



ARTERIUM

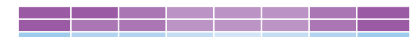
Closer to people

**10 YEARS
OF RESPONSIBLE
BUSINESS FOR
HEALTHY SOCIETY**

Arterium Corporation

Corporate
Social Responsibility Report

2015



CEO Statement

In 2015, Arterium Corporation celebrated its 10th anniversary. The company came a long way since its inception. In 2015, it became #2 in the Ukrainian market, an improvement from previous #4. Arterium's products are now sold in 13 countries. We realise that success of the company is not only about financial performance but is also about the value we create for the society. Social Responsibility is an important aspect of our business. We compete fairly with other companies in the market, providing quality medicines at an affordable price to patients in Ukraine and other countries. We invest into innovations to ensure the highest quality of our products. We provide to our employees the opportunities for continuous education. We enable young talent to make the first step in their career in our company. We design training programmes for doctors to raise the bar of health care standards. We make every effort for creating a healthy society and ensuring sustainable growth of our business.

This brochure will fill you in on our Corporate Social Responsibility efforts in 2015.

Denis Gartsylov,
Arterium CEO



Arterium Corporation is a pharmaceutical company. It integrates two Ukrainian companies: **Kievmedpreparat (Kyiv)** and **Galychpharm (Lviv)**, which have over 150 years of pharmaceutical manufacturing experience.

No 2
in the Ukrainian
pharmaceutical
market*

over
2 400
employees

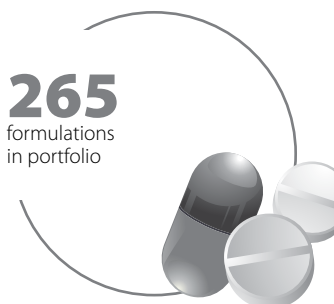


Representative offices
in 5 countries: **(Azerbaijan,
Belarus, Kazakhstan, Russia
and Uzbekistan)**

Exports to
12 countries



265
formulations
in portfolio



**Our product
portfolio**

149 medicinal products

*Source: Market Research System PharmXplorer; © Proxima Research



Employees

Training and development
Workplace safety

Products

Innovation and product development
Patient safety

Society

Healthcare and promotion of active lifestyle
Educational projects

Environment

Responsible consumption
Minimizing our environmental footprint

Ethics

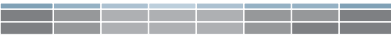
R&D ethics
Business ethics

OUR CORPORATE RESPONSIBILITY EFFORTS

We have outlined 5 key directions for our Corporate Responsibility activities and **7 stakeholder groups**.

Stakeholders

- Employees
- Consumers
- Medics and pharmacists
- Governmental and regulatory bodies
- Investors
- Local communities
- Non-governmental organizations





Employees are the key factor of our success—they are what keeps **Arterium Corporation** competitive. Our HR department is focused on development and motivation of personnel, as well as on ensuring decent working conditions. As of end-2015, the number of the company's employees was 2,429 (including representative offices abroad), women accounting for 58% and men—for 42% of staff.

Corporate University

At Arterium, we are committed to the constant education and development of our personnel. In 2015, **Arterium Corporation** invested **UAH 3 mln** in this area. Our Corporate University has been functioning since 2012. It is designed to establish an in-house training and development system in line with the company's strategic goals.

In 2015, contractor trainers were involved only in **15%** of training programmes—the rest was delivered by corporate trainers.

Presently, the Corporate University offers **300** training programmes, all designed primarily to develop competencies and upgrade professional skills of personnel. Among those are the preparation of employees and interns for primary training, adaptation and professional orientation, comprehensive programmes for learning GxP standards in the pharmaceutical industry and mastering soft skills (skills required for high career achievements).

2 429 employees



58%
women



42%
men

€3 mln

invested in employee development

About **300** training programmes available



10 YEARS OF RESPONSIBLE BUSINESS FOR HEALTHY SOCIETY
Overview of activities in the field of corporate social responsibility

In **Arterium Corporation**, the following comprehensive employee training programmes are available:

- School of Management
- Foremen School
- Maintenance and Energy Supply School
- Logistics School
- Recruiting School

2 685 people/session trained in 2013

4 251 people/session trained in 2014

6 965 people/session trained in 2015

The number of employees that completed training almost tripled when the Corporate University was created.



Workplace safety

The Occupational Safety Management System used in **Arterium Corporation**, Kievmedpreparat and Galychpharm complies with all requirements of the current Ukrainian legislation and is based on international best practices and the standards of occupational hygiene and safety. We hold occupational safety training and seminars, which help improve the safety of our personnel. The company also has a medical insurance system in place. Besides, medical units complete with modern medical equipment are available. There, staff members can get professional therapeutic assistance from doctors and medical personnel free of charge.

Panacea Drama Group

Panacea drama group was created at Galychpharm in 2012. What makes this group unique is the involvement of loyal and active employees that help potential trainers develop their declamatory skills and overcome the fear of public speaking. The group includes 35 people from different divisions of the facility. Each new production is presented not only to the facility employees and their kids but also to partner charities. The group's repertoire currently includes 14 productions and is expanded every year.





Products and innovation

Arterium Corporation cares about every patient and is constantly looking for new solutions to develop new medications and improve the existing ones. Our R&D centre employs over 110 specialists. We develop modern affordably priced generics and conduct all necessary clinical trials for original drugs. In 2015, Arterium conducted 6 clinical trials. The company currently produces the following drug forms: injections in vials, tablets, capsules, ointments, gels, injections in ampoules, extracts, syrups, suspensions, and infusions. The company's product portfolio encompasses 149 products and 265 formulations. Among them are generics, original drugs, herbal preparations, dietary supplements, and animal health products.

Our 2015 projects

17 new products
(incl. pharmaceutical forms and dosages)

Among these are medicinal products that belong to a direction that is new for the company—blood sugar lowering drugs **Insular Activ, Insular Stabil, and Mefarmil**.

The development of all new medications is governed by the **Quality by Design** principle. Composition, technology and specification system for new drugs are developed, according to this principle. Pre-clinical and clinical trials are conducted in compliance with GLP and GCP.

€78_{mln}
spent on R&D in 2015.

In 2015, **Arterium Corporation** spent UAH 78 million to develop and launch 17 new products, among which are sugar-lowering drugs **Insular Activ, Insular Stabil, and Mefarmil**. The preparations lowering blood sugar are a new direction for our company.

Arterium Corporation's
portfolio of high-potential products currently includes

141
formulations

Patient safety

Arterium Corporation monitors safety and efficiency of its products from the research and development of the future medicinal product, choice of raw materials, components, packaging, technologies, registration, and launch to discontinuation on all product markets. We regularly carry out audits of our business partners.

Pharmacovigilance

In the Pharmacovigilance section of **Arterium Corporation's** website (www.arterium.ua), the Form of Notice of Adverse Drug Reactions and/or Lack of Efficacy of the Medicinal Product Under Its Medical Use is available for download. Doctors and consumers can use it to report a case of adverse reaction to the company and get feedback from its representative. The company aggregates and organises the information about all adverse and unforeseen reactions.

The pharmacovigilance system enables Kievmedprapart and Galychpharm to monitor safety and efficiency of their medications throughout the entire product lifecycle. In case any adverse reactions and lack of efficacy are reported, the drugs in question undergo further trials.

Anti-counterfeit solutions

Counterfeit medications are dangerous for consumers and may cause serious damage. The high quality of our drugs and their protection from possible counterfeiting are strategically important for us. We constantly improve our anti-counterfeit solutions, creating original packaging layouts that are difficult to reproduce and unique protective elements. This helps us ensure that our consumers get quality medications.





Project: Future of Pharmacy

Arterium Corporation is working in close rapport with Ukraine's leading universities. Our cooperation focuses on internships for graduates, student training, support for all-Ukrainian academic competitions, and scholarships.

Among our partners are the National University of Pharmacy, National University of Food Technologies, National University of Kyiv-Mohyla Academy, National Technical University of Ukraine «Igor Sikorsky Kyiv Polytechnic Institute», Kyiv National University of Building and Architecture, Odessa National Polytechnic University, Odessa I. I. Mechnikov National University, V. N. Karazin Kharkiv National University, Lviv Polytechnic National University, and Ivan Franko National University of Lviv.

Talented entrants pursuing their studies in the fields of chemistry and biology can benefit from Arterium Corporation's scholarships, which are awarded to those having financial difficulties—orphans, residents of rural regions, etc. The scholarship holders are selected with regard to the following criteria:

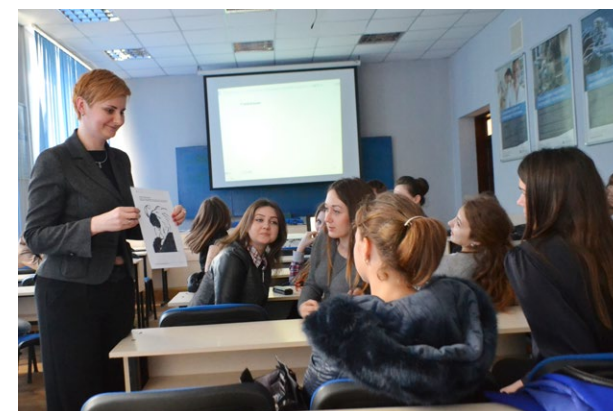
- Educational drive;
- High potential for further development;
- Financial difficulties.

The commission tasked with awarding the scholarship includes the university representatives as well as those of Arterium's Corporate University. Presently, we pay scholarships to 10 students of Kyiv-Mohyla Academy.

Besides, Arterium sponsors all-Ukrainian academic competitions.

Tours to the Museum of Galychpharm's History

In 2015, the Museum of Galychpharm's History had **1,000** visitors, among which were university students, pupils of Lviv and Lviv Region schools, children from the family-type child care homes, orphans and children with special needs. The museum tours are designed with the vocational guidance of pupils and students in mind, and well as to raise awareness about Arterium brand among the Lviv Region residents. They will introduce the visitors to the history of the pharmaceutical industry and the facility's operation. During the tours, Galychpharm's employees conduct chemical experiments, which children enjoy a lot. As a result, the visitors learn about the appeals and importance of such professions as a pharmacist, a chemist, and a biologist. In the professional orientation of students and senior pupils, specialists from the other fields of company activity are involved—financiers, economists, managers, logistics specialists, biologists, chemists, etc.





Arterium Corporation has an Environmental Policy in place. The company updates its environmental footprint reduction goals and assesses their fulfilment annually.

We strive to minimise the effect of our facilities on the environment. Kievmedpreparat's and Galychpharm's Environmental Management Systems are certified for compliance with **ISO 14001:2006**.

In 2015, the company's goal was to increase the amount of waste that goes to recycling by **5%**. To reach it, Arterium signed a contract with the Ukrainian Centre for Waste Management. As a result, the amount of the Corporation's waste that went to recycling increased by **9%** in 2015.

Cutting atmospheric emissions is another ongoing commitment of Arterium. To deliver on it, the company replaces spent air filter attachments on exhaust ventilation systems of its facilities. These filters enable the Corporation to prevent air pollution.

To reduce electricity consumption in amenity and production premises, we replaced about **300** regular light bulbs with energy-saving ones. The resulting electricity saving reached **17,241 kWh** annually.

Arterium Corporation adheres to the Green Office concept. For that, we

- hold video conferences to make fewer business trips
- reduce paper consumption through two-sided printing
- recommend our employees to unplug all devices at the end of workday

ISO 14001:2006

compliant environment management systems are used by Kievmedpreparat and Galychpharm

We strive for high ethical standards in pre-clinical and clinical trials as well as in doing business in all markets of our presence. Openness and transparency in these aspects help us build a dialogue with interested parties and earn their trust.

Corporate Ethics Principles

Ethics Principles are a corporate document that outlines the principles of business relations between the staff members. We expect our every employee to adhere to them. These principles guide our everyday decisions, helping to uphold the reputation of an honest and reliable partner.

Clinical trial ethics

Before the product is registered in the market, it must pass pre-clinical and clinical trials. Clinical trials are preceded by pre-clinical ones, which involve animal tests among other things.

Pre-clinical (pharmacologic, pharmacokinetic, and toxicologic) trials of new preparations involving animals are conducted only in research institutions and as per all legislative regulations and animal ethics principles. The research institutions conducting research of this kind abide by the current legislation and are guided by the following laws and regulations:

- Order No. 944 of the Ministry of Health of Ukraine "On Approval of the Procedure for Medicinal Products Pre-Clinical Studies and Expert Evaluation of Materials of Medicinal Products Pre-Clinical Studies" dd. 14.12.2009 (with following amendments and alterations)
- Guidelines "Medicinal Products. Good Laboratory Practice" approved by the Decree No. 95 of the Ministry of Health of Ukraine dd. 16.02.2009
- European Convention for the Protection of Vertebrate Animals used for Experimental

and Other Scientific Purposes (Strasbourg, 1986)

Once the pre-clinical trials yield positive results, the clinical ones are initiated to test the drug on humans (healthy volunteers and/or ill patients).

Before a subject (be it a healthy volunteer or an ill patient) is included in clinical trials, it is mandatory that he or she gives an informed and voluntary consent to participate. Safety of the subjects is ensured through assessment of the risk-benefit ratio before and during clinical trials (based on the data of the completed pre-clinical and clinical studies of the product as well). The clinical trial is conducted only if the expected benefit justifies the risk.

Clinical studies of medicinal products are conducted in medical preventive institutions by the doctors (researchers), which have relevant professional training and experience

in treating patients and are familiar with Good Clinical Practice (GCP)* regulations. Clinical trials are mandatory to register and launch a new medicinal product in the pharmaceutical market. However, they may be conducted even after registration of the product to get more information about it (to gather more medication-related evidence). Clinical trials are conducted to study pharmacokinetics and metabolism of drugs, as well as their efficiency, safety and acceptability for people (including adverse reactions) and efficient dosing of the preparation.

The doctors(researchers) conducting clinical trials abide by the current regulations, GCP requirements and ethical principles of the Declaration of Helsinki. Specifically, they are guided by the following laws and regulations:

- Order No. 690 of the Ministry of Health of Ukraine "On Approval of the Procedure

for Medicinal Products Clinical Studies and Expert Evaluation of Materials of Medicinal Products Clinical Studies" dd. 23.09.2009 (with following amendments and alterations)

- Guidelines "Medicinal Products. Good Clinical Practice" approved by the Order No. 95 of the Ministry of Health of Ukraine dd. 16.02.2009
- World Medical Association's Declaration of Helsinki: Ethical Principles for Medical Research Involving Human Subjects dd. 01.06.1964 (01.10.2008 revision)

Arterium Corporation has a Clinical Trials Department, which initiates and organises pre-clinical and clinical trials of the company's medications.

Arterium corporations and its subsidiaries abide by GCP* and GLP** standards, Orders of the Ministry of Health of Ukraine and the relevant legislation in the countries of their presence.

*Good Clinical Practice (GCP) is a standard for the design, conduct, performance, monitoring, auditing, recording, analysis, and reporting of clinical trials. It guarantees authenticity and accuracy of the data obtained and the results presented, protection of test subjects' rights and health, and ensuring their confidentiality (per the guidelines "Medical Products. Good Clinical Practice" approved by the Order No. 95 of the Ministry of Health of Ukraine dd. 16.02.2009).

**Good Laboratory Practice (GLP) is a system of principles and regulations related to organisational process and the conditions under which non-clinical health and environmental safety studies are planned, performed, monitored, recorded, archived and reported. (per guidelines "Medicinal Products. Good Laboratory Practice" as approved by the Order No. 95 of the Ministry of Health of Ukraine dd. 16.02.2009)



Ethical marketing

Arterium Corporation provides healthcare professionals with reliable information about its medications through advertisement in media, scientific conferences and personal presentations. Thereby we promote rational use of our products with maximum benefit for patients' health. We cooperate with leading specialists, hold training conferences and symposiums, adhering to the current legislation, best promotional practices, the industry's codes and the Corporation's internal standards.

Responsible procurement

There is an e-tender platform on **Arterium Corporation's** website – it is used to make procurement transparent and more convenient for suppliers of goods and services.

Efficient and responsible management of the purchase and supply system is crucial for manufacturing of high-quality products.

Arterium Corporation and its subsidiaries conduct external audits of feedstock and materials suppliers on a regular basis.



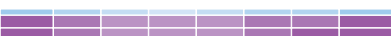
Contacts

Your opinion is important for us.
Please send your comments by
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Alina Stolitnya,
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Overview of activities in the field of corporate social responsibility