



STILL GROWING



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Statement of continued support



Dear stakeholders,

I am pleased to confirm that Sopharma AD supports and implements the Ten Principles of the United Nations Global Compact in the field of Human Rights, Labor, Environment and AntiCorruption. Permit us to draw your attention to a report on the policies adopted at Sopharma in its capacity of a corporate citizen which demonstrate its active and responsible attitude to the impact of its activities on society. By taking into close consideration the issues of importance to our stakeholders, Sopharma follows the commitments it has made as a business entity targeted at achieving a state of perpetual development and prosperity along with sustainability. Sopharma AD works towards the new 17 Sustainable Development Goals, according to the Strategic plan 2015+ of the GC Network Bulgaria, along with all stakeholders. Sopharma AD communicates its commitments to the stakeholders via all of the currently available communication channels.

Sincerely yours,

Ognian Donev
CEO and Chairman of the Board of Directors
SOPHARMA



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1. Vision, strategy and corporate management

Our core values

We produce the highest quality generics and our own originals medicine

We promote the health of our stakeholders through social projects and information

We practice and advance environmental stewardship

We serve and support our local and global communities

We create ongoing win-win partnerships with our suppliers

We support team member happiness and excellence

We create wealth through profits and growth



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Vision and strategy

The vision and strategy pursued by „Sopharma” AD are determined by the corporate philosophy and the mission which the company has undertaken to follow and which serves as the basis for its activities.

Corporate philosophy

The production of medicines is not a simple technological process; it is a human mission based on the highest standards of quality, safety and medicinal effectiveness.

The mission

The mission of the company is to contribute to the progress and development of the pharmaceutical industry and from there to the overall economic development and prosperity of the Bulgarian nation.

Since its establishment in 1933, the company strives to provide affordable, effective and up-to-date medicines to the Bulgarian patient. Sopharma AD is the successor to the production and pharmaceutical laboratory of the Bulgarian Pharmaceutical Cooperative Society, founded in 1914.

The production of medicines in a wide and modern portfolio, the creation of new jobs, sustainable development and the economic contribution of the company have been the company’s leading principles ever since the establishment of the production laboratory and they are the principles to which Sopharma adheres to this today.

Sopharma AD aims to develop, produce and deliver affordable, modern and efficient treatment to millions of patients in Bulgaria and to offer its products on the markets it has been able to access.

The company has formalized its sustainable development activities through its 2004 UNGC accession.

Since its establishment it has been actively involved in various regional network projects and - starting in 2016 - has been considered an "advanced entity" as defined in the Official statement on progress.

This highly responsible corporate behavior lies at the foundations of „Sopharma” business development. The CSR strategy is a part of the company's economic program and the various initiatives and projects support „Sopharma's” core business activities forming a part of the company's DNA.

1.1. Corporate citizenship policies

As a corporate citizen, Sopharma AD operates on the basis of the constitutional principles, the laws and regulations of the Republic of Bulgaria and in all its actions respects the regulations of the state, the requirements placed by the local authorities and other regulatory organs. The company closely monitors and abides by the changes in the legislation governing its concrete business activities.

In preparing its development strategies and daily commitments, Sopharma AD follows the 10 principles of the UN Global contract and creates and participates in the programs supporting their implementation not only within the company but also in society as a whole.

Corporate citizenship regulations and rules	Description	Adoption date	Last update
Republic of Bulgaria Constitution		1879	2015
10те принципа на ГД на ООН/ 10 principles of UNGC	<p>The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values divided in four major categories as follows:</p> <ul style="list-style-type: none"> Human Rights: 	2004	2015 SDG



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	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <ul style="list-style-type: none"> • Labor Standards: Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: eliminate discrimination in respect of employment and occupation. • Environment: Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; Principle 9: encourage the development and diffusion of environmentally friendly technologies • Anti-Corruption: Principle 10: Businesses should work against all forms of corruption, including extortion and bribery. 		
SDG		2015	
Code of ethics	Defines the rules of ethic and professional behavior applicable to all activates, preventing bureaucracy, corruption and other illegal practice, aims at increasing public trust in their moral and professionalism and at corporate reputation.	2007	

Sources of corporate governance

Corporate management systems employed for the management and operation of „Sopharma” AD.

Code / regulations	Description	Adoption date	Last update
Articles of association	Sopharma’s Articles of Association define the corporate purpose, operations on capital and shares, the activities of the corporate bodies and the principles governing their relations.	2003	2015
Decisions taken at the General Meeting of Shareholders	The General Meeting of shareholders has the exclusive competence to amend and complement the Articles of Association of the Sopharma, to change Sopharma’s capital; to transform and wind up the Company and to resolve on any other matters within its competence granted by law or by the Articles of Association.	The General Meeting of shareholders decisions are taken minimum once in a year	2018
Code of conduct of the board of directors of Sopharma AD	The Code of conduct is intended to specify the rights and obligations of the Board of Directors of "Sopharma" AD	2007	
Good corporate governance program	The Program protects the rights of Shareholders and other stakeholders	2009	
GMP	The good manufacturing practices are a	2003	2017



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	system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their manufacture. Its major purpose is to protect the patient's health.		
GDP	The good manufacturing practices are a system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their manufacture. The quality and the integrity of medicinal products can be affected by a lack of adequate control.	2003	2017
ICH "Q8 Pharmaceutical Development"	This standard applies to the overall process of creating new products: from the development stage to their official registration. It also includes risk assessment and the related quality assurance systems as a part of the product's design and relates to the components of the medicinal product in its entirety.	2004	2017
ICH "Q9 Quality Risk Management.	Principles and examples of tools of quality risk management. ICH Q9 Quality Risk Management refers to quality control, creation-related activities, construction facilities, equipment and power capacities, material control and management, the manufacturing processes, laboratory control and testing, packaging, labeling and various other activities.	2006	2017
ISO 17025	General requirements for the competence of testing and calibration laboratories. The standard is intended for use by laboratories which set up their own quality control systems for both the administrative and technical activities.	2014	2017
ISO 13485	Quality management system for medicinal products manufacturing	2014	2017
AXAPTA	Corporate Process Management System, Comprehensive ERP program for business management	2013	2018
Duties and responsibilities of insiders	Instructions for duties and responsibilities related to the Law on Measures against Market Abuse with Financial Instruments	2007	

1.2. Products and Services

The company manufactures and trades in medicinal substances and forms developing - at the same time - scientific research and engineering activities in the sphere of photochemistry, chemistry and pharmacy. Sopharma AD has 10 production facilities in Bulgaria generating a range of pharmaceutical forms and substances.

The company's activities and production processes are in full conformity with the related national and European legislation, the Good Manufacturing and Laboratory Practices and requirements. In addition



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to the standards required of the manufacturers of pharmaceutical products, „Sopharma” has also standardized its ISO-related activity through risk management programs and corporate management systems.

Responsible business for Sopharma is the only sustainable way to do successful business



II. The CSR strategy

2.1. Definition

Responsible Corporate Citizenship for Sopharma is the only path to a sustainable business development with a clear vision of the goals, the necessary resources to achieve these goals and the impact from the company's business on the economic, social and environmental sphere. Along with the investments made in its business, Sopharma AD works hard on UN's SDG 2015.

Sopharma AD actively shares the information on its activities with all stakeholders. The CSR is a part of the responsible Sopharma AD corporate citizenship. The CSR strategy, initiatives and specific activities are planned and developed, coordinated and implemented by the Communication strategies and the CSR directorate after obtaining the approval of the CEO of Sopharma AD. The Director of the Communication strategies and the CSR directorate is directly subordinated to the Executive Director of the company; the directorate itself is run by a CSR and Corporate communications manager.

The policies and specific projects are targeted at four major directions:

✓ **Market**

A responsible behavior towards stakeholders is the only way to do business and to achieve prosperity. The products and business models we create have positioned Sopharma AD among the top 10 companies on the Bulgarian pharmaceutical market and number one in sales /in natural terms/ with a 13% market share.

✓ **Stakeholders**

From the point of view of Sopharma AD, an interested party may be any group which is directly or indirectly related to the company's activities and has the potential to influence on the decision making process regarding the company's business development as a socially responsible organization. The relationship with its stakeholders is the true indicator of the company's success rate; of Sopharma's place in the economic and social life of the country and an assessment of the viability of the adopted course for its development.



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- For us, “key stakeholders” are the patients for whom Sopharma's products are remedy and the means of improving the quality of their lives.
- Shareholders: being a public company „Sopharma” AD is responsible before the investors, who have put their trust in the adopted development strategy and the presented results, for each and every decision made. That is why the CSR programs of the company are presented as a part of each annual report prepared and submitted by the management of „Sopharma” AD.
- The state and local government authorities.
- Partners: „Sopharma”'s success depends on the success of the companies down the chain of suppliers and partner companies.
- Employees: Today’s employees are among the most valuable assets of any company, especially in high-tech manufacturing - such as pharmaceuticals - and the investments in personnel generate a considerable return. Employees are the first ambassadors of the company's mission, of its corporate culture and reputation. In addition to the healthy and safe work environment, career opportunities and the social benefits which „Sopharma” accepts to be the minimum in its labor relations, the company strives to build an atmosphere of shared common values with its employees and to engage in public projects which are of importance to their own selves.
- Local community: „Sopharma” AD owns 10 factories in the country and being a major investor in some regions has undertaken responsibilities far beyond its business commitments. The company invests resources in projects of considerable importance for these regions. At the same time - and as the biggest Bulgarian pharmaceutical manufacturer - „Sopharma” AD has been able to successfully launch a number of various nationwide campaigns.

✓ **Environment**

Sopharma works entirely on the basis of the prescriptions of the GMP and GDP standards, but it also invests in creating "smart" buildings, renewable energy sources, the growing of its own crops and so on, the major objective being to reduce the company's negative impacts on the natural environment.

✓ **Society**

„Sopharma” AD uses its extensive expertise and resources to contribute not only to the economic and social development, but also to enhance the cultural environment and the quality of human life through the creation and development of concrete projects. The company supports the development of an



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active civil society in the country and takes categorical positions on a number of socially important issues.

2.2. CSR management

Corporate responsibility lies at the very foundations and beginnings of the company the major goal of which was to build an industry in support of people's health, to create a livelihood for the population and to further develop the country's economic policy. These far reaching targets are evidenced and clearly revealed in a 1933 publication by the newspaper "Aptekarska zashtita" (The Pharmacist's Guardian, Bul.):

странство. В това отношение Българското Аптекарско Кооперативно Дружество извършва едно дело с голямо стопанско значение. Ще се създаде поминък на голям брой бедно селско население, ще се пресече пътя на скъпите чуждестранни препарати и ще се подпомогне страната в нейната стопанска политика....."

*В-к "Аптекарска защита",
бр. 5 - 6, 1933*

".....Значението на химико - фармацевтическата индустрия за всички държави е грамадно. Тази индустрия създава един от най - важните продукти за поддържането на народното здраве....."

*В-к "Аптекарска защита",
бр. 9 - 11, 1933*

From the organizational viewpoint, the CSR was defined as an activity in 2003. It was then a part of the Marketing and advertising department commitments and as of 2013 has become a major priority in the work of the Advertising and corporate communications directorate, headed by a CSR manager. By focusing on socially oriented projects, as a tool for boosting the reputation of the company, this unit is named the "Communication strategies and CSR" department and it's actively engaged in working both with the marketing structures and with the "Investor relations" directorate.

Core areas of corporate responsibility

Market	Employees	Environment	Community	Corporate Citizenship
Transparent corporate governance	Responsible employer: Zero discrimination regarding the right to work, sex, etc,	Environmental management systems	Contribution to economic development	Anticorruption
Guaranteed product quality and safety	Ensuring the right of association	Reducing the environmental impacts	Developing the healthcare system	Work on SDG 2015
Sustainability	Employee development	Responsible use of resources	Health prevention	Participation in the establishment and implementation of international pharmaceutical standards
Ethical Competition	Decent labor wages	Reduction of direct impacts	Providing Affordable healthcare	Working with partner



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				organizations
Responsible marketing	Ensuring healthy and safe work conditions	Reduction of indirect impacts	Investing in education	Joint projects of organizations in which „Sopharma” is a member
Responsible procurement	Social benefits for employees	Participation in environmental projects	Investments in public communications	Development of the generic industry in the country
	Internal communication	Employee trainings on eco related themes and how to reduce everyday ecologic impact		

2.3. Memberships

In order to adequately create and implement its CSR strategy, „Sopharma” AD works with partner organizations such as the BCAUSE foundation, the Bulgarian Public relations association, the European association of communication directors, the Investor Relations association. The company is a member of a number of business and branch organizations with which it holds discussions and works on the objectives and challenges faced by CSR in Bulgaria.

Sopharma is

- ✓ Member of the Confederation of the Employers and Industrialists in Bulgaria (KRIB). <http://ceibg.bg/>
- ✓ Member-cofounder of the Association of Bulgarian Exporters (ABE), wich goal is to develop the National strategy for export Member of AHK, a connecting link between Bulgarian and German economics, with more than 450 German, Bulgarian and multinational companies – members. <http://bulgarien.ahk.de/bg/>
- ✓ Full member of the American Chamber of Commerce in Bulgaria. The American Chamber of Commerce in Bulgaria unites more than 300 American, Bulgarian and international companies operating in the country from all sectors of economy. All members of the AmCham share a common vision of corporate social responsibility and a good corporate reputation is one of the most important criteria for membership. www.amcham.bg
- ✓ Member of European Generic Association (EGA), an official representative organization of the European generic industry. <http://www.egagenerics.com>
- ✓ A founder-member of the Association of Bulgarian Pharmaceutical Manufacturers, at present Bulgarian Generic Pharmaceutical Association (BGPharma), its priorities being harmonization of interests with regard to the general national and international mechanisms for regulation of drug manufacture and use, improvement of GMP principles application and observation of loyal competition principles. <http://www.bgpharma.bg>
- ✓ Member of the European organization of manufacturers of medicines sold over the counter, the so called OTC products – the Association of the European Self-Medication Industry (AESGP). <http://www.aesgp.be>
- ✓ Founder-member of the Bulgarian National Committee of the International Chamber of Commerce and elected as a full member of the International Chamber of Commerce (ICC). ICC is the most prestigious organization in the field of international trade and international economic relations. Its principal mission is to stimulate transborder trade and investments and to assist business corporations to face the challenges and possibilities resulting from globalization. <http://www.icc-bulgaria.bg> www.iccwbo.org
- ✓ Member-cofounder of the Association of Bulgarian Exporters (ABE), wich goal is to develop the National strategy for export
- ✓ Member of Global Compact Bulgarian Network



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2.4. Commitment to Stakeholders

„Sopharma” AD maintains an ongoing open dialogue with all stakeholders through different communication channels depending on the target group: the official corporate media, official BSE announcements, the social networks.

The dialogue with the shareholders, the central and local authorities, business partners and the non-governmental organizations is carried out both through the traditional communication channels but also via the participation in and the support of a number of various events, discussions and joint projects. Traditional communication channels have been the „Sopharma” AD corporate site, the „Sopharma” group website, the company’s activity reports, the progress report submitted to the organs of the United Nations as well as the newsletters published by the partner organizations. The informal communication channels include the „Sopharma” profiles in various social networks, the company’s mobile applications, etc.

Stakeholders	Communication channels	Frequency of communication
Patients	Product websites	weekly
	Official corporate sites	when there is new information;
	Corporate website www.sopharma.bg	Sopharma use its corporate site for news related with European generic association, changes in regulations and laws; etc.
	Website of the group www.sopharmagroup.com	
	FB, Integra, twitter	daily
	Social platform Zdravi	daily
	Mobile app Zdravi	daily
Mobile app Ex Smoker	daily	
Market research	when needed	
Shareholders	Общо събрание на акционерите Уведомления Meetings Official corporate sites	Yearly at least
State and Local authorities	Annual conference “Business meet the Government”	Yearly
	Pharmacy forums	2-3 summits per year
	State and Local authorities websites	daily
	Official corporate sites	daily



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	Working groups related to pharmacy and healthcare system	regularly
Suppliers	meetings mailing	regularly
employees	Intranet FB Corporate websites Табла за обяви Mailing	When needed Daily When needed
Society	Healthy life conferences Public communication conferences FB, Twitter, Instagram	Daily 4 conferences Daily
Partners	Meetings and conferences Working groups	Regularly

IV. Corporate responsibility

4.1 People matter

Sopharma AD takes actions through strategic social investment and partnerships to stand by internationally proclaimed human rights

Responsible corporate citizen

- We believe that transparent and responsible governance is the only way to succeed in business and to empower society. We keep in touch with all our stakeholders regarding Sopharma business activities and CSR.
- We insist our partners and chain suppliers to follow the same responsible governance principles.
- We invest in our local manufactures to ensure economic livelihood of local communities.
- We support one of the most accessible medicines in our markets to ensure the access to modern treatment, including small packages manufacturing to enable affordable treatment.
- We invest in generics according to the EU politics the development of the healthcare system for affordable treatment is mainly through generics.
- We continue developing our unique brands, based on plant extracts obtained by in-house-developed extraction technologies, well known as Sopharma’s original brands.
- Social disease responsibility - We bring a market issue of one of our product to a higher level as an affordable way to manage with one of the most serious non-communicable disease in the world – smoking cession.
- We run our social responsibility programs to improve lives and to ensure sustainable development of the society.



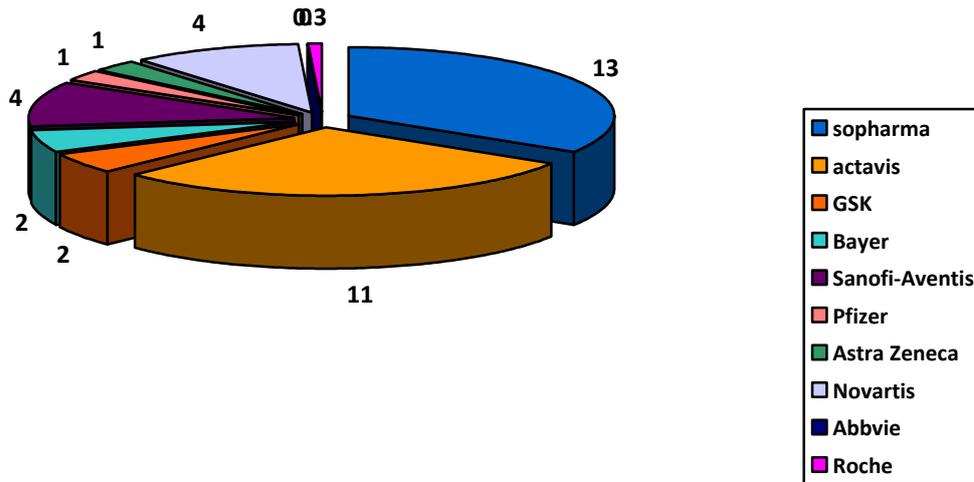
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- We work in partnership with members of the Global Compact Bulgarian Network, professional communities, local authorities and the government. We strongly believe that partnership towards sustainable development is the way to be responsible corporate citizen.

Affordable medicine

Sopharma AD has a 4% share of the total Bulgarian pharmaceutical market in value and 13% of sales in volume. (13% for 2016) The positions of the main competitors of the Company in the country are as follows: Novartis – 7% (4% in units), Roche – 6% (0,3% in units), Actavis – 6% (11% in units), GlaxoSmithKline – 4% (2% in units), Abbvie – 4% (0% in units) Sanofi-Aventis – 4% (4% in units), Astra Zeneca – 3% (1% in units), Pfizer – 3% (1% in units), Bayer – 3% (2% in units).



As a member of “Medicine for Europe” Sopharma takes part in all activities related to improvement of generic and biosimilar medicines landscape. Generic medicines boost economic development and ensure modern treatment to more patients. Millions of European patients have benefited from better access to gold standard therapies.

The generic medicines today represent 56% of the medicines prescribed in Europe and the generic medicines industry employs more than 160,000 people in Europe, 10% of which work in Bulgaria. Sopharma AD fully understand its role as a significant factor in the pharmaceutical sector at European level and in the Bulgarian economy. There are 16,000 highly qualified professionals in the pharmaceutical sector in Bulgaria, and since the middle of the 20th century Bulgaria has seen growth in the pharmaceutical sector, with the pharmaceutical market rising by 9.5% in value and by 3.6% in 2016.

As a leading vertically integrated Bulgarian manufacturer, exporter and distributor of pharmaceutical products, the company imposes standards for companies along the chain, following the principles of transparency and accountability of management.

Corporate Sustainable Corporate Development also requires investment in the areas of science and development, quality management, industrial property, publicity and transparency.

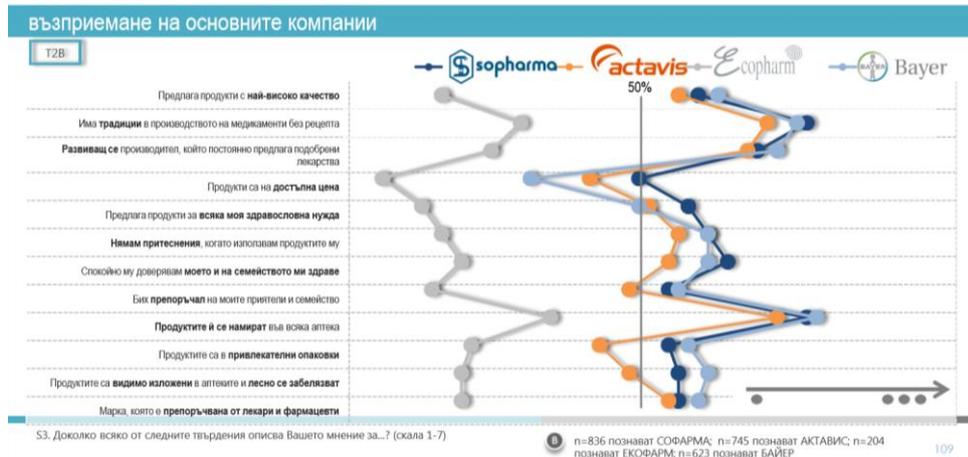
Sopharma is among companies that gain sustainable consumer trust according to market research in 2017.



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СОФАРМА се представя по-добре от основния си конкурент АКТАВИС. БАЙЕР по част от атрибутите изпреварва СОФАРМА. Включително по опаковки и видимост на продуктите в аптеката. Предимствата на СОФАРМА са традиция (почти наравно с БАЙЕР), достъпни цени и доверие.



The market share in Sopharma's natural product as well as the share of OTC products are indicative of the company's position in the minds of consumers. The company's reputation, as a function of the sustainable business model, the quality and availability of medicines, and an adequate CSR strategy also influence the choice of the end user when buying drugs.

4.2 Responsible employer

Sopharma guarantees freedom of association, provides inclusive health and educational services for the employees.

Sopharma leads zero tolerance politic to any kind of workplace harassment, abuse or threats. The highly technological development and production process of Sopharma medicinal products are licensed according to the GMP. Safe and healthy working conditions are part of the standard but Sopharma extends commitment to ensuring its workers and all employees' work places, according to their knowledge and skills and invests in their development.

Training programs offered to employees, aimed increasing their competence levels. The training policy is specifically aimed at providing high professional knowledge and improving awareness related to health and safety issues. Employees are entitled to higher remuneration, required by applicable law for overtime, night shifts and working weekends and during holidays. Employees who work in specific, harmful or dangerous conditions receive personal protective equipment and allowances.

As a part of its social responsibility Sopharma introduced a system providing fair payment of the expended efforts and stimulation of the workers. A direct timely system for actual time worked out and additional material stimulation of the main workers on the basis of a monthly evaluation for manufactured and reported production of quality has been applied in the Plant for Ampoule Dosage Forms since 01.03.2017. The additional material stimulation reaches 30%. The introduction of a similar system for payment is forthcoming in the Tablet Plant as well.

Sopharma AD will offer its shareholders to hand out bonuses to their employees in the form of shares as a part of its corporate social responsibility. So the even better presentation of the team and the development of investment culture will be stimulated, according to the words of Ognyan Donev.

Beyond its direct commitments as Employer Sopharma creates and develops social projects and programmes and participates in collective such directed at the employees and at their communities.

- ✓ Healthy life:



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- Additional health servicing
- Gratuitous dental services
- Availability of nurses in the plants of the Company
- Annual gratuitous examinations by specialists
- Fitness free of charge
- Courses in folk dances free of charge
- Inclusion in the programme for physical activity Multisport
- Conduct of a children's camp in tennis
- Activities related to the mobile application @Healthy
- Provision of the employees with possibility to visit free of charge the forums Longevity and the Freedom to Be
- Inclusion of the employees as @SopharmaTeam in various competitions:

Competition in tennis

Competition in cycling

Creation and active participation in the programme of the Global Compact Network Bulgaria "Healthy at Work" with the pilot project "Games for Good". The Project includes a competition of teams from the companies participants in football, tennis, cycling and volleyball.

- ✓ @SoSociety, SoSopharma
- Gratuitous kindergarten on the territory of Sopharma for children of the employees of the Company;
- Assistance for each first year pupil – a rucksack with all the needed aids
- A baby set for each new-born baby
- Creation and active participation in the programme of the Global Compact Network Bulgaria "Proud of My Parents' Work", in which children of the employees visit the place of work of their parents and learn about the value of labor as a manner for creation of welfare
- Gratuitous library
- Maintenance of accessible and modern recreation bases of the employees in Vrabevo, Boboshevo, Pomorie and Ocharov Plazh (Shepherd's Beach)

2017. Sopharma celebrated five years from the creation of the kindergarten in the Company for the employees in Sopharma AD!

4.3 Ecology

Sopharma AD stands up for and observes its commitments in conformity with the national legislation in the sphere of the preservation of the environment. The Company applies measures for:

- Separate collection of the wastes, minimization, utilization and recycling of the production and domestic wastes
- Provision of appropriate training of the personnel on issues related to the preservation of the environment and the prevention of pollution.
- Satisfaction of the imperative requirements of Decree of the Council of Ministers 137 and of the Ordinance on Packages and Wastes of Packages
- The emissions of waste gases in the ambient air from the Phyto-Chemical Plant and the Plant for Solid Dosage Forms are annually measured.
- Monthly Sofiyska Voda (Sofia Water) measures the emissions in the waste waters on the production sites A and B.
- The production wastes are handed over to licensed companies for recycling.
- The conditions from the Permit for Bellmouthing are satisfied.



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- Once a month a report is made for the input and/or put onto the market packages in conformity with the kind of the material, which a monthly installment is paid for in Ecobulpack AD, which Sopharma AD has a contract concluded with, for utilization of the wastes from packages.

The plants of Sopharma are certified under the GMP, which also controls the degree of pollution of the environment. The emissions of waste gases are less than 50 tons per year, which in conformity with the standards heads for 0.

Organic substances for filming the tablets have not been used in the production in the plants of the Company for years now, which guarantees the zero contamination of the waste waters. In parallel with this the use of a water film is a prerequisite for the non-emission of gases into the atmosphere.



4.4. Responsible business and transparency

Sopharma, in accordance with the United Nations Convention against Corruption, to which the Republic of Bulgaria is a party since 2006, opposes all forms of corrupt practices both in the company and in society. Intolerance and counteraction of any corrupt practices is the responsibility of every employee in the company system. The company has set rules, preventative control against the risk of abuse and corruption.

Sopharma adopted a Code of Ethics in accordance with the National Corporate Governance Code and the respective legislation to ensure that the company's employees, shareholders and partners do not engage in corruption while conducting business for the company. Ognian Donev, CEO of Sopharma is a member of The Bulgarian National Corporate Governance Committee, which monitors corporate governance in Bulgaria.

The Company follows all the sources and rules for transparent corporate governance and shares its duties actively with stakeholders.

Sopharma communicate actively through its corporate site www.sopharmagroup.com for the Sopharma pharmaceuticals group. For the first time Bulgarian public company includes interactive instruments for investors and stakeholders related to company shares and group structure.



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Sopharma AD with an Award from the Annual Awards of the Investor Relations Association

The company received the award „Best Investor Relations Initiatives”. Pelagiya Viyacheva presented the Company and this award is recognition by the professional community of the work of Sopharma towards publicity and transparency of the corporate behavior of the company.



Sopharma took part in 12th Annual Investments Summit Deals and Dealmakers



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At the traditional Vienna Economic Forum Award Ceremony, Sopharma was awarded with the Cooperation Partner of the Year 2017 Award



Digital Social Responsibility

Sopharma communicates actively with her stakeholders through its new corporate site www.sopharmagroup.com for the Sopharma pharmaceuticals group. For the first time Bulgarian public company includes interactive instruments for investors and stakeholders related to company shares and group structure.

The company communicates with all its stakeholders through new digital instruments and support digitization of healthcare system. Sopharma AD supports public communication development as a building block of every democracy. Sopharma AD goes beyond the borders of traditional pharmaceuticals investments and support healthy and long living forums and festivals.

In digital era Sopharma AD provides all kinds of information, related to our products and different kind of health problems and health care through our digital channels. The company communicates through Sopharma AD' youtube channel and company profiles in facebook and twitter. Everyone can find us not only through our corporate profile, but using our different profiles related to different themes #Zdravi, #Silenden, #Ilovelyheart. The company created two different apps - #Exsmoker and #Zdravi. #Zdravi (means Healthy) - a social platform, that include a mobile application, blog and a facebook society, active not only in all social media but also offline. #Zdravi aims to created social commitment giving advices on physical and mental health and focus the attention on healthy living. Sopharma AD wants to show that "healthy" does not mean "boring" or "tough". Mobile app #Zdravi won first "Digital Oscar" award for online project and the awards for online project and CSR for business sector of Bulgarian PR Society.

Investments in new communication channels, development of mobile apps Sopharma AD

Sopharma communicates not only through its corporate website but also through its profiles in facebook, twitter and instagram. The company also created its own blogs related to health and positive thinking: [www. healthynewsmedia.bg](http://www.healthynewsmedia.bg), <http://silenden.blogspot.bg/>. Sopharma AD supports for the 7th year "Just be" festival for healthy living and self development and first edition of The Long Living forum



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Investments in public communication development

Sopharma AD is a long-term partner of the Bulgarian Public Relation Society, Medimixx platform and Annual Meeting of Bulgarian Media Abroad.

For the 6th year Sopharma AD supports Mediamixx - a platform for media communication and development. As the one of the kind platform in Bulgaria and its role in the society the festival brought together representatives from major Bulgarian media. This year Mediamixx is going beyond the national themes and borders and includes participants from South Eastern Europe.



4.5. Society

Today, the formula for success expressly includes the human, natural and intellectual capital. This is a revolution. We are looking for more fair, correct and comprehensive company impact on the market and society regarding their customers, employees, investors and local communities.

✓ **Local communities**

Sopharma AD invests in its local manufacturing sites to protect the economic livelihood of local communities. Traditionally the company was a supporter of different projects in Vrabevo such as trading center with a pharmacy store and a restaurant; St. Archangel Mihail church's roof repairs.

Sopharma AD invested in another 5 guest houses in Vrabevo as a base place for employees' holidays and there will be 7 guest houses.

Sopharma AD works with Veliko Tarnovo municipality starting with projects for donations of medicines for clubs for elderly and retired people, but the program was outspread to investments in renovations of the clubs, donations for the community centers, free computers for the outstanding students of the Military University in Veliko Tarnovo, etc..

In 2017 Sopharma continue with donations of medicines and tools for health indicators measurement.



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✓ **Citizens**

We change together the city we live in

The “Zdravi” innovative eco-bicycle parking racks are placed near to the tennis courts in the Kniaz Boris Garden and in front of the National Library St. Cyril and St. Methodius. The “Zdravi” bicycle parking rack is designed for 12 bicycles and is placed.



Open air office

A joint project with Foundation Credo Bonum, which turns an open-air area into a space for shared work. The office is at the disposal for everyone who wants to replace the usual office by urban nature. The open-air office offers all the conveniences there are at the workplace – high speed wireless Internet, electric power supply for the equipment, portable solar chargers for the mobile devices, recreation places. In parallel with this there is an organized programme with working breakfasts and discussion on various topics, presentations of companies, NGOs and actors in the office. The Project is implemented for the second consecutive year.



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Christmas in Sopharma

For the second consecutive year the Company organizes a Christmas holiday for children which is accessible for everyone willing to bring his/her child/ren/. The holiday includes Jazz for Children with Ventsi Blagoev, who provides the children themselves with possibility to be participants in the performances and workshops “The Dwarfs of Father Christmas” for paintings and coloring figures.



Reading fairy tales



In 2017 Sopharma AD organized for the first time “Fairy Tales in Sopharma”, which met authors of children’s books and actors with the little readers and their parents. SBT were turned into a magical place for reading fairy tales along with the actors Ivaylo Zahariev, Yoanna Temelkova and Simona Halacheva and the author of children’s books Radostina Nikolova and the illustrator and author Maya Bocheva. The older children got involved in the writing of own books with

Maya Bocheva from atelier “This and That”



In a separate corner the guests and the participants will view hand-made souvenirs which they may buy and the funds raised will be donated for a charity cause.



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Presentation of the book Healthy

The children’s book “What Is There in My Lunch Box” published by Sopharma under the Project “Healthy” presents to the children in an understandable manner the products which are contained in the usual things from their daily menu and where the products themselves come from. The book was presented during the day announced as “With Children at Work” through interesting experiments and activities on the subject-matter healthy way of life prepared by Bio Igri (Bio Games). Sopharma donated 300 books for the Bulgarian National TV project “Window to the Homeland”



Zdravi, Bio-Games and Muzeiko free project “Human body” for the children of the Sopharma employee



✓ **Partnerships**

Global Compact Bulgarian Network

As an active member of Global Compact Bulgarian Network we Sopharma AD participates in joint projects of the Network “I Am Proud of the Work of My Parents’, “The Road of the Food”, “Responsible choice” and “Healthy at Work”

‘I Am Proud of the Work of My Parents’ was held for the fourth consecutive year in Sopharma, and in 2017 the factory in Kazanlak was included. In 2017 21 companies participated in 19 cities across the country and 115 jobs have been shown from more than 15 sectors of the economy. The meaning



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for businesses is to show to the children of their employees through specially designed programs and games that their work is important.



The **“Responsible Choice”** Project aimed to show that the companies can, through transparency in responsible production and supply, demonstrate to the consumers that with their actions have the power to change the production practices, to influence the „fashion“ imposed by advertisers and to nurture anticonsumerist culture in themselves and young people.

”Healthy at Work“ Games for Good

“Healthy at Work” is a programme for building up healthy habits and way of life of the employees of the companies through sharing good practices and information. The pilot project “Game for Good” includes a competition of teams from the companies participants in competitions in football, tennis, cycling and volleyball.



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Bacause

Sopharma AD joined the “Get Ready to Succeed” charity program of the **Bacause** for the third consecutive year. The program has been helping excellent parentless students from high schools and universities to continue their education. The company chose to support two future medic and/pr pharmacies because pharmacy and medicine have always been inextricably related. “Doctor” and “Pharmacist” are among professions that could not develop without people’s trust, and together, they restore the most valuable asset in life – health..

Rinker Academy

From 2016 Sopharma supports the training programme Rinker’s Challenge for starting up traditional and social entrepreneurs of Center "Rinker" to Foundation BCause. Its first edition was in 2014. Rinker’s Challenge offers a unique possibility to starting up entrepreneurs to pass through a structured system of trainings, to receive personal advice from leading professionals and entrepreneurs in all the spheres of the business and to obtain start-up financing of their business projects.

✓ **Pharmaceutical industry**

The European industry for generic and biosimilar medicines fulfils its mission by providing high quality medicines for patients in Europe, increasing their access to effective treatment and partnering for sustainable healthcare. The generic and biosimilar industry is developing a model for sustainable pharmaceutical innovations associated with the development and manufacture of value-added products that can improve health outcomes and efficiency in hospitals.

Sopharma actively participates in the work of “Medicines for Europe” and in 2017 it got involved in various meetings and international conferences. A representative of Sopharma AD in the Executive Bureau of MEDICINES FOR EUROPE for the third consecutive mandate, which is a recognition for the vigorous activity of SOPHARMA as a full member of the Association and simultaneously one of the fastest developing regional leaders in Central and Eastern Europe.



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Sopharma took part in discussions during Innovation and Good Practices in Healthcare sector



#Healthy and #ExSmoker of Digital Transformation Pharmacy 3.0 forum

Digital Transformation pharmacy forum of journal Enterprise gathered in 2017 in Sofia at the Balkan Hotel representatives of the pharmaceutical branch and the digital companies which together work for digitalization of the health care.

We are witnesses of continuous innovations which are already structure determining for the development of each economic segment, according to the organizers. Pharmacy is one of the most innovative and advanced sectors, which resisted the world crisis and continues to develop. Its future depends not only on the new products and productions but also on the new technologies in the communications. IoT, big data, cloud technologies, shared economy and digitalization of our everyday life unavoidably change pharmacy as well.

The building up of affordable and modern health care is possible solely with transformation of the pharmacy and of the system of health care in parallel with the digital development of our everyday life.



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Optimum Health, Maximum Vitality

Sopharma AD supports the idea that health is not a lifestyle issue, but the only up to date and conscious way of living. That's why Sopharma AD invests in programs and activities, including digital, related to health.

- ✓ Social disease responsibility

Affordable treatment for smoking cessation

According to latest scientific researches from around the world Sopharma' product Tabex® is best choice for smoking cessation treatment.

2018

Sopharma's smoking cessation drug with positive preliminary clinical data in the US

Sopharma's (3JR BU) smoking cessation drug with positive preliminary clinical trial data in the US, the Company's American partner Achieve Life Sciences (NASDAQ: ACHV) announced in a statement. Achieve acquired the rights to commercialize Sopharma's Tabex in the US in 2015. In 2017 it initiated an Investigational New Drug application with the US Food and Drug Administration and commenced a cytosine clinical development program in preparation to initiate a Phase 3 trial in the US in 2018. Sopharma is to be exclusive supplier of cytosine API and finished product under an up to 20-year exclusivity supply agreement.

Now Achieve announced positive preliminary data from the Cytosine Phase I/II Multi-Dose clinical study initiated in October 2017. Following the completion of the phase, the study evaluated the repeat-dose PK and PD effects of 1.5mg and 3mg cytosine in 24 healthy volunteer smokers aged 18- 65 years when administered over the standard 25-day course of treatment. The PK results indicated expected increases in plasma concentration between the standard and higher doses of cytosine with no evidence of drug accumulation. Furthermore, Cytosine was well-tolerated and reported adverse events were mostly mild and short-lived. Dr. Cindy Jacobs, Executive Vice President and Chief Medical Officer at Achieve said that the abstinence rates observed with cytosine were particularly impressive given the short 25-day treatment period. He also added that subjects did not commit to quitting and received only minimal behavioral support. Dr. Jacobs said that setting an actual quit date and receiving enhanced behavioral support were key factors to improve smoking cessation outcomes.

2017 starts with good news concerning the registration and further development of Tabex®

The buyer of the share of Sopharma AD in Extab – Achieve – is undertaking a merger with another strong player in the development and registration of innovative medicines – Oncogenex, a publicly traded company on NASDAQ (<http://in.reuters.com/article/idINFWN1EV0QP>). The procedure is expected to be completed by mid 2017 subject to approval from the US FSC. Sopharma AD will own approximately 3.5% in the newly created company, which will aim at filing the IND for Tabex in 2017.

The new beginning

At the end of 2014 New Zealand scientists found out that the medicinal product Tabex® is the most efficient device for smoking cessation. We make our best to spread the news and to ensure further work on the registration of our product Tabex on new markets, especially where this disease is wide spread, with good outlooks.



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Ex-smoker® Tabex mobile application is on run

Take extra care of your health – quit smoking assistance – learn, compete, quit quickly and win.



✓ **Events**

Tennis Day with Sopharma

The Bulgarian National Tennis Center and Sopharma AD organized jointly a Tennis Day with Sopharma sports festival for company employees and their families for another year. Sopharma AD also provided a free tennis camp for the children of its employees. With coaches and all-day special program, the children acquired new skills in a healthy environment, new friends and positive emotions.



Sopharma supports Velorali DRAG Cherni Vrah MTB race

More than 150 people took part in the 14th edition of on 21st October. The route covers 38 km from Sofia's Boyana district up to Bulgaria's 4th highest mountain peak Cherni Vrah at 2290 meters, and back down again to the starting point. Sopharma traditionally supports the Velorali.



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Impacts from the company's activity

Economic impact

Economic and financial data	2017	2016	% change	Stakeholders
Dividends	0,10	0.10	-	Shareholders
Income taxes & other taxes/	9 645	10 709	-9,94	State and local authorities
Payments to suppliers	120 731	118 062	2.26	Suppliers
Salary	40 678	36 273	12.14	Employees
Equity investments:	139 153	42 733	225.63	Other companies and individuals

Social impact

Economic and financial data	2017 /mln lv	2016/ /mln lv	%	Stakeholders
Plants	10/ 1 953	8 / 2076		Employees
Trainings	218	197	10.6	Employees
Social expenditures	3390	2 459	27	Employees
Medicinal expenditures	792	802	-1.25	Employees
Donations	372	340	8	Local societies
Investments, related to generics	7	8	-14	All stakeholders
Investments related to improvement of the business climate	71	40	43	All stakeholders
Investments to healthy lifestyle programs	67	50	25	Общество/ Society



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Investments in public communications	50	68	-36	Society
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Ecologic impact

Data	2017	2016	
Materials expenditures	17386	14785	15
Separate waste collection			-2%
Air emission	0*	0	
Employees trainings and inclusion in environmental protection activities	Joining to the Company 2 projects	Joining to the Company 1 project	

Employees

Employees	2017	%	2016	%
Women	1291	62	1138	62
Men	778	38	696	38

Employees Age	%			Women			Man		
	2017	2016		2017	2016	%	2017	2016	%
30r.	210	189	11,11	181	110	64,54	29	79	-63.3
31- 40	435	390	11,54	280	247	13,36	155	110	40.9
41 – 50.	662	617	7,29	452	416	08,65	210	201	4.48
51 – 60r.	628	530	18,49	383	328	16,77	245	202	21.3
Over 60r.	134	108	24,07	45	37	21,62	89	71	25.4

Employees education	2017	2016	% 2017
Higher education	893	799	11.76
Colleges	46	41	12.2
Secondary school	1099	965	13.9
Elementary education	31	29	6.9

employees hierarchy		Women			Man		
		2017	2016	%	2017	2016	%
Top management	4	1	1		3	3	
Senior Management	39	17	12	41,66	22	21	4.76
Management	148	81	66	22,73	67	60	11.66
Experts	787	511	449	13,80	276	250	10.4
Nonexperts	1095	682	611	11,62	413	365	13.15



Sopharma monitors the following risks, identified as significant and potentially affecting its activities:

- Risks related to the macroeconomic situation in the country and other markets
- Risks related to the markets in which the Sopharma operates
- Risks related to foreign exchange rates and the currency board in force in Bulgaria;
- Currency risk

They are presented in detail in a report on the activity of Sopharma for 2017

Risk	Low	Medium	High
Socio - political		<p>Loss of confidence in media (consumers also stop believing the ads included or additional info);</p> <p>Reducing the macroeconomic stability: The unstable political situation in Bulgaria and countries in which Sopharma operates may affect the company's activities;</p> <p>Decline in foreign investment</p> <p>Household indebtedness</p>	<p>The reputation of Sopharma AD may be affected by misleading or incorrect information in media;</p> <p>Changes in legislation and regulations may lead to a Group's expenses increasing</p> <p>Loss of confidence in the expertise of doctors or pharmacists</p> <p>Restrictions on household consumption, including for medicines</p>
Employees		<p>Fluctuation due to the highly competitive market</p> <p>Pressure to raise salaries and social benefits</p>	<p>Shortage of skilled workers with experience</p>
Ecological	<p>Environmental risks are minimized as a result of GMP and other standarts</p> <p>Potential risk as a result of natural cataclysm</p>		
Anticorruption	<p>Standart оперативг procedures for decion making</p>	<p>An attempt for involving to non-transparent practices on the part of monitoring institutions</p> <p>Unethical competition</p>	

What's next?

“With the completion of 2017, the most successful year after the crisis, we welcome the 85th anniversary of Sopharma AD. This is a reason to strive to become even better in the care for people's health, to affirm the tradition in the production of quality Bulgarian medicines following international recognized standards and technologies and continue to develop as a Group of companies in the healthcare sector.”

Ognian Donev, PhD,
Chairman of the Board of Directors and Executive Director of Sopharma AD



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