

IGR 2017

SUSTAINABLE
DEVELOPMENT
REPORT FOR 2017



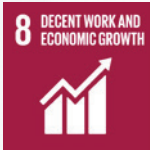
JGL devotes particular attention to the integration of six global goals in the overall business and operations process. They are part of 17 goals of Global Development Program by 2030.



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



Goal no. 5
Achieve gender equality and empower all women and girls



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



GOAL no. 9
Build adaptable infrastructure, promote inclusive and sustainable industrialization, and foster innovation



GOAL no. 12
Ensure sustainable forms of consumption and production



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

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GENERAL STANDARDS

A close-up photograph of a dandelion seed head, viewed from a low angle looking up. The seeds are dark brown and radiate from a central point. Numerous clear water droplets of various sizes are clinging to the seeds and the surrounding green and blue background. The background is a gradient of blue and green, with a pattern of small white dots. The text 'GENERAL STANDARDS' is overlaid in the upper left quadrant in a white, sans-serif font.

The background is an abstract, organic pattern of vibrant green and deep blue. The green areas are bright and have a textured, almost crystalline appearance, while the blue areas are darker and more fluid. The overall effect is reminiscent of a microscopic view of a biological structure or a complex, flowing liquid.

GRI 102:

GENERAL DISCLOSURES

1. Organizational profile

NAME OF THE ORGANIZATION

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

ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES

JGL's portfolio includes products of different legislative categories:

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

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

- pills, pastilles, hard and soft gelatin capsules
- sterile solutions
- compressed formulations (aerosols)
- powders for injections
- powders for oral solutions
- granules
- suppositories
- non-sterile solutions
- ointments, creams and gels
- teas.

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

The portfolio consists of 160 brands, 460 products, 1,360 variations and 6,000 articles. It is adapted to the specificities of each market and has become recognisable in chosen market and therapeutic segments, especially in the segments of nasal decongestants based on sea water and ophthalmics in the entire therapeutic spectrum. The most international brand is Aqua Maris, currently present on three continents and in more than 30 countries. Meralys, Lactogyn, Normia, Dramina and Vizol S stand out among the key brands.

LOCATION OF HEADQUARTERS

Svilno 20, 51 000 Rijeka, Republic of Croatia

LOCATION OF OPERATIONS

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

JGL owns other companies that make up the JGL Group (Adrialab d.o.o., Ljekarna Pablo health institution, Pablo d.o.o. in Croatia, Farmis d.o.o. in Bosnia and Herzegovina, JGL d.o.o. Beograd-Sopot in Serbia, Jadran-Galenski laboratorij d.o.o. Ljubljana in Slovenia, and Jadran LLC Moskva in Russia). The whole Group employs 959 employees, out of which 591 in Croatia.

Key manufacturing activities are located at three addresses:

- JGL d.d. – Svilno 20, 51 000 Rijeka, Republic of Croatia
- Adrialab d.o.o. – Pulac 4a, 51000 Rijeka, Republic of Croatia
- JGL d.o.o. Beograd-Sopot – Milosava Vlajića 110, 11000 Beograd, Sopot, Serbia

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OWNERSHIP AND LEGAL FORM

The company is a domestically owned joint stock company. At the beginning of 2017, it owned 51,031 own shares. By 31 December 2017, the company purchased 30,625 of its own shares and sold 4,660 of its own shares, and on 31 December 2017, the state of own shares in the portfolio amounted to 76,996.

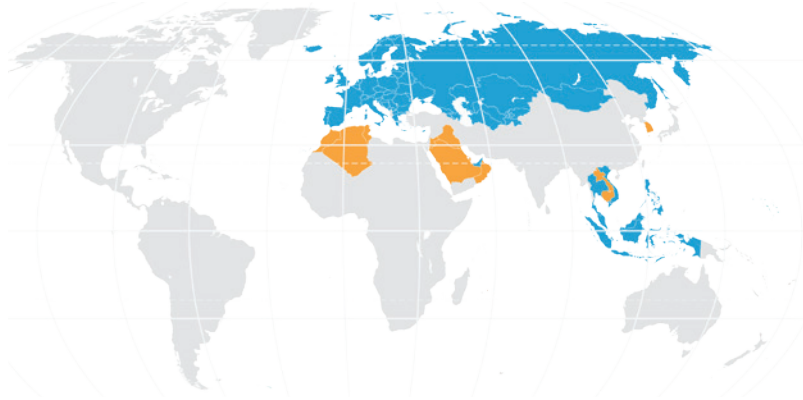
The share capital is divided into 1,184,720 shares of which 1,107,724 are shares with voting rights, while the remaining are own shares.

Owner	Number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	375,034	31.66%	33.86%
Small shareholders	335,278	28.30%	30.27%
Zdravko Saršon	236,996	20.00%	21.39%
Own shares	76,996	6.50%	
Marina Pulišić	43,096	3.64%	3.89%
Grozdana Božić	28,582	2.41%	2.58%
Vesna Črnjarić	24,162	2.04%	2.18%
Đurđica Miletović Forempoher	19,800	1.67%	1.79%
Sanja Vujić Šmaguc	18,130	1.53%	1.64%
Majid Hejja	14,600	1.23%	1.32%
Bruno Mihanović	12,046	1.02%	1.09%
Total	1,184,720	100.00%	100.00%

The company does not have a majority shareholder.

MARKETS SERVED

Key markets are the markets in the CIS region - Russia, Kazakhstan, Ukraine and Belarus, and in the SEE region - Croatia, Bosnia and Herzegovina, Serbia, Slovenia and Macedonia, where we are present with our own operations. The markets where we operate with a B2B model, at this time, make up a smaller share of revenue, but are in propulsive growth (EU, MENA region, ASEAN region). The company operates on 55 world markets.



■ Active markets

■ Markets in the phase of opening

SCALE OF THE ORGANIZATION

The total number of employees at the JGL Group level on 31 December 2017 was 959, and the number of employees in JGL d.d. was 522.

In 2017, JGL achieved net sales of HRK 428.8 million, an increase of 24 percent compared to the previous year.

The total capitalization analysed according to the shares of capital in sources of funds

JGL Group in 2017 had a 45.76 percent share of capital in sources of funds.

Indicator	2017	2016	2015	2014	2013
Self-financing coefficient	45.76%	35.08%	31.92%	34.29%	37.80%

Comparing this indicator in 2017 with previous years shows that the self-financing coefficient is significantly more favourable than in the previous two years.

INFORMATION ON EMPLOYEES AND OTHER WORKERS

The total number of employees on 31 December 2017 in the JGL Group was 959 (in 2016, the total number was 901).

Out of that number, 591 employees worked in Croatia (JGL d.d. on the Croatia market, Adrialab, Pablo, Ljekarna Pablo health institution), 216 in Russia, 59 in the South East Europe region (Bosnia and Herzegovina, Slovenia, Serbia, Macedonia, Kosovo), 40 in Ukraine, 38 in Kazakhstan, and a total of 15 employees worked in Belarus.

Out of the total number of employees, 77 percent are women, the percentage of highly educated persons in JGL Group is 64 percent, while the average age of employees is 39 years.

Number of employees on 31 December 2016 and 2017 in the JGL Group

JGL GROUP	2016	2017
JGL d.d.	687	522
Market of Croatia	377	410
Market of Bosnia and Herzegovina	9	7
Market of Macedonia	5	5
Market of Russia	211	6*
Market of Belarus	16	15
Market of Ukraine	33	40
Market of Kazakhstan	35	38
Market of Kosovo	1	1
AFFILIATED COMPANIES	214	437
JGL d.o.o. Beograd-Sopot	12	20
Farmis d.o.o. Sarajevo	16	21
JGL d.o.o. Ljubljana	7	5
Adrialab d.o.o. Rijeka	24	24
Pablo d.o.o.	2	1
Ljekarna Pablo health institution	149	156
Jadran LLC Moskva	4	210
THE TOTAL FOR THE JGL GROUP	901	959

* Employees moved to a new company Jadran LLC

Number of employees in 2017 according to age and gender

	WOMEN	MEN
<29	108	50
30-49	521	150
>50	103	27
TOTAL	732	227

Number of employees in 2017 according to professional qualification

	WOMEN	MEN
< Secondary education	12	3
Secondary education	218	88
Post-secondary education	13	15
University education	19	118
>University education	470	3
TOTAL	732	227

Number of employees in 2017 according to employment contract

JGL d.d.	FIXED-TERM CONTRACT	CONTRACT FOR AN INDEFINITE PERIOD
JGL d.d.	61	461
Market of Croatia	43	367
Market of Bosnia and Herzegovina	2	5
Market of Macedonia	0	5
Market of Russia	0	6
Market of Belarus	0	40
Market of Ukraine	0	15
Market of Kazakhstan	16	22
Market of Kosovo	0	1
AFFILIATED COMPANIES	55	382
JGL d.o.o. Beograd-Sopot	8	12
Farmis d.o.o. Sarajevo	9	12
JGL d.o.o. Ljubljana	1	4
Adrialab d.o.o. Rijeka	3	21
Pablo d.o.o.	0	1
Ljekarna Pablo health institution	18	138
Jadran LLC Moskva	16	194
JGL Group Total	116	843

Number of employees in 2017 according to the type of employment

JGL GROUP	PART TIME	FULL TIME
JGL d.d.	3	507
Market of Croatia	3	407
Market of Bosnia and Herzegovina	0	7
Market of Macedonia	0	5
Market of Russia	2	4
Market of Belarus	0	40
Market of Ukraine	0	15
Market of Kazakhstan	0	38
Market of Kosovo	0	1
AFFILIATED COMPANIES	5	432
JGL d.o.o. Beograd-Sopot	0	20
Farmis d.o.o. Sarajevo	0	21
JGL d.o.o. Ljubljana	0	5
Adrialab d.o.o. Rijeka	0	24
Pablo d.o.o.	0	1
Ljekarna Pablo health institution	0	156
Jadran LLC Moskva	5	205
JGL Group Total	10	949

SUPPLY CHAIN

JGL cooperates with a large number of suppliers in its supply chain, and there were a total of 227 during 2017. Reproduction material (raw materials and packaging) is procured from 137 suppliers, of which roughly a third are domestic, and the rest are foreign.

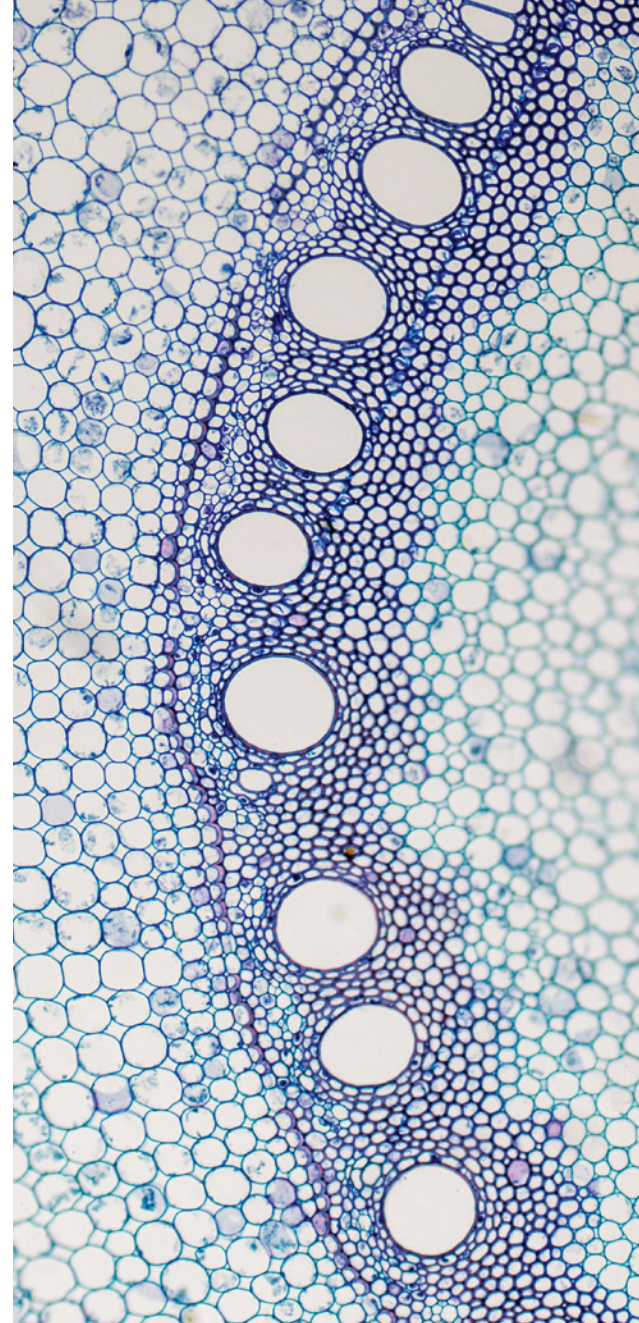
All suppliers have to meet the high standards of the pharmaceutical industry, and materials and services are only procured from an approved source of consistent quality.

The selection and approval of a new supplier is a complex and lengthy process, starting with supervision and understanding of the quality process of a potential supplier. In addition to initial verification, both new and long-term suppliers are regularly subjected to inspections (every two to three years), where besides the quality system, their overall business is also evaluated. Except through formal audits and questionnaires that we regularly send to suppliers, we evaluate them through everyday work and contacts with them. Relationships with partners are built on trust, mutual understanding and mutual respect of wishes and needs. Creating a partnership creates the prerequisites for respecting delivery deadlines, sustainable and fair prices and the quality of products and services. Partnerships with suppliers are also a prerequisite for a sustainable supply chain management, which directly affects company's savings and profitability.

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

Within the supply chain, companies that provide transportation services also have an important role. It is expected from the suppliers to prove themselves with quality, speed, innovation and complete expense transparency. Companies that regularly service and properly maintain vehicles and have a lower emission of harmful gases are selected. In warehouses and in production, we have largely moved from diesel forklifts to electric forklifts, thus directly affecting the reduction of environmental pollution. We buy all new transport vehicles with a built-in system for engine shutdown while stopping, thus contributing to lower environmental pollution.

There were no significant changes in structure, location, choices of, and termination of supplier relationships compared to 2016, in the reporting period.



SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN

Change of the business management model

On 31 December 2017, at the end of the mandate of four executive directors, one of whom was the chief executive officer, JGL changed the model of monistic management, which implies one executive director. Mislav Vučić, a manager with rich international experience in the pharmaceutical business, was appointed the Executive Director of JGL.

Establishment of Jadran LLC Moskva

In a key market of the CIS region, the Russian market, on 1 April 2017, the newly founded company Jadran LLC Moskva has taken over the entire business in Russia with the aim of improving distribution and product availability on the Russian market, as well as strengthening the negotiating position and profitability of Russian operations. Employees on the Russian market from JGL d.d. representation moved to the affiliated company Jadran LLC, part of JGL Group.

Work and activities of the Works Council (WC)

In the course of 2017, JGL's WC was in line with

the goals set in 2016 with the aim of specifying topics from the previous period, accelerating implementation of agreed actions, increasing efficiency of the WC through more efficient and transparent communication, continuing with the implementation of the Works Council's mission and raising the level of competencies of WC's members and workers-participants in decision-making processes. The covered areas of activity were occupational safety, working hours, shift work and workers' rights to use vacation days, free days, etc. Pursuant to the powers defined in the Work regulations, Work Agreement, and the Labour Act of the Republic of Croatia, the impacts achieved are the following: advisory role for the Employer, co-determination with the Employer, education of all internal stakeholders, promotion of the rights of employees in the JGL system and raising awareness of internal stakeholders in the field of working rights and obligations.

In 2018, the members of the WC want to carry out further education related to the Labour Act and its application in the company, they want to resolve the workers' inquiries through the system faster, to continuously communicate with the workers and the Employer about common issues with the aim of finding optimal solutions and elaborating a plan of additional activities according to the workers' suggestions. Focus is placed on occupational safety issues, helping the needy workers, and changing JGL's Salary Policy.

Investment in the performance management system

As in previous years, in March 2017, top corporate operating goals were announced at the company level, and they were cascaded to everyone within the employee performance management process. During the year, their realisation was followed, and the information that influenced the direction of the realisation were sent into the system to everyone involved. We are proud that we improved the process itself, as compared to the previous period, in the area of the reduction of top goals and the improvement of communication between those involved in their realisation.

Investment in a reward system

Thanks to the successful sale of Russian brands, short-term debt remediation and ensuring liquidity, we have invested in employees on several levels within the existing reward system during 2017. For the purpose of restoring the company's stability and securing its operational sales plan, but also its long-term sustainable growth, the project "Defining Key and Strategic Jobs" was launched as a basis for defining investment priorities. The project included systematic job consideration, a review and definition of expected delivery levels and key competencies for JGL at all levels, except for the management.

New educational cycles for employees

In 2017, educational cycles for management and lifelong learning initiatives were initiated in cooperation with the university community. With the focus on strategy as a key to the company's success and support in realisation, a long-term and continuous JGL management development program has been launched. The purpose of JGL's "We Can Be Better" program is to identify, encourage and establish unified leaders and managers who will consistently implement three concepts in their daily activities: proactive responsibility, innovation, change.

Care of employees and community

In the reporting period, for the first time, the company's door were officially opened to the family of employees at the JGL Family Day, providing entertainment and joy, as well as an educational tour of the plant for all interested. In addition, in partnership with the Red Cross and the Clinical Department of Transfusion Medicine, during 2017, we organized a blood donation action twice on the company's premises.. Our JGL Drop action shows and proves that employees are happy to take the opportunity to donate blood in the familiar ambience of the workplace and to check their health with a doctor.

We continued with the "Allergic to allergies" action, within which public health action and public testing for the ragweed allergen took place in Zagreb, as well as a large action of clearing habitats of ragweed in Osijek.

In the donation and sponsorship segment during the reporting period, JGL provided financial support to Kenya's orphanage "Mali dom", our employees participated in the global Wings for Life World Run race, we were at Humanijada, and continued to support the Rijeka athletes at the Football Club Rijeka and Primorje Aqua Maris, HNK Ivana pl. Zajc, we were at the Rab Triathlon, Fiumanka, Croatia Indoor 2017, the IMTJ Medical

Travel Summit, Baltazar on Gradina, the World Rowing Championship for Veterans, the Ilici Masters Tournament, etc. We have concluded the year with a humanitarian action for Clinical Hospital Centre Kantrida by collecting hundreds of toys for children in the oncology department

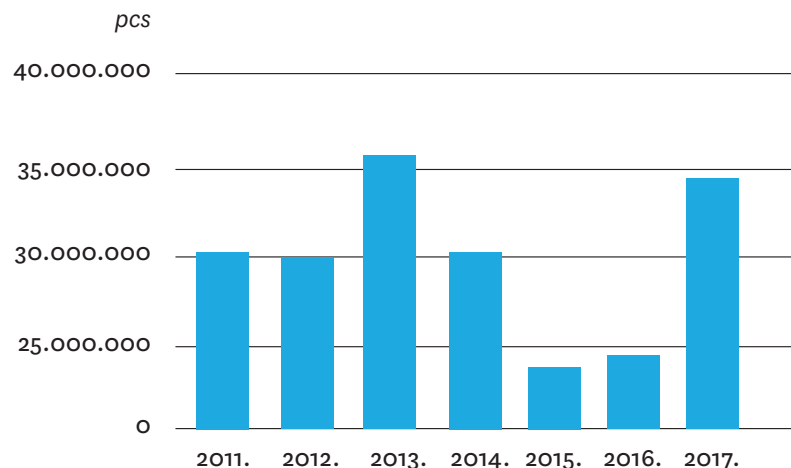
Globalisation

JGL signed a total of 15 new B2B contracts during twelve months of 2017, for the markets of strategic, EU, MENA and ASEAN regions. Contracts mainly cover the portfolio from three product groups – Meralys nasal sprays, Aqua Maris sea water based products, medicines for the treatment of glaucoma and OTC eye drops from the Vizol S brand. It is about a business collaboration of licensing and distribution of JGL products, with production and delivery by JGL.

Production

With nearly 35 million products produced in 2017, we have confirmed the success of investment structural projects, technology platform investments, and respect of the highest quality standards – from the construction of the newest state-of-the-art production facility, Svilno 2, to the investments to raise efficiency in Svilno 1. The increase in production compared to the previous year is as high as 32 percent. In addition to the increase in the number of pieces, the productivity per employee also increased, for which we almost achieved the result from the record 2013.

Total production (pcs)



New registrations and products

Particular attention was also paid during 2017 to DCP procedures (decentralized marketing procedures) and other registration procedures, as well as the renewal of solutions and variations that were of paramount importance to ensure continued product availability on the market and their compliance with production documentation and existing regulations. Accordingly, during the reporting period, 117 first applications were prepared and submitted for registration, of which 94 received approvals, 84 received requests for renewal of the solution and 421 were variations. As far as launching is concerned, there were a total of 73 product launches in the reporting period, of which up to 87 percent were products from their own development.

Inspections

During the year 2017, a total of 15 inspections by regulatory institutions, certification bodies and external partners were conducted. Although we are talking about a smaller number of audits than in the record 2016, over the past year, we have presented the JGL systems to our partners and supervisory bodies, confirming a high level of quality system, recognized by many partners, thus continuously meeting the prerequisites for successful business operations and ensuring competitiveness on the market. The company and its processes have been completely approved in all conducted inspections, with more or less non-compliances, but what has been the common denominator of all inspections is the praise of all employees, with particular emphasis on the level of knowledge and overall competencies.

Waste management

Our main goal in 2017 was to increase the quality of “useful waste” management. At the end of 2016, we put in place a storage space for our own waste, and during the reporting period of continuous monitoring of waste collection and sorting, we have achieved a further step forward in the management of processable waste.

With centralized collection from production sites Svilno 1 and Svilno 2, and with the beginning of work with new partners, a significant growth has been achieved in the management of waste paper and plastic, while at the same time raising employees’ awareness.

Electrical energy

Our goal was to reduce electricity consumption and to have continuous consumption control. With the introduction of the ISO 50001 energy



management system, we have opened the way towards a systematic approach to rational energy consumption. By using the guidelines and recommendations, we have identified the key points of consumption, cooling and HVAC production systems.

By the end of 2017, the project for the installation of a new water cooler in Svilno 2 was also completed, planned to provide redundancy for the existing cooler and a device that will provide cooling energy in the winter with much better performance. Also, within this project, G16 facility was connected to the central power plant, with a plan to further save energy for heating and cooling.

With a long-term partner, HEP opskrba, we have signed a new, three-year contract on power supply and we continue the good practice of purchasing green energy or energy from renewable sources, thus reducing CO2 emissions to zero.

Water

We have also applied good practices in electricity to water. We have identified potential critical spots and are planning to introduce a remote control system for water consumption via planned projects in the coming years. It will enable us to quickly detect leaks and unnecessary water losses.

In conclusion, in 2017, we successfully passed the following: ISO 50001 recertification of energy management system, inspection by an electrical inspectors, inspection by a water inspector, inspection by a pressure vessel agency and inspection for occupational safety.

PRECAUTIONARY APPROACH

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

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

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

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

EXTERNAL INITIATIVES

The quality of each product and service is a key priority, and pursuant to the above, a policy of quality and environmental management through the application of norms and principles, which are based on various legal requirements and other requirements, guidelines, good practices, and recommendations was established:

- Medicinal Products Act and accompanying regulations, OG current issue
- Medical Devices Act and accompanying regulations, OG current issue
- Food Act and accompanying regulations, OG current issue
- Act on General Use Items, OG current issue
- Directive 93/42/EEC
- ISO 9001:2015
- EN ISO 13485:2016
- ISO 22000:2005
- ISO 22716:2007
- EN ISO 14971:2012
- ISO 50001:2011
- Good Manufacturing Practice of the European Commission, Part I and applicable Annexes

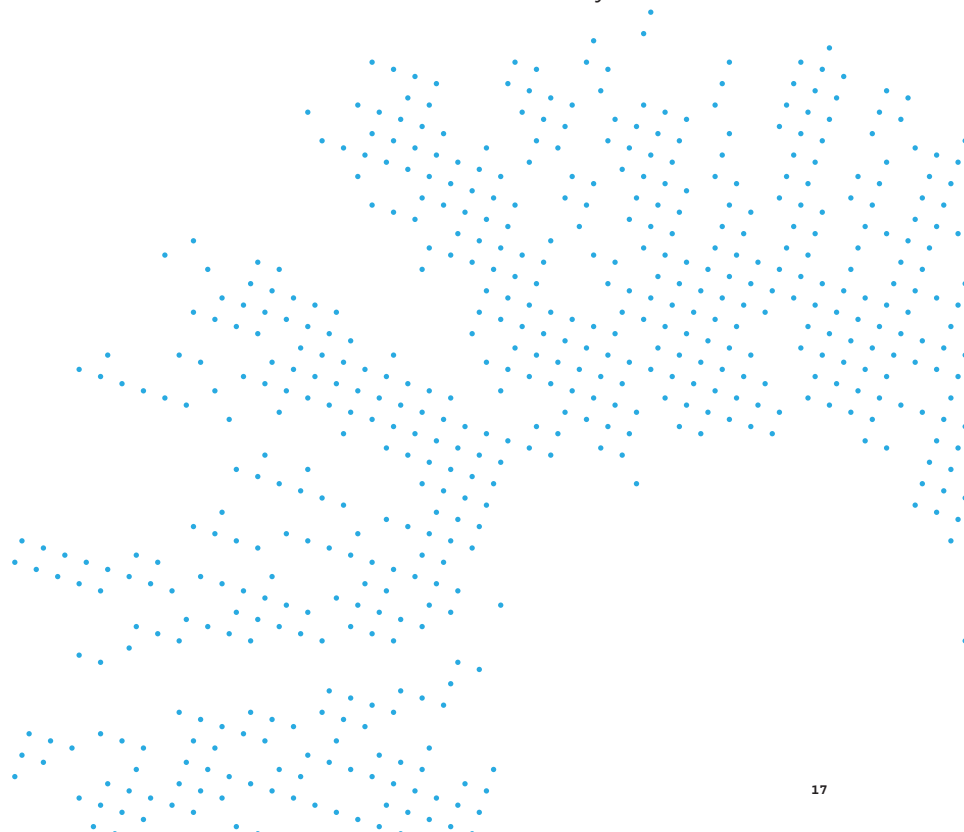
- Good Distribution Practice of the European Commission
- FDA cGMP and other applicable documents
- ICH guidelines applicable to JGL's business
- Rules of good manufacturing practice of Russia

MEMBERSHIP OF ASSOCIATIONS

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

- Croatian Business Council for Sustainable Development
- Croatian Chamber of Economy
- CEA's Association of Medicines Manufacturers
- The European Generic Medicines Association
- Croatian Managers' & Entrepreneurs' Association
- Croatian Association for Automatic Identification, Electronic Data Interchange (EDI) and Business Process Enhancement
- Leader's Club of Exporters

- Croatian Pharmaceutical Society
- Croatian Pharmacological Society
- Licensing Executives Society
- Association of the Croatian Business Forum
- Croatian Health Cluster
- Croatian Association of the Self-Medication Industry



2. Strategy

STATEMENT FROM SENIOR DECISION-MAKER

JGL continually develops, maintains and improves a management system, which tries to ensure a safe, continuous and sustainable company growth and development. Both engaged and satisfied stakeholders, as well as positive social, financial and environmental impacts, are needed for this, which can be achieved in the long term solely through maintaining high and constant quality of products and services, with constant monitoring and improvement of key processes.

That's why JGL's leadership is committed to maintaining and promoting culture oriented towards sustainability in all stages of business. Quality is implemented through goals, systems and processes that ensure safe, effective and timely available products and services, according to the expectations and needs of our stakeholders – users, B2B partners, other interested parties, as well as regulatory requirements and standards. In 2017, the JGL Group stabilized and improved its operational business and set good foundations for further growth. Thanks to a significant debt reduction and sales growth in all key markets, we have realized a total revenue of HRK 931.4 million, which is a nine percent increase compared to 2016.

When it comes to environmental and social factors, I would like to mention the investments made during 2017 that were directed at the system of rewarding employees in key and strategic positions, a successful recertification of the ISO 50001 energy management system, as well as the beginning of the implementation of a new ERP system that we hope will further integrate and simplify the management of our financial, human and other resources.

We live in a very dynamic environment and time, which require us to constantly change and adapt to changes. To quote Darwin: "It is not the strongest of the species that survives, nor the most intelligent, but rather the one most responsive to change." There is a lot of work ahead of us in 2018, including a simpler model of monistic governance, and our goal is increasing profitability, efficiency and cost effectiveness of the company, as well as restructuring key processes. The fast-changing world requires a change in business philosophy, as well as a simpler management model. We need to restructure our portfolio and balance sheet, increase the level of creativity and innovation in all of our business segments, such as developing new products, integrate and improve efficiency in our operating process chains, strengthen strategic competence, employee satisfaction and engagement, and develop our young talent.

We are confident that fulfilling these goals will further strengthen our position in key therapeutic segments in key markets, improve the integration of the business unit within the system, and improve the ability to adjust even more quickly to market needs and changes that are a constant factor on the global pharmacy market.

With the focus on socially responsible business, employee engagement and is the focus on customers and clients. By focusing on customers, and constantly adjusting to market conditions and trends, and fostering business excellence as a key element of development and growth, JGL wants to have competitive advantage in the future.

Ivo Usmiani, President of JGL's Board of Directors



KEY IMPACTS, RISKS, AND OPPORTUNITIES

When planning a management system, the company takes into account the internal and external context of the organization and the requirements of stakeholders to determine the risks and opportunities that are needed to:

- ensure that the system can achieve the intended results,
- increase the desired impacts,
- prevent or reduce undesirable impacts,
- achieve (permanent) improvement.

In line with global trends, mainly demographic, economic, and trading trends, as well as trends related to the pharmaceutical industry and health care as a whole, the JGL Group finds its opportunities in the following areas:

- increasing productivity to successfully address the problems of an ageing population and

increase in the number of chronic illnesses, and minimizing the strain on public finance;

- a more comprehensive use of renewable energy and efficient energy consumption as the only way to mitigate the risks arising from the rapid increase in demand and limited supplies, as well as their polluting aspect;
- multi-annual, closely regulated work experience and interconnectedness with partners and institutions within a wide global network, which contributes to the accessibility of high-quality, safe and effective products for treatment, self-treatment and prevention for every human being.

When it comes to the risks that JGL Group's business causes for the society, the environment and economy, which have been given priority in the reporting period analyses, the following ones are key:

- the risk of a decrease in the number of employees, which can have a significant effect on the change of employment rate in the national pharmaceutical industry and local community in general;
- the risk of a reduction in financial aid to the local community, which indirectly affects the vitality and survival of certain healthcare institutions, associations, and young talent;
- the risk of a decrease in the number of partnerships and various cooperation models on the national and global levels;
- the risk of a reduced influence on changes on the local and national levels.



3. Ethics and integrity

VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR

JGL operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, strengthening personal responsibility and corporate social responsibility. JGL d.d. has not adopted the Code of Corporate Governance, but accepts its application (http://www.zse.hr/UserDocImages/docs/Kodeks_HR.pdf).

In its business activities, JGL d.d. applies internal policies with clearly defined procedures for the work of the Board of Directors and executive directors, and clear principles guaranteeing the protection of interests of all stakeholders (e.g. annual, semi-annual and quarterly reports are accessible to stakeholders; persons who use or come into contact with privileged information are familiar with the nature and significance of the information and the relevant restrictions; control of the flow of privileged information and the possible abuse of such information has been established).

The Board of Directors has established an Audit Committee, two members are independent, while one member has passed the exam for a statutory internal auditor. In the course of its work, the Committee assesses the quality of the internal control and risk management system, with the aim of properly identifying the main risks the company is exposed to (including the risks related to compliance with regulations).



4. Management

GOVERNANCE STRUCTURE

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

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

- Ivo Usmiani, President of the Board of Directors,
- Zdravko Saršon, Deputy President of the Board of Directors
- Marina Pulišić, member of the Board of Directors,
- Grozdana Božić, member of the Board of Directors,
- Eva Usmiani Capobianco, member of the Board of Directors,
- Dorotea Pernjak Banić, member of the Board of Directors, workers' representative.

During the reporting period, from 1 January 2017 to 30 December 2017, the executive directors who represented the company and managed the operational business were:

- Jasmin Huljaj, CEO and executive director for business development and customer relationship management,

- Sanja Vujić Šmaguc, Deputy CEO and executive director for portfolio management,

- Dražen Jakšić, Executive Director of Corporate Finance,

- Mate Poropat, Executive Director of Pharmaceutical and Technical Operations.

In order to further strengthen operational business and increase profitability, JGL, as of 31 December 2017, transitioned to a simpler model of monistic governance. The new model implies one instead of four executive directors; thus, the position of the representative and executive director has been taken over by:

- Mislav Vučić, Executive Director.

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

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

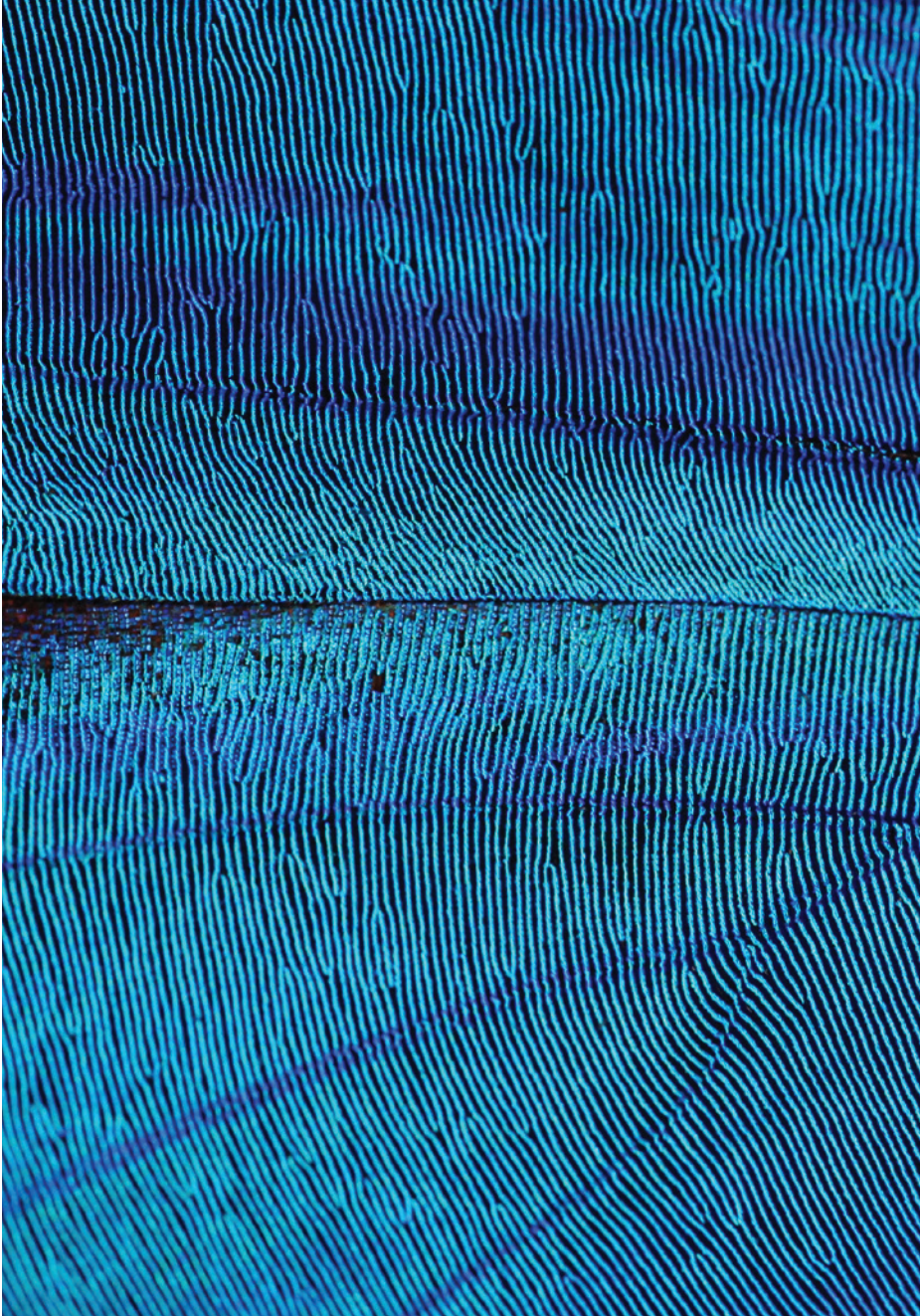
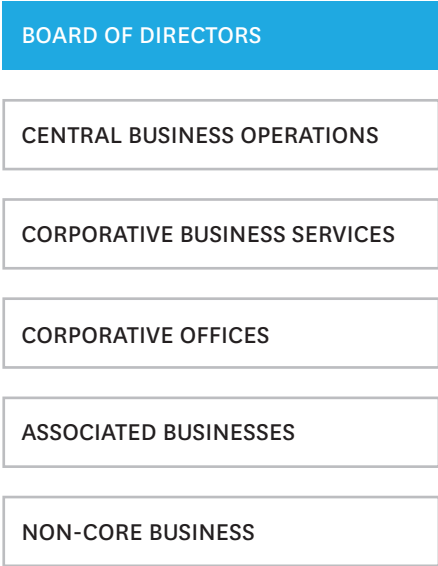
All company activities take place through processes of varying complexity. Consequently, all processes important for managing the company have been determined. In this way, the processes are easy to monitor, measure and improve, directly resulting in a total improvement of the system.

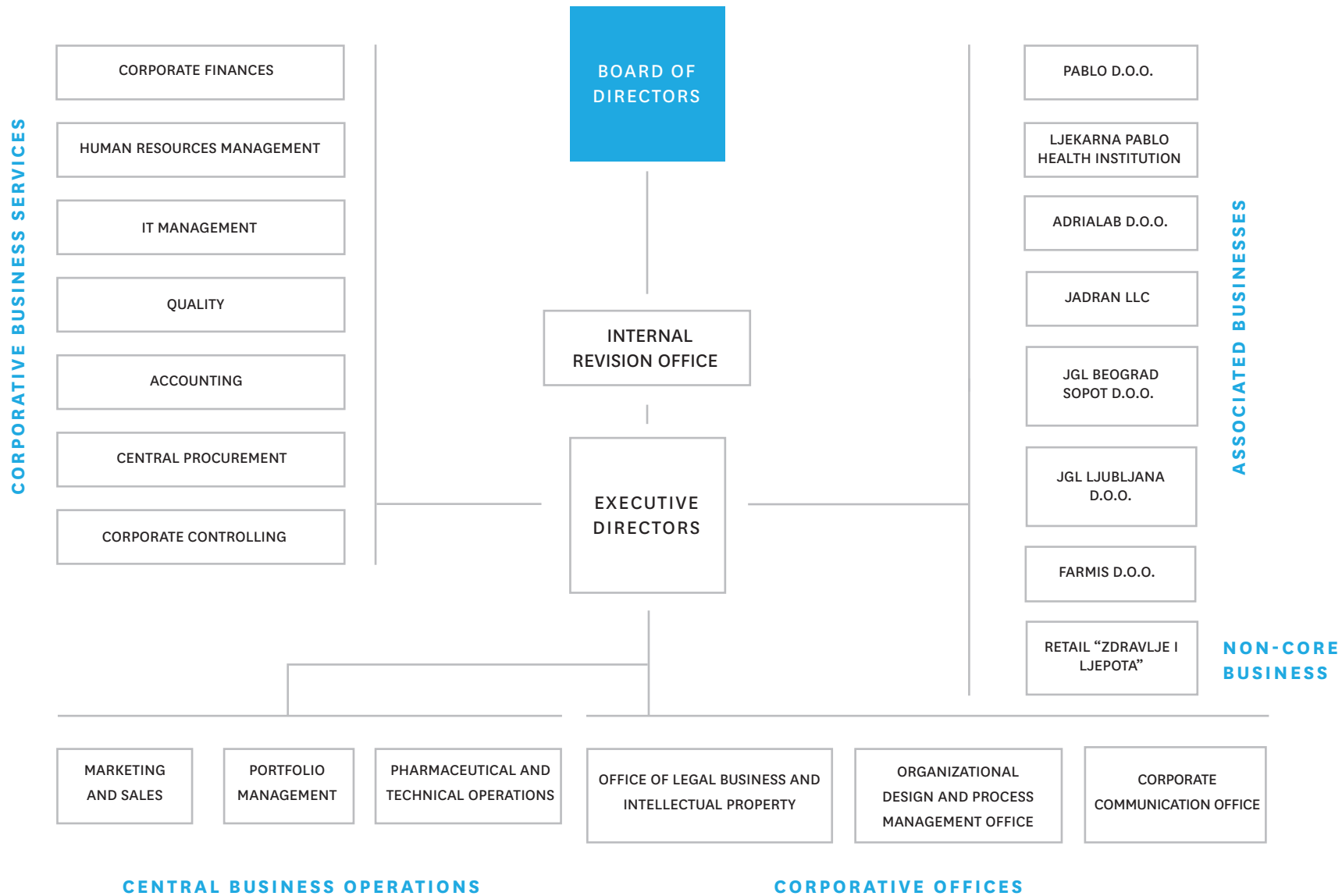
Processes are divided into two groups, key processes take place through central business operations:

- Marketing and sales,
- Portfolio management,
- Pharmaceutical and technical operations,

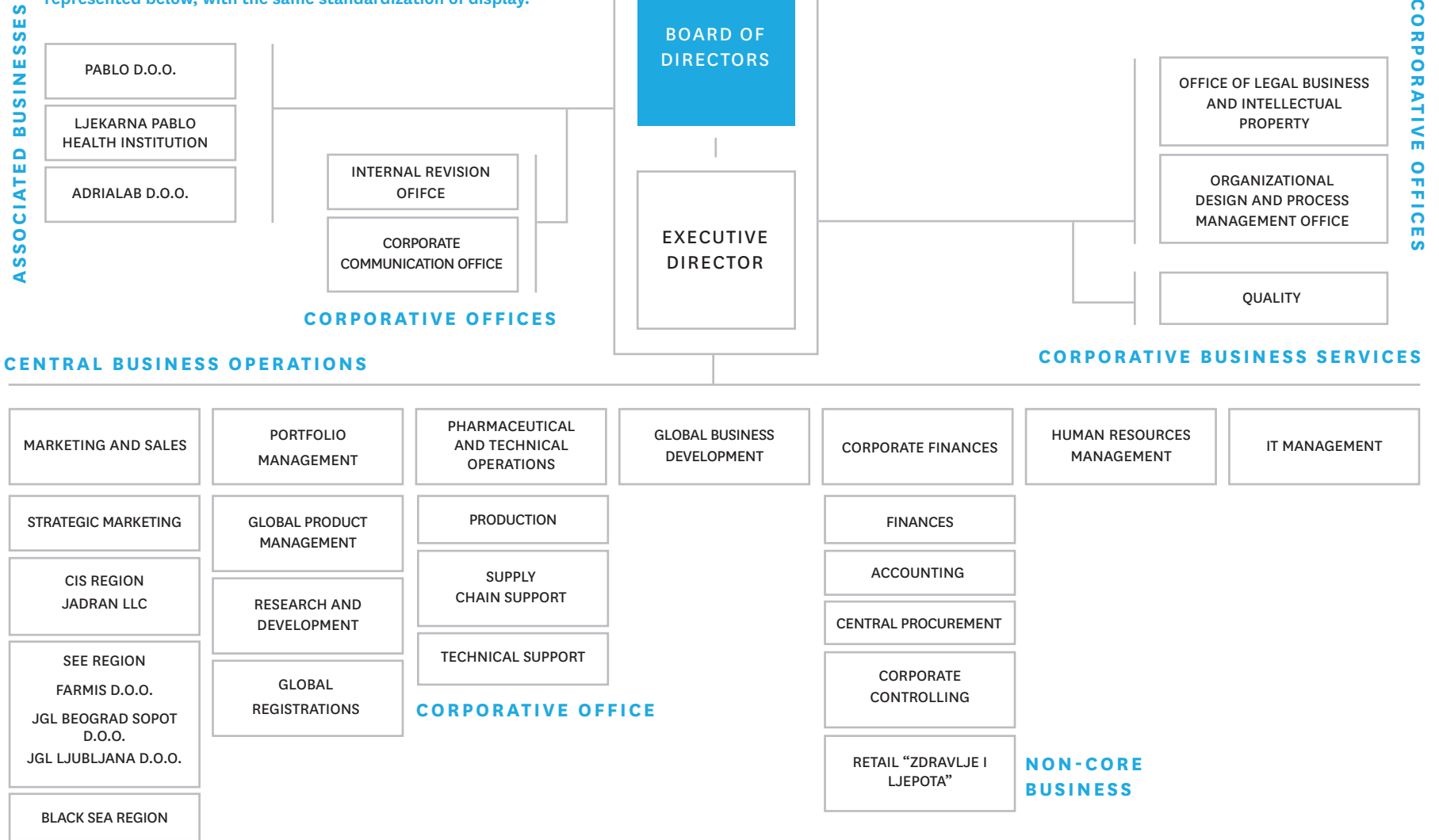
while processes within corporate support and offices support the functioning of key processes.

Top organizational structure of JGL Group from 1 January to 30 December 2017 is represented below, with the following standardization of display:





Top organizational structure of JGL Group from 31 December 2017 is represented below, with the same standardization of display.



5. Stakeholder engagement

102-40

LIST OF STAKEHOLDER GROUPS

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

102-41

COLLECTIVE BARGAINING AGREEMENTS

The company has not entered into collective agreements with employees.

102-42

IDENTIFYING AND SELECTING STAKEHOLDERS

During the reporting period, as part of the engagement and selection of key stakeholders in the implementation of the strategy and achieving the company's overarching goals, we were guided by the implemented Customer Value Proposition approach to the organization of our business, where we consider the end user as the main customer, defining certain groups of doctors and pharmacists as key on certain markets.

Also, given that employees are the key value of the company that plan, implement, prepare, report, and inform other stakeholders about JGL's sustainable development goals, they are the key link in this process.

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

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

ENGAGED STAKEHOLDERS

- Employees
- Shareholders
- End users
- Doctors/pharmacists
- Students

102-43

APPROACH TO STAKEHOLDER ENGAGEMENT

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

We conducted our research throughout the whole reporting period:

- Employees (on a continuous basis – on joint events, within a corporate newsletter, during the evaluation of specific CSR activities, etc.)

- Shareholders (officially once a year – at the annual general meeting of shareholders, since shareholders are partly employees, according to some, communication was ongoing)

- End users (on a continuous basis – on public platforms such as social networks or an online counselling centre, during promotional activities, through CSI surveys)

- Physicians/pharmacists (on a continuous basis – expert associates in the field, meetings, joint meetings, agreed company visits and tours)

- Students (several times a year – joint meetings, joint projects)

- the need for more frequent and more focused internal and external education (employees, doctors, pharmacists)

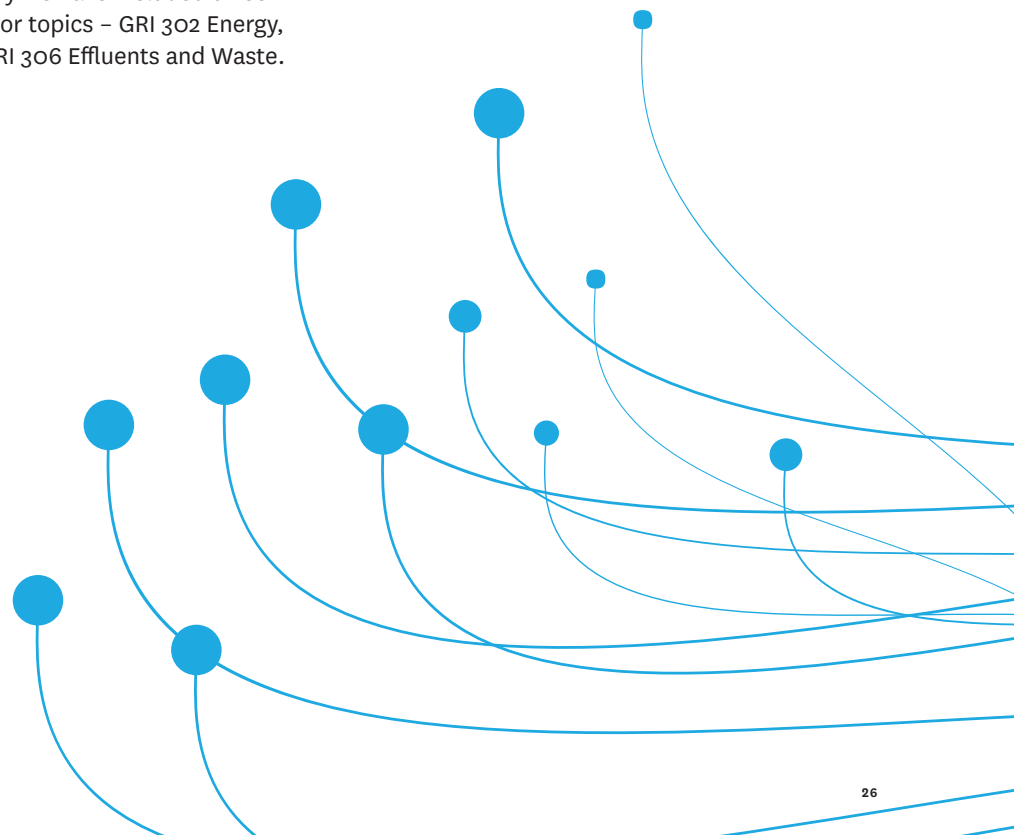
- significant investment in research and development of own products (shareholders, employees, students, customers)

- significant investments in environmental care (shareholders, employees, end consumers, students), which is why we have included three environmental indicator topics – GRI 302 Energy, GRI 303 Water, and GRI 306 Effluents and Waste.

KEY TOPICS AND CONCERNS RAISED

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

- direct generated economic value and distributed economic value, company liquidity, debt management (shareholders, employees), which is why we continue reporting on the topic of GRI Economic Performance in this report



6. Reporting practices

ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

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

The mission of the company is to improve the quality of life with regard to health care, and the strategic guidelines are linked to internationalization of business, operational efficiency, technological focus, and continuous development of close relationships with customers and partners. At the core of our business are instrumental values that engender togetherness and reject isolation: responsibility towards the whole, the importance of the greater good, equality and inclusion, respect for all lifestyles and unconditional care.

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

Summing up the answers we received has led us to the next, most frequent expectations of our key stakeholders, according to which we identified relevant material topics:

- ensuring drug availability (doctors, pharmacists, end consumer),
- continuous investment in education (employees, doctors and pharmacists),
- constant care and improvement of investment in environmental protection (employees, shareholders, end consumer),
- inclusion and sharing of knowledge (doctors, pharmacists, student community),
- sustainable financial growth (employees, shareholders).

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

LIST OF MATERIAL TOPICS

GRI 200 ECONOMIC TOPICS

- GRI 201 Economic Performance
- GRI 202 Market Presence

GRI 300 ENVIRONMENTAL TOPICS

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

GRI 400 SOCIAL TOPICS

- GRI 402 Labor/Management Relations
- GRI 403 Occupational Health and Safety
- GRI 404 Training and Education
- GRI 416 Customer Health and Safety

RESTATEMENTS OF INFORMATION

Regarding the information provided in the previous reports, but also wider, there were no significant changes in the company.

CHANGES IN REPORTING

Changes in relation to the previous reporting period in material topics and boundaries refer only to one newly introduced topic “Labor/Management Relations”.

REPORTING PERIOD

This is the tenth edition of JGL’s Sustainable Development Report, which includes a one-year reporting cycle, i.e. the period between 1 January and 31 December 2017.

DATE OF MOST RECENT REPORT

On 15 September 2017, the last ninth edition of JGL’s Sustainable Development Report was published. All published JGL Sustainable Development Reports are available on the link <https://www.jgl.hr/en/about-us/jgl-in-the-community/sustainable-development-reports..>

REPORTING CYCLE

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

CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

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

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

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

GRI CONTENT INDEX

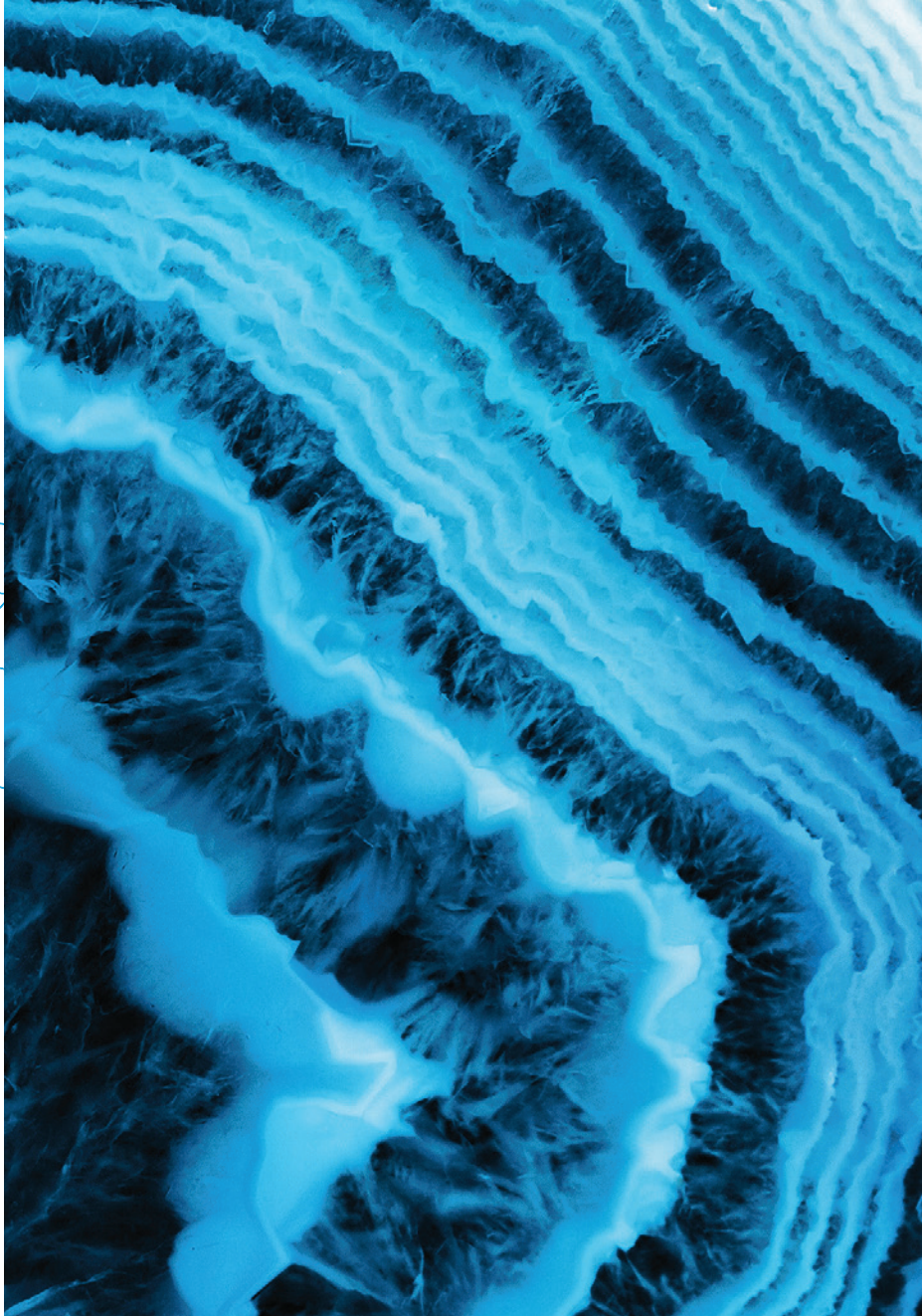
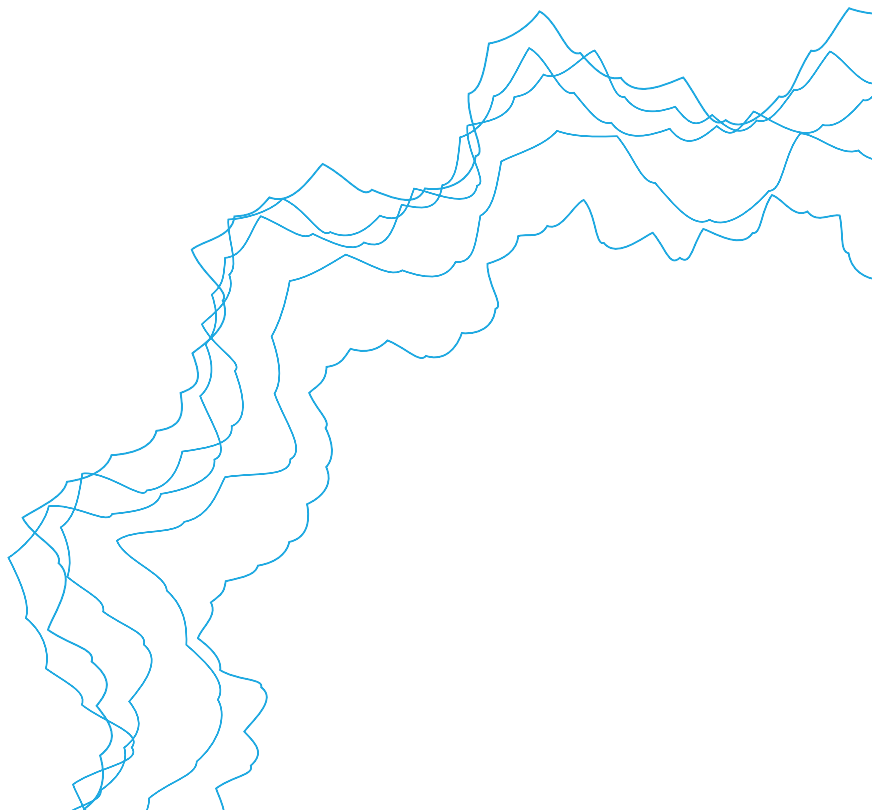
GRI STANDARD	DISCLOSURE	PAGE NUMBER
GRI 102 – GENERAL DISCLOSURES 2016		
	102-1 NAME OF THE ORGANIZATION	6
	102-2 ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES	6
	102-3 LOCATION OF HEADQUARTERS	6
	102-4 LOCATION OF OPERATIONS	6
	102-5 OWNERSHIP AND LEGAL FORM	7
	102-6 MARKETS SERVED	8
	102-7 SCALE OF THE ORGANIZATION	8
	102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS	8
	102-9 SUPPLY CHAIN	11
	102-10 SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN	12
	102-11 PRECAUTIONARY PRINCIPLE OR APPROACH	16
	102-12 EXTERNAL INITIATIVES	16
	102-13 MEMBERSHIP OF ASSOCIATIONS	17
	102-14 STATEMENT FROM SENIOR DECISION-MAKER	18
	102-15 KEY IMPACTS, RISKS, AND OPPORTUNITIES	19
	102-16 VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR	20
	102-18 GOVERNANCE STRUCTURE	21
	102-40 LIST OF STAKEHOLDER GROUPS	25
	102-41 COLLECTIVE BARGAINING AGREEMENTS	25
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	102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT	28
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	102-56 EXTERNAL ASSURANCE	32

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSION
MATERIAL TOPICS			
GRI 200: ECONOMIC TOPICS		35	
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	35	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	35	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	35	
GRI 201: ECONOMIC PERFORMANCE	201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	36	
	201-2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE		WE DO NOT MONITOR THE EFFECTS OF CLIMATE CHANGE
	201-3 DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS		WE DO NOT HAVE A DEFINED PENSION PLAN
	201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	36	
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	36	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	36	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	37	
GRI 202: MARKET PRESENCE	202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE	37	
	202-2 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY	38	
GRI 300: ENVIRONMENTAL TOPICS			
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	40	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	40	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	41	
GRI 302: ENERGY	302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION	41	
	302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION	43	
	302-3 ENERGY INTENSITY	44	
	302-4 REDUCTION OF ENERGY CONSUMPTION	44	
	302-5 REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES		DESCRIPTIONS AND TARGETS UNDER 302-4 RELATE TO THIS DISCLOSURE
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	45	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	45	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	45	
GRI 303: WATER	303-1 WATER WITHDRAWAL BY SOURCE	45	
	303-2 WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER	46	
	303-3 WATER RECYCLED AND REUSED	46	
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	47	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	47	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	47	
GRI 306: EFFLUENTS AND WASTE	306-1 WATER DISCHARGE BY QUALITY AND DESTINATION	47	
	306-2 WASTE BY TYPE AND DISPOSAL METHOD	48	
	306-3 SIGNIFICANT SPILLS		THERE HAVE BEEN NO SIGNIFICANT SPILLS
	306-4 TRANSPORT OF HAZARDOUS WASTE		WE DO NOT TRANSPORT HAZARDOUS WASTE
	306-5 WATER BODIES AFFECTED BY WATER DISCHARGES AND/OR RUNOFF		THERE HAVE BEEN NO LEAKAGES

GRI STANDARD	DISCLOSURE	PAGE NUMBER
GRI 400: SOCIAL TOPICS		51
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY 103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS 103-3 EVALUATION OF THE MANAGEMENT APPROACH	52 52 52
GRI 402: LABOR/MANAGEMENT RELATIONS	402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES	52
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY 103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS 103-3 EVALUATION OF THE MANAGEMENT APPROACH	53 53 54
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-1 WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES 403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES 403-3 WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION 403-4 HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS	54 54 55 55
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY 103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS 103-3 EVALUATION OF THE MANAGEMENT APPROACH	56 56 57
GRI 404: TRAINING AND EDUCATION	404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE 404-2 PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS 404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	57 57 58
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GRI 416: CUSTOMER HEALTH AND SAFETY	416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES 416-2 INCIDENTS OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES	60 62

EXTERNAL ASSURANCE

In accordance with the continuous and comprehensive support of the Croatian Business Council for Sustainable Development (HR BCSD), JGL has, for each published report, asked the opinion of the HR BCSD Management Board to be included in the Report. This issue is not the exception – HR BCSD is the most called-out institution in the Republic of Croatia when it comes to promoting corporate social responsibility, so we appreciate their opinions and verification of the Report.



SPECIFIC STANDARDS

The background is a complex, abstract composition. It features several large, semi-transparent spheres in shades of orange, yellow, and blue. These spheres are interconnected by a network of thin, light-colored lines that radiate outwards, creating a sense of depth and connectivity. The overall aesthetic is clean, modern, and technical, suggesting a focus on data, science, or technology.



GRI 200:
ECONOMIC
TOPICS

ECONOMIC PERFORMANCE

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

The topic was chosen as material due to the significant interests of key stakeholders – shareholders and employees. The company is associated with impacts through its own activities, but also activities that are the result of business relationships with other bodies and the situation on a global, economic and political level.

The negative economic effects that the company produces in its business activities are related primarily to the cost aspect and use of limited economic resources (work, natural resources, capital assets), while the positive effects are related to the economic advantages of manufacturing goods and services.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

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

The Group also reduces the risk of securing the collection of claims through the diversification of sales to different markets, the creation of creditworthiness, credit limits and ensuring foreign claims.

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

The Group also uses financial derivatives to hedge against sharp exchange rate fluctuations, manage liquidity risk by maintaining sufficient cash and working capital, and by contracting credit lines that allow quick withdrawal of short-term funds. The Group minimizes the risk of debt by regulating the share of financing with its own resources in relation to financing from other sources.

EVALUATION OF THE MANAGEMENT APPROACH

Mechanisms that the company uses to monitor the management approach effectiveness include external, independent auditing, monitoring the realization of corporate goals, everyday metering systems, and analysing and feedback of stakeholders.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2017. (ooo HRK)
Direct generated economic value	910.594
Net sales revenue	757.419
Revenue from the lease and sale of assets	151.004
Revenue from interest	2.171
Distributed economic value	716.649
Operating costs	585.336
Salaries and employee benefits	151.788
Payments to providers of capital	24.782
Payments to government	4.413
Investments into the community	330
Economic value retained	193,945

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

The parent company qualified in 2017 for state incentives in the amount of HRK 9,077,345.33. Incentives were realized through tax deduction based on education, investment, employment of long-term unemployed persons and volunteers and preferential credit interests.

MARKET PRESENCE

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

The topic was chosen as material due to the significant interests of key stakeholders – employees, shareholders and students.

The company is associated with impacts through its own activities, but also activities that are the result of business relationships with other bodies and the situation on a global, economic and political level.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL manages this topic through developing a thriving and cooperative culture oriented towards success by developing leadership and management skills and ensuring the accountability and independence of all employees.

The Ordinance on Salaries, Compensations and Benefits in JGL regulate the right of employees to salaries, i.e. determines salaries, conditions for salary compensations, conditions for payment of the variable and/or stimulating part of the salary, and other cash and non-cash inflows that employees earn on the basis of work performed in JGL.

In accordance with Art. 5, the employer is obliged to pay equal pay for equal work and work of equal value to men and women.

It is also important to point out that since September 2016, one member was elected by the workers as Workers' Representative in the JGL's Board of Directors. The Workers' representative is also a member of the Works Council, and his role and role of the Works Council is to synergistically

promote workers' issues by conveying key information to the Board of Directors in the interest of the workers, as well as asking topical questions for solving issues posed at the Works Council in the interest of the workers, at company level, as well as individually.

EVALUATION OF THE MANAGEMENT APPROACH

Mechanisms to monitor the effectiveness of the management approach in this topic are employee satisfaction surveys and employee engagement, analysing outgoing interviews and complaints to the Works Council by employees and stakeholder feedback, including competition.

One of the key goals of JGL's Works Council in the 2018 business year is continuous communication with employees and the employer on common issues with the aim of finding optimal solutions, focusing on certain changes within the current JGL's Ordinance on Salaries, Compensations and Benefits.

RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

	JGL CROATIA initial gross 1 salary	CROATIA minimal salary	JGL RUSSIA initial gross 1 salary	RUSSIA minimal salary
2016.	4.500,00 HRK	3.120,00 HRK	3.120,00 HRK	1.473,36HRK
2017.	4.500,00 HRK	3.276,00 HRK	3.276,00 HRK	1.473,36HRK

	JGL CROATIA average gross 1 salary	CROATIA average gross 1 salary in the private sector	JGL RUSSIA average gross 1 salary	RUSSIA average gross 1 salary in the
2016.	11.512,28 HRK	8.023,65 HRK	11.380,35 HRK	6.138,80HRK*
2017.	11.508,33 HRK	we do not have reliable data	12.235,49 HRK	4.306,10HRK*

*data taken from the Mazars CEE Tax guide

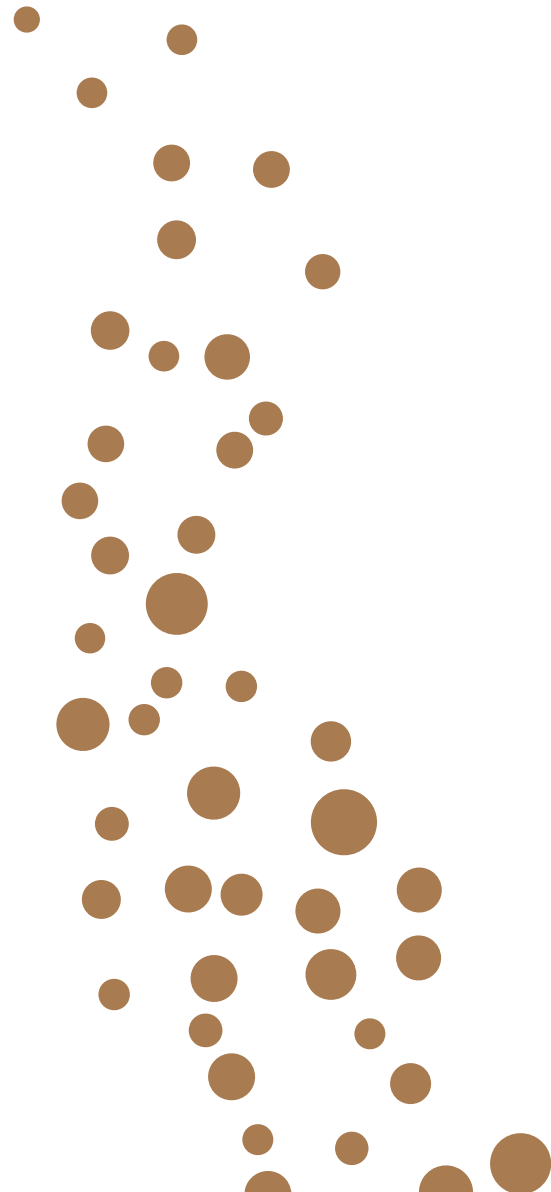
In the JGL Group, there is no difference in the starting salary for men and women, and the business performance of the company is reflected in the benefits for employees.

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

Average gross 1 salary on the JGL market in Croatia was reduced by 0.03 percent, but the average net salary increased due to changes in income tax that came into effect on 1 January 2017.

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

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



GRI 300:

ENVIRONMENTAL TOPICS



ENERGY

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

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

The company is associated with impacts through its own activities.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

For the third year, JGL has been successfully managing the energy aspect through the ISO 50001:2011 energy management system. We are proud certificate owners and we successfully use all available tools in energy management and environmental conservation. We apply the energy management system to the activities of development, production and distribution of medicines, medical devices, cosmetics, food supplements, food for special medical purposes, and other support activities.

Our energy management goals, used to report on specific activities in 2017 on the following pages, include:

- permanent control over energy losses in development, production and distribution through the implementation of preventive methods for network maintenance and investments in the entire system;
- ensuring the availability of information and data, continuous improvement of methods for the analysis of data on energy source consumption (electrical energy, water, fuel, gas), and recognizing opportunities and implementing activities for the improvement of energy performance;

- permanently raising awareness on the importance of energy efficiency among all users;

- procurement of energy efficient machines, devices and vehicles, and energy services;

- considering energy efficiency when designing, upgrading and modernizing the system;

- continuous improvements of the energy management system in accordance with the requirements of the ISO 50001:2011 standard;

- permanent harmonization and intention of surpassing legal and other requirements in the field of energy management, and in all other areas applicable to our business.

During the reporting period, the following was implemented to reduce energy consumption:

- improvement of the thermal properties (insulation) of our facilities;
- continued temperature regulation of processes in operational, storage and office spaces;
- use of wasted heat;
- hot water pre-heating using a solar system;
- softening of water (preventing limescale deposits on heating elements).

EVALUATION OF THE MANAGEMENT APPROACH

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

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

The main energy sources used in JGL are electrical energy and extra light heating oil. As in previous years, the company uses electricity produced from renewable sources so we can still boast zero tonnes of specific CO₂ emissions.

Extra light heating oil is a new energy source we have been using since the opening of the production plant in 2015. Although aware of its adverse environmental impacts, we are not currently able to use more acceptable energy source due to the dislocation of the facility, however, one of our priority goals in the foreseeable future is to replace the oil with natural gas.

The upcoming gasification of our production filed will greatly contribute to the aspirations aimed at ensuring long-term development and environmental conservation.

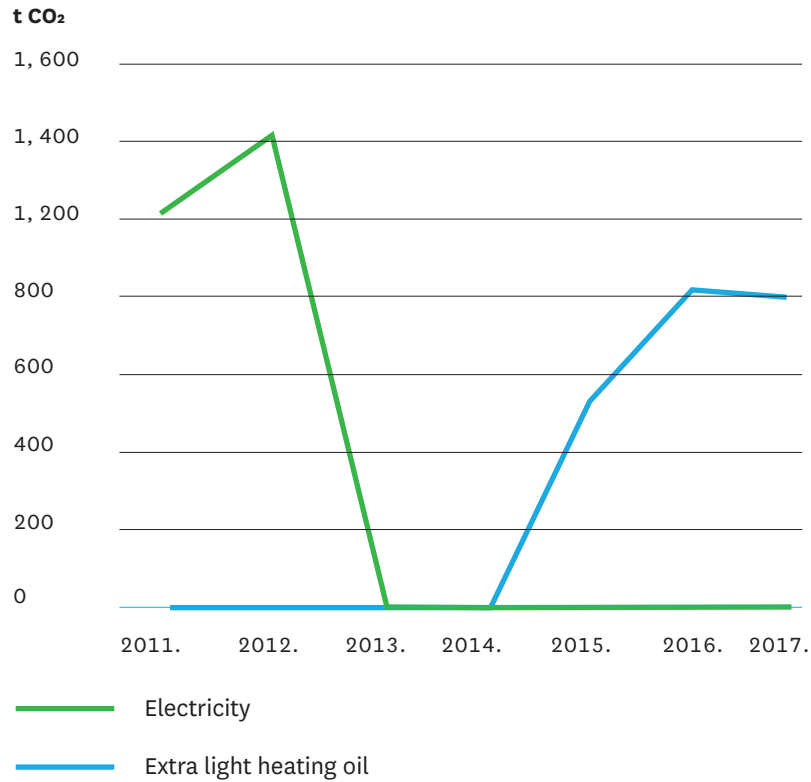
The ratio of electricity and extra light heating oil consumption in relation to greenhouse gas emissions (CO₂)

	Electricity				Extra light heating oil		
	MWh	GJ	t CO ₂ *	I	MWh	GJ	tCO ₂ *
2011	4,383	15,779	1,213	0	0	0	0
2012	5,080	18,288	1,406	0	0	0	0
2013	5,821	20,956	584**	0	0	0	0
2014	5,749	20,696	0**	0	0	0	0
2015	7,287	26,233	0**	169,000	1,791	6,449	496
2016	8,193	29,495	0**	260,000	2,756	9,922	826
2017	8,769	31,468	0**	247,000	2,618	9,426	784

* Specific CO₂ emissions per kWh of energy produced are 299.70 g/kWh; while for extra light heating oil it is 299.70 g/kWh, source: Manual for Energy Consultants, UNDP

** On 1 September 2013, contract was signed with HEP opskrba for the supply of electricity from renewable sources (ZelEn - Green Energy)

Graphic representation of the ratio of electricity and extra light heating oil consumption in relation to greenhouse gas emissions (CO₂)



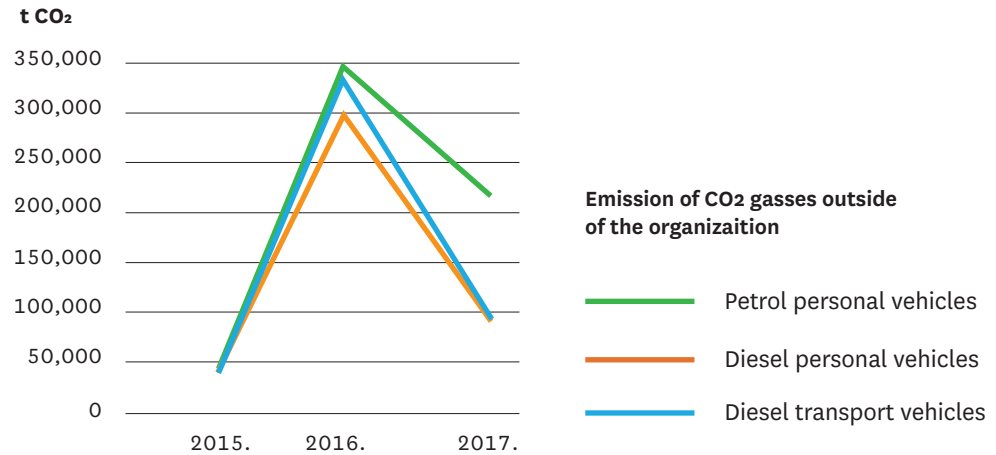
The energy input is distributed to the following consumers:

- production – 56%
- heating/cooling – 30%
- lighting – 7%
- office equipment – 5%
- other – 2%

ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION

JGL monitors and holds data on fuel consumption outside the organization solely in the segment of fuel consumption. Our goal for 2018, as well as one of the demands of our stakeholders, is to begin reporting on energy consumption during the consumption of products.

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



	Petrol personal vehicles				Diesel personal vehicles				Transport vehicles			
	l	MWh	Gj	t CO ₂ *	l	MWh	GJ	tCO ₂	l	MWh	GJ	t CO ₂
2015	13,305	138,732	498,139	37,687	112,850	1,196,210	4,306,356	346,458.30	85,888	910,413	3,277,486	263,682.86
2016	12,348	128,422	462,320	34,977	96,330	1,021,098	3,675,953	295,740.61	28,343	300,436	1,081,569	87,015.22
2017	15,407	160,235	576,846	43,642	109,646	1,162,248	4,184,091	336,621.77	26,523	281,144	1,012,118	81,427.68

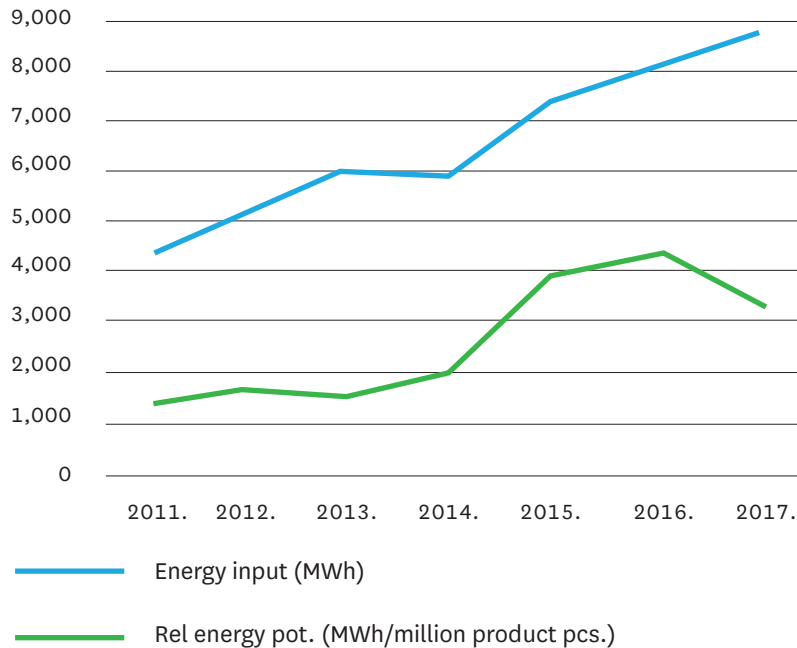
* Specific CO₂emissions per kWh of energy produced from diesel fuels are 296.45 g/kWh; source: Manual for Energy Consultants, UNDP

ENERGY INTENSITY

The energy intensity diagram shows the ratio of the power consumption in relation to the number of produced product pieces.

Energy input includes electricity and extra light heating oil.

Energy intensity diagram



REDUCTION OF ENERGY CONSUMPTION

The energy management system has helped us to meet all set goals faster, with more dedicated and motivation, and enable growth to match changes within the company. In the last two years, we have achieved noticeable savings in energy consumption, and therefore a lower emission of harmful substances, and we are also considering a higher level of environmental awareness among employees as a great success, which we accomplished via regular activities and corporate actions. The consumption of electricity is partially reduced by the use of solar energy for heating water. In addition to measures of good management and investment in equipment, we are implementing the following measures to reduce energy consumption:

- improving the thermal properties (insulation) of the facilities,
- replacement of existing lighting with LED lights,
- temperature regulation of processes, and operational, storage and office spaces,
- continuous raising of awareness of employees and end users on the need for saving energy,
- partial use of wasted heat,
- solar hot water overheating,
- softening of water (preventing limescale deposits on the heating elements).

Aware of the great opportunities for improvement, in 2018, our goals are to:

- install additional solar panels for hot water production,

- install the voltage optimizer in the substation at the location Svilno 2,
- incorporate central energy consumption control at Svilno 1.

303

WATER

MANAGEMENT APPROACH DISCLOSURES

103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

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

The company is associated with impacts through its own activities.

103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL's water consumption segment management system processes are processes that are key to achieving, maintaining, and improving product quality and other processes, i.e. processes that will meet the expectations of all interested parties, including primarily key stakeholders.

303-1

EVALUATION OF THE MANAGEMENT APPROACH

JGL continues its efforts to reduce water consumption by performing the following activities:

- introducing advanced washing and cleaning processes;
- effective preparation of purified water for technological needs;
- use of waste water for watering green areas;

- water discharge is controlled and is implemented by water treatment through biological purifiers before being discharged into municipal systems;
- use of biological purifiers at all JGL manufacturing sites;

- systematic collection of rainwater from the roofs and purified water from the biological purifier at the new production facility Svilno 2, which greatly contributes to the reduction of water consumption for the purpose of irrigation of green areas;

- the mud residue, or the sludge from the purified water, is collected and ecologically disposed of.

103-3

WATER WITHDRAWAL BY SOURCE

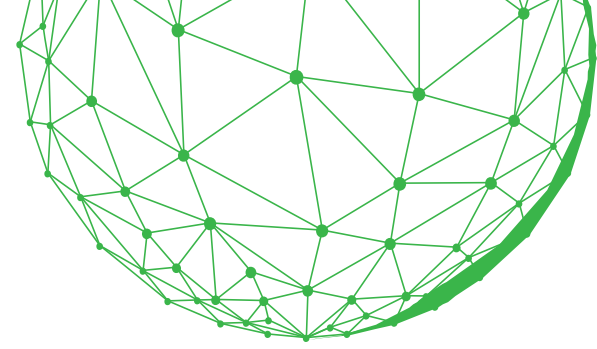
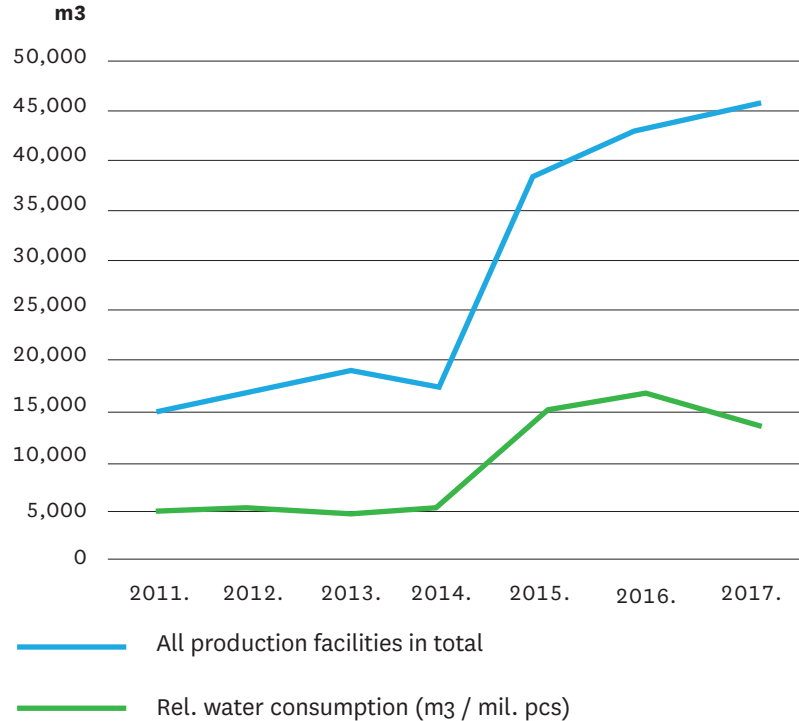
JGL is supplied with water from the local water supply network and there are no surface flows within the production sites. The implementation of the consumption management system includes control and continuous monitoring of water consumption, resulting in direct savings and reduced consumption.

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

It is worth pointing out that the discharged water from the clean water production system and rain water from the roof surfaces is accumulated in the collection pool and used for watering the environment.

Below is a graphical representation of the ratio between water consumption and the relative consumption per produced product.

Water consumption 2011-2017



303-2

WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER

The company uses water extracted from the Zvir 1 spring, which is distributed by the water and wastewater utility company Vodovod i kanalizacija d.o.o. Up to 31,000,000 m³/year or 2,000 l/s of water is extracted from Zvir 1 for the purpose of the public water supply system. It is one of the most important and richest karst springs near Rijeka.

303-3

WATER RECYCLED AND REUSED

JGL is undertaking numerous measures for reduction of water consumption:

- use of waste water for watering green areas.

EFFLUENTS AND WASTE

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

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

The company is associated with impacts through its own activities.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

Within the JGL's management process for environmental protection, responsible attitude towards waste and the development of a proper waste management culture are top priority for creating a healthy and sustainable business. JGL team devoted to this segment operates within the Technical Support department and strives to continuously reduce, use and dispose of waste in an environmentally safe manner with a comprehensive waste management approach.

We are expanding the friendly attitude towards environment by encouraging recycling of batteries, paper, not using plastic bags, or using materials that have less harmful environmental impacts (eco-bags, eco-paper), and once a year we organize a corporate waste cleaning action on the beaches in our local community, to which all categories of employees respond, including top management.

EVALUATION OF THE MANAGEMENT APPROACH

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

- documentation and data management,
- management of non-compliances and corrective measures,
- resource management,
- analysis and improvement (monitoring, quality review, process performance),
- risk management and management of opportunities.

WATER DISCHARGE BY QUALITY AND DESTINATION

Water discharge is controlled and is implemented by water treatment through a biological purifiers before being discharge into municipal systems. At JGL's all manufacturing sites, there are three biological purifiers that are refurbished in accordance with new technologies.

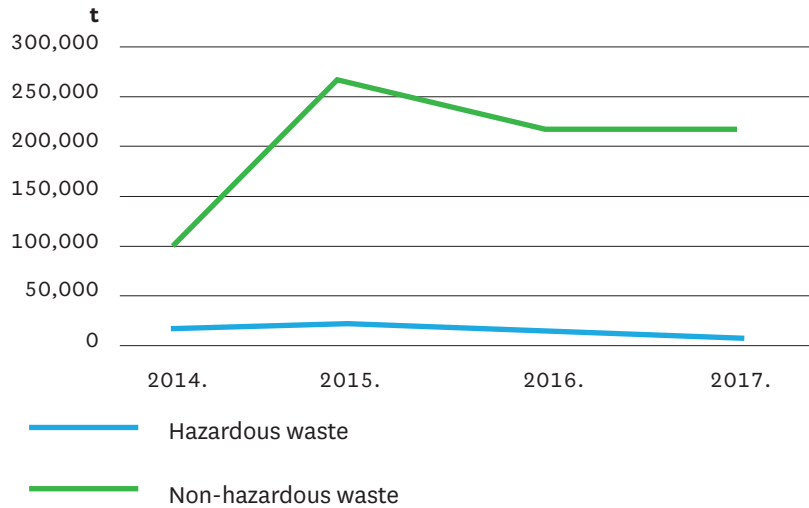
Treated water is discharged to the sewer drainage system and is regularly treated, tested and sampled to ensure that the quality of waste discharged water is in accordance with the set requirements.

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

WASTE BY TYPE AND DISPOSAL METHOD

JGL produces hazardous and non-hazardous waste in accordance with its production, development and research. Below we show the diagram of the movement of the produced hazardous and non-hazardous waste.

Waste produced in the period 2014-2017



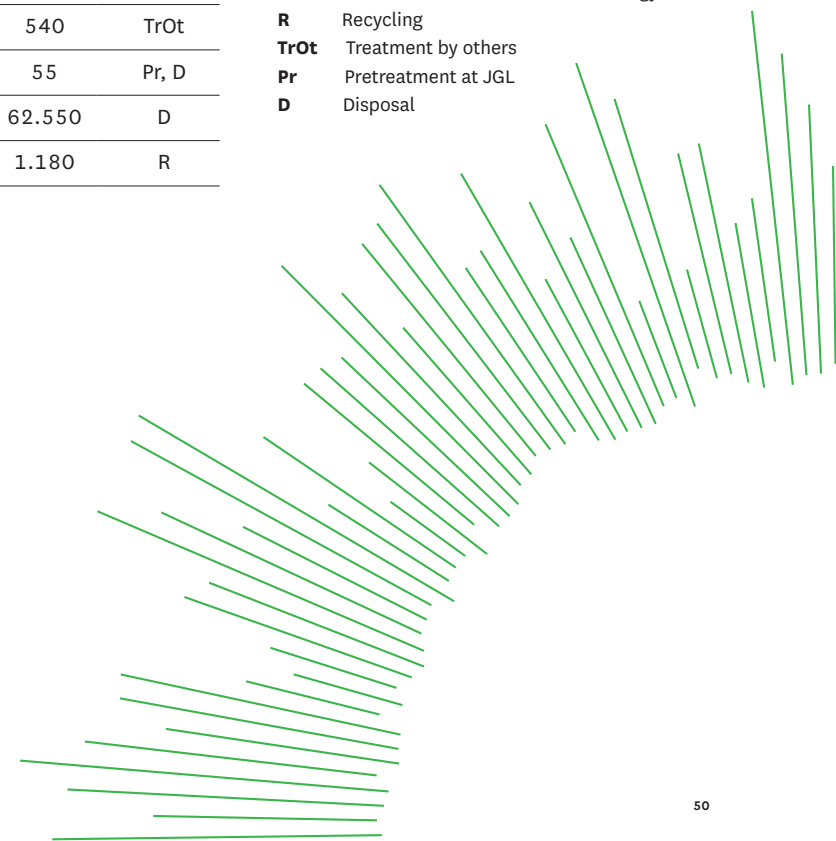
Name of waste	The key number	hazardous YES/NO	Quantity in kg				Treatment process	PULAC	SVILNO 1	SVILNO 2
			PULAC	SVILNO 1	SVILNO 2	TOTAL				
Hydrogen peroxide	060205*	YES		2		2				T
Halogenated solvents	070503*	YES	20			20				T
Other organic solvents	070504*	YES	841	1.775		2.616				T
Other acids	060106*	YES	12	15	192	219				TE
Oil filters	160107*	YES								(T)
Infectious waste	180103*	YES		7.015		7.015				T
Contaminated packaging	150110*	YES	143	10		153				T
Chemicals containing hazardous substances	160506*	YES	312	299	100	711				T
El. equipment containing hazardous substances	160213*	YES								R
Organic solvents containing hazardous substances	160305*	YES								T
Separator fat	190810*	YES								T
Chemicals containing hazardous substances	180106*	YES		302		302				T
Fluorescent tubes	200121*	YES								R
Needles for disposal	180101	NO								T
Filters	150203	NO		296	259					(T)
Packaging (cardboard paper)	150101	NO	1.220		77.020	555				Pr, R
Packaging (plastic)	150102	NO	20		9.560	78.240				Pr, R
Electronic and electrical waste	160214	NO				9.580				R
Packaging (glass)	150107	NO								D
Pharmaceuticals for disposal	180109	NO	676	10.534	31.850					T
							HAZARDOUS	1.328	9.418	292
							NON-HAZARDOUS	5.199	19.026	194.065
							TOTAL	6.527	28.444	194.357

- T** Thermal treatment
- TE** Thermal treatment with use of energy
- R** Recycling
- TrOt** Treatment by others
- Pr** Pretreatment at JGL
- D** Disposal

Name of waste	The key number	hazardous YES/NO	Quantity in kg				Treatment process
			PULAC	SVILNO 1	SVILNO 2	UKUPNO	
Aqua Maris (plastic)	70599	NO			1.069	43.060	R
Cosmetics (ointment, cream, oil, milk)	70699	NO	143	160	14.072	1.069	T
Solid waste	70514	NO		100	5.500	14.375	R
Aqua Maris (glass)	70599	NO		1.266		5.820	D
Municipal, mixed	200301	NO	540			1.266	D
Sludge from septic tanks	200304	NO				540	TrOt
Sludge from technological waste water	190805	NO			55	55	Pr, D
Bulky waste, furniture	200307	NO	2.380	6.670	53.500	62.550	D
Iron and steel	170405	NO			1.180	1.180	R

	PULAC	SVILNO 1	SVILNO 2
HAZARDOUS	1.328	9.418	292
NON-HAZARDOUS	5.199	19.026	194.065
TOTAL	6.527	28.444	194.357

- T** Thermal treatment
- TE** Thermal treatment with use of energy
- R** Recycling
- TrOt** Treatment by others
- Pr** Pretreatment at JGL
- D** Disposal



GRI 400:
SOCIAL
TOPICS



LABOR/MANAGEMENT RELATIONS

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

The topic was chosen as material due to the significant interests of key stakeholders – employees and shareholders.

The company is associated with impacts through its own activities.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

The business support function of the Human Resource Management defines and implements human resource strategies, including human resource project management, development and implementation of internal communication strategies and techniques, employment management, payroll management, education and training planning and management, competency management and career management, performance management and reward system management.

Specifically, in order to ensure the desired process efficiency and fulfilment of goals, communication is conducted according to clearly defined principles.

1. All employees must be informed in an appropriate way, depending on their position, by the management on the policies and goals of the company and on the achieved results.
2. Any communication prescribed by the procedures for work, which is related to product quality, process efficiency, the environment, energy management, health and safety of persons or requests for further activities must have a documented trace.

3. If someone receives information that needs to be forwarded, this should be done as soon as possible and the information must be in an acceptable and understandable form for the recipient.

EVALUATION OF THE MANAGEMENT APPROACH

Raising the quality of dialogue is a continuous goal of the company, which is analyzed through climate and satisfaction research and through the Works Council. In addition to regular meetings with the employer's representative, in the reporting period, a meeting of all members of the WC and the President of the Board of Directors was held, reviewing the employer/WC communication and the changes being prepared at that time for the entire JGL system on the organizational level.

In this segment, there are still many challenges ahead for the company, especially in the part of even more intensive encouragement of open and transparent two-way communication.

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

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

More specifically, two months before the significant change that took place on 31 December – entering into a simpler model of monistic governance after the expiry of the term of office of executive directors - the President of the Board of Directors informed all employees about this. Informing the employee took place only two days after the meeting of the Board of Directors, when a decision about the change was made.

During the reporting period, two addresses of the president of the Board of Directors and the Chief Executive Officer for all employees at JGL in Rijeka were arranged, while all other employees on the other markets were provided a live broadcast with a simultaneous translator for the Russian language for employees in the CIS region.

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

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OCCUPATIONAL HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

The topic was chosen as material due to the significant interests of key stakeholders – employees, shareholders and students.

The company is associated with impacts through its own activities, but also those beyond the organization's reach (injuries on the way to work and vice versa).

103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

Health protection and safety at work are important priorities for JGL. It is the responsibility of every employee to promote their efforts to carry out their work safely. Responsibility for employees requires the application of the best possible measures to prevent accidents, including: technical planning of workplaces, equipment and processes, safety management and personal behaviour at workplaces. Everyone is obliged to continually take care of safety at work.

Safety at Work Department (Zaštita na radu - ZNR) and Fire Protection Department (Zaštita od požara - ZOP) operate in JGL. As safe work is the prerequisite to achieving the goal of safety at work and fire protection, as well as safe environment, in 2017 numerous measures were taken and the pre-existing state of safety at work was implemented.

Employee safety and health care are managed in accordance with a number of heteronomic legislative regulations and autoimmune acts that JGL stipulated for the improvement and progress in terms of safety at work and fire protection, and in terms of environment protection.

Every employee is allowed to have a voluntary health insurance policy that entitles them to free health check-ups throughout Croatia. JGL also has a contractual relationship with an expert team of occupational medicine specialists, they are engaged to monitor the health of employees on a regular basis through previous periodic and extraordinary medical examinations and by participating in the danger assessment. Every year, the company organizes a free eye check within which discounts and benefits can be realised.

Each issue of the monthly corporate magazine within the “Healthy Living” section, publishes topics related to health care (promoting healthy eating, exercise, articles and positive attitudes toward work and private life). Employees are encouraged to ride corporate bicycles during breaks in the working hours and weekends and to participate in sports activities supported by the company (running, cycling, sailing, etc.).

Through regular annual reports to the competent bodies (Croatian Occupational Safety Inspectorate, Environmental Protection Agency), JGL presented its real state of affairs which shows progress in comparison to the year 2016.

EVALUATION OF THE MANAGEMENT APPROACH

The effectiveness of the management system is carried out through constant analysis and employee feedback. The focus and ultimate goals of JGL Works Council for 2018 are specifically related to work safety issues and issues of helping needy workers.

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

- since November 2015, there is an Occupational Health and Safety Representative in the Works Committee,
- since January 2017, twenty-one workers were appointed as direct employer representative for carrying out occupational safety work within their scope of work.

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

Number of injuries in Croatia per site of injury in the past five years

Year	At the workplace while performing duties and tasks	On the way from the place of residence to the workplace and vice versa	Total
2013.	2	3	5
2014.	2	0	2
2015.	2	0	2
2016.	4	2	6
2017.	7	3	10

The number of injuries increased in proportion to the increase of the number of employees on the Croatian market. In 2017, ten occupational injuries were reported, of which seven were at the workplace performing tasks and work assignments, and three were on during a regular trip from the place of residence to the place of work and vice versa. Of the ten injuries, eight were classified as minor and two were more severe obtained on the way from home to work.

Total number of hours lost due to work-related injuries in 2017 was 1,832 or 229 days.

WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION



HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

- counselling and launching actions to help needy workers with health problems or long-term sick leave,
- communication with institutions through which health care can be facilitated and speeded up for needy workers.

TRAINING AND EDUCATION

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

The topic was chosen as material due to the significant interests of key stakeholders – employees, students, doctors, and pharmacists.

The company is associated with impacts through its own activities.

THE MANAGEMENT APPROACH AND ITS COMPONENTS

For the business year 2017, a detailed plan of education per employee, the priority of education, duration, cost and associated costs managed by the Human Resource Management department (HR) has been set. Its realisation is monitored on a monthly basis, and all changes are settled at the level of the top management, the HR and the employee involved.

In order to ensure continuous compliance with regulatory changes, JGL organizes education with external lecturers for a large number of employees, presenting amendments to the directives and standards (ISO 9001 Quality Management, ISO 13485 Medical Devices ISO 14644 Cleanrooms and Monitoring of Cleanrooms, etc.).

Long-term development plans are monitored through a career plan and individual employee development plans in writing (an application or document that is signed). Development needs arise from several segments: job description requirements, requirements for special tasks, goals, and work on projects. On the other hand, analysis of needs of business areas is being carried out and new demands are placed before employees with an estimated interest and potential for development.

In 2017, worth mentioning is a new project called “We Can Be Better”, focusing primarily on providing new knowledge, skills and capacities for business responses (current and future).

It is also important to emphasize that, with the education of employees within the JGL Group, according to the needs and expectations of key stakeholders – doctors, pharmacists and end customers – throughout the year we intensively carry out a whole series of educations tailored to their inquiries as part of targeted research. For example, in the reporting period, education was held for about one thousand doctors in Croatia and several hundred doctors in the region, and an expert online magazine that we send each month to about 2,500 key stakeholder addresses, each time included an expert, scored education for doctors and/or pharmacists.

Additionally, our staff, pharmacists of the Pablo health institution, launched a “Health Care Program” in the reporting period to contribute to preventing and educating citizens about the importance of self-control. The program encompassed a set of pharmacy services aimed at disease prevention, maintaining health and regular control of chronic patients. The goal of Point of Care Testing was to guide users to early detection of a disease, and assist patients in systematically conducting control and thereby improving the effectiveness of the therapy.

EVALUATION OF THE MANAGEMENT APPROACH

The efficiency of the management system is carried out through constant analysis and stakeholder feedback. Internal processes are continually being improved and modernized, and the company strives to continuously and accurately develop leadership and management skills and ensure that all employees are accountable and independent. These are also challenges for the future.

Education management of doctors and pharmacist is monitored by analysis systems, surveys and feedback which are extremely positive and distinguish our company from competitors.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

JGL Group	average cost of education per employee
Market of Croatia	HRK 2.971
Market of Ukraine	HRK 2.777
Market of Kazakhstan	HRK 3.601
Jadran LLC Moskva	HRK 2.063
Farmis d.o.o. Sarajevo	HRK 2.300
JGL d.o.o. Beograd-Sopot	HRK 1.200
Adrialab d.o.o. Rijeka	HRK 1.000
Average*	HRK 1.061

* in accordance with the data provided by affiliated companies and without the cost of internal education

JGL Group	Total	Gender		Employee Category**		
		M	F	S	P	M
Market of Croatia	21	18	22	11,0	27,0	41,0
Market of Bosnia and Herzegovina	12	9	11	8	12	10
Market of Macedonia	12	8	12	0	12	8
Market of Ukraine	20	12	18	0	20	5
Market of Kazakhstan	16	11	20	0	17	4
Jadran LLC Moskva	18	16	24	0	20	8
Farmis d.o.o.	16	15	20	4	25	18
JGL d.o.o. Beograd-Sopot	16	15	20	8	12	8
Adrialab d.o.o.	22	44	5	5	18	45
Average*	17,0	16,4	16,9	4,0	18,1	16,3

* in accordance with the data provided by affiliated companies

** M – group of management jobs

P – group of expert jobs

S – group of support jobs

PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS

The company provides 3 scholarships for postgraduate, doctoral and specialist studies with a focus on the needs of business and the interests of employees, and additionally, it annually provides an MBA program for managers.

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

JGL Group	number of employees who took part in some type of education
Market of Croatia	320
Market of Bosnia and Herzegovina	7
Market of Macedonia	5
Market of Ukraine	38
Market of Kazakhstan	35
Jadran LLC Moskva	150
Farmis d.o.o. Sarajevo	7
JGL Beograd-Sopot	16
Adrialab d.o.o. Rijeka	5
Total*	583

* in accordance with the data provided by affiliated companies

403-3 **PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS**

A total of 99 percent of employees receive regular performance and individual development evaluations, except for employees on vocational training and employees who were employed in the company during the reporting period, and for the purpose of preparing them for the job which precedes the process of setting goals and performance evaluation.

When talking about categories and gender, regular evaluation in 2017 was received by 98 percent of men, 99 percent of women and 99 percent of management (M – group of management jobs), 97 percent of employees in the professional category (P – group of expert jobs) and 97 percent of employees in the support category (S – group of support jobs).



CUSTOMER HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARIES

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

THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

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

In addition, national regulatory authorities have adopted a large number of laws and regulations in the field of pharmaceutical industry that regulate testing, approval, production, import, export, labelling and marketing of drugs, and verification of safety and efficacy of pharmaceutical products. JGL's sophisticated production facilities,

equipment and manufacturing processes guarantee JGL acquisition and maintenance of regulatory approvals for new products. The Group follows trends in the field of pharmaceutical preparations and invests each year in new technologies, as needed. New high quality equipment, modern manufacturing processes and quality controls ensure that each product is of the highest quality and thus minimizes the risk of potential damage to health and safety of customers.

EVALUATION OF THE MANAGEMENT APPROACH

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

- documentation and data management,
- change management,
- management of non-compliances and preventive/corrective measures,
- validation and qualification management,
- resource management,
- measurement, analysis and improvements (includes management evaluation, internal audit, independent supervision, quality review, process performance and raw material and product testing),
- supplier management,
- risk management and management of opportunities,

- release of products into circulation.

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

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

In JGL the drugs are realised in accordance with GMP and GDP requirements, medical devices in accordance with the requirements of the ISO 13485 standard, nutritional supplements and food for special medical purposes in accordance with the ISO 22000 standard and cosmetics in accordance with the ISO 22716 standard. The products also meet other applicable regulatory requirements and requirements of the profession. In the reporting period, assessment were made to improve impacts on health and safety for all significant product categories.

Drugs

- Medicinal Products Act (Official Gazette No. 76/13.)
- Act on Amendments to the Medicinal Products Act (Official Gazette No. 90/14.)
- Ordinance on Granting Marketing Authorisations for Medicinal Products (Official Gazette No. 83/13.)
- Ordinance on Pharmacovigilance (Official Gazette No. 83/13.)
- Guideline on Good Pharmacovigilance (GVP)
- Ordinance on Benchmarks for the Classification of Medicinal Products and on the Prescription and Dispensing of Prescription Medicinal Products (Official Gazette No. 86/13.)

- Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 84/13.)

- Ordinance on the Quality Control of Medicinal Products (Official Gazette No. 60/14.)

- Ordinance on the Conditions for Granting Permits to Specialised Retail Sales Outlets of Medicinal Products (Official Gazette No. 122/14.)

- Ordinance on the Suspension of the Placement on and Withdrawal of Medicinal Products from the Market (Official Gazette No. 122/14.)

- Ordinance on Clinical Trials on Medicinal Products and on Good Clinical Practice (Official Gazette No. 25/15.)

- Ordinance on the Manner of Advertising Medicinal Products (Official Gazette No. 43/15.)

- Ordinance on the Marketing, Labelling and Advertising of Traditional Herbal Medicinal Products (Official Gazette No. 89/10.)

Cosmetics

- Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products

- Commission Regulation (EU) No 655/2013 of 10 July 2013 laying down common criteria for the justification of claims used in relation to cosmetic products

Food supplements

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

Medical products

- Medical Devices Act, OG 76/13
- Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices, OG 84/13
- Ordinance on Monitoring Adverse Incidents Related to Medical Device, OG 125/13
- ISO 13485: 2012
- EN ISO 15223-1: 2012

- EN 1041:2008+A1 2013

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

Patients should inform their doctors pharmacist or other healthcare workers they come into contact with about all suspicions of drug and vaccine side effects. Also, any doubt about a side effect can be reported directly to HALMED. Due to the regular educations conducted by HALMED, the continuous improvement of the pharmacovigilance system in Croatia and the connection with the Poison Centre through which there are information about side effects of drug overdose, the number of applications is increasing year by year, which is a good indicator of increasing the awareness of the importance of reporting suspected side effects.

- 2017 – 180: serious (99), non-serious (81)
- 2016 – 107: serious (34), non-serious (73)
- 2015 – 68: serious (10), non-serious (58)
- 2014 – 48: serious (12), non-serious (36)
- 2013 – 19: serious (5), non-serious (14)

The principle of continuous improvement is the key element of the JGL's management, development and success. Management ensures continuous improvement of the quality system efficiency through the

use of communication, system evaluation by management, auditors, validation and verification activities, risk management and corrective and preventive procedures.

INCIDENTS OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES

The company did not identify the non-compliance with regulations or voluntary codes concerning impact of products and services on health and safety.



VERIFICATION

OPINION OF THE COMMISSION OF THE MANAGEMENT BOARD OF THE HR BSCD

The Commission of the Management Board of BCSD Croatia has analysed JGL d.d.'s Sustainability Report for 2017 and concluded that it includes key requirements of the Global Reporting Initiative (GRI) Standards, Core option, and confirmed the compliance of the Report with GRI Standards – Core option.

JGL's Sustainability Report for 2017 surprised us with its original and consistent approach to the GRI reporting methodology. This report is the most serious attempt at reporting in accordance with GRI Standards so far. The Report is based on a very consistent application of the GRI 103 standard on management approach, which presents the management strategy with each material topic. The aim of GRI 103 is to help reporters better present the way they follow, manage and systematically improve their impacts associated with each material topic. JGL has been very transparent and consistent in implementing this GRI requirement by listing all disclosures related to the management approach with every topic. This represents a very brave and innovative step in the quality of reporting in Croatia, and it enables easy navigation through the contents of the report, which have traditionally lacked information related to topic management. At the same time, the consistency in methodology did not make the report merely matter-of-fact; on the contrary, the report is upbeat, well-organised, easy to read, and very informative.

One of the elements contributing to consistency in the approach to reporting is the detailed overview Disclosures 102-10: Significant changes to the organization and its supply chain. This Disclosure in the introductory part of the Report summarises the most significant

events, changes, and results in the organisation, followed by a detailed description further in the text. This brief overview informs the reader of the most important messages and interesting facts, and enables them to quickly understand the necessary information and concentrate on parts of the report that are of interest to particular stakeholders.

The Report also informs us of the very active Works Council operating at JGL, with a specific business plan and goals for the coming year, such as faster processing of worker requests, communicating with workers, and finding solutions in cooperation with the employer, additional training, helping workers in need, etc. Such an example of good practice is worth noting.

However, the high degree of consistency and transparency in this part of the report revealed certain shortcomings in JGL's approach and areas for improvement for the coming years. This is why we commend the brave step forward with regard to reporting.

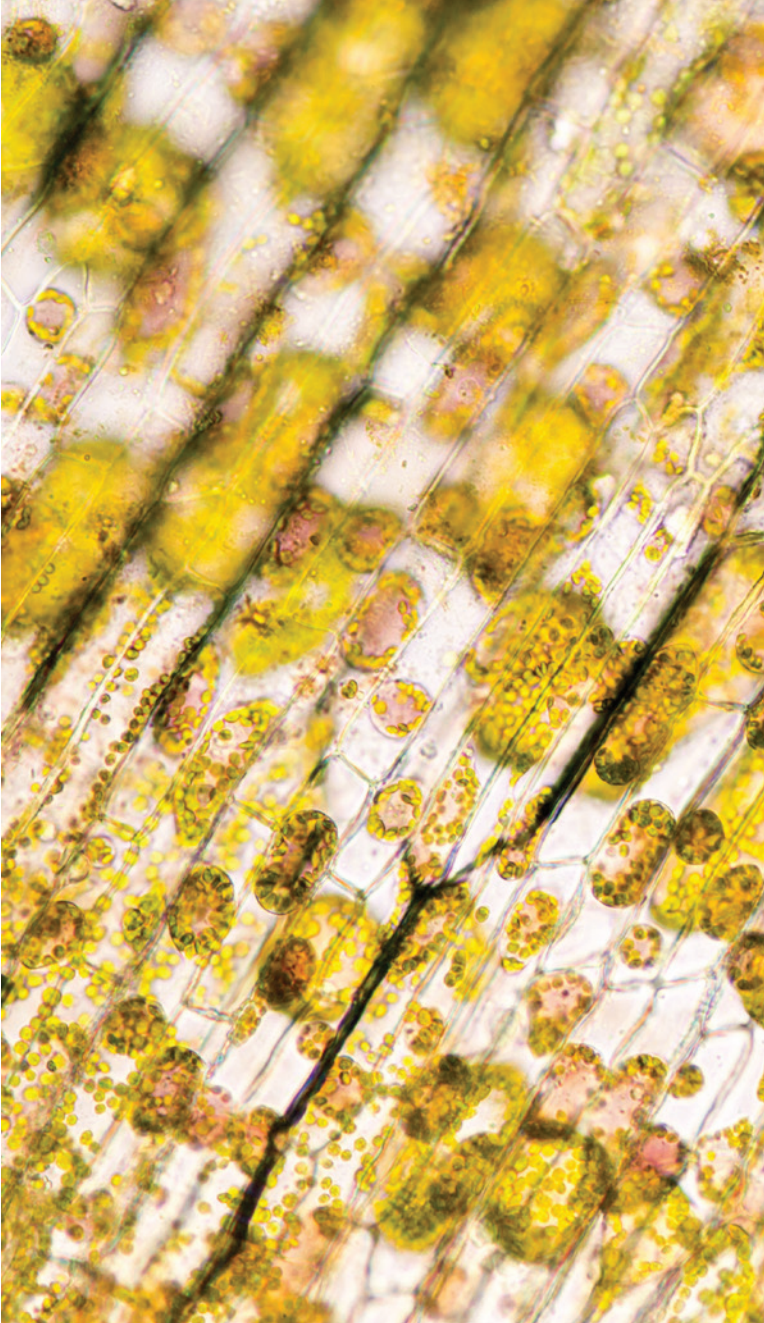
Progress in JGL's reporting is also discernible in the way stakeholders are involved. Consultation processes with key stakeholders were clearly presented for the first time, as were the results of these processes and topics selected as material ones by the stakeholders. The topics have been included in the contents of the Report, and the process itself that has been implemented at JGL is a rare example of a consistent involvement of stakeholders in the selection of material topics and defining the contents of a non-financial report in Croatia.

There is room for improvement in the chapter on risks and opportunities – it could present in more detail the risks related to sustainability for the environment and society as the result of JGL's business activities, and discuss JGL's opportunities for improving its impact on the environment and society and thus for reducing risks and increasing sustainability. The primary interest of readers of non-financial reports lies precisely in the non-financial impact of the company in its processes of creating values,

which can be both positive and negative. The report is a way for the company to show that it understands its impact, to take responsibility for it, and to try to manage it responsibly.

The reporting process seen while reading JGL's sustainability reports is exactly the point of this process – the process of continuous improvements and advances, both with regard to the report itself and to the impacts mentioned in it. Although there is always room for improvement, it should be noted that JGL has approached the process very responsibly, with transparency and a great deal of effort. We especially commend the fact that since the last report, JGL has shifted from the G4 reporting guidelines to reporting in accordance with GRI Standards, thereby making an important step forward, accompanied by an improvement in reporting quality, rather than a potential decline.

We would like to thank JGL for the significant effort that went into this report, as well as for the responsible and consistent use of GRI methodology and high degree of transparency, and we are looking forward to future reports and the progress which we are sure will follow.





SUSTAINABLE
DEVELOPMENT
REPORT FOR 2017

