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Innovations for Health

Arterium Corporation

Overview of activities in the field
of corporate social responsibility

2018

Today's challenges demand that a business balance its economic, social, and environmental duties. As a leader in its field, Arterium Corporation provides for all aspects of sustainable development in its strategy and activities. In 2018 the company introduced a number of significant projects aimed at supporting the lives of patients, improving research and development, and also fostering innovations in the company. We invite you to review Arterium's corporate social responsibility report for 2018.

Denis Gartsylov,
Arterium CEO





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Patients

Our Products

Pharmacovigilance

Education

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Our Products

Arterium Corporation cares about patients in many ways. Our company develops, produces, and puts on the market high-quality, effective medicinal products that provide a healthy, long, and more productive life. At present, Arterium’s portfolio includes drugs, dietary supplements, medical products, and veterinary medicines. The Arterium brand covers 291 name-brand products in 11 pharmacotherapeutic groups.



291 name-brand products
11 pharmacotherapeutic groups

Our company’s main areas are antimicrobial products, cardiovascular drugs, and medicines for the nervous system, digestive system, dermatology, urology, endocrinology, and veterinary medicines. All of Arterium’s production facilities are GMP certified, which guarantees the production of quality drugs.

We take pride in our modern Research and Development Center. It employs over **180 specialists**, including 8 Ph.Ds. The Center is outfitted with up-to-date analytical and technological equipment for product development. Over the past **5 years**, the Center has developed **68 products**; today nearly **170 new products** are under development.



Pharmacovigilance

Arterium is concerned with the safety of patients using pharmaceutical medicines.

Through being proactive, through constant monitoring, the collection and analysis of information, the pharmacovigilance system keeps the instructions for medicine use current, which facilitates patient safety and lessens the chances for a medicine's ineffectiveness when used for therapeutic purposes. Authorized pharmacovigilance specialists are available 24/7 to receive information from consumers and medical specialists on ineffectiveness or side effects from Arterium medicines. The company reviews all the appeals it receives from medical specialists and consumers, responds to them, and when necessary takes actions to prevent unwanted effects in the future.

"The safety of any medicine is attested to by thorough clinical research and longtime, effective use by a large number of patients. Pharmacovigilance is responsible for the prevention, detection, evaluation of side effects — and taking action to eliminate them — over the entire life cycle of a product. This is one of our company's most important directions".



Rimma Battalova,
Pharmacovigilance
Manager



Education

According to Ukraine’s Ministry of Health, over **80% of deaths** in Ukraine are caused by diseases of the circulatory system, tumors, chronic obstructive pulmonary diseases, and diabetes. These diseases can often be prevented by changing one’s lifestyle. Not observing basic dietary standards or maintaining a regimen of physical activity, not following road safety rules, as well as harmful habits can all lead to numerous diseases and premature death. The average life expectancy for Ukrainian men is **67**, and for women — **77**. This is much lower than in other European countries. Not knowing the causes of diseases and a lack of prevention mechanisms has a negative effect on the course illnesses take and on the results of medical treatment. In addition to providing effective, up-to-date medicinal products, Arterium supports patients through educational programs. The main topics of Arterium’s educational programs include the prevention and treatment of diabetes and cardiovascular diseases, and also the responsible use of antibiotics.

Online school “Start Today”

It’s well known that a proper diet and physical activity can prevent diabetes, but it can also decrease the risk of developing complications in those who already have the disease. The “Start Today” program is targeted toward people with diabetes or at risk of de-

veloping diabetes. The program involves online diabetes school, webinars with specialists, educational materials (videos, articles), and online consultations with specialists. The school can also benefit people without diabetes but who have high blood sugar levels (prediabetes), as well as health care professionals, who can recommend the program to their patients for further education. The “Start Today” program is developed by a team of health care specialists, including endocrinologists, dietitians, and psychotherapists. As of 2018, almost **7,000** Ukrainians have attended the school.

“Diabetes, like any chronic disease, requires constant attention. With my patients I compare diabetes to a neighbor who is always complaining about something. The patient’s job is to come to an agreement with him, and to receive in exchange a sense of well-being and a joyful life. A new lifestyle is not a punishment, but a chance to be healthy. That’s what our school is for. We offer practical advice: how to eat well, what physical exercises to do, how to exercise self-control to keep sugar levels under control”.



Olga Orlyk,
Endocrinologist and dietitian, M.D., Assistant in the Department of Diabetology, Shupyk National Medical Academy of Postgraduate Education

Antibiotic resistance

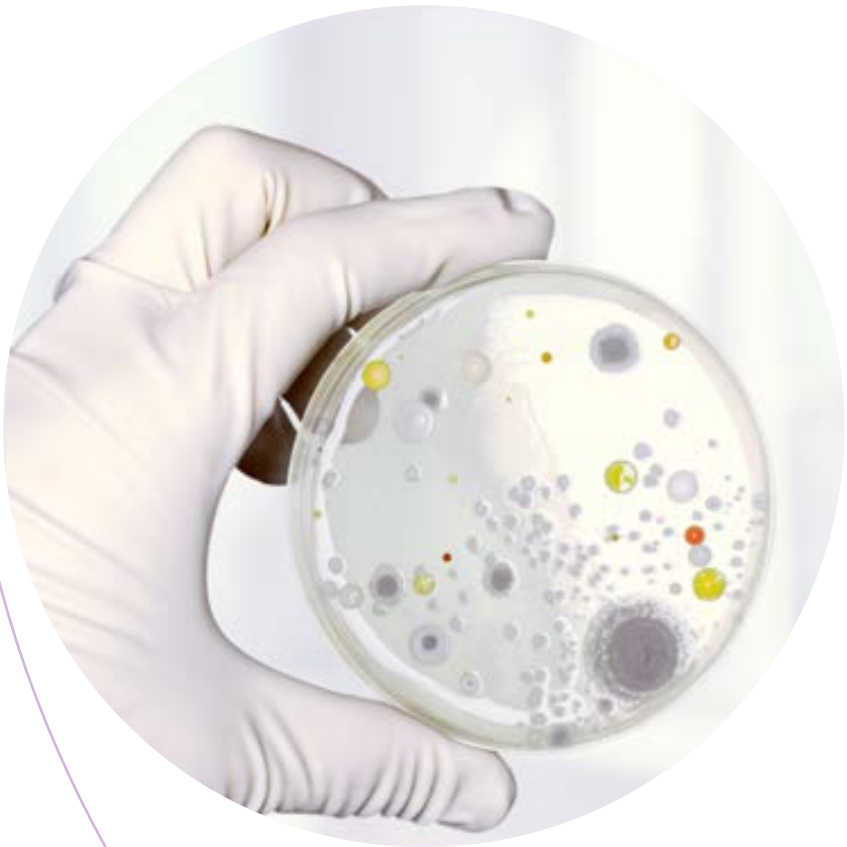
In 2018 Arterium launched several social projects aimed at lessening the problem of antibiotic resistance. The goal of our campaign is to call attention to and spread knowledge about the rational use of antibiotics. The resistance of pathogenic microorganisms to antibiotics has become extremely critical on a global scale. International organizations are constantly watching the situation. Across the world, pathogens are being monitored in various medical institutions, and the WHO publishes the data in its annual report.

Arterium began the first large-scale study of antibiotic resistance in Ukraine in 2018. The research project involves analyzing data on the sensitivity of microorganisms to antibiotics in various regions of Ukraine and creating an antibiotic resistance map. This information will help doc-

tors select the most effective antibiotics when treating patients with hospital-acquired infections, especially in the case of serious infections. With access to the most current data about particular microorganisms' sensitivity to antibiotics, doctors can prescribe effective and rational antibiotic therapy to save patients with life-threatening infections.

To inform people about the problem of incorrect antibiotic use, Arterium started an educational campaign aimed at patients. These days more and more people are treating themselves based on advice from the Internet or friends. It's important to understand that the instructions for a given medication provide general information, while only a doctor can determine the whole complex of interactions and influence of antibiotics in each individual case. To debunk widespread myths among

patients, Arterium created a video with doctors' suggestions on antibiotic treatments. Patients received answers from specialists to the following questions: Why should you follow the prescribed rules for taking antibiotics? What will happen if you don't? What is antibiotic resistance and why is it dangerous? Over several months these videos on Youtube were seen by almost **200,000 viewers**. In addition, in cooperation with the pharmacy chain "Dobroho dnia," we distributed nearly **900,000 pamphlets** explaining how to use antibiotics properly.

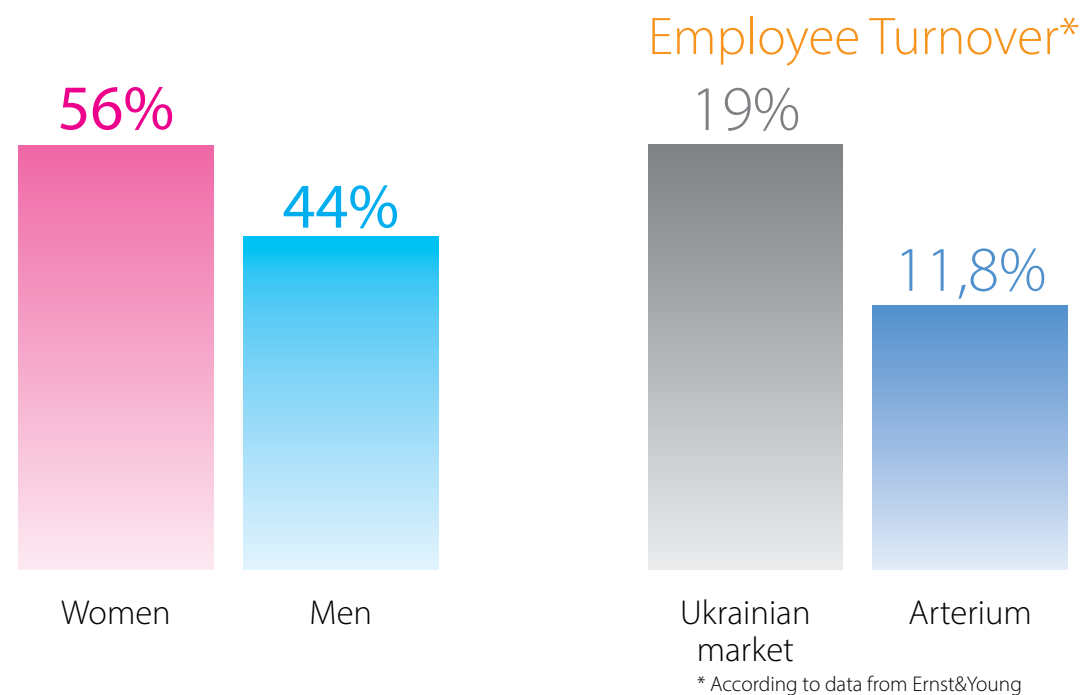




Employees

Education
Employee Benefits
Medical Services
Work Safety

Arterium Corporation has almost 3000 employees. Our employees are the cornerstone of our success and the main factor ensuring that our company remains competitive. Development, motivation, and decent working conditions are Arterium's priorities in personnel management.



Education

Arterium's Corporate University is in charge of the system of professional employee education. Employees' professional training is continuous over the course of their employment in the company. It aims to ensure the maintenance and improvement of employees' professional qualities for effective job performance, as well as accomplishing the company's future plans and objectives. Employee education is based on approved yearly plans for internal and outside learning, and also on educational programs.

The main strategic directions in employee education and development are:



Employee education in our production facilities happens in three stages:

1

Each new employee, when hired, receives training that includes primary professional education with evaluation and work clearance, GMP standards followed by a test

2

Further regular training - professional, functional, in management development, on GxP, job security, environmental issues, in accordance with the facility's program

3

Additional education and training (as necessary) — as a result of self-evaluation or external audits, or following the installation of new equipment or changes in technology



To facilitate employees' professional development, the Corporate University offers them the chance to raise their qualifications in the format of schools. Each school includes a number of training sessions aimed at developing necessary skills and competencies in a given area. At present the most popular annual schools are:

R&D school

Quality school

Craftsman school

Recruiter school

Logistics school

Corporate teacher school

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Employee Benefits

Arterium Corporation provides its employees with all the social benefits guaranteed by law.

In addition, the company offers a compensation package, which includes:

- medical assistance;
- annual review of salary and bonuses following annual assessment evaluations of achievements and development;
- professional training;
- payments in the case of serious or complicated personal life circumstances;
- extra days off (in addition to vacation);
- extra paid vacation for important life events or a child's very first day of school;
- monthly payment for groceries;
- extra paid vacation for donors.

Medical Services

All employees have access to free health care in specially created up-to-date medical facilities. The following services are available:

- First aid;
- Instrumental diagnostics;
- Physiotherapy;
- Nurse care;
- Dentistry.

"We are especially concerned with the health of our employees, so we've created opportunities for multifaceted and high-quality medical assistance, including in our own medical-service centre".



Yana Nazarenko,
Head of Human Resources Unit

Work Safety

Adhering to legal requirements is key in the area of work safety. In 2018, we modernized our workplaces so that employees could work in more comfortable conditions.



Pavlo Chernyshov,
Head of Occupational Safety Unit

“Maintaining an appropriate level of workplace safety — and continuously improving it — is the daily job of all levels of management. It is important for us to create healthy and safe working conditions in the workplace for each employee”.

“Kievmedpreparat”

- Two pieces of vacuum loading equipment have been installed for use in the production of the beta-lactam line of medicines. This will lower the amount of dust in the granulators’ workplace.
- In the raw materials warehouse, receiving bays have been installed, which makes it possible to perform loading/unloading without going outside, thus minimizing the need for warehouse workers to be exposed to weather.
- The rest and welfare facilities of the raw materials warehouse have been renovated, improving conditions for workers.
- Workers’ amenities have been improved.

“Galychpharm”

- The ventilation system of the solid forms workshop has been replaced.
- All the ventilation rooms have been repaired and renovated; all the exhaust fans have been replaced with new ones.
- The technical floor has been repaired and renovated. The cyclones have been replaced by a new filtration system for removing dust from the air.
- New temperature-control systems have been installed, along with an automated ventilation control system, computerized monitoring of the ventilation system, and a fire alarm system.
- The workplaces of the tablet production operator, tablet coating worker, and granulator have been improved. These measures have reduced noise levels.
- The extraction technician’s workplace equipment has been improved, reducing noise levels and decreasing the number of harmful factors.



Society

Cooperation with Educational Institutions
Student Internships
Corporate Volunteering
Philanthropy

Arterium develops partnerships with local communities in the regions where the corporation's production facilities are located. In 2018 we implemented a number of projects to support these communities. One important area of focus is the young specialists who will make up the pharmaceutical field in this country in the future. Supporting them and investing in

their development ensures the development of our professional field.

Arterium takes pride in its volunteers: every year they take part in various events that benefit local communities. We continue to care about vulnerable populations, sponsoring organizations and creating opportunities for children with special needs to realize themselves.



Cooperation with Educational Institutions

The "Into the Future with Experience" program for students is still running. It aims to facilitate cooperation between companies and leading higher education institutions to increase the level of student specialists' familiarity with the processes of pharmaceuticals production, to share experience, and to explain the theoretical and practical aspects of the pharmaceutical field. Arterium offered the educational institutions **28 topics for training sessions**. Over the course of the year, Arterium's specialists ran **19 training** sessions at the Lviv Polytechnic National University and **11** at the D.Halytsky Lviv National Medical University. In 2018 nearly **900 students** took part in the program.

Student Internships

In 2018, Arterium invited 79 students majoring in relevant fields at the following universities for internships: Lviv Polytechnic National University, Ivan Franko National University of Lviv, Banking University, Bukovinian State Medical University. The company signed **33 contracts** with student specialists to prolong their internships.

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Galychpharm Museum Tours

In 2018 the Museum of Galychpharm's History was visited by schoolchildren (grades 1–11) from Lviv and the Lviv region; students from Lviv's higher education institutions; doctors; teachers; representatives from Lviv city bodies. The total number of visitors was over 2000. Arterium employees act as museum tour guides. Visitors can learn how medicines used to be produced in ampules and tablets, and how they are produced today; they can listen to the story of how Galychpharm and the entire Ukrainian pharmaceutical industry were established. Children's tours involve exciting chemistry experiments.

Znesinnia Park Maintenance

Arterium employee volunteers take part in an annual spring cleaning of the park's territory, picking up trash and planting trees. In addition, the company provides financial support for the park's maintenance. One result of this partnership with the park is Arterium Corporation's "Health Route" (активне посилення), built in 2013.

Corporate Volunteering

Panacea Drama Group

In 2013, the Panacea Drama Group was created in Arterium on the initiative of the company volunteers. Its employee participants perform in theatrical shows on holidays and corporate celebrations, including Mother's Day, International Children's Day, New Year's Day, and St. Nicholas Day. Audiences include current



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and former employees and their families, and also children from foster care in Lviv and Kyiv. In 2018 the Panacea Drama Group performed around 13 shows for children in boarding schools, foster care, and also for elderly nursing home residents in Lviv.

Bicycle Training for Children

Since 2011 Arterium has kept up the program "For a Healthy Lifestyle," which promotes a healthy lifestyle and cycling as one form of physical activity. In summer 2018, company volunteers led bike training workshops for local children, called "Happy Starts." This year around 850 people took part in four bike training workshops.

Children's Theater Festival "Story in the Grove"

For several years Arterium has been supporting the children's theater festival "Story in the Grove," which is dedicated to International Children's Day. The festival is organized by the NGO "Oberehy."

Every year the festival takes place outdoors. The event attracts thousands of young visitors and is interesting to people of all ages. The festival's

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main idea is to create and support the environment for the development of youth theater groups, providing opportunities for young people to realize their creative potential, share experience and repertoire, and to land in a fairy-tale atmosphere in a magical place.

Philanthropy

Sponsorship of Boarding School No. 8

Every year Arterium renews its sponsorship of Kyiv's boarding school No. 8 for children with special needs. The schoolchildren have physical disabilities or developmental disorders. In 2018 Arterium also sponsored a renovation of the school children's psychologist's office. Previously, the company has funded a complete renovation of the school's kitchen and dining room, sanitary areas, gym; replanning and renovation of its bathroom facilities; and a library renovation.

People with Special Needs

Arterium helped equip the sensory room in the Dzherelo Education and Rehabilitation Center. This is an educational-rehabilitation center where children with special needs can receive



rehabilitation, educational and psychological support and assistance. The center's educational programs serve children with cerebral palsy, autism, Down syndrome, attention deficit hyperactivity disorder, among others. The sensory room is outfitted with special development-rehabilitation equipment to comfortably and safely facilitate the development and physical activity of children with special needs. Every year Arterium sponsors the Caritas Lviv foundation's workshop for young people with special needs.

Medical and Social Assistance

Every year all over the world more and more companies are forgoing buying holiday gifts for their partners, instead contributing that money to charity. This practice is in line with Arterium's mission, so for the second year we have decided to help children undergoing treatment in the Cardiology Center. In 2018, on the day before Christmas, Arterium donated an ultrasound sensor to the Children's Cardiology Center, which can be used to diagnose infants under 1 year old before surgery. Thanks to

this sensor, the Center's experts now have contemporary means to diagnose infants. Every year Arterium's employees make donations to the patients of Lviv's psychiatric clinic and to the residents of the local nursing home. In 2018, for Easter the company's volunteers collected clothing for the clinic's residents, and on St. Nicholas Day they gave orphan children sweets and toys. For several years, Arterium has been partnering with the Foundation. The foundation distributes medicines to vulnerable populations and to those who provide care and support,

like orphanages, homes for the elderly, and volunteer organizations. Arterium also donates medicines to military hospitals and units. In 2018 the company donated almost \$2.5 million worth of drugs.



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Environment

Arterium Corporation and its participant entities adhere to all of Ukraine's laws and standards aimed at the rational use of natural resources and reducing the impact of industry on the environment. The company has an active environmental policy, which includes the following principles:



During the planning and reconstruction of our production areas, we take into account and are guided by ecological concerns. Therefore we invest in energy-efficient and resource-efficient equipment, which prevents and minimizes the impact of our activities on the environment. We installed filtration equipment to minimize the level of emissions, and also plan to implement a transparent monitoring system to track our impact on the environment. Arterium's production centers are contemporary production facilities with modern equipment and are GMP certified.

Arterium's environmental management system prioritizes the minimization of waste products. Waste that is generated as a result of factory activities is classified according to the following categories: hazardous; recyclable; safe.

Our factories have signed contracts to formalize cooperation with companies that are licensed to recycle and stabilize waste.

Hazardous waste can be stabilized and utilized. For example:

- Fluorescent lamps
- Used batteries
- Used organic solvents
- Used grease
- Pharmaceutical waste.



Waste that can be recycled includes::

- Paper
- Polyethylene
- Glass
- Metal
- Used tires
- Used grease



Waste that is safe to landfill:

- Grist
- Domestic waste
- Construction waste



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A circular portrait of a woman with dark hair and bangs, wearing a pearl necklace and a dark top. She is smiling slightly.

«In 2018 we set goals for our facilities to reduce the impact of our activities on the environment. This means adhering to the legal requirements in the area of waste management, reducing the use of natural gas, using less electricity, reducing and preventing negative impact on the environment by replacing fluorescent lamps with safer LED lamps».

Kievmedpreparat:

- ## Galychpharm:

- **44.7 ton (τ)** reduction in the use of sodium chloride; **14.4 ton** reduction in hydrochloric acid, which has reduced the discharge of chlorides into sewage water by **29%**.



Ethics

Clinical Trial Ethics
Alternative Methods to Animal Testing
Responsible Procurement
Quality
Auditing
Responsible Marketing

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In its activities, Arterium follows the Ukrainian laws, norms and statutes that regulate business activity. The corporation and its participating entities also adhere to the laws of the countries where the company does business, along with international standards and norms.

Clinical Trial Ethics

Arterium guarantees that all patients/healthy volunteers who take part in clinical trials give their informed and voluntary consent to participate by signing a formal agreement. Before signing, the participant receives comprehensive information about the trial and the medicine, as well as answers from a research doctor to any questions that arise. Consent must be given by any patient/healthy volunteer before any procedures are performed.

Alternative Methods to Animal Testing

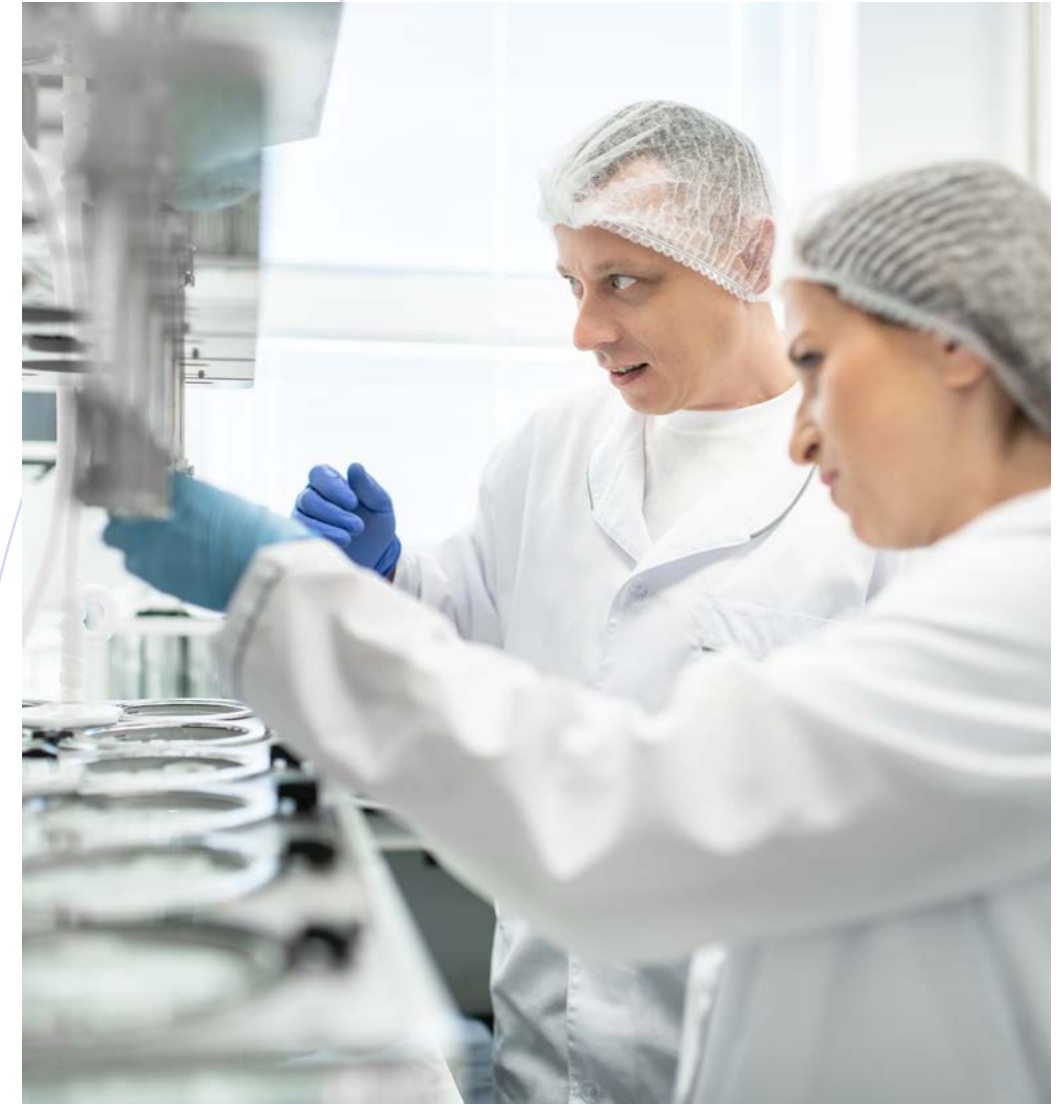
Arterium is introducing alternative quality control methods, which are used in the routine quality control of our products to minimize the impact of our activities on animals. Testing for pyrogens, which used to be done on rabbits, has now been replaced by performing an LAL-test for bacterial endotoxins. By 2020 the company plans to completely stop testing drugs on laboratory animals (mice) and switch to alternative testing methods.



Responsible Procurement Quality

Arterium builds and maintains transparent and ethical relationships with all its partners on the basis of long-term cooperation and mutually beneficial partnership. The corporation's total procurement from partners all over the world exceeds 1 billion hryvnias per year. Arterium's highest priority when procuring goods and services is quality. We maintain confidentiality during the tendering process and always create open and transparent conditions when choosing suppliers based on what brings the greatest added value to our company. Most of our tenders take place on the Internet resource tender.arterium.ua, which is open to anyone. We inform all our partners about our system for selecting suppliers, which gives preference to partners with whom we have had a positive and long-lasting experience of cooperation. To minimize risk, we always maintain cooperation with several producers, even if they cannot offer the best prices for our company.

Arterium reviews all claims from clients regarding the quality of our drugs, and registers them. They may come from the State Service of Ukraine for Medicines and Drugs Control, doctors, distributors, medical representatives, or consumers. After registration, the claim is analyzed to determine whether the product is ours, whether the claim is valid, whether the drugs were taken according to the instructions, whether similar claims have been received before. After affirming the validity of the claim, we perform an internal investigation, checking archival samples when necessary to corroborate or reject the deviation. We always respond to the claimant. Every claim is a potential source for the improvement of our internal processes. For our company, this is not only ethical behavior toward our customers and partners, but an instrument for improving our processes and products.



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Auditing

Arterium Corporation and its constituent companies regularly perform external audits of their raw materials suppliers. The company inspects production infrastructure, the condition of buildings and equipment, employee qualifications, the system for managing client orders, documentation system, necessary facilitation systems, quality control at all stages of production, from raw materials to finished product, etc. Only qualified producers and suppliers that obtain positive evaluations after the auditing process are accepted as partners. We are open to auditing by our partners. For example, Arterium accepts audits from the distributors we work with. Also, at the request of distributors, audits have been performed via survey. The survey included questions about meeting the requirements of Licensing conditions for activities of wholesale medicinal products trade and of appropriate distribution practices. The regularity of these surveys is determined by risk analysis and may vary depending on the distributor's Quality Management System.



Responsible Marketing

The responsible marketing practices of Arterium Corporation and its constituent entities allow health care specialists to obtain reliable information about medicines and thus make rational use of our products to provide the maximum benefit to patients' health. In 2018, the company was ranked 2nd in the rating "Best Marketing Teams" in the category "Drugs and medical services." The rating was organized by the All-Ukrainian Advertising Coalition.

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