

**Consolidated non-financial declaration
to the annual consolidated financial
statements of Sopharma Group on the
requirements of Art. 48-52 of the Accountancy
Act - 2020**



SOPHARMA GROUP

28 April 2021

Contents

I.	About the Declaration	3
II.	Scope of the Declaration	3
1.	<i>Vision, strategy and corporate governance</i>	<i>Error! Bookmark not defined.</i>
2.	<i>Imprint of the company's activity</i>	11
3.	<i>Organizational structure</i>	<i>Error! Bookmark not defined.</i>
4.	<i>Products and services</i>	<i>Error! Bookmark not defined.</i>
III.	Strategy for corporate social responsibility	Error! Bookmark not defined.
1.	<i>Definition</i>	17
2.	<i>CSR Management</i>	<i>Error! Bookmark not defined.</i>
3.	<i>Memberships</i>	<i>Error! Bookmark not defined.</i>
4.	<i>Commitment to stakeholders</i>	20
IV.	Spheres of non-financial statement	Error! Bookmark not defined.
1.	<i>Market</i>	<i>Error! Bookmark not defined.</i>
2.	<i>Employees</i>	<i>Error! Bookmark not defined.</i>
3.	<i>Ecology</i>	<i>Error! Bookmark not defined.</i>
4.	<i>Society</i>	<i>Error! Bookmark not defined.</i>

Statement of support

Dear partners,

COVID-19 pandemic has made us realize the importance of our role as a corporate citizen. The stable relationships of the Group with employees, partners and investors, local communities and authorities, built over time with great care and attention, helped a lot to maintain the market position of companies, jobs and gave us the opportunity to be most useful to society in time of crisis.

In this document we present our main initiatives for the integration of the principles of sustainable development in our daily activities and their economic, social, social and environmental impact. These initiatives lay solid foundations for the long-term sustainable development of the Group, enabling us to be flexible and adaptable. Modern dynamics require us to take quick and adequate action, functioning in a system with a degree of uncertainty.

Responsibly, we can say that even in today's new, predominantly digital environment, Sopharma Group has remained a stable partner of all stakeholders.

***Your sincerely,
Ognian Donev, PhD
Executive Director and Chairman of the Board
of Directors of "Sopharma" AD***

I. About the Declaration

The Consolidated non-financial declaration (“the Declaration”) describes the commitments that Sopharma Group, as a corporate citizen, fulfills for the shareholders and investors, state and local authorities, consumers, customers and partners, the environment and society. The Group maintains an active dialogue with all of them in defining important decisions and in carrying out its corporate communications at all levels. **Group companies monitor and declare the economic, social and environmental footprint that results from their activities.** The measures used are in line with the main activity of the companies and are used to reduce the negative and increase the positive impact on their stakeholders.

The declaration complies with the reporting requirements of Art. 48 of the Accounting Law and is a description of the policies and enterprises regarding their activities in the fields of ecology, social affairs, employees, anti-corruption, human rights.

All companies in the Group strive to introduce good practices followed by the parent company “Sopharma” AD.

II. Scope of the Declaration

The Declaration gives a broad overview of a various aspects of the activity of Sopharma Group as a corporate citizen. It focuses on the activities of the Group for the period 01.01.2020 - 31.12.2020. The declaration contains quantitative data used as impact indicators in the main areas described below.

1. Vision, strategy and corporate governance

1.1 Mission, values, goals and strategy

The mission of Sopharma Group is to play an active role in raising people's living standards by providing constant and easy access to the most important health-related products

To ensure the fulfillment of its mission, Sopharma Group constantly invests in production - new technologies, research and studies; in increasing the efficiency of distribution; in maintaining an active and effective dialogue with all participants in the healthcare system; in participation in significant projects and programs related to the development of society and in environmental protection.

The vertically integrated model of companies operating mainly in the field of healthcare supports the application of global and European standards and practices. Consolidation in the Group leads to profitable synergies, better organization, centralization of major marketing and sales activities, cost optimization and better performance in all markets.

The parent company, as a leading pharmaceutical manufacturer, follows the best practices in the field of corporate citizenship. The values that logically determine life in the company and the interaction with the stakeholders are related to the care of people's health not only in the physical aspect, but also in emotional and mental terms.

The Sopharma Group's development strategy turns the companies into an attractive investment thanks to the following long-term goals:

- Portfolio diversification, expansion of foreign markets, successful acquisition operations;
- Sustainable development and strong performance in key markets;
- Transparent and efficient management model.

The results of the Group's work are always in favor of all stakeholders, making it a preferred “partner” in health and investment.

The Group is represented in over 45 countries with key markets in Bulgaria, Russia, Ukraine, Kazakhstan and Poland and a strategic plan focused on further market expansion in the region.

Corporate citizenship policies

The corporate citizenship of the Group operates and develops in accordance with the constitutions, laws and regulations of the countries in which the Group is active. In all its actions, the companies comply with the regulations of the state, local government and regulatory authorities and monitors the updating and strict implementation of the legislation concerning its activities. The Group follows the 10 basic principles of the UN Global compact and works towards the achievement of the Global sustainable development goals SDG 2015 through the active involvement of their companies in related projects.

1.2 Management systems

Corporate governance systems

Each of the companies operates following its basic internal rules, such as the regulations, and complies with its management systems in accordance with the imposed legislative and regulatory requirements. More specific management systems, related to pharmaceutical production and distribution are:

Corporate governance systems	Description	Adoption date	Last update
Articles of Association	The Articles of Association determine the basic rules according to which significant decisions are made concerning the existence of the Company.	2003	2020
Decisions taken at the General Meeting of Shareholders	The decisions of the shareholders are fundamental for the activity of the Company.	at least once a year	2020
Rules of operation of the Board of Directors	Instructions and explanations for the duties and responsibilities of the members of the Board of Directors.	2007	
Good corporate governance program	A system of rules protecting the rights of shareholders and other stakeholders.	2009	2020
Good Manufacturing practice/GMP	A system of principles and rules that ensure the proper course of each stage of the production process, providing a quality final product.	2003	2020

Non-financial declaration to the annual consolidated financial statements of Sopharma Group on the requirements of Art. 48-52 of the Accountancy Act - 2020

Good distribution practices /GDP	The good distribution practices is a system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their distribution. The quality of medicinal products may be affected by a lack of adequate controls.	2003	2020
ICH "Q8 Pharmaceutical Development"	Principles, governing the establishment of pharmaceutical products.	2004	2020
ICH "Q9 Quality Risk Management	Principles and examples of tools of quality risk management.	2006	2020
ISO 17025	General requirements for the competence of testing and calibration laboratories.	2014	2020
AXAPTA	ERP program, which is an integrated information system for the overall business management of production planning processes, supply chain management, sales management and planning, financial management and control, customer relationship management, business analysis and more.	2013	2020
Rules for persons, holding inside information	Instructions and clarification on the obligations and responsibilities in connection with The law against financial abuse of market instruments.	2007	2020
ISO 9001: 2015	Quality Management System	2008	2018
ISO 13485: 2003	Quality management systems for medical devices	2003	2018
CE BRAND	Conformity of Medical Device Directive 93/42 / EEC	2003	2016
Directive 93/42/EEC	Concentration Directive for hemodialysis	2003	2016

Non-financial declaration to the annual consolidated financial statements of Sopharma Group on the requirements of Art. 48-52 of the Accountancy Act - 2020

BDS INISI/ IEC 17025	Standard for laboratory tests of foods of different origins; water and beverages; feed; control of technological surfaces and carcasses; diagnosis of diseases in all species of domestic and wild animals; bees and a beehive	2006	2017
ISO 14001:2015	Environmental management systems	2015	2019
ISO 27001:2013	Information security management systems	2013	2017
OHSAS 18001:2007	Occupational health and safety management systems	2007	2017
WHO Good dissemination practices	WHO Technical statements Series, № 937, 2006.	2006	

Detailed description of the corporate governance systems:

- **The program for good corporate governance**

A system of rules protecting the rights of shareholders and other stakeholders concerning the timely and accurately disclose information on all material issues related to the Company and to support its strategic management. The program also provides control over the activities of the Board of Directors/Management and Supervisory Board and its accountability to the company and shareholders.

The program is in accordance with current legislation, to the internationally recognized standards for good corporate governance and the Bulgarian National Code of Corporate Governance.

- **GMP**

Good manufacturing practice is a system of rules and procedures which guarantee the high quality of medicinal products at every stage of their manufacturing. Its major purpose is to protect the patient's health.

The GMP deal with both the production process and the working conditions, the qualifications of the production personnel, the sales system in use and the method of product withdrawal from the respective market.

- **GDP**

GDP include an array of tools used in the activities of wholesale distribution, including preventing counterfeit medicinal products from entering the supply chain. Their implementation ensures control an efficient contor of the distribution chain and the maintenance of the high quality and integrity of the manufactured medicinal products.

The GDP is applicable to any and all activities including the supply, storage, delivery or export of medicinal products, excluding the sale to the end users.

This system also includes competency of the employees, working conditions and product retention, control at any point in time to the final delivery.

- **ICH Q8 Pharmaceutical Development**

The standard applies to the overall process of creating new products, from development to registration. It also includes risk assessment and quality assurance systems as part of product design. It concerns all components of the medicinal product, substances, excipients, active substances, development of the formulation and process of creation, knowledge accumulated during this process, physicochemical and biological properties, development of the manufacturing process and all information that may affect the final result.

- **ICH Q9 Quality Risk Management**

Principles and tools for risk management that can be applied to all aspects of pharmaceutical products - creation, production, distribution and verification of life-cycle processes of substances and medicinal, biological and biotechnological products, including raw and supplementary ingredients and materials used for packaging and labeling.

ICH Q9 together with ICH Q8, serves to promote the development of science-based and risk-based approaches to quality. 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.

- **ISO 17025**

This International harmonized standard contains the general competence requirements related to the competence of the testing and/or calibration laboratories, including sampling. The standard is intended to be used by laboratories that set up their quality control systems for both the administrative and technical activities. The results (protocols, certificates) issued by the accredited laboratories are used by regulators, the conformity assessment bodies for product certification as well as by the product manufacturers and others.

The possession of this certificate is a part of the risk control process and guarantees the reliability of the results obtained from the laboratory tests and assessments and - accordingly - the safety and the quality of the manufactured medicinal products.

- **ISO 9001:2015**

The implementation of the Quality Management System to the requirements of ISO 9001: 2015 ensures the company's ability to continuously provide services that meet the customer's and applicable legal and regulatory requirements. Effective implementation of the system leads to increased customer satisfaction.

- **ISO 14001:2015**

Through the implementation of the standard, the company is committed to the rational use of natural resources to ensure constant control over the identified aspects of the environment that it affects. Measures are implemented to manage the environmental aspects, those that can be controlled and those that are expected to have an impact on the part of the company.

- **OHSAS 18001:2013**

Through the implementation of the standard, the company demonstrates its commitment to the health of its employees by providing a safe working environment, managing and minimizing the risks to the health of the personnel as well as to the staff of the stakeholders who work at the company's premises.

- **ISO 27001:2013**

By applying the requirements of the standard, the company provides adequate and coherent security mechanisms, whose purpose is to protect the information assets of the company and to ensure the confidence of each interested party with special attention to the clients.

- **ISO 13485:2016**

The standard specifies the requirements for a quality management system when an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer requirements and applicable regulatory requirements.

- **БДС INISI / IEC 17025**

Laboratory Block BSE, DZG is an accredited laboratory according to BIS INISI / IEC 17025 by the Bulgarian Accreditation Service (BSA) and has the right to carry out tests which are recognized by all national and European food control authorities. The scope of accreditation includes tests of foods of different origins; water and beverages; feed; control of technological surfaces and carcasses; Diagnosis of diseases in all species of domestic and wild animals; bees and a beehive.

Since 2014, the Lab Unit has been housed in new laboratory premises including Biosafety Level 3 for disease diagnosis as required by the OIE.

- **CE BRAND**

Conformity of Medical Device Directive 93/42 / EEC.

- **AXAPTA**

Integrated information system for business process management in the corporate activity of the high class company.

It improves efficiency, helps to make more precise decisions, and improves interconnections with the supply chain.

It supports sales management and planning, production to material planning and production capacity, supply chain management resource - stocks, warehouses and links between them, quality management.

The program enhances the project management process: accounting and invoicing, expenditure control, splitting to sub-projects, financial and human resource management.

- **World Health Organization Good Distribution practices (WHO Technical Statement Series, No 937, 2006)**

By applying the requirements of the European Commission described in Directive 2001/83 / EC, the Management Manual of Good Practice of Distributing Practice of 5 November 2013 and the World Health Organization, the companies engaged in distribution declare their expertise and constant control over quality assurance, ensuring that products consistently stored, transported and handled under appropriate conditions as required by the marketing authorization or product specification.

2. Imprint of the company`s activity

Economic impact

We create added value for our stakeholders

Economic and Financial data	2020	2019	% change	Stakeholders
Decision for payment of dividends by the General Meeting in the amount of BGN per 1 share	BGN 0.04 for the first half	BGN 0.12	N/A	Shareholders
Taxes paid in thousand BGN Incl:	82 398	78 084	5.5	State and local authorities
Taxes paid (other) in thousand BGN	74 451	69 411	7.3	
Corporate tax paid in thousand BGN	7 947	8 673	(8.3)	
Payments to suppliers in thousand BGN	1 341 304	1 143 957	17.3	Suppliers /including hired services/
Payments for wages and social insurance in thousand BGN	129 085	120 315	7.3	Employees

The economic impact is most clearly tracked through dividend decisions that show the relationship with stakeholders as shareholders; paid taxes, incl. paid corporate tax, which is a contribution to state and local authority; payments to suppliers showing relationships with companies in the supply chain; the cost of labor that shows employee relations as an interested party.

Social impact

Economic and financial data /expenses thousand BGN/	2020	2019	Stakeholders
Plants / Number of employees	9/ 1 991	10/ 2 275	Work places - employees
Training courses /expenses BGN '000/	215	770	Employees

Non-financial declaration to the annual consolidated financial statements of Sopharma Group on the requirements of Art. 48-52 of the Accountancy Act - 2020

Economic and financial data /expenses thousand BGN/	2020	2019	Stakeholders
Social benefits and payments /expenses BGN '000/	3 639	4 545	Employees
Medical services /expenses BGN '000/	853	828	Employees
Donations /expenses BGN '000/	962	741	Local communities
Social activities and events	219	918	Local communities

Projects related to promoting a culture of healthcare and investing in civil society.

The companies of the Group works to increase the economic and social development of society, to promote a healthy lifestyle and to improve the health culture.

Sopharma Group adheres to traditions that nurture fundamental values, such as health care in harmony with nature, strengthening the community and nurturing the competitive spirit.

- We traditionally support initiatives related to sport and healthy lifestyles by supporting sports events and competitions;
- We have a leading role in initiatives under the UN Global Compact Network – “Games of Goodness” - supporting sport with a cause: collective, individual or virtual games;
- In 2020, efforts were made to provide a safe environment for employees and partners in a COVID-19 pandemic situation;
- In the face of lockdown and difficult deliveries, measures were introduced to prevent the lack of vital medicines, medicines with increased consumption and directly related to the treatment of COVID-19;
- For the benefit of patients, a system was established to perform electronic prescriptions in each of SoPharmacy's 63 sites located in 11 cities across the country. Since the launch of the service, dozens of customers have benefited from the service;
- A digital platform was created for training and upskilling of the staff, incl. pharmacists;
- Investing in new digital communication channels to help society tackle smoking;
- Donations to hospitals, Bulgarian Red Cross, nursing homes.

Ecologic impact

Indicators	2020	2019	%
Cost of raw materials (electricity, headenergy, fuels, water; without main materials, waste and impairment) /expenses BGN '000/	26 871	29 436	(8.70)
Exhaust emissions into the atmosphere	0*	0*	0
Emissions to wastewater	Waste water is treated in WWTP **		
Employees trainings and inclusion in environmental protection activities	Instruction of employees; Instructions for recovery and separate collection of waste; Instructions on how to deal with waste substances in the units; Participation of employees in an initiative of the UN Global Compact - Action to collect household appliances for recycling.		

* Sopharma plants are GMP certified, which also controls the degree of environmental pollution. Emissions of waste gases are less than 50 tons per year, which according to the standards tends to 0. In parallel, the use of water film is a prerequisite for the non-release of gases into the atmosphere.

** For years in the production in the factories of the company no organic substances are used for filming the tablets, which guarantees zero pollution of the wastewater.

Projects related to responsible use of resources and environmental protection

- Separate waste collection, minimization, utilization and recycling of production and municipal waste;
- Participation of the company and employees in environmental projects - #BeatEWaste - In the first edition of the initiative for proper disposal of electronic waste of the Bulgarian Network of the UN Global Compact. Within the initiative, 1740 kg were collected within the initiative, which generates an amount that will be used for a charitable cause related to environmental protection.;
- Caps for the Future - Charity collection of plastic caps at all production sites;
- Providing regular training of personnel on environmental issues and pollution prevention;
- Responsible implementation of the mandatory requirements of Decree of the Council of Ministers 137 and the Ordinance on packaging and waste;
- Switching from plastic to paper sticks in the production of ear sticks;
- Separate collection of household waste (paper, plastic, batteries) at the workplace. Containers provided at all production sites;
- Reduction of printed advertising materials by 30% per year, by switching to digital content;

- Annual measurement of waste gas emissions into the atmosphere;
- Investments in the creation of “smart” buildings, facilities for renewable energy sources;
- Zero pollution of wastewater and the atmosphere, through the use of water film, instead of organic substances for filming the tablets in the production in the company's plants;
- Measurement of the annual emissions of waste gases in the atmospheric air from the Phytochemical Plant and the Factory for Dosage Forms.
- Emissions of waste gases are less than 50 tons per year, which according to the standards tends to 0. In parallel, the use of water film is a prerequisite for the non-release of gases into the atmosphere.

Employees

The companies in Sopharma Group provide equal opportunities for work by gender, age and education.

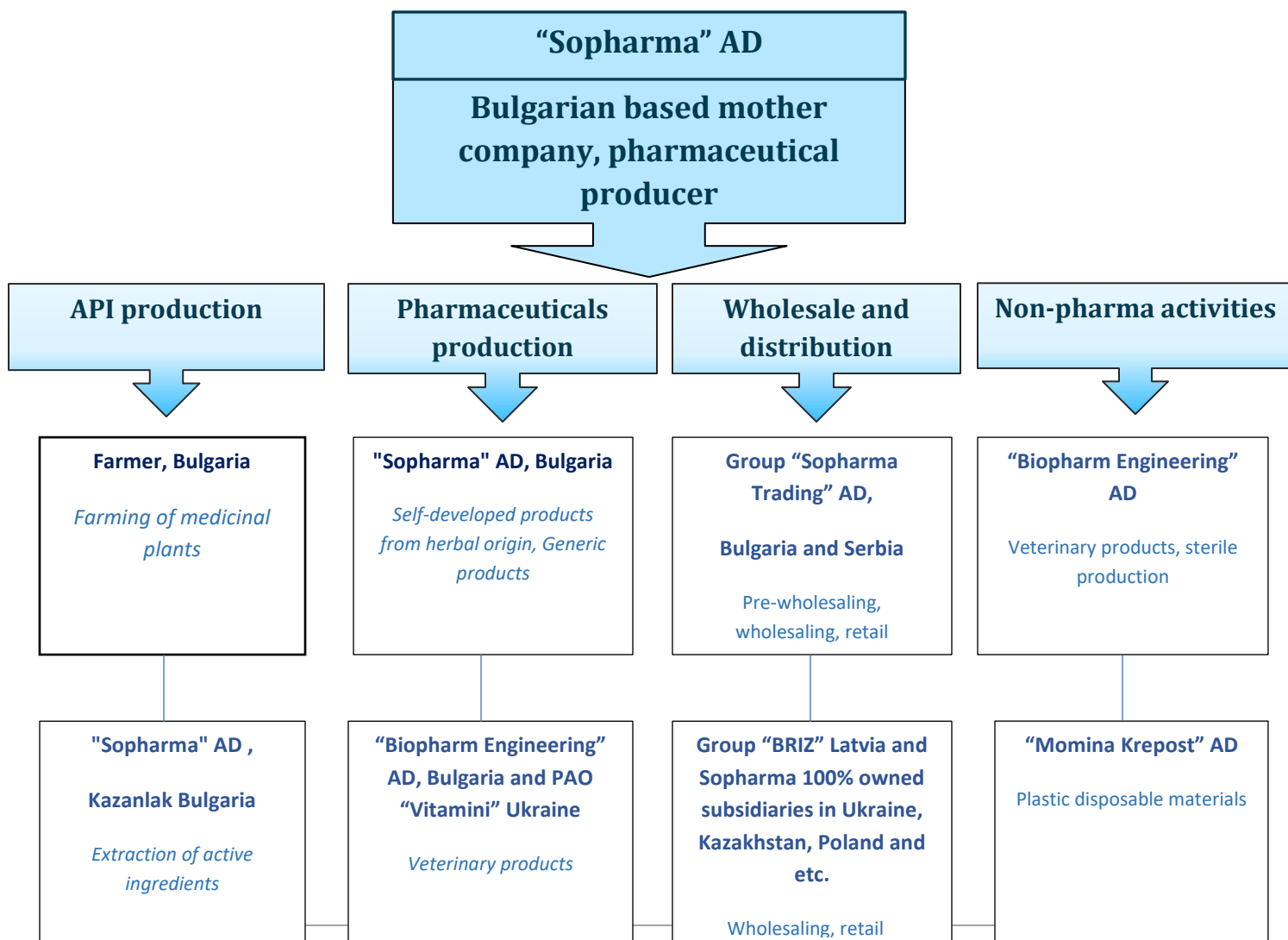
- *Zero tolerance for any kind of discrimination in the workplace;*
- *Ensuring healthy and safe working conditions;*
- *Ensuring opportunities for development based on equality;*
- *Ensuring the right of association and labor protection of employees.*

As at 31 December 2020, the average number of employees of Sopharma Group is 5 803 (compared to 5 163 in 2019). The average number of employees of “Sopharma” AD as at 31 December 2020 is 1 991 (at 2 275 in 2019) and of “Sopharma Trading” AD is 779 (compared to 833 in 2019).

3. Organizational structure

Sopharma Group (the Group) is a leading Bulgarian manufacturer, exporter and distributor of pharmaceutical products with a strong presence in Eastern and Southeastern Europe. The group includes a parent company and its ninety-four (31 December 2019: forty-nine) subsidiaries. Additionally, the Group has investments in an associate.

“Sopharma” AD, the parent company, is a commercial enterprise, registered in Bulgaria under the Provisions of the Commercial Law, with its registered office in Sofia, 16, Iliensko shose str., established in 1933. Today “Sopharma” AD is a public company and is among the most successful Bulgarian companies after privatization, with ten consecutive years being among the top 10 in revenues in pharmacy sector in Bulgaria.



4. Products and services

The Group operates in the following areas:

- ➔ Production of pharmaceutical products including medicines, primarily generics, herbal-based substances (phytochemical production); food supplements; infusion solutions; hemodialysis concentrates.
- ➔ Production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused on the production site in Sandanski city;
- ➔ Distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics;
- ➔ Production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

Production activity

“Sopharma” AD and its manufacturing subsidiaries has nine manufacturing plants, conforming with EU Good Manufacturing Practices (GMP), which are located in Bulgaria, complied with EU Good Manufacturing Practices (GMP), a factory in the Ukraine, certified by local authorities and recognized in all CIS countries.

The production activities of the Group are carried out and developed in the following areas:

- production of pharmaceutical products;
- substances and preparations based on plant raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrates for hemodialysis;
- medical disposable products for human and veterinary medicine;
- injection molded products for the industry, agriculture and households.

“Sopharma” AD

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, 12 of which are plant-based. The traditional products of the Group (and in particular Tabex, Carsil and Tempalgin) have a major share to its export market income, while the company's generic products are of major importance for domestic sales, Analgin being the leader among these products. The product portfolio of “Sopharma” AD focuses on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory tract and asthma, neurology and psychiatry, urology and gynecology, nephrology, surgery, orthopedics and traumatology.

Distribution

“Sopharma Trading” AD is the exclusive distributor on the Bulgarian market of particular pharmaceutical products of several leading international pharmaceutical and other companies in the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share in the pharmaceutical products segment of 22% (according to IQVIA).

The Group has more than 15 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of “Sopharma” AD, and holds exclusive rights for Bulgaria over brands of strategic partners such as “Aboca”, “Colief”, “Jamieson”, “Planter's”, “Premax”, “Skincode”, “SVR” Laboratories, “US Pharmacia” and “Wyeth”, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. “Sopharma Trading” AD cooperates with more than 400 partners and over 3 000 clients.

III. Strategy for corporate social responsibility

1. Definition

Sopharma Group has an active and crucial role in raising living standards and human health. The policy of Sopharma Group expresses the views and commitments for the future development and improvement of the business by maintaining high quality products and services, protecting the environment, ensuring healthy and safe working conditions, security of information and responsible corporate behavior of companies to stakeholders - investors, partners and end users.

For the effective realization of its vision, values and goals, Sopharma Group focuses its efforts on continuous improvement of its activities, processes and services, monitors the economic, social and environmental footprint of its activities, which allows to take action to reduce the negative impact and to increase resilience.

Guarantee for fulfillment of all stated goals is the construction, maintenance and continuous improvement of the quality management system, environment, health and safety at work, good production and distribution practice, information security in accordance with the requirements of international standards.

Economic and financial indicators are proof of the success of the business model, complemented by adequate CSR policies, confirming the Group's reputation. The companies in the Group are working to achieve the UN SDG 2015.

CSR policies and initiatives are set up in accordance with important stakeholder topics, approved by the Key Management Personnel (described below in the Declaration) and reported to shareholders mainly through the Annual Reports and General Meetings.

Sopharma Group actively communicates with all stakeholders through the appropriate channels.

Policies and specific projects are targeted in four main areas:

- ➔ Market
- ➔ Stakeholders
- ➔ Environment
- ➔ Society

You can find a description of the projects in the Spheres of Non-Financial Report section.

2. CSR management

Corporate Responsibility is embedded in the Group's mission, vision, and strategy for development and corporate governance documents for the companies.

Organizational CSR is the subject of the corporate responsibility, investor relations, marketing, human resources, ecology.

3. Membership

For the adequate creation and implementation of sustainable development policies, Sopharma Group works with partner organizations such as CEIBG, BMGD, BCAUSE Foundation, Bulgarian Public Relations Association, European Association of Communication Directors, Association of Investor Relations Directors and others.

The companies in Sopharma Group are members of various organizations and associations:

- **Confederation of Employers and Industrialists in Bulgaria (CEIB)**. <http://ceibg.bg/>
- **The German-Bulgarian Chamber of Commerce and Industry (GBITC)**, which connects the German and Bulgarian economies with more than 450 German, Bulgarian and international companies. <http://bulgarien.ahk.de/bg/>
- **AmCham. The American Chamber of Commerce in Bulgaria** brings together over 300 US, Bulgarian and international companies operating in the country from all sectors of the economy. All members of AmCham share a common vision of corporate social responsibility, with good corporate reputation being one of the most important membership criteria. www.amcham.bg
- **The Bulgarian Generic Pharmaceutical Association (BGFARMA)** whose priorities are to harmonize the interests with regard to the common national and international mechanisms regulating the production and use of medicines, to improve the application of the principles of Good Manufacturing Practice and to observe the principles of fair competition. <http://www.bgpharma.bg>
- **The Bulgarian National Committee of the International Chamber of Commerce**, accepted 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 that promotes cross-border trade and investment. <http://www.icc-bulgaria.bg> www.iccwbo.org
- **The National Commission on Corporate Governance**, established for the purpose of promoting the implementation of good corporate governance practices and the development of the Bulgarian National Code of Corporate Governance (the Code). The Commission is a permanent independent body set up under the auspices of the Bulgarian Stock Exchange (BSE) and the Financial Supervision Commission (FSC), with the support of the World Bank and the International Financial Corporation (IFC) www.nkku.bg
- **The Bulgarian UN Global Compact Network** <http://www.unglobalcompact.bg>
 - As an active member of **BMGD**, Sopharma is working towards the achievement of the UN sustainable development goals adopted in 2015.
- **GIRB (“Sopharma Trading” AD and Lekovit)** – The Association of Wholesalers of Pharmaceuticals in Europe brings together over 750 wholesalers in more than 35 European countries. – www.girp.eu
- **Bulgarian Association of Drug Wholesalers (“Sopharma Trading” AD)** – The mission of the Association is to ensure fair and transparent drug delivery and provision of services in the pharmaceutical sector in Bulgaria. It protects the branch interests and rights of its members before state authorities, institutions and producers - www.batel.bg
- **Genezis (“Sopharma Trading” Serbia)** – The Genezis Association brings together generic manufacturers of generic medicines and holders of a marketing authorization in the Republic of Serbia - www.genezis.rs

- **The Serbian Association of Drug Wholesalers** - The mission of the association is to ensure fair and transparent drug delivery and service provision in the pharmaceutical sector. It protects the branch interests and rights of its members before state authorities, institutions and producers.
- **Member of the National Alliance for Local Economic Development NALED Serbia** Independent, non-financial and non-party organization of companies, municipalities and civil organizations working together to create better working and living conditions in Serbia.
- **MediReg Pharmaceutical Consulting** – supports the efficient launch of new products in the Polish market and ensures regulatory compatibility and pharmacovigilance.
- **The "FARMACJA POLSKA" " Chamber of Commerce.**

4. Commitment to stakeholders

For Sopharma Group an interested party may be any group which is directly or indirectly related to the Group's activities, which has the potential to exert an influence on the decision making process regarding the company's business development as a socially responsible organization.

Stakeholder relationships are a indicator of the success rate of the Group, its place in the economic and social life of the country, and the correct direction of development.



The Group maintains a continuous open dialogue with all stakeholders through various communication channels depending on the target group: the official website of the group www.sopharmagroup.com, the corporate media of the individual companies, official announcements to the BSE, meetings with investors, social networks.

- **Patients and end users:** daily through product sites, official sites of group companies; group site www.sopharmagroup.com; company profiles and their social networking brands;
- **Shareholders:** General Meetings of Shareholders; notifications; meetings; official corporate sites; the Group's site; annual reports;
- **Government and local authorities:** participation in annual meetings of the business; roundtables, discussion forums dedicated to the pharmaceutical sector; official sites of the state and local authorities, control bodies; official corporate media.
- **Partners in the chain:** software solutions for pharmacies and consultancy services; free edition for „Sopharma Trading“ AD customers - "Pharma Premium", intended for owners and pharmacists of pharmacies; sites of the companies in the group.
- **Employees:** intranet page; social networking company profiles; corporate sites; site of the Group.

IV. Spheres of non-financial statement

1. Market

The group is represented in more than 45 countries, with key markets being Bulgaria, Russia, Ukraine, Kazakhstan and Poland. The strategic plan focuses on expanding the presence in the region.

The Group's sales revenues increased by BGN 157,2 million or 12.3%, reaching BGN 1 438,8 million in 2020 compared to BGN 1 281,6 million in 2019.

Sales of goods increased by BGN 175,8 million or 17.7%, reaching BGN 1 168,9 million in 2020 compared to BGN 993,1 million in 2019.

Sales of finished products decreased by BGN 18,5 million or 6.4%, to BGN 270 million in 2020 compared to BGN 288,5 million in 2019.

The contribution of sales in Bulgaria to the consolidated sales revenues in 2020 amounts to 64%, which increase by 9% compared to 2019.

2. Employees

Sopharma Group companies treat their employees as their most valuable asset and work towards employer branding. As a responsible employer, the Group follows labor relation principles that are a way to achieve a partnership with employees and sustainable development:

- ➔ Zero tolerance to any kind of discrimination at the workplace;
- ➔ Provision of healthy and safe working conditions;
- ➔ Providing opportunities for development based on gender and age equality;
- ➔ Provision of a right of affiliation and labor protection of the employees.

The Group encourages employees to be continuously trained by giving them a variety of opportunities: trainings, conferences and seminars to increase employee competence.

In the process of realization are new electronic platforms for training and professional development of the employees in the companies of the Group are in the process of implementation, which can be accessed at any time from their office devices.

Investments in learning foreign languages during working hours.

All compulsory trainings and refresher courses are conducted according to the legislation for a certain type of qualification for the qualitative and safe fulfillment of the official duties.

Employees are entitled to the additional remuneration required by applicable law on overtime, night shifts and work on Saturdays, Sundays and holidays. Employees who work under specific, harmful or dangerous conditions receive personal protective equipment and allowances.

Sopharma Group's companies implement different employee-targeted policies, depending on the topics that are relevant to the employees of the particular company, which differ due to the specifics of the country in which they operate and the business activities of the companies.

3. Ecology

- ➔ Sopharma Group maintains and observes its commitments in compliance with the national legislation in the sphere of the preservation of the environment. The company applies measures to:
- ➔ waste Management: separate collection of waste, minimization, recovery and recycling of production and household waste;
- ➔ Participation of the company and employees in environmental projects - #BeatEWaste - In the first edition of the initiative for proper disposal of electronic waste of the Bulgarian Network of the UN Global Compact. Within the initiative, 1740 kg were collected, which generates BGN 425.30. The collected amount will be used for a charitable cause;
- ➔ providing appropriate personnel training on environmental and pollution prevention issues;
- ➔ responsibly fulfills the imperative requirements of the Council of Ministers Decree 137 and the Packaging and Waste Ordinance;
- ➔ Measurement of the annual emissions of waste gases in the atmospheric air the Phytochemical Plant and the Plant for Solid Drug Form;
- ➔ monthly measurement by competent employees of Sofia Water of the emissions in wastewater at the production sites A and B;
- ➔ transfer of production waste to licensed recycling companies;
- ➔ fulfilment of the conditions of the Discharge Permit;
- ➔ maintaining contractual relations with companies for separate collection and recovery of waste;
- ➔ Annual measurement of waste gas emissions into the atmosphere;
- ➔ Monthly measurement of emissions into wastewater at production sites A and B of Sofia Water;
- ➔ Investments in the creation of "smart" buildings, facilities for renewable energy sources;

- ➔ Zero pollution of wastewater and the atmosphere, through the use of water film, instead of organic substances for filming the tablets in the production in the company's plants;
- ➔ Measurement of the annual emissions of waste gases in the atmospheric air from the Phytochemical Plant and the Factory for Dosage Forms;
- ➔ Emissions of waste gases are less than 50 tons per year, which according to the standards tends to 0. In parallel, the use of water film is a prerequisite for the non-release of gases into the atmosphere.

“Sopharma Trading” AD maintains a certified Environmental Management System according to the requirements of ISO 14001: 2015.

In parallel with the statutory and certified environmental protection measures, employees from different Group companies are involved in environmental projects, such as planting trees on Earth Day; World Environment Day projects 5 June.

The offices of companies are located in "smart" buildings, such as Sopharma Warsaw, which is housed in a business center with The Leadership in Energy & Environmental Design, with energy saving systems, rainwater use, roofing of bees and Sopharma's office at Sopharma Business Towers, Sofia, whose lifts produce electricity, and the façade is designed to allow a maximum amount of daylight. Employees in the Towers also enjoy the green roof, the "smart" heating/cooling control and the light in the buildings.

4. Society

The companies in Sopharma Group are committed to society, and in order to achieve maximum impact, various projects are implemented together with partner organizations and other companies.

The Group monitors the following risks that are identified as significant and potentially affecting its activities:

- Associated with the Group's business and the industry in which the Group operates;
- COVID 19 – Actions taken by the Group's management to limit the negative effects of the pandemic events;
- Developed a business continuity program that includes, but is not limited to:
 - Crisis team, that transmits timely and correct information between our key partners, maintains the trust of stakeholders and informs customer groups in case of critical information about them.
 - Organizing a team with a focus on the state of the supply chain and risk management.
 - Management of operating capital and implementation of business plans.
 - We have taken the strictest measures to protect the health of our team and the teams of our partners.

Non-financial declaration to the annual consolidated financial statements of Sopharma Group on the requirements of Art. 48-52 of the Accountancy Act - 2020

- Regular disinfection of offices, work premises, warehouses, as well as delivery vehicles.
- Risks associated with the markets in which the Group operates;
- Risks related to foreign exchange rates and the currency board in force in Bulgaria;
- Currency risk.

The main risks faced by the Group are presented in detail in a report on the activities of Sopharma Group for 2020, part of the Consolidated Statement of the Group.

Core areas of corporate responsibility

Strategic Management

Market	Employees	Environment	Society	Corporate Citizenship
Transparent corporate governance	Zero discrimination regarding the right to work, sex	Environmental management systems	Contribution to economic development	Anticorruption
Guaranteed quality and safety of products and services	Guaranteeing the right of association	Reducing the environmental imprint	Development of the healthcare system	Work on SDG 2015
Resistance	Employee development: hierarchically and as a qualification and education	Responsible use of resources	Health Prevention	Participation in the development and implementation of international standards related to pharmacy
Market	Employees	Environment	Society	Corporate Citizenship
Ethical competition	A decent pay for labor	Reducing direct impact	Providing affordable and quality treatment	Working with partner organizations
Responsible Marketing	Ensuring health and safety at work	Reducing indirect impacts	Investments in education	Joint projects of organizations where members of the Group are members
Responsible supply	Social benefits for employees	Participation in environmental projects	Investments in public communications	Development of the generics industry in the country

Non-financial declaration to the annual consolidated financial statements of Sopharma Group on the requirements of Art. 48-52 of the Accountancy Act - 2020

Development of the field of pharmacy	Internal communication	Training of employees		
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28 April 2021
Sofia



Ognian Donev, PhD
Executive Director