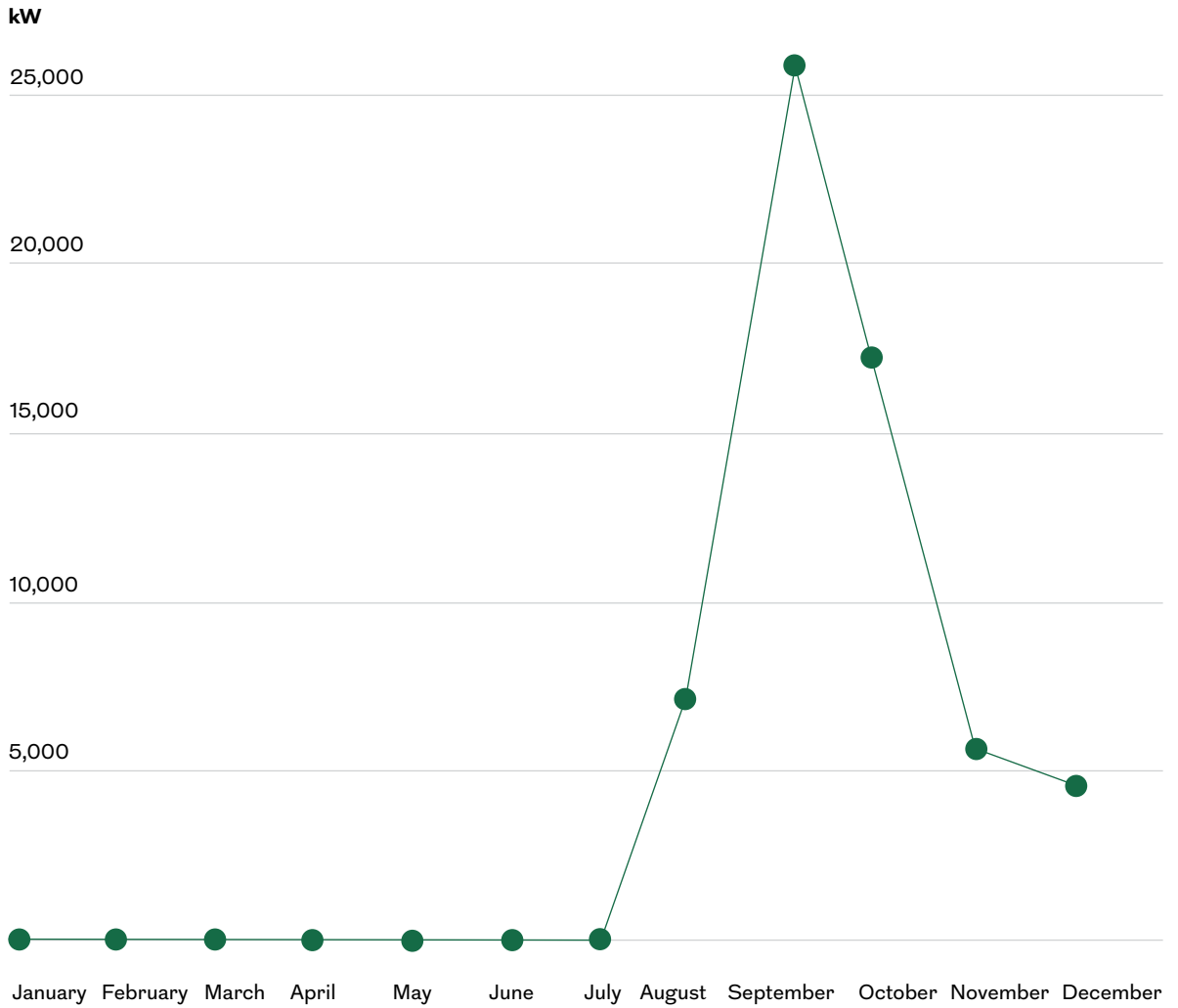
We reduce the consumption of electrical energy by using solar energy for heating water, and through own production of electrical energy from a photovoltaic power station. In accordance with the ISO 50001:2018 standard for energy management systems, we are constantly monitoring all segments of energy and have achieved noticeable savings in energy consumption, and therefore a lower emission of harmful substances, in the last five years.

In addition to good management and investments in equipment, the following measures to reduce energy consumption were implemented:

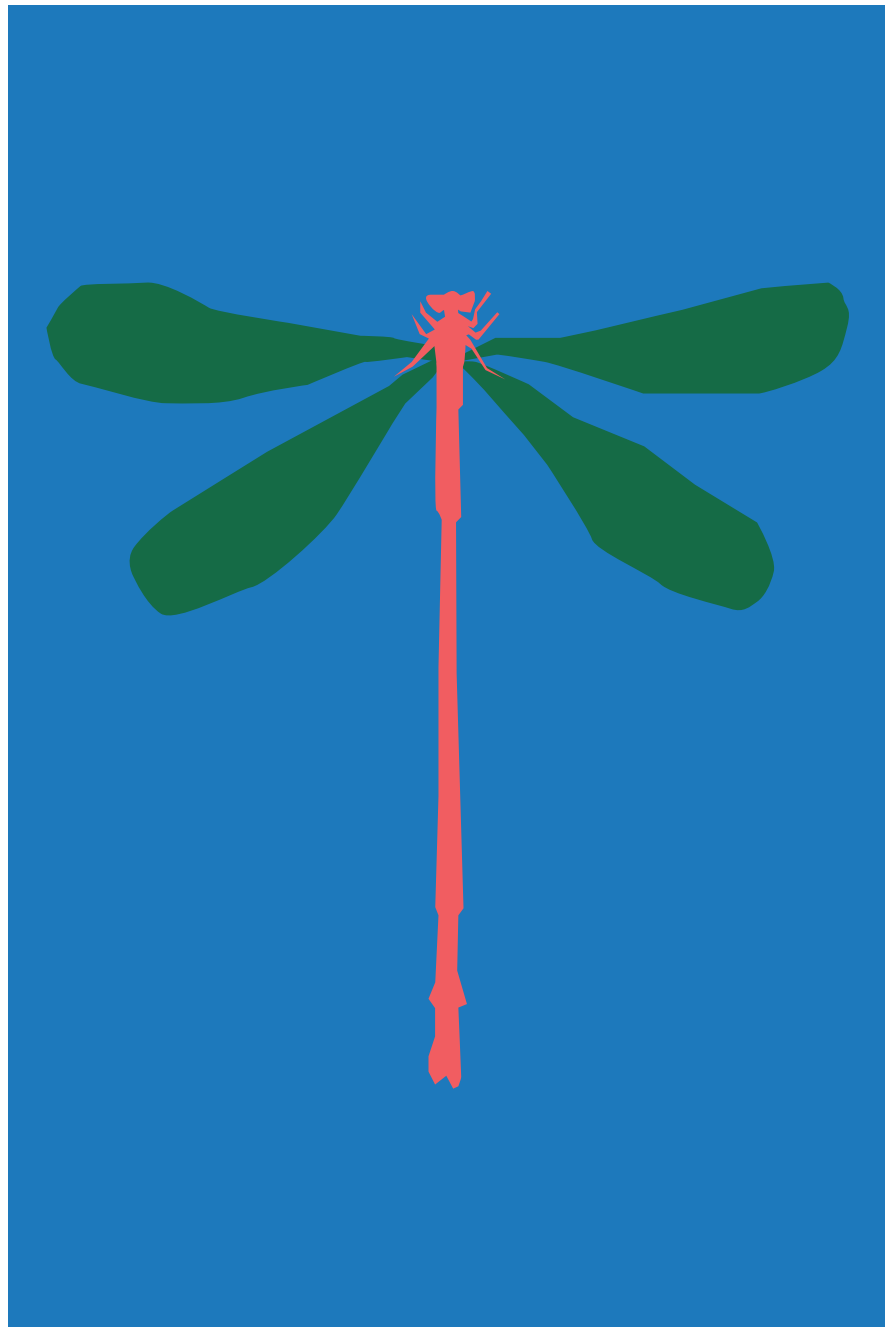
- Replacement of existing lighting with LED lights
- Temperature regulation of processes, and operational, storage and office spaces
- Partial use of wasted heat
- Solar preheating of hot water and water softening (preventing limescale deposits on the heating elements)
- System for remote monitoring of the consumption of all energy sources (electrical energy, water and ELFO)

The diagram below shows the production of electrical energy from a photovoltaic power station for own use.





Own production of
electrical energy in 2019



**GRI 303 – WATER
MANAGEMENT APPROACH
DISCLOSURES**

**103-1 EXPLANATION OF THE
MATERIAL TOPIC AND ITS
BOUNDARY**

This topic is material for JGL Group due to significant environmental impacts related to water and due to stakeholders' expectations and interest in

the company's systematic care about:

- Introducing advanced washing and cleaning processes
- Effective preparation of purified water for industrial needs
- Use of waste water for watering green areas
- Controlled water discharge and treatment of water through biological purifiers before its discharge into municipal systems
- Systematic collection of rainwater from roofs and purified water from the biological purifier.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Water discharge is controlled and water is treated in biological purifiers before being discharged into municipal systems. Biological purifiers are used at all JGL manufacturing sites. We have a total of three biological purifiers that are regularly refurbished in accordance with new technologies.

Systems for collecting rainwater from roofs and water from the production process of purified water at the production facility Svilno 2 greatly contribute to the reduction of water consumption for the purpose of irrigation of green areas. The mud residue and sludge from the purified water are collected and ecologically disposed of.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Monitoring the effectiveness of the management approach for this topic is implemented through:

- Documentation and data management
- Management of non-compliances and correc-

tive measures

- Resource management
- Analysis and improvement (monitoring, quality review, process performance)
- Risk management and management of opportunities.

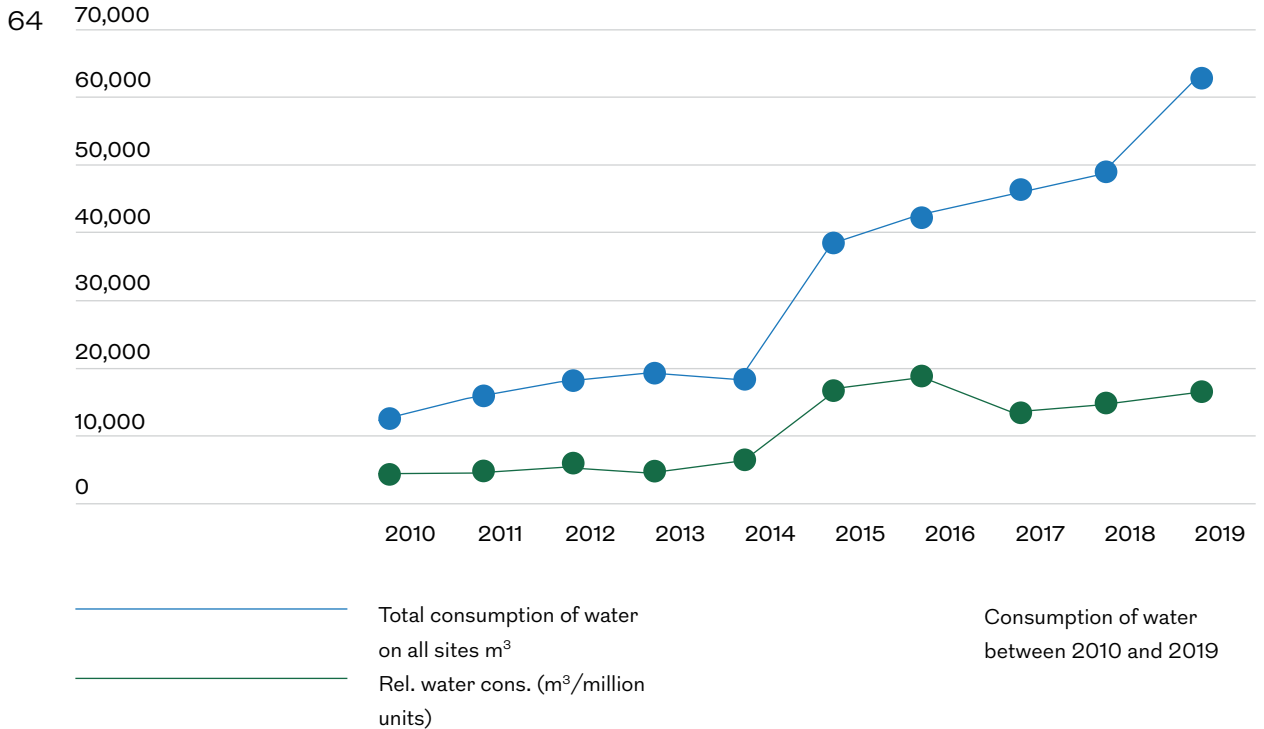
303-1 WATER WITHDRAWAL BY SOURCE

JGL is supplied with water from the local water supply network and there are no surface flows within the production sites.

The implementation of the consumption management system includes control and continuous monitoring of water consumption, resulting in direct savings and reduced consumption.

A sharp increase in water consumption was recorded in 2015 due to the opening of a new production site and testing of different systems, but during the reporting period, the trend visibly stabilised and in 2018, we expect stagnation, i.e. approximately the same consumption as in the previous period.

It is worth pointing out that the discharged water from the clean water production system and rain water from the roof surfaces is accumulated in the collection pool and used for watering the surrounding areas. Below is a graphical representation of the ratio between water consumption and the relative consumption per produced product.



103-3 WATER RECYCLED AND REUSED

JGL is undertaking numerous measures for the reduction of water consumption:

- Introducing advanced washing and cleaning processes;
- Effective preparation of purified water for technological needs – less waste water;
- Use of waste water for watering green areas.



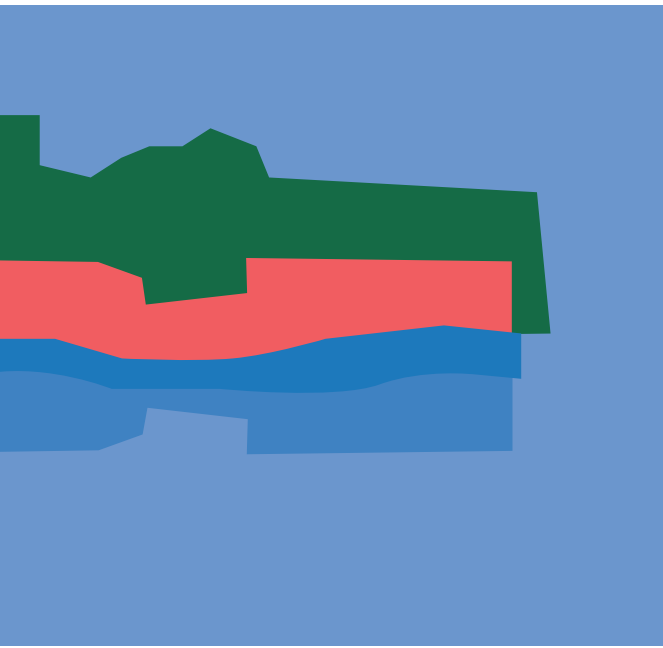


GRI 305 – EMISSIONS

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Managing gas emissions, i.e. the release of gases into the environment, is one of the biggest priorities for JGL when it comes to protecting the environment. Through our green way of thinking, purchase of green energy, own production of eco-energy, and introduction of the ISO 50001 standard, we have achieved a high degree of environmental consciousness and care.

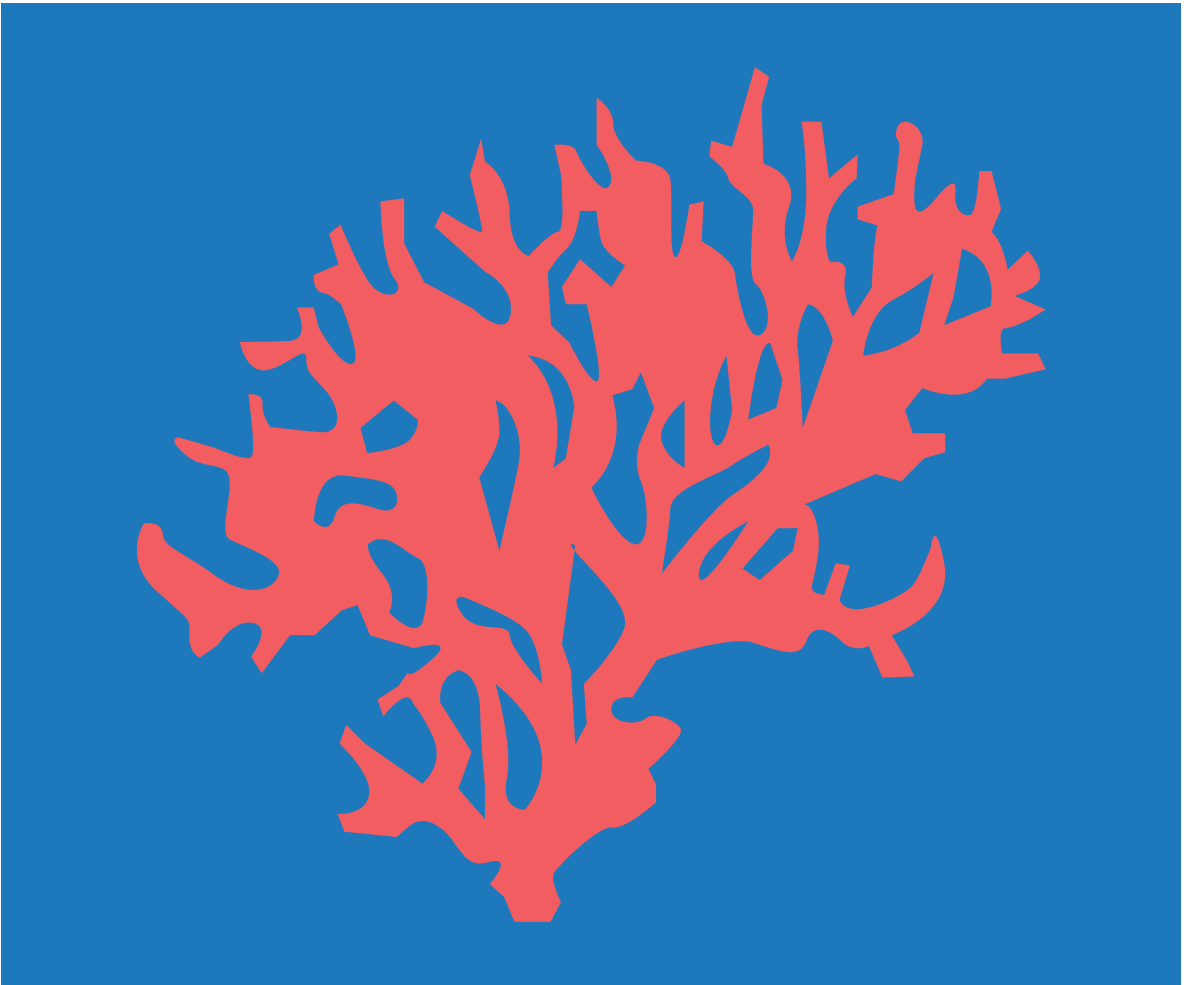
We regularly monitor and report on releases into the atmosphere from stationary sources in accordance with legal obligations. The chemical composition of the coolant used in our air-conditioning systems, just like in the majority of all existing systems, is not harmful for the ozone layer. We pay particular attention to the monitoring and servicing of this equipment in order to prevent failures and irregularities that can lead to an unwanted release of harmful gas into the environment. Servicing and repairs are performed exclusively by our authorised partners.



The table below shows previous and current quantities of coolants:

In accordance with trends and our needs, the design and execution of new systems is performed using an eco-friendly coolant.

	Quantity in kg			
	2016	2017	2018	2019
R22	47	41.71	21.71	20.01
R407C	165.2	163.15	178.85	133.85
R410A	382.94	394.94	407.71	430.51
R32	0	0	0	1.7
R404A	97.2	97.2	97.2	97.2
R134A	532	532	662	662
R513A	0	0	0	0
R449A	0	0	0	0

**GRI 306 – EFFLUENTS AND WASTE****MANAGEMENT APPROACH
DISCLOSURES****103-1 EXPLANATION OF THE
MATERIAL TOPIC AND ITS
BOUNDARY**

The topic was chosen as material due to the significant interests of key stakeholders – employees, shareholders, doctors/pharmacists, and end users, especially those who live and work in a tight local community.

The company is associated with impacts through its own activities.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Within the JGL's management process for environmental protection, responsible attitude towards waste and the development of a proper waste management culture are top priority for creating a healthy and sustainable business.

The JGL team devoted to this segment operates within the Technical Support department and strives to continuously reduce, use and dispose of waste in an environmentally safe manner with a comprehensive waste management approach.

We are expanding our environmentally friendly attitude by encouraging everyone to recycle batteries and paper, avoid using plastic bags, or use materials that have less harmful environmental impacts (eco-bags, eco-paper), and once a year we organise a corporate waste cleaning initiative on the beaches in our local community, in which all categories of employees participate, including top management.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Monitoring the effectiveness of a topic management approach is implemented through:

- Documentation and data management
- Management of non-compliances and corrective measures
- Resource management
- Analysis and improvement (monitoring, quality review, process performance)
- Risk management and management of opportunities.

306-1 WATER DISCHARGE BY QUALITY AND DESTINATION

Water discharge is controlled and water is treated in biological purifiers before being discharged into municipal systems. At all JGL manufacturing sites, there are three biological purifiers that are refurbished in accordance with new technologies.

Treated water is discharged into the sewer drainage system and is regularly treated, tested and sampled to ensure that the quality of discharged waste water is in accordance with the set requirements.

The system for collecting rainwater from roofs and water from the production process of purified water at the production facility Svilno 2 greatly contributes to the reduction of water consumption for the purpose of irrigation of green areas.

306-2 WASTE BY TYPE AND DISPOSAL METHOD

As part of its production activities and processes, JGL produces both hazardous and non-hazardous waste. In order to ensure that this waste is disposed of in an adequate and environmentally acceptable manner, we have signed waste disposal agreements with several partners. Those partners are companies authorised for waste disposal on the territory of Croatia and have all the required licences for managing hazardous and non-hazardous waste that are issued by the Administrative Department for Physical Planning, Construction and Environmental Protection of the Primorje-Gorski Kotar County and the Ministry of Environment and Energy.

A large portion of non-hazardous waste is recyclable (plastic, glass, metal, paper and cardboard...) and

70 separated by JGL employees manually in the designated area of the company headquarters. Waste separated in this manner is given to a partner for disposal, who then arranges its recovery, appropriate treatment and transformation of waste into raw material that can be used again. Hazardous waste is given to partners who transport it to incineration plants in Europe (primarily Austria) for its disposal

EWC	Description	Hazardous waste
06 01 01*	sulphuric acid and sulphurous acid	yes
06 01 03*	hydrofluoric acid fluoric acid	yes
07 05 04*	other organic solvents, washing liquids and mother liquors other organic solvents	yes
15 01 11*	metallic packaging containing a hazardous solid porous matrix (e.g. asbestos), including empty containers packaging from aerosol production	yes
15 02 02*	absorbents, filter materials (including oil filters not otherwise specified) filters	yes
16 05 06*	laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals laboratory chemicals	yes
18 01 03*	waste whose collection and disposal is subject to special requirements in order to prevent infection infectious waste	yes
20 01 21*	fluorescent tubes and other mercury-containing waste fluorescent tubes	yes
20 01 35*	discarded electrical and electronic equipment other than those mentioned in 20 01 21* and 20 01 23* containing hazardous components	yes
07 05 14	solid waste other than those mentioned in 07 05 13*	no
07 05 99*	waste not otherwise specified biodegradable waste – waste from production of syrup	no
07 06 99	waste not otherwise specified Aqua Maris – plastic Aqua Maris – glass Cosmetics	no
15 01 01	paper and cardboard packaging	no
15 01 02	plastic packaging	no
15 01 04	metallic packaging	no
15 01 07	glass packaging	no
15 02 03	absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02* absorbent filters	no
17 04 07	mixed metals	no
18 01 09	medicines other than those mentioned in 18 01 08*	no
20 03 07	bulky waste	no

TOTAL HAZARDOUS WASTE GENERATED

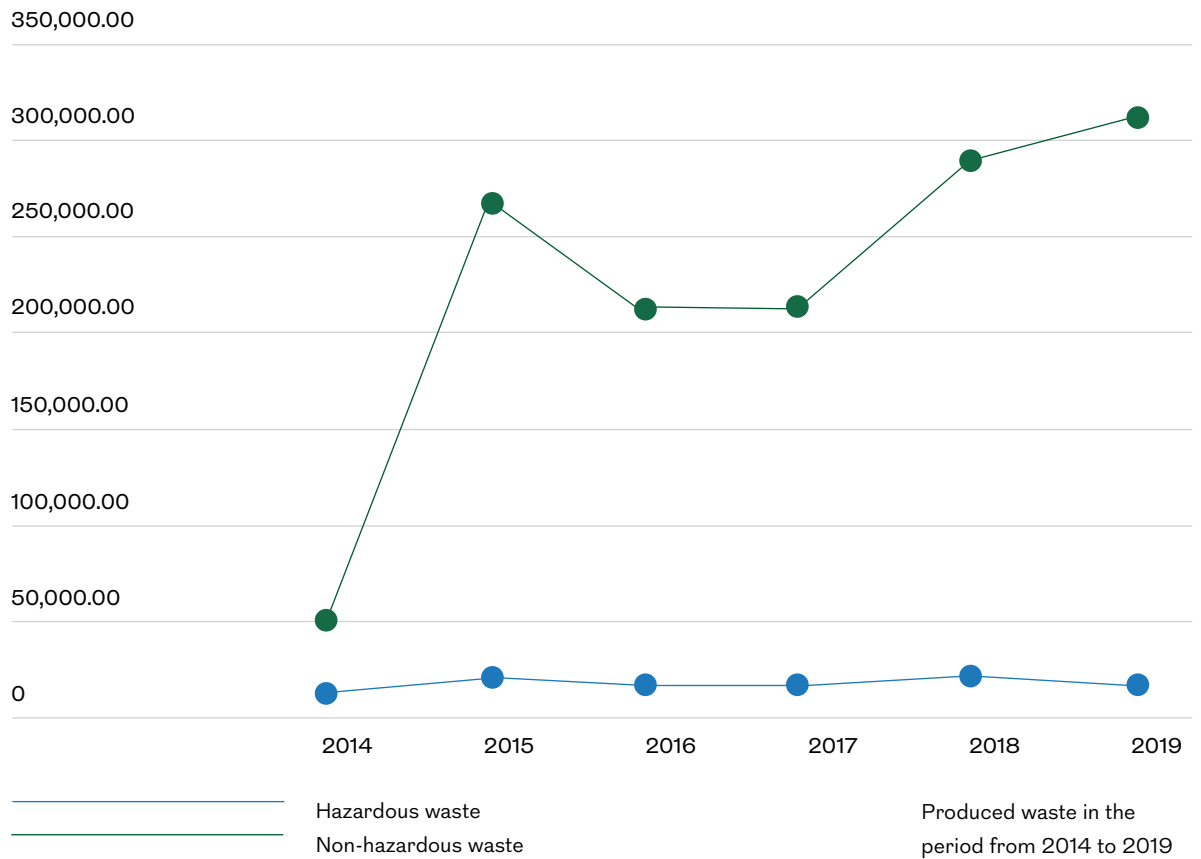
TOTAL NON-HAZARDOUS WASTE GENERATED

in accordance with the highest EU standards that ensure a minimal impact of the disposal process on the environment. The table below shows an analysis of waste according to European waste codes.

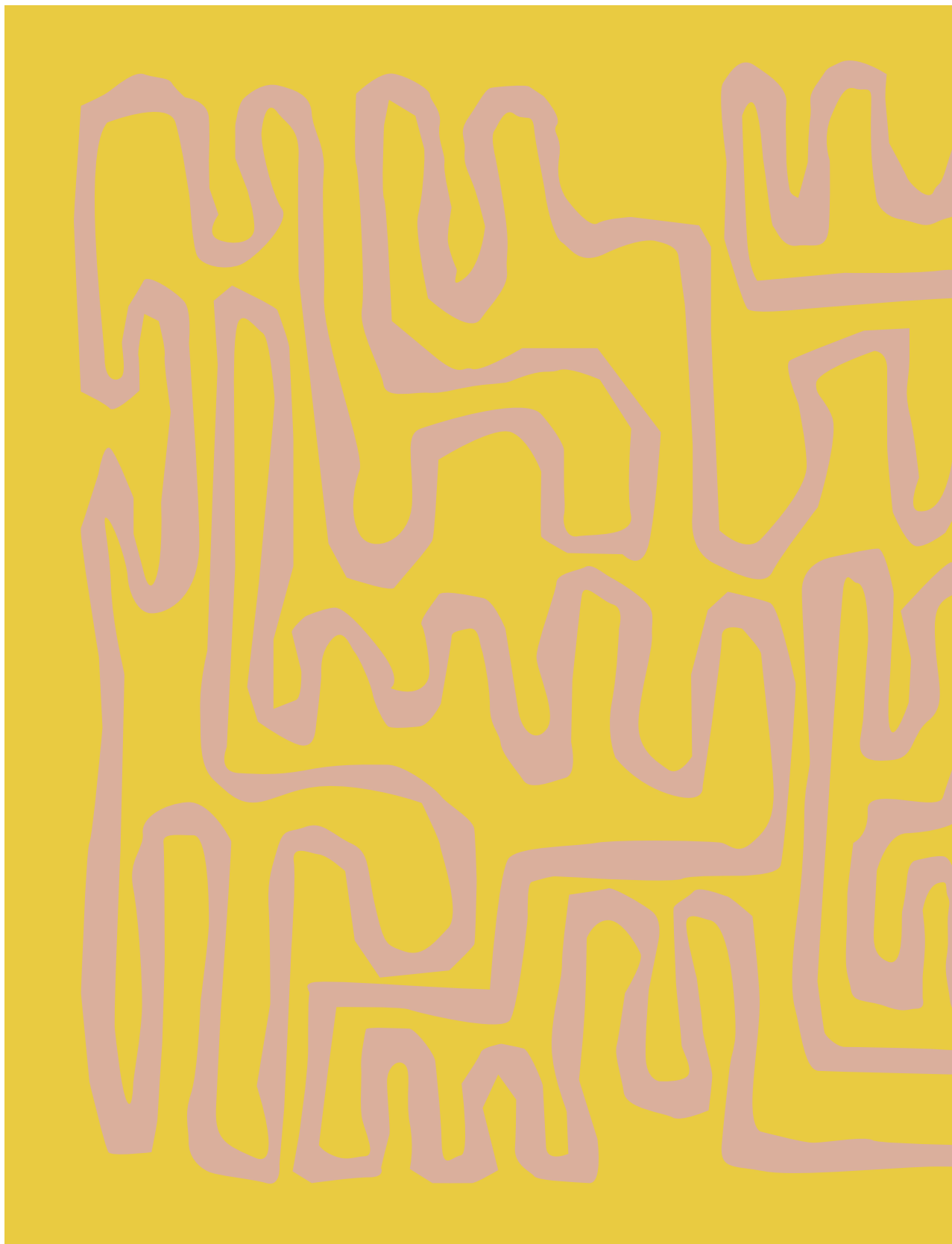
* EWC – European Waste Codes

Mass (kg)			
SVILNO 1	SVILNO 2	PULAC	TOTAL
6.00	0.00	0.00	6.00
3.00	0.00	0.00	0.00
1,781.00	0.00	829.00	2,610.00
103.00	620.00	0.00	723.00
6.00		0.00	6.00
275.50	1,478.00	378.00	2,131.50
7,654.00	0.00	0.00	7,654.00
30.00	0.00	0.00	30.00
650.00	0.00	0.00	650.00
0.00	36,034.00	0.00	36,034.00
1,150.00	0.00	0.00	1,150.00
			18,726.00
0.00	6,974.00	0.00	6,974.00
11,547.00	0.00	0.00	11,547.00
0.00	0.00	205.00	
0.00	101,066.00	400.00	101,466.00
0.00	7,460.00	0.00	7,460.00
56.00	0.00	0.00	56.00
0.00	0.00	120.00	120.00
908.00	81.00	0.00	989.00
0.00	952.00	1,688.00	2,640.00
4,236.00	40,545.00	1,150.00	45,931.00
0.00	90,410.00	1,900.00	92,310.00
10,508.50	2,098.00	1,207.00	13,813.50
17,897.00	283,522.00	5,463.00	306,882.00

72 The diagram below shows a trend of total hazardous and non-hazardous waste production, in tonnes.









GRI 400 – SOCIAL TOPICS

102-10 SIGNIFICANT CHANGES TO THE ORGANISATION IN THE REPORTING PERIOD

Three key areas which marked 2019 in the field of social indicators, and that will continue to be in the focus in the next year include the salary, bonus and benefit system; learning and development; and the performance, competency and career management system.

REWARD SYSTEM

This system is based on the outcomes of the internal pulse measurement in February, along with some additional activities that marked the year.

- For the first time since JGL has started conducting surveys of climate, employee satisfaction and engagement, goals for improvement were based on the feedback from all employees after results were communicated to them. On that basis, five goals which make up the corporate action plan for 2019/2020 were established:

1. Setting up and implementing a competitive salary, bonus and benefit system;
 2. Setting up and implementing a career development and advancement system;
 3. Determining priorities and goals for the entire JGL and all employees;
 4. Ensuring better and simpler decision-making and consistency in implementing decisions;
 5. Creating a feeling of a unified JGL.
- An annual cycle and principles of performance management were established:
 1. Strong correlation between strategy, plan for 2019, results and reward; rules for bonuses and for rewarding the fulfilment of goals were determined;
 2. The culture of a unified JGL was strengthened by connecting the Parent Company and the market, and through additional shared goals among business areas;
 3. Measuring results on three levels: Corporate, Business Unit and Individual/Team.
 - In addition to bonuses, frameworks were set for other reward elements that were included in budgets and activities for 2020.

LEARNING AND DEVELOPMENT

Focus was placed on ensuring conditions for the development and advancement of employees' careers:

1. The first stage encompassed the Parent Company and the Croatian market, and entailed setting up a simple, understandable and measurable system of competencies serving as the basis for employee development. This stage was finished by the end of February 2020, marking the start of implementation through an SF assessment of job specific (functional/

technical) competencies which refer to specific knowledge, skills, personal characteristics and behaviour necessary for the successful performance of work and the assigned role within the organisation.

2. The second stage started in February 2020 as an assessment of GAP as part of a regular performance review for 2019. By transitioning to SAP SF, we continue with the assessment of the overall performance of all employees, which includes three key assessments: a) the fulfilment of annual goals, b) the delivery of regular tasks; and c) the required competency level for the current job.
3. In 2020, there will be two additional stages that will include long-term competency needs of the company and the assessment of the readiness of all employees for long-term requirements. Career plans and development strategies will be created from there.

PERFORMANCE, COMPETENCY AND CAREER MANAGEMENT SYSTEM

1. JGL set up a Competency Framework, which, in addition to the mentioned job specific competencies, includes core JGL behaviours and primarily serves to support the achievement of individual success in the existing workplaces. The core behaviours – core competencies – define expected practices and attitudes which are the same for all employees, regardless of their function, role or workplace. These competencies determine the basic characteristics of all JGL employees and reflect JGL's values and corporate culture.
2. A new educational and development programme, JGL Mentor, was launched. The idea behind the programme is to create a culture in which we grow together and motivate

each other to grow, both in our current and future roles, and share knowledge and experience within the JGL community in a structured manner. The goal of the programme is to develop a database of educated and certified in-house mentors for different developmental needs and segments through their recognition and establishment in the system. The first generation of mentors brought together an impressive number of 55 employees who will complete the programme in 2020, when some of them will qualify as JGL mentors. Next year, we are starting with a new generation of all those who want to join this programme and strengthen the basis of JGL's excellence and knowledge.

3. In cooperation with students and professors from the Faculty of Pharmacy and Biochemistry in Zagreb, we started a unique scholarship programme for pharmacy students which raised a lot of interest within the academic community. The idea is to select the top two students among the applicants and give them the chance to have a paid internship at JGL. After the internship, which takes place in the summer over the course of two years, interns are given the opportunity to work for JGL. JGL welcomed its first two scholarship recipients in 2019.

CARE FOR THE COMMUNITY

In the reporting period we supported numerous initiatives, projects and activities organised by associations taking care of those in need, by students and athletes, and we participated as a team in charitable initiatives. JGL was the general sponsor of the international congress of pharmacy students held in Poreč, entitled "The 16th EPSA Autumn Assembly". The event was organised by Croatian

students from the Croatian Pharmaceutical Students' Association (CPSA), our partner in a range of activities and projects. The congress brought together 350 young people from 28 European countries who listened to lectures and workshops on the topic of biological therapy and discussed biotechnological progress in its development, the availability of expensive innovative therapies and financial challenges that these medicines present for the healthcare system.

In the area of support to the local and national community, in addition to numerous donations and sponsorships, we carried out traditional projects such as JGL Drop, Allergic to Allergies, Diving Medicine Summer School, Boranka, and "Baltazar na Gradini" (*Baltazar at Gradina*), and developed the Catalogue of Knowledge as part of our new co-operation with the Croatian Union of Societies "Naša djeca" (Our Children), PartneRi Association and the University of Rijeka.

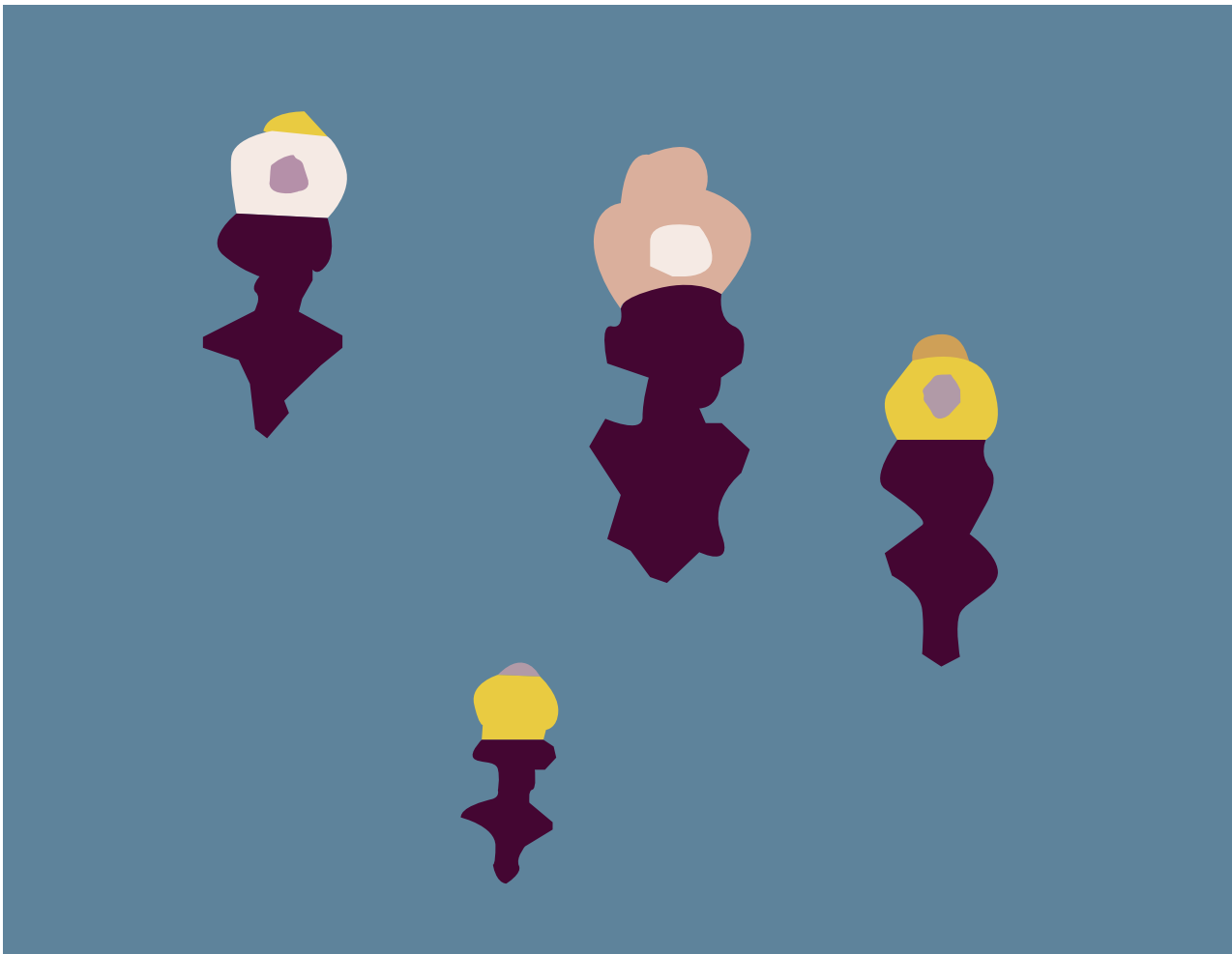
We also celebrated the 20th anniversary of our key Aqua Maris brand, which included three different activities – a birthday celebration with our key clients, customers and employees; the organisation and holding of the First International Adriatic Sea Water Symposium in Opatija; and the intensive work of a multidisciplinary team on redefining the brand platform and the new direction of Aqua Maris in markets. The Central Symposium was a valuable opportunity where we got to share opinions and ideas with our key global partners, and it gave us clear guidelines for the long-term vision of the brand's development.

The year 2019 will also be remembered by a new edition of our JGL masquerade, the participation of our employees in the Fiumanka and Barcolana

sailing regattas, the B2B Run race, the Chemistry Open Day, sailing courses, and the arrival of the bookmobile of the Rijeka City Library on our company site. The special JGL energy also contributed to projects such as “Office Fit” with Mario Valentić as part of the initiative “Uz Pablo budi fit & that’s it” (With Pablo Get Fit and That’s It).

We said goodbye to this year with the popular theatre shows for the children of our JGL Group employees, and once again participated in large numbers in the company’s charitable initiative for the “Naša djeca” Society Opatija and “Moje mjesto pod suncem” (*My Place in the Sun*) programme.





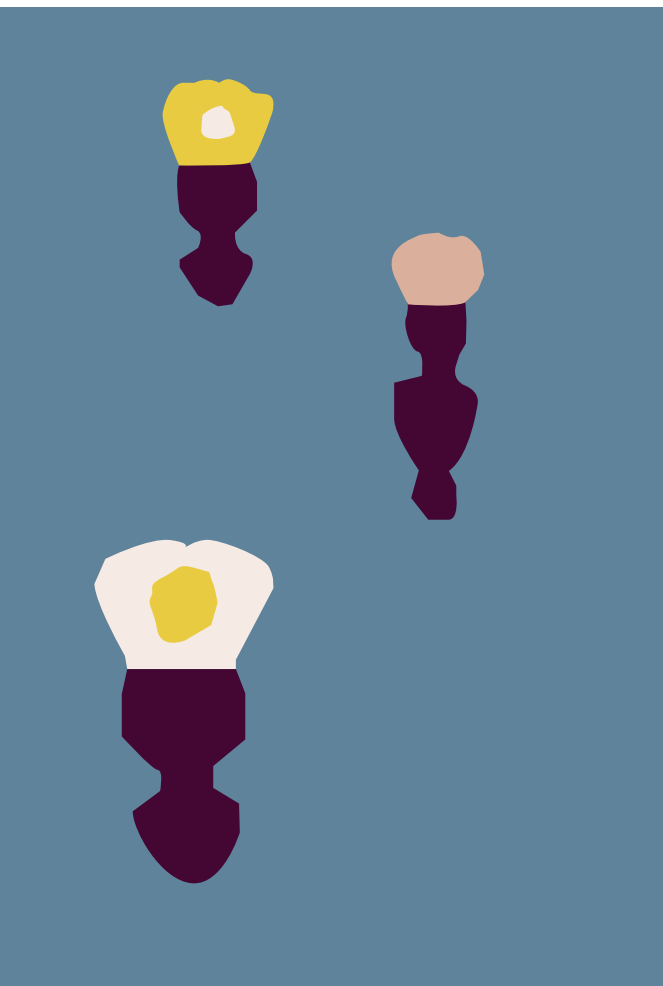
GRI 402 – LABOUR/MANAGEMENT RELATIONS

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to the relationship toward employees and due to stakeholders' expectations/interest in the company's systematic care about the relationship between employees and the management.

JGL Group systematically creates, monitors and analyses relationships between employees and the management. This material topic has an impact on the entire JGL Group.



In this reporting period, work was done on the improvement of the internal communication processes and a change in the internal communication culture (more responsibility assumed by the management). In 2019, the CEO continued to inform all employees in all markets about company results, goals and business direction through notices and videos in Croatian and Russian. A magazine with current topics is sent to all employees in Croatia and Southeast Europe each month, while employees in the markets of Russia, Ukraine, Kazakhstan and Belarus are included in annual reporting.

Meetings between the management and teams take place at least once a week or more frequently, as needed. There is a defined policy of meetings of the Board of Directors, which in addition to the president and members includes the CEO and the Works Council representative, who are also members of the Board of Directors.

With the aim of more frequent communication with employees in all markets, communication through the corporate magazine will be improved through quarterly issues in three languages, while senior management's live addresses will be recorded and translated in order to be made available to employees in all markets.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The field of labour/management relations covers information about channel management and the processes of internal, two-way communication, examining employee attitudes, and providing suggestions.

The key topics to be received by all employees are planned at the level of the Board of Directors, the CEO and senior management team, which includes HR and Corporate Communications representatives.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Raising the quality of dialogue is a continuous goal of the company, which is analysed through climate and satisfaction research and through the Works Council. Employee satisfaction survey (climate, culture and engagement survey) for 2018 was conducted in February 2019, while in 2019, a so-

82 called pulse check was conducted that included all dimensions with a focus on the action plan. Fine metrics were defined, as well as principles for measuring success in the areas of climate, employee engagement and satisfaction, with an additional focus on culture through the long-term Employer Branding project launched at the end of 2019.

Through the corporate action plan, a communication guidebook and HR Navigator were launched as direct outputs of employee feedback. Culture and values are additionally developed through the process of *JGL Competency Framework (Core Competency and Job Specific Competencies)*, which sets clear and measurable elements of corporate culture, values and postulates in everyday life.

This ensured the continuity of feedback from employees and the creation of action plans that should result in an increase of employee satisfaction and engagement – KPI included for the first time no longer as a corporate, but rather an individual goal of every manager. The total response was 91.41%.

Special attention was paid to preparing for the communication of results to all employees and to define clear action plans to ensure managers implement them in practice.

The results are presented to employees in a cascade manner, so that directors/managers gather the first team of their subordinate employees and share with them the results of the entire company and of the team gathered on that occasion.

The action plan is defined by first-line managers, but through the communication of results – employees at lower hierarchical levels receive the opportunity to share their ideas and suggestions that are forwarded to first-line managers, who can then implement them in their final action plan. In this segment, many challenges still lie ahead for the company, especially in the area of even more intensive encouragement of open and transparent two-way communication.

Year	2019
Percentage of employees covered by the employee attitude survey	100%
Response of employees to the employee attitude survey	84.19%
Total result at the last employee attitude survey	4.11%
Scale for evaluating employee attitudes (e.g. 1-5)	1-5
Total satisfaction of employees with internal communication	4.03
Scale for evaluating the satisfaction of employees with internal communication (e.g. 1-5)	1-5

Results of the employee attitude survey



402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

The minimum period of advance notice for significant changes in work defined between the employer and the Works Council is eight days.

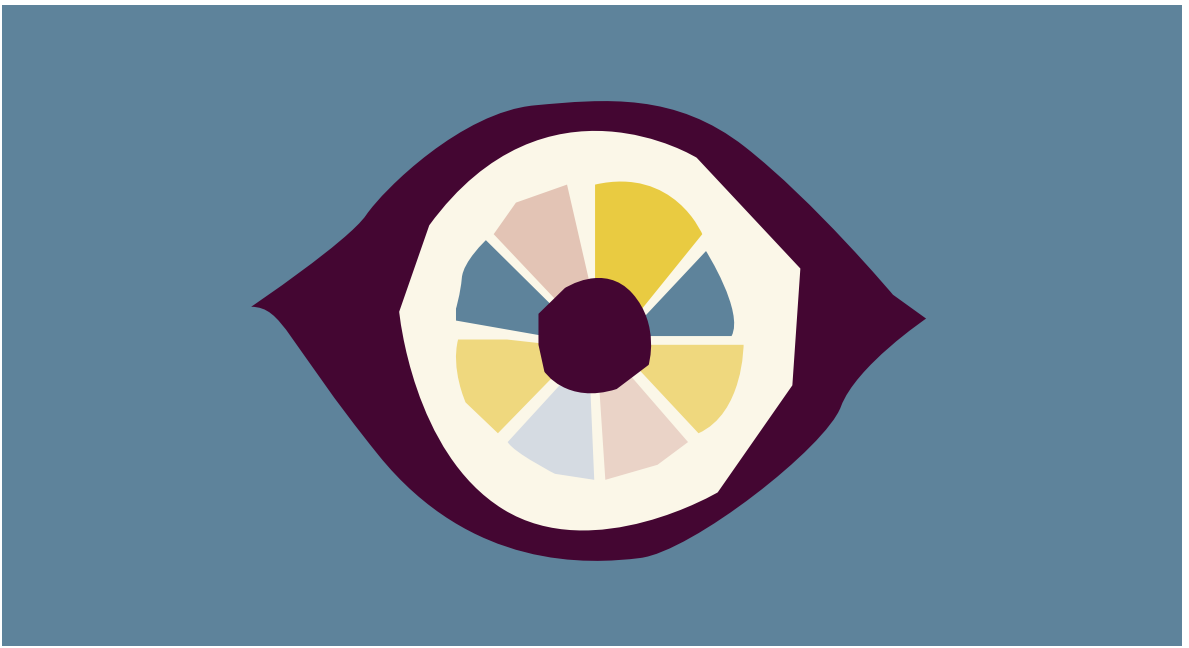
Informing employees usually takes place just five to seven days after sessions of the Board of Directors where decisions about changes are made.

In addition, during the reporting period, several video messages were recorded in which the CEO addressed all the employees of JGL Pharma in Croatian and Russian, which was generally followed by a CEO letter in two languages.

In December 2019, the recoding of the CEO's video message was organised in the production department, with the aim of sharing the information and encouraging feedback of those groups of employees whose job description does not enable

them direct access to email. This way, all employees had the opportunity to find out about current business results, operating plan and business goals of the company.

Based on the suggestion of employees given as feedback on the company climate, an internal communication guidebook was developed in line with JGL's work principles and culture. Annual rewards have also been introduced for special contributions of individual employees based on their performance and implementation of suggestions for improvement during the operating year. These rewards are given at the annual Christmas party.



GRI 403 – OCCUPATIONAL HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material for the JGL Group due to significant social impacts related to occupational health and safety and due to reasonable stakeholders' expectations and interest in the company's systematic care about occupational safety, ensuring appropriate and legally prescribed working conditions for all employees in relation to health and safety, taking necessary measures for achieving safe working conditions for employees, and maintaining the highest possible ecological standards.

With the aim of determining significant impacts related to occupational health and safety, JGL Group analyses and controls health and safety risks and conducts analyses of health and safety incidents. This material topic has an impact on the entire Group, and outside the company, it affects all communities where business activities are carried out on the orders of the employer.

Health protection and safety at work are important priorities for JGL. Every employee has the obligation to promote JGL's efforts to carry out work processes and operations in a safe manner. Responsibility toward employees requires the application of the best possible measures to prevent accidents, occupational injuries, occupational diseases and work-related diseases, and refers to the technical planning of workplaces, equipment and processes, safety management and personal behaviour at workplaces. It is everyone's duty to continuously take care of safety at work. The Safety at Work Department (*Zaštita na radu* – ZNR) and Fire Protection Department (*Zaštita od požara* – ZOP) operate in accordance with JGL's mission of "improving the quality of life through taking care of health." As safe work and environment are the prerequisites to achieving that goal, numerous measures were taken and the pre-existing state of occupational safety was implemented in 2019.

Employee safety and health are managed in accordance with a number of heteronomous legislative regulations and autonomous acts that JGL stipulated for the improvement and progress in terms of occupational safety and fire protection, and in terms of environment protection.

Through regular annual reports to the competent bodies (Croatian Occupational Safety Inspectorate, Environmental Protection Agency), JGL presented its real state of affairs which shows progress in comparison to the year 2018.

In order to prevent occupational accidents and injuries, occupational diseases or any other work-related diseases, as well as to eliminate potential dan-

gers in work areas, a range of tests and educational programmes were conducted. 85

WORK SAFETY TRAINING

Occupational safety-related knowledge of all employees is constantly being evaluated. In 2019, work safety training was completed by all new employees and those who transitioned to a new workplace within the company.

CONSTANT HEALTH SURVEILLANCE

JGL has a contractual relationship with an expert team of occupational medicine specialists who work in an occupational medicine clinic seated in Rijeka. They monitor the health of employees on a regular basis through previous, periodic and unscheduled medical examinations for jobs with special working conditions and those where employees work nights or at a computer for more than four hours a day on average. An occupational medicine specialist participates in the sessions of the occupational safety board which are regularly held twice a year, participates in job risk assessments, and provides his opinion on other issues within his competence. Since JGL has a branch office in Zagreb and employees who work in Split, we have started a process of signing agreements with occupational medicine clinics in those two cities, with the aim of simplifying the obligation to complete mandatory medical examinations for our employees in Zagreb and Split. Apart from engaging occupational medical specialists to monitor employee health, JGL provided its employees with an annual physical examination covered by supplementary insurance.

TAKING CARE OF WORK TOOLS

In 2019, all legally required testing of dangerous machinery and devices was performed, electrical

86 installations were periodically checked, and new electrical installations were checked for the first time. In addition, physical and chemical parameters of the work environment were tested in workplaces where such parameters changed and their testing was required.

INTERNAL AND EXTERNAL SURVEILLANCE

Regular internal surveillance was used to monitor occupational safety conditions and to eliminate irregularities in order to prevent unwanted events. In 2019, a number of targeted and complete surveillances were performed and where failures were noticed, instructions were given and deadlines established for their elimination. In addition to occupational safety experts, in accordance with training conducted by experts, internal company auditors have started to perform monitoring to a certain extent as part of internal audits.

FIRE AND EXPLOSIONS PROTECTION

In addition to regular (quarterly) and periodic (annual) monitoring of fire extinguishers, in 2019, JGL tested and serviced all fire protection systems and equipment (internal and external hydrant networks, fire alarms, panic lighting, sprinkler systems and NOVEC system in archives and the data centre, smoke exhaust systems, water curtains...). JGL has also procured and placed capsule-type fire extinguishing devices inside electrical distribution cabinets. These capsules are not legally prescribed or subject to periodic testing, but have been introduced with the aim of increasing the fire safety level.

OCCUPATIONAL INJURIES

In 2019, a total of five occupational injuries occurred in JGL. Four injuries occurred in jobs with

minor risks, and only one in a job with special working conditions. All injuries in 2019 were minor. There were no registered cases of occupational disease.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

The effectiveness of the management system is carried out through constant analysis and employee feedback. The focus and ultimate goals of JGL's Works Council in 2019 were related to work safety issues and issues of helping workers in need.

403-1 WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

- Since November 2015, there is an Occupational Health and Safety Representative in the Works Committee.
- Since January 2017, 21 workers have been appointed as direct employer representatives for carrying out occupational safety within their scope of work.
- At the end of 2018, the Selection Committee and the WC held elections for an occupational health and safety representative; five OHS representatives and five deputy OHS representatives were appointed, as well as a coordinator of OHS representatives who participates in sessions of the OHS committee.
- From now on, in addition to heads of departments/personnel authorised for OHS, employees can direct all of their questions related to occupational safety to OHS representatives,

and they also have the possibility to leave their comments anonymously in suggestion boxes on company premises.

The total number of occupational diseases in the last five years is 29. 87

403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

Although the number of employees has increased, the number of occupational diseases has decreased compared to the last three years when there were fewer employees.

Year	At the workplace while performing duties and tasks	On the way from the place of residence to the workplace and vice versa	Total
2015	2	0	2
2016	4	2	6
2017	7	3	10
2018	4	2	6
2019	5	0	5

The number of injuries in terms of the injury location in the past five years between 2015 and 2019



403-3 WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF INJURIES RELATED TO THEIR OCCUPATION

Workers with high risk of injuries related to their occupation are primarily workers in production and quality departments.

403-4 HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

JGL does not have an acting union, but rather a Works Council that consults with the employer and initiates actions in support of employees with health problems or on long-term sick leave.

An overview of jobs with special work conditions and risk of injuries in 2019

General maintenance technician
 Sterile dosage operator
 Production technician
 Sanitary maintenance operator
 Finalisation operator
 Semi-finished product receipt operator
 Material preparation operator
 Production maintenance technician
 Machine maintenance specialist
 Head of clean area monitoring
 Clean area monitoring specialist
 Clean area monitoring technician
 Sanitary maintenance operator
 Operational stability coordinator
 Operational stability technician
 Quality control technician
 Quality control specialist
 Sampling technician
 Head of regulatory and development department
 Regulatory and development department technician
 Regulatory and development department specialist
 Quality control sanitary maintenance operator
 Quality control microbiology technician
 Head of quality control microbiology
 Quality control microbiology specialist
 Head of input material storage
 Input material storage technician
 Storage facility worker
 Finished product storage technician
 Internal logistics operator
 Development analytics and stability analyst
 Head of formulation development
 Formulator
 Formulation development technician
 Sanitary maintenance operator
 Packaging development specialist
 Head of research and preformulation
 Preformulator
 Development analytics and stability technician
 Development analytics and stability specialist
 Developmental raw materials testing specialist

Number of hours of sick leave at the expense of JGL – 21,304%

Number of hours of sick leave at the expense of CIHI (sick leave + pregnancy leave) – 57.428%

% of sick leave at the expense of JGL – 2.28%

% of sick leave at the expense of HZZO – 6.15%

An overview of sick leave of JGL employees in Croatia

GRI 404 – TRAINING AND EDUCATION

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to the training and education of employees and due to stakeholders' reasonable expectations and interest in the company's systematic care about the engagement of employees, their knowledge and experience in the organisation's development to the greatest degree possible, as well as about employee contribution, conducting internal and external training, and programmes for encouraging lifelong employee learning.

With the aim of determining significant impacts related to employee training and education, the Group monitors and analyses investments in training and education.

This material topic has an impact on the entire JGL Group, and outside the company, it affects all local communities and countries where the company operates.



103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In 2019, we continued the development of this area. The introduction and implementation of a new software (SAP LMS) also opened up new possibilities. A learning management system (LMS) is a tool for organised planning and implementation of various developmental activities, but it primarily serves as an e-learning platform that we will use in 2020 to deliver e-learning training, first to the management, and then to all employees.

All other practices are in use: an annual training plan in Excel, created in the first part of the year, with monthly monitoring of the plan's implementation. Educational needs are assessed primarily by managers of individual employees, which depend on new workplace requirements, the use of new equipment or software or a person's planned participation in a project for which new knowledge is required. HR additionally proposes training needs for specific employees if such needs are identi-

fied, e.g. through an internal job advert. Part of the needs are planned after establishing annual goals for employees.

As part of the Sales Force Effectiveness programme, annual assessments of professional associates in the field are made, and training is proposed following these assessments.

A formally described long-term strategy for employee development is currently being set up and prepared for implementation in 2020. In 2019, we continued working on individual developmental plans for specific jobs with strategic importance for the company, and we are currently preparing the revision of processes for 2020, with a focus on talent management and career development.

All external educators/trainers (especially in the organisation of group workshops) have the obligation to create tailor-made questionnaires for the assessment of acquired knowledge, to implement them through follow-up workshops/questionnaires for participants and managers, and to conduct workshops to educate managers on how to monitor their employees.

An e-learning course has been developed in cooperation with students from the Faculty of Economics in Rijeka as a pilot project supported by the Production Department. An interactive and dynamic modular course has been created for a topic that is not available through any educational institution and (almost) all new employees in the Production Department have to complete it. So far, one person has been responsible for this knowledge transfer.

Development goals have KPIs to avoid a subjective approach to the assessment of development. Ten percent of development programmes are education and training, and they include defined “before” and “after” measures, e.g. knowledge tests. Thirty percent of development programmes involves mentoring and coaching that includes an assessment of effects and a mentor’s assessment, as well as a before-and-after assessment arising from the performance agreement, the results of 360-degree feedback, or the results of an organisational climate measurement. Sixty percent of development is learning on the job and the results measured are those related to the performance agreement and participation in projects. Ninety percent of training sessions include a link with programme performance indicators and they arise from the perfor-

mance agreement. All development programmes are monitored in terms of their success through the analysis of the competency gap. An additional connection has been created between individual KPIs and business goals and results (NMM, brand awareness, net sales, gross 3, OpEx/CapEx realisation, BSC goals realisation) for one department (seven employees). For around 20% training/developmental activities, quality analyses have not been performed. Those are primarily in-house training modules and legal seminars that are not analysed, but rather implemented through work (their results are seen through work performance).

During the last reporting period, new ways of monitoring performance were introduced through Sales Force Effectiveness (SFE), a tool used to monitor the competency level of the sales force. This tool includes an initial assessment of associates, definition of a development plan, and an annual evaluation of competencies required for work. The Development Centre (DC) has been established for key positions, where over the course of two days participants undergo a complete assessment of their competency level and readiness to take over another position as part of the company’s Talent Management programme.

Following the assessment, individual development plans (IDPs) are set, which are used to measure performance based on defined measures for specific positions. All practices from the previous period were maintained in this reporting period. Almost all in-house training modules have an integrated follow-up system. The success of particular training modules is also measured through efficiency and accomplished goals in particular jobs. The success of the development programme is monitored on the basis of employee development plans and



the newly acquired skills and knowledge that allow employees to progress in their workplace both horizontally and vertically.

In 2019, JGL launched a new educational and development programme – JGL Mentor. The idea behind the programme is to create a culture in which we grow together and motivate each other to grow, both in our current and future roles, and share knowledge and experience within the JGL community in a structured manner.

The goal of the programme was to develop a database of educated and certified internal mentors for different developmental needs and segments through their recognition and establishment in the system. Certified mentors become internal ambassadors of culture, values and excellence for particular skills and knowledge, and work outside their organisational units.

The first generation of mentors brought together an impressive number of almost 70 interested em-

ployees who underwent education and practical training throughout the year. Around 30 of them completed the programme in July 2020 and qualified as JGL mentors. In September 2020, we are starting with a new generation.

For several years now, we have also had in place an external coaching programme, which is not intended exclusively for management, but is open to all those who show potential and talent for development and empowerment in various stages of their career.

94 **404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE**

Through the career management system and individual development plans, there were a total of 46 promotions in JGL Pharma in 2018 and the first quarter of 2019, of which 31 were horizontal promotions/internal rotations and 12 were vertical promotions, three of them to managerial positions.

Based on PM results, we have also introduced a talent and potential matrix, and a detailed process and system for managing the development and career of employees. Harmonisation was made with a view to the future, so that the entire JGL Pharma is ready for the transition of process management to the SF *Succession & Development* platform.

A guidebook for management and employees was also developed, directing all possibilities and available tools for this purpose. For 2020, we are also preparing the launch of online webinars and pre-work materials, which are intended to further strengthen and calibrate management in regular annual cycles.

Along with specific internal training, a large number of employees participated in the training of new employees through knowledge sharing at work.

Additionally, a significant amount of time and financial resources were allocated to educating employees in the use of SAP and serialisation, which has also not been indicated separately because it was part of the project budget.

Hours of professional development are recorded separately for each employee (which training was attended, and for how long) and include all forms of professional development for which duration can be determined.

The total number of hours of professional development for a certain period is calculated by adding up the hours for each employee and then adding the hours of all employees by department and sector.

The number of hours of professional development per employee is calculated using the formula: total number of hours/total number of employees in the company (separately for internal and external training).

Professional training performed in the reporting year	Year	% of employees that completed some form of professional training	% of employees that completed some form of additional professional training (not mandatory by law)
	2019	95%	95%

Total investments in professional training and total number of training hours at JGL Pharma in 2018 and 2019

Year	Total investments in internal training (HRK)	Total investments in external training (HRK)	Total hours of internal training	Total hours of external training
2018	382,063	969,582	8,053	11,242
2019	1,956,565	2,059,155	11,529	13,112

Average training costs per employee in the JGL Group in 2018 and 2019

	2018	2019
JGL Croatia	HRK 2,026	HRK 5,489
JGL Ukraine	HRK 3,392	HRK 6,388
JGL Belarus	HRK 380	HRK 2,106
JGL Kazakhstan	HRK 3,638	HRK 4,281
LLC Jadran Moskva	HRK 1,258	HRK 3,620
Farmis d.o.o. Sarajevo	HRK 127	HRK 1,442
JGL d.o.o. Beograd-Sopot	HRK 88	HRK 4,735
Adrialab d.o.o. Rijeka	HRK 1,100	HRK 1,500
JGL d.o.o. Ljubljana	-	HRK 7,063.00
Average	HRK 1,501	HRK 4,665.00

96 **404-2 PROGRAMMES FOR UPGRADING
EMPLOYEE SKILLS AND TRANSITION
ASSISTANCE PROGRAMMES**

The company provides three scholarships for post-graduate, doctoral and specialist studies, with a focus on business needs and the interests of employees. It also provides an MBA programme for managers each year.

During the reporting period, a total of nine employees from the parent company and Adrialab d.o.o. Rijeka completed, started or attended some of the programmes aimed at acquiring new skills.

Average annual number of hours for employee training by gender (M and F) and category (management, professional, support) in 2019	Total	M	F	S	P	M
JGL Croatia	35.5	33.5	26.0	30.5	25.0	29.0
JGL Ukraine	55.0	72.0	49.0	0.0	54.0	55.0
JGL Belarus	46.5	16.0	32.0	0.0	39.0	18.0
JGL Kazakhstan	22.0	16.0	18.5	0.0	11.0	65.5
LLC Jadran Moskva	18.0	17.0	15.5	13.5	15.5	16.0
Farmis d.o.o. Sarajevo	4.0	5.0	2.5	3.0	4.5	4.5
JGL d.o.o. Beograd-Sopot	5.5	5.0	5.5	3.0	5.0	8.5
JGL d.o.o. Ljubljana	27.0	16.0	29.0	8.0	35.0	16.0
Adrialab d.o.o. Rijeka	17.0	41.0	3.0	0.0	15.0	24.0
Average for 2019	25.5	24.5	20.0	6.5	22.7	26.0
Average for 2018	16.0	19.0	16.5	5.0	19.0	12.0

Average annual number of hours for employee training by gender (M and F) and category (management, professional, support) in 2019		2018	2019
JGL Croatia		343	449
Farmis d.o.o. Sarajevo		0	16
JGL d.o.o. Ljubljana		5	6
JGL Ukraine		31	47
JGL Kazakhstan		26	36
JGL Belarus		14	15
LLC Jadran Moskva		155	162
JGL d.o.o. Beograd-Sopot		13	14
Adrialab d.o.o. Rijeka		5	15
Total		602	760

404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

During the reporting period, a corporate approach was set for the entire *performance management cycle* with the philosophy, methodology, rules and deadlines of an annual cycle, to be implemented from 2019 for the entire JGL Pharma. For the first time in four years, the company paid bonuses for 2018, thereby leading to trust in the goal and performance-based reward system being restored.

Significant attention was paid to redefining goals, metrics, the bonus curve and realisation curve, and scale used to evaluate individual performance.

Goals are grouped into *Corporate, Business Unit and Individual/Team*. Performance that provides an answer to the question “what” is measured through several prisms: regular work, goals, and special tasks/projects. Performance answering the ques-

tion “how” is measured through competencies (knowledge and skills – *job specific*) and behaviour (*core competency and values*).

Both in theory and in practice (through the tool and application), a strong relationship was established between goals and competencies (what and how) in the overall employee evaluation, which is a precondition for a more objective way to manage performance, rewards (bonus, salary, stimuli), and employee development.

Due to a transition to a new tool (HR.net-SAP) in 2019, goals were set for 100% of senior-level employees (corporate + BU), and bonus payments were made on that basis. For 90% of employees, we have a documented and archived work performance assessment. In 2020, our goal is to again cover 100% of employees, but with 100% of archiving.



GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to diversity and equal opportunities and due to stakeholders' expectations and interest in the company's systematic care for encouraging diversity in the organisation, at managerial positions, and when hiring new employees.

This material topic has an impact on the entire JGL Group, and outside the company, it affects all local communities and countries where the company operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Legally prescribed documents have been prepared for the prevention of discrimination and encouraging diversity in the workplace (as part of JGL's Work Regulations):

- The protection of workers' health and privacy;
- The procedures and measures for the protection of workers' dignity.

Although there is no procedure for taking action in the event of discrimination, two persons have been appointed within the HR department that can record discrimination complaints. The company has an open door policy and the employees have adopted a habit of reporting discriminatory behaviour. Through various seminars and training, the HR department has learned more about respecting diversity and preventing discrimination in the workplace.

In 2019, the first analyses of entrance interviews were made, with the primary aim of improving the on-boarding process and the overall recruitment and selection process, including the issues of perceived equality and non-discrimination in the course of the selection process.

Through the implementation and education of management in the Competency Framework, a clear framework was established for the implementation of the principle of equality in the approach to candidates during selection and interviews, in order to fight discrimination and ensure equal opportunities based exclusively on differences in the competency GAP (questions that may and may not be asked, potential dangers in the judgement of

99 candidates, how to focus on competencies instead of secondary characteristics, etc.).

One of the key principles guiding our strategy for rewarding employees and evaluating work is the policy of diversity and equal opportunities that we implement and promote in all other areas, including recruitment, working conditions and opportunities for career advancement.

A specific characteristic of our industry, and JGL by extension, is a high share of women compared to men, but this makes us all the more motivated to implement the policy of equal opportunities in the workplace, where differences are accounted for exclusively by the level of knowledge, competence and work results, and not external characteristics such as sex.

At the highest management level, JGL has 57% women, in top management that percentage is even higher – 75%, while the share of women at group level is 76%, which is significantly above the Croatian average.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

With the aim of determining significant impacts related to diversity and equal opportunities, the Group has a record of diversity, but there are no clearly defined criteria for monitoring diversity on the basis of structures of employed candidates in selection processes, access to development programmes according to diversity criteria, or the number of promotions according to diversity criteria.

100 JGL was selected as a benchmark company for its equal treatment of employees based on the recommendation of the Ombudswoman for Gender Equality. Through its Core Competency, JGL further specifies the basis for differences within the team, which includes work results, competencies, and embodying values through specific behaviours.

Based on climate results and especially comments of employees from one department, elements of a complaint for the protection of workers' dignity were identified. Based on this, appropriate actions were taken.

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

The seven people that make up JGL's Board of Directors can be distributed into the following gender and age categories:

- Women (4) – 57.15%
- Men (3) – 42.85%

- Under 30 years of age (0) – 0%
- Between 30 and 50 years of age (2) – 28.57%
- Over 50 years of age (5) – 71.43%

The 1,002 employees employed by JGL Group can be distributed into the following gender and age categories:

- Women (764) – 76.25 %
- Men (238) – 23.75 %

- Under 30 years of age (158) – 15.77 %
- Between 30 and 50 years of age (729) – 72.75 %
- Over 50 years of age (115) – 11.48 %



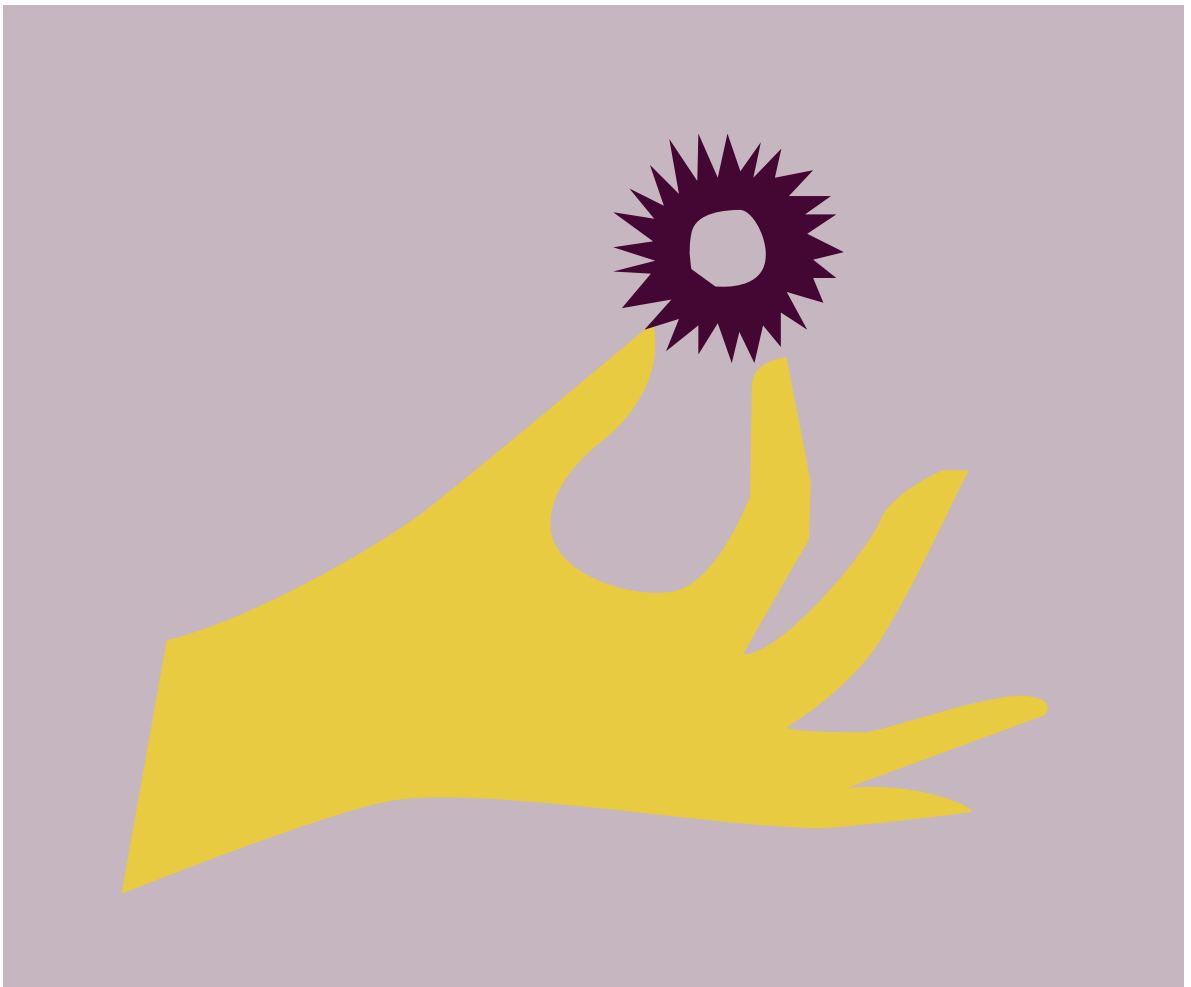
405-2 RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

101

Basic salaries and remuneration for men and women in the JGL Group are equal in all categories in significant places of business, and there are no differences among the sexes in any evaluation segment, including this one.

Significant places of business are considered to be the markets with the largest number of employees (Croatia and Russia), those that account for more than 95% of the total JGL Group production (Croatia), as well as those with the most significant share in total revenue (Russia and Croatia).





GRI 416 – CUSTOMER HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

The topic was chosen as material due to the significant interests of all key stakeholders – employees, end users, doctors and pharmacists, students, shareholders. The company is associated with impacts through its own activities, but also the bodies within the supply chain.

The realisation of products and services within JGL broadly encompasses the processes of planning, research and development, procurement, production, quality control, product and service delivery, wholesale and appropriate supporting processes. For this reason, proper management and control of these processes is essential for the realisation of products and services that will meet all applicable requirements.

No series of JGL products may be placed on the market before being formally released on the market and/or approved for sale or delivery to the customer, which ensures that the product is effective, safe for use, healthy to use, and properly equipped, all in accordance with applicable legal regulations, internal requirements and regulatory requirements, with respect to the legislative category.

In addition, national regulatory authorities have adopted a large number of laws and regulations in the field of pharmaceutical industry that regulate testing, approval, production, import, export, labelling and marketing of drugs, and verification of safety and efficacy of pharmaceutical products. JGL's sophisticated production facilities, equipment and manufacturing processes guarantee JGL the acquisition and maintenance of regulatory approvals for new products. The Group follows trends in the field of pharmaceutical preparations and invests in new technologies each year, as needed. New high-quality equipment, modern manufacturing processes and quality controls ensure that each product is of the highest quality and thus minimises the risk of potential damage to health and safety of customers.

Quality management system processes at JGL are processes that are key to achieving, maintaining, and improving product quality and other processes, i.e. processes that will meet the expectations of interested parties, including key stakeholders.

- Documentation and data management
- Change management,
- Management of non-compliance and preventive/corrective measures,
- Validation and qualification management,
- Resource management
- Measurement, analysis and improvements (includes management evaluation, internal audit, independent supervision, quality review, process performance and raw material and product testing),
- Supplier management,
- Risk and opportunity management
- Release of products into circulation.

Quality management system processes are implemented, depending on their suitability, in all key and supporting processes.

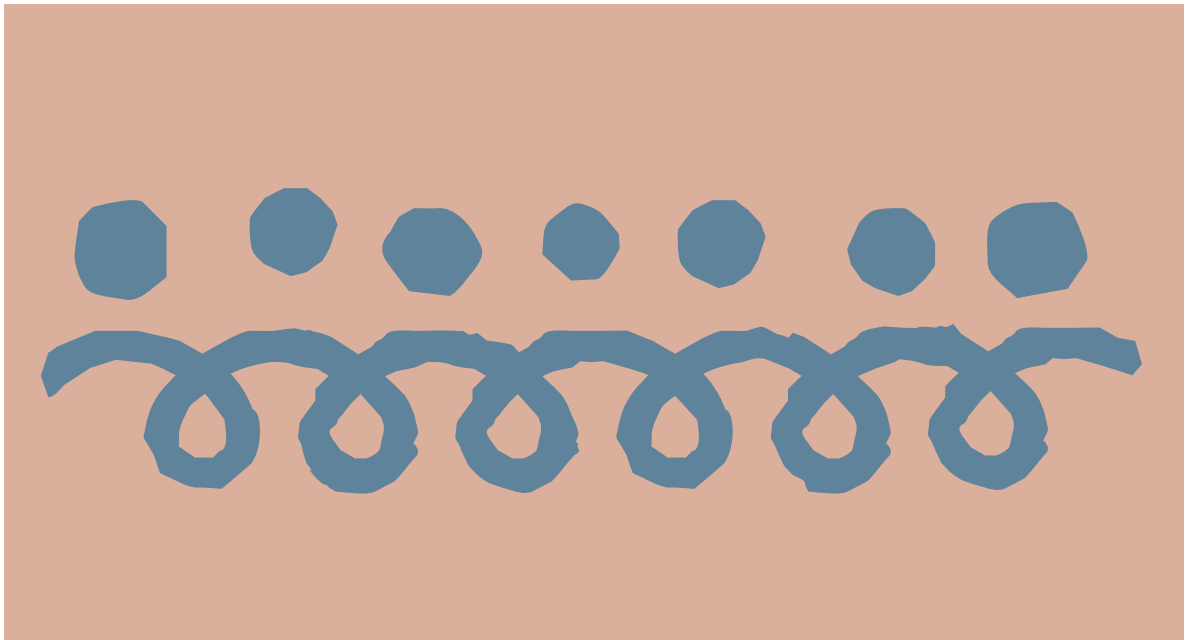
104 **416-1** ASSESSMENT OF THE
HEALTH AND SAFETY IMPACTS
OF PRODUCT AND SERVICE
CATEGORIES

At JGL, drugs are produced in accordance with GMP and GDP requirements, medical devices in accordance with the requirements of the ISO 13485 standard, nutritional supplements and food for special medical purposes in accordance with the ISO 22000 standard, and cosmetics in accordance with the ISO 22716 standard. The products also meet other applicable regulatory requirements and requirements of the profession.

In the reporting period, assessments were made to improve impacts on health and safety for all product categories (100 percent).

DRUGS

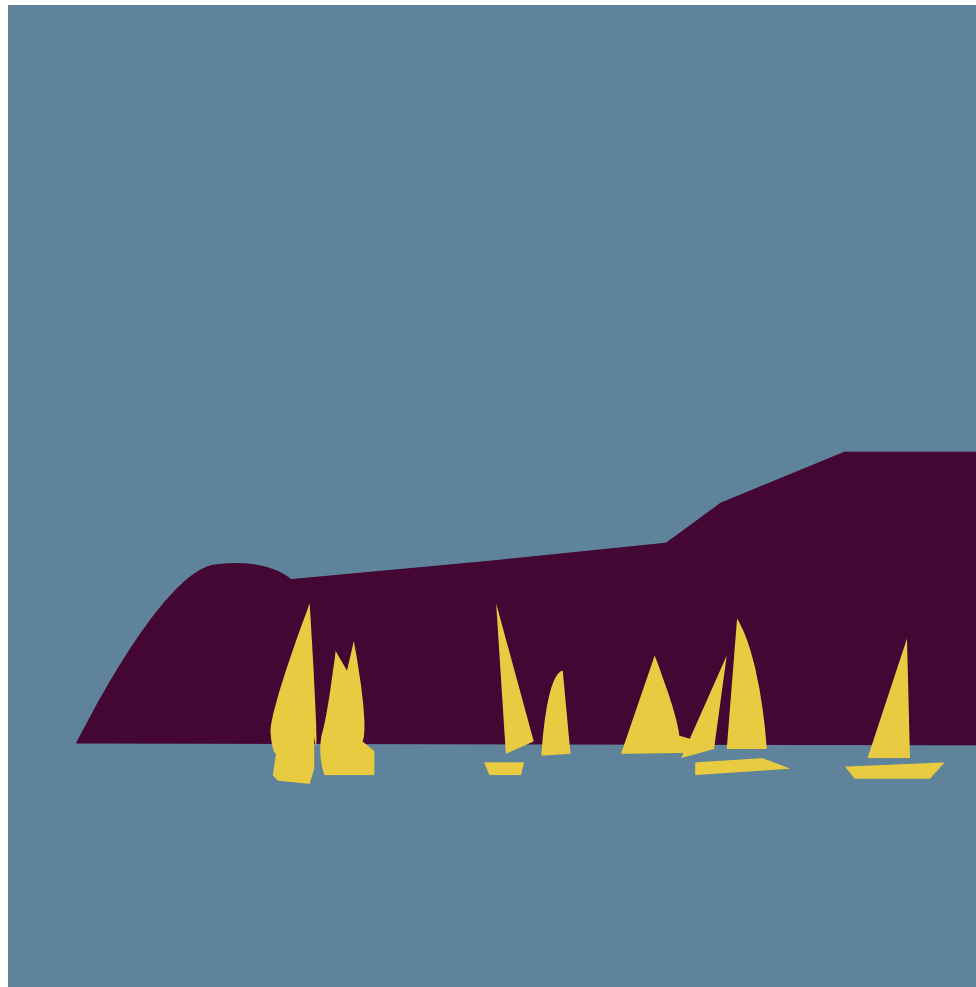
- Medicinal Products Act (Official Gazette No 76/13)
- Act on Amendments to the Medicinal Products Act (Official Gazette No 90/14)
- Act on Amendments to the Medicinal Products Act (Official Gazette No 100/18)
- Ordinance on Granting Marketing Authorisations for Medicinal Products (Official Gazette No 83/13)
- Ordinance on Pharmacovigilance (Official Gazette No 83/13)
- Guideline on Good Pharmacovigilance (GVP)
- Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 86/13)
- Corrigendum to the Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 90/13)



- Ordinance on amending the Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 102/14; 107/15; 72/16)
- Ordinance on essential requirements, classification, registration of manufacturers in the Register of Medical Device Manufacturers, registration of medical devices in the Register of Medical Devices and conformity assessment of medical devices (Official Gazette No 84/13)
- Ordinance on amending the Ordinance on essential requirements, classification, registration of manufacturers in the Register of Medical Device Manufacturers, registration of medical devices in the Register of Medical Devices and conformity assessment of medical devices (Official Gazette No 126/2019)
- Ordinance on the quality control of medicinal products (Official Gazette No 60/14)
- Ordinance on the conditions for granting permits to specialised retail sales outlets of medicinal products (Official Gazette No 122/14)
- Ordinance on the suspension of the placement on and withdrawal of medicinal products from the market (Official Gazette No 122/14)
- Ordinance on clinical trials on medicinal products and on good clinical practice (Official Gazette No 25/15)
- Ordinance on the manner of advertising medicinal products (Official Gazette No 43/15)
- Ordinance on the marketing, labelling and advertising of traditional herbal medicinal products (Official Gazette No 89/10)
- Ordinance on granting marketing authorisations for parallel importation of medicinal products (Official Gazette No 38/20)
- Ordinance on the type of information and manner of preparing reports on consumption of medicines (Official Gazette No 122/14)

COSMETICS

- Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products
- Commission Regulation (EU) No 655/2013 of 10 July 2013 laying down common criteria for the justification of claims used in relation to cosmetic products

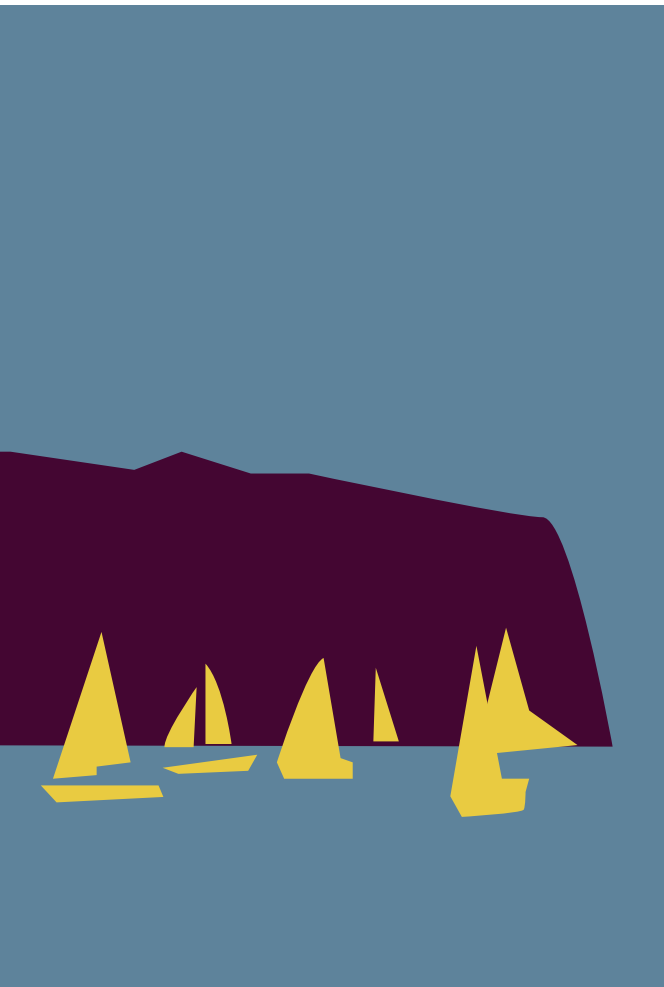


FOOD SUPPLEMENTS

- Ordinance on dietary supplements, OG 126/13
- Decision on declaring the Act on Nutrition and Health Claims, and Foods Enriched with Nutrients, OG 39/13
- Ordinance on substances that may be added to food and used in the manufacture of food and substances whose use is prohibited or restricted, OG 160/13
- Act on Informing the Consumer about Food, OG 56/13; OG 56/16
- Ordinance on informing the consumer about food, OG 8/13
- ISO 22000: 2005

MEDICAL DEVICES

- Medical Devices Act, OG 76/13
- Act on Implementing Regulation (EU) 2017/745 on medical devices and Regulation (EU) 2017/746 on *in vitro* diagnostic medical devices (Official Gazette No 100/18)
- Act on Implementing Regulation (EU) No 536/2014 of the European Parliament and of the Council of 16 April 2014 on clinical trials on medicinal products for human use, and repealing Directive 2001/20/EC (Official Gazette No 14/19)
- Act on Implementing Commission Delegated Regulation (EU) 2016/161 of 2 October 2015 supplementing Directive 2001/83/EC of the Eu-



Although drugs approved for the market are safe for use and of the appropriate quality, side effects may occur, even with the use of over-the-counter drugs. Therefore, the Agency for Medicinal Products and Medical Devices of Croatia (HALMED) continually invites healthcare professionals and patients to report any suspected side effects of drugs and thus actively contribute to the monitoring and maintaining of drug safety.

Patients should inform their doctor, pharmacist or other healthcare workers they come into contact with about all suspicions of drug and vaccine side effects. Also, any doubt about a side effect can be reported directly to HALMED

- 2019 – 196: serious (105), non-serious (91)
- 2018 – 215: serious (117), non-serious (96)
- 2017 – 180: serious (99), non-serious (81)

The number of reported side effects in 2019 is the same as in the previous year. The system for reporting side effects is a reflection of the improvement of the pharmacovigilance system in the Republic of Croatia, HALMED's educational activities, and the connection with the Poison Centre, which provides information about reported side effects and drug overdoses. The principle of continuous improvement is the key element of JGL's management, development and success. Management ensures continuous improvement of the quality system efficiency through the use of communication, system evaluation by management, auditors, validation and verification activities, risk management and corrective and preventive procedures.

ropean Parliament and of the Council by laying down detailed rules for the safety features appearing on the packaging of medicinal products for human use (Official Gazette No 126/2019)

- Ordinance essential requirements, classification, registration of manufacturers in the Register of Medical Device Manufacturers, registration of medical devices in the Register of Medical Devices and conformity assessment of medical devices OG 84/13
- Ordinance on monitoring adverse incidents related to medical devices, OG 125/13
- ISO 13485: 2012
- EN ISO 15223-1: 2012
- EN 1041:2008+A1 2013

OPINION OF THE EXPERT COMMITTEE

OPINION OF THE EXPERT COMMITTEE FOR NON- FINANCIAL REPORTING ON JGL'S SUSTAINABLE DEVELOPMENT REPORT FOR 2019

The company's process of creating a non-financial report is always exciting and challenging, but also very useful for all the parties involved. This process requires the engagement of stakeholders and teams from all business areas of the organisation, who measure, monitor and analyse impacts, and finally decide on their materiality for the reporting period.

The JGL Group operates on a global level, so it is an excellent practice that it relies on the Global Reporting Initiative (GRI) Standards, which enable a global comparison and high quality of information. This year's report is again characterised by a recognisable style and exceptional consistency in

following the requirements of GRI Standards, and the content of its disclosures shows compliance with GRI Standards – Core option, while preserving originality in the reporting approach and practice as a trademark signature contributing to the company’s image.

The report is written using simple language, with a clear and understandable overview of results accomplished by the JGL Group in 2019. Last year was successful for the JGL Group in terms of financial performance, which was reflected in new investments in research and development, the reward system, employee training and competencies, and announced investments in the automation, robotisation and digitalisation of business processes.

JGL follows trends in the pharmaceutical industry and strives to improve existing capacities, while ensuring compliance with regulatory and environmental standards and strict rules of good manufacturing practice. It continuously invests in raising the competencies and development of its employees, and in the improvement of work conditions and the reward system.

An example of increasing the level of environmental standards is the successful implementation of the project “JGL – An Energy Efficient Company” that made use of resources secured by the European Regional Development Fund to achieve significant energy savings and reduce greenhouse gas emissions.

In 2019, significant improvements were made in the area of informing employees and internal communication. An internal JGL communication guidebook was developed as a result of successful communication between employees and the man-

agement, and an annual reward was introduced for special contributions by employees.

A company’s maturity is not measured in the number of years it exists, but in the quality of its approach to the topics of sustainability and social responsibility. A particularly important part of JGL’s report that contributes to a better understanding of impacts are the lengthy explanations of the management approach to each individual impact topic. JGL’s contribution to sustainable development goals is shown in more detail than in the last report, but there is still a lot of room for improvement in terms of explaining more concrete results for the achievement of particular goals.

JGL was selected as a benchmark company for its equal treatment of employees based on the recommendation of the Ombudswoman for Gender Equality. Through its Core Competency, JGL further specifies the basis for differences within the team, which includes work results, competencies, and embodying values through specific behaviours.

It is clear that the JGL Group is very dedicated to sustainable development and to a thorough understanding of its overall material impacts, which are managed appropriately and responsibly and reported on in a relevant manner. Therefore, the twelfth Sustainability Report of the JGL Group has met expectations just like the reports before it. The report shows a high degree of understanding when it comes to the implementation of principles of sustainable development and social responsibility, which is the reason behind continuous improvements in reporting. High-quality communication is based on recognising the expectations and interests of stakeholders, so we will continue to pay great attention to future reports by the JGL Group.