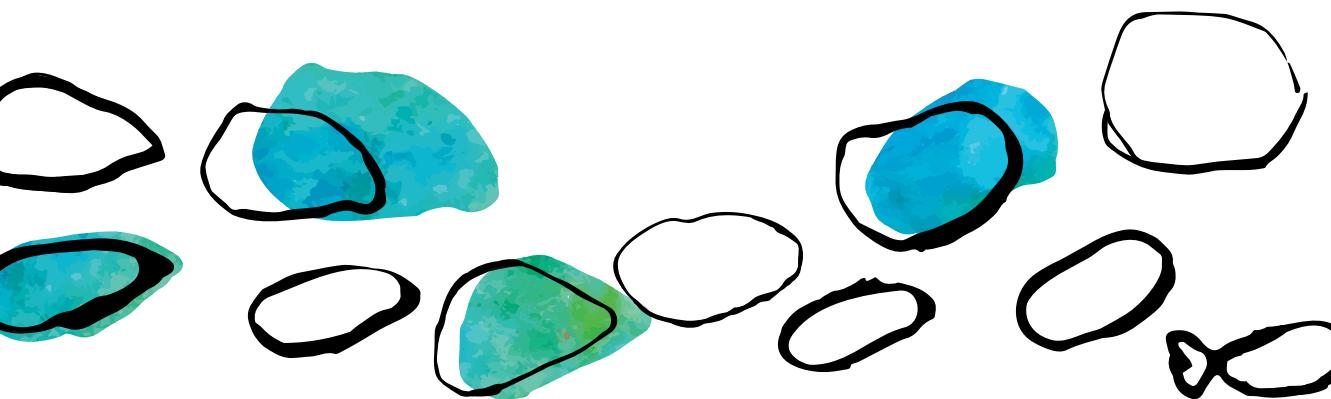




Sustainable
Development
Report 2014.

SDR



”

The mission of the Ecological Research Society PAKS is to develop awareness of the fact that our sea is alive. Thank you JGL for recognizing the importance of these actions and for supporting us for full five years. We sincerely wish you a calm sea in the years to come.

SEA IS ALIVE

Illustrations that enrich this report are a part of the awarded works by Croatian schoolchildren, created as part of the national project "Sea is alive."

The Adriatic Sea is one of the cleanest parts of the Mediterranean today. The sea quality is excellent and biodiversity of the living world is exceptional. Its underwater world is rich with sea meadows where most of the species of fish, crustaceans and cephalopods economically important to the people grow. The underwater world is also hiding impressive underwater cliffs, mysterious caves and endless sandy ground, which appear lifeless only at first glance.

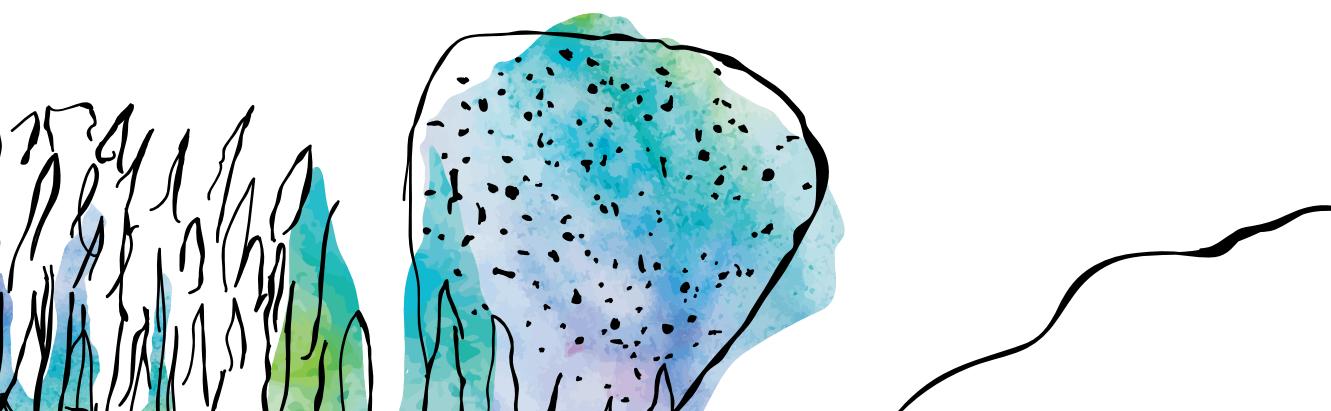
The Adriatic Sea is actually just a small shallow bay of the Mediterranean; however, it is alive and a source of health, treasures and energy. Furthermore, the Adriatic's underwater world makes up 50 % of the territory of the Republic of Croatia. Unusual species of fish live in it, such as seahorses and pipefish, where the male is pregnant and gives birth to the young. There are also black and purple sea urchins – vegetarians who sleep by day and scrape algae from the rocks by night. A great variety of coral species and sponges, which are very important for the Adriatic ecosystem, live in the Adriatic as well. One of the most beautiful ornaments of the Adriatic underworld are tiny slugs. There are numerous springs of fresh water at the bottom of the Adriatic and several islands of volcanic origin along the Croatian coast.

To preserve the sea for future generations, it is necessary to constantly remind the children and young people from all over Croatia of the importance of the Adriatic Sea and teach them why the Adriatic is important, make them familiar with its features, and its living world. Only when they know the sea, they will know why and how to preserve and protect it.

The mission of the Ecological Research Society PAKS is to develop awareness of the fact that our sea is alive. Thank you JGL for recognizing the importance of these actions and for supporting us for full five years. We sincerely wish you a calm sea in the years to come.

Maja Novosel, Ph.D

President of the Ecological Research Society PAKS



SARA KOREČÍ 4.B.

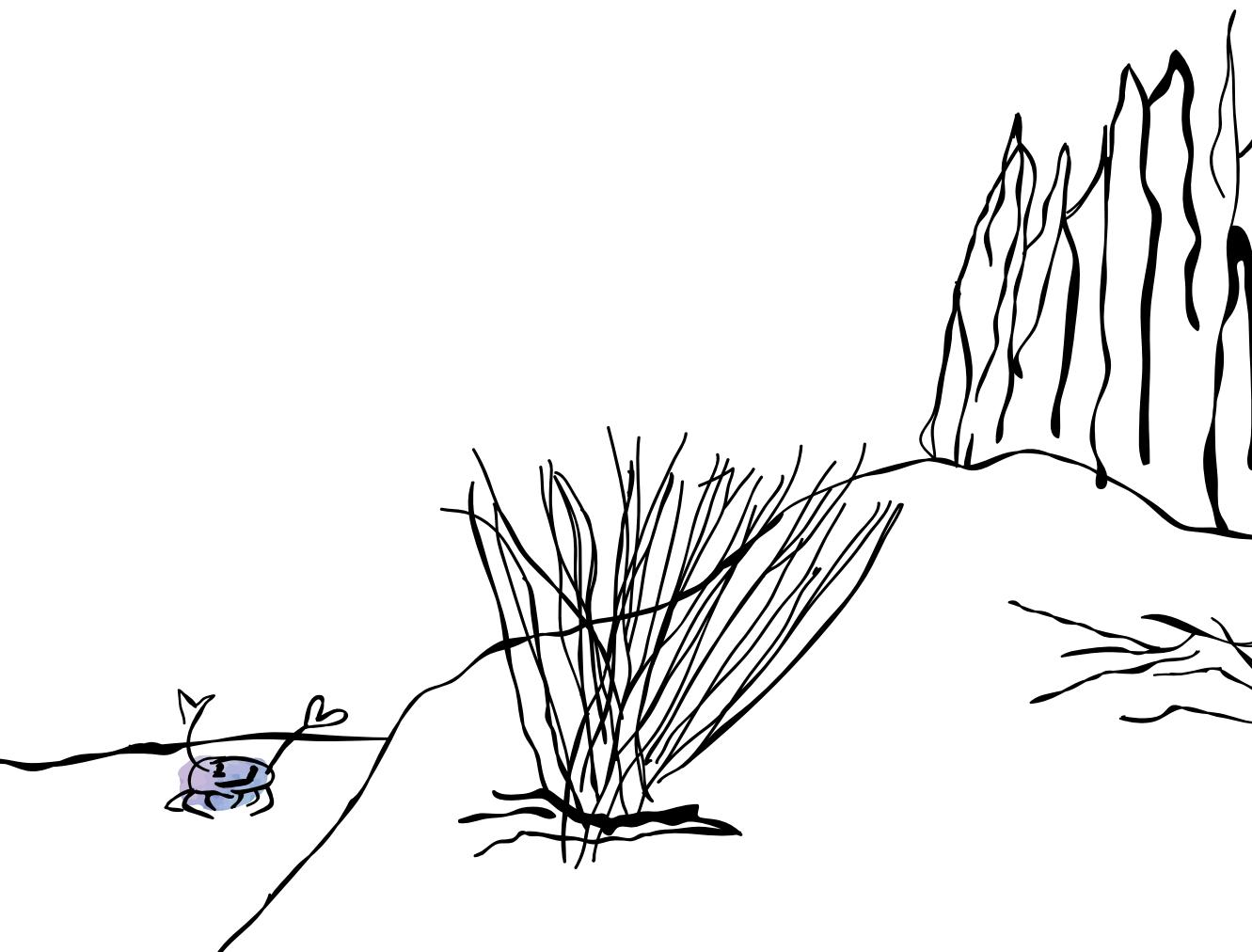
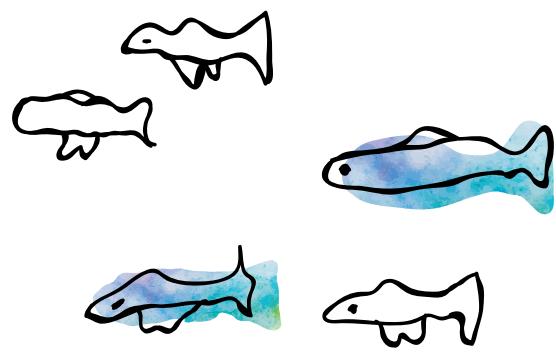


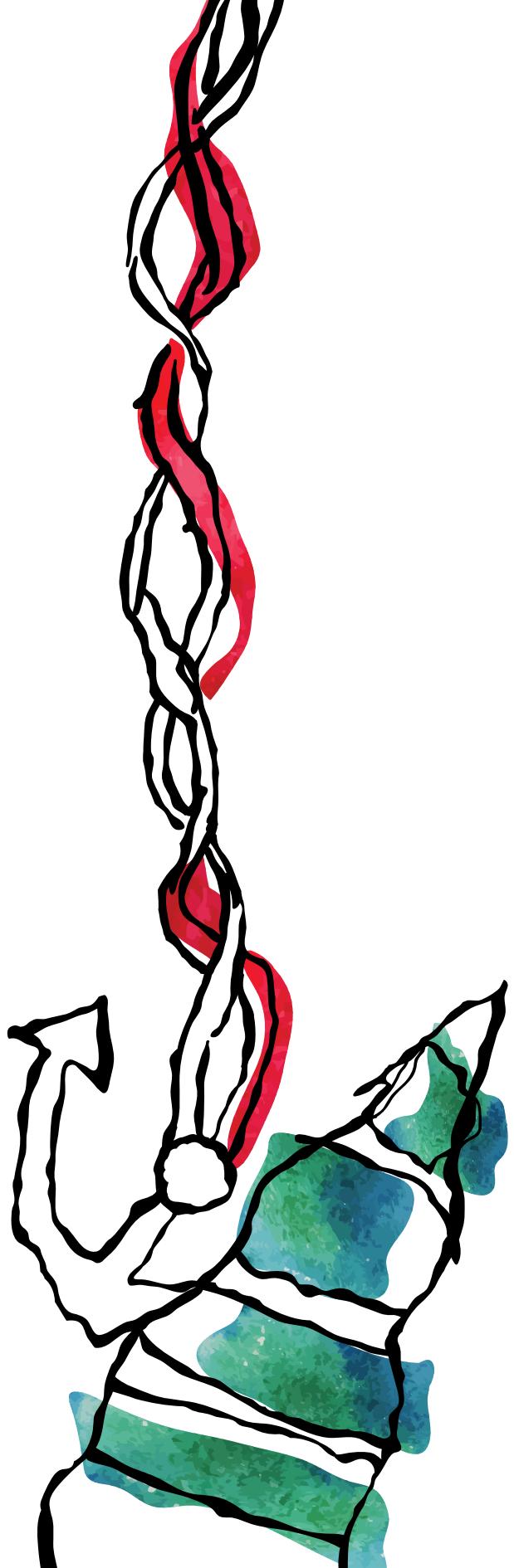
TABLE OF GENERAL STANDARD DATA CONTENTS

- 8** Strategy and analysis
- 10** Organizational profile
- 18** Identified tangible aspects and limits
- 20** Stakeholder engagement
- 22** Report profile
- 24** Management
- 25** Ethics and integrity

28 SPECIFIC STANDARD DATA

- 28** Indicators
- 28** Economic category
- 31** Environmental category
- 40** Social category

58 OPINION OF THE COMMISSION OF THE BCSD CROATIA



ANTON MAŠETIĆ 4.C.

GENERAL STANDARD DATA

STRATEGY AND ANALYSIS

Dear readers and stakeholders,

G4-1 During the last 24 years, JGL has been persistently and patiently, as well as with a lot of passion and energy, developing its position on the health market. Today, with its 160 brands, 460 products, 1,360 variations and 6,000 articles, it is present in forty markets, accounting for 75 % of total revenues. From the position of an international pharmaceutical company whose business standards are compliant with the European practice, we believe we can do even more, that we can step into the global health market.

We know that the road to success is made up of corporate social responsibility, clearly set goals, persistence, and strong motivation for growth. The times of general economic and geopolitical crisis in our key export markets, Russia and Ukraine, as well as a drastic reduction in drug prices in Croatia, puts our drive to the test, but it also reinforces the determination and commitment to the realisation of our objective. Despite the problems we are facing, we are fully committed to our development and corporate projects that are production and export oriented.

Even though the previous year was one of the most demanding business years in the history of JGL, we continued with our investment cycle and employment. Three strategically significant investments have carried the clear vision of the company. Projects Pharma Valley, Adrialab and JGL Beograd Sopot are a part of our current investment growth. At the same time, the biggest investment of the construction of the Pharma Valley complex has two key goals – to secure conditions and capacities in development, production and storage for the realisation of the company's long-term growth plans, and to bring all production and technological locations together.

If we summarize the financial year, total revenue of JGL d.d. amounted to HRK 634 million, with HRK 408 million generated on foreign markets, primarily in the CIS region. Thus, the company still proudly carries an international mark. The company recorded a decrease in net income of 75 % in relation to the previous period mostly due to the problems of the Russian and Ukrainian markets, with the net income amounting to HRK 18 million. Total revenue of the JGL Group has fallen by 7 % and amounted to HRK 810 million in 2014.

In the organizational part, 2014 was marked by preparations for the change of the organizational structure of the company, the replacement of a two-tier model with a one-tier corporate governance model, with the goal of contributing to better strategy realization and strengthening customer relations. In the manufacturing part, about 31 million products or 245 thousand pieces per person on average were produced, 2,500 batches of

finished goods were marketed, a record number of regulatory bodies' checks was conducted, the portfolio was expanded with nine prescription drugs and two OTC drugs, and our best selling global brand, Aqua Maris, celebrated its 15th anniversary and the 100 millionth product.

We are extremely pleased that our efforts in the area of corporate social responsibility have been recognized. In this reporting period, we have received two awards by the CSR Index in the category of large companies. We received the first one in April for the results and activities in 2012, and the second in December for the achieved results in 2013. In addition, we were included in the Top 5 Employer Partners list for the third consecutive year in 2014, which proves the quality of our processes in human resource management.

In the upcoming period, we will continue our commitment to raising our market shares on the existing markets, developing our products and opening new markets. We will intensely focus on big and fast-growing markets and key global regions – the Middle East, Western Europe, the USA, South America, China and Vietnam. According to our predictions, we believe that in the period of the four upcoming financial years, we can be present on more than 50 markets worldwide. We are staying true to our vision to become the global leader in the segment of nasal decongestants and ophthalmics, which requires our exceptional technological and therapeutic focus. With responsible management and employee commitment, JGL will continue to do business in an environment-friendly manner. Additionally, technical security and health protection are our set goals, starting from the beginning with product development and onwards. Environment protection and natural resources preservation will still remain high on our priority list, and we will strive to remain a reliable and responsible member of the community where we live and work, trusting that good business practice also means good deeds.

Finally, I want to sincerely thank the employees who, in this reporting period, also made contributions as a team and were actively committed to another annual cycle of the company. Their competency, commitment, loyalty, effort and motivation are the greatest value of JGL. I also want to thank all JGL's stockholders, financial institutions and business partners for their support and trust and to present with pleasure our seventh Sustainable Development Report for 2014, where we have adhered to the Global Reporting Initiative (GRI) G4 guidelines, as well as the basic principles of the UN Global Compact, for the first time.

*Pursuant to the provisions
of the Articles of
Associations of JGL d.d.,
two-tier structure shall be
in force until 31 December
2014, and Ivo Usmiani
shall be the only member
of the Board of Directors.
One-tier structure with Chief
Executive and Executive
Directors who jointly
represent the company
and manage the business
shall be in force from 31
December 2014. The
governing function shall be
assumed by the Board of
Directors presided by Ivo
Usmiani.*

Sincerely,

Ivo Usmiani,

President of the Board of Directors

ORGANIZATIONAL PROFILE

JGL is an international pharmaceutical company oriented towards developing and manufacturing drugs in target therapeutic areas, with a focus on the senses. By improving the quality of life through taking care of health, JGL offers products in all technological forms in various legislative categories and operates in around forty foreign markets.

G4-3

COMPANY NAME

JADRAN-GALENSKI LABORATORIJ d.d. Rijeka
JGL d.d. Rijeka

G4-4

MAJOR BRANDS

Today, JGL offers to the market a wide range of products of almost 160 brands, 460 products, 1,360 variations and 6,000 articles. Aqua Maris, Meralys, Lactogyn, Normia, Dramina and Vizol S stand out among the key brands.

G4-5

COMPANY HEADQUARTERS

Svilno 20, 51 000, Rijeka

G4-6

NUMBER OF MARKETS

The company operates in some forty markets. The key regions are SEE (South East Europe) and CIS (the Commonwealth of Independent States), which includes the following countries: Russia, Croatia, Ukraine, Kazakhstan, Slovenia, Bosnia and Herzegovina, Serbia, Macedonia, Montenegro and Kosovo, which dominantly contribute to the sales. The company exports or prepares to export its products to numerous markets worldwide.

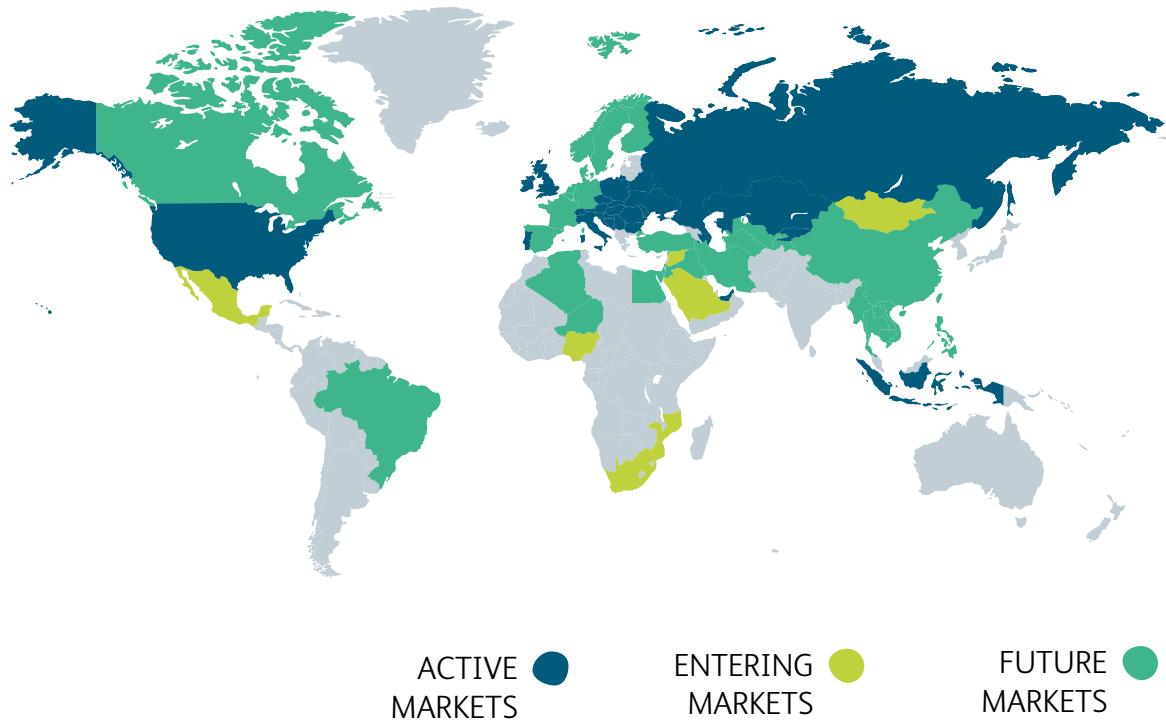
In this reporting period, the focus is placed on the EU countries, and countries of the Southeast Asia (ASEAN), China, Middle East, North America (MENA) and Latin America.

G4-7

NATURE OF OWNERSHIP

Joint stock company predominantly domestically owned.

G4-8
**MARKETS OF
OPERATION**



G4-9
COMPANY SIZE The total number of employees at the level of the JGL Group on 31 December 2014 was 946.

Net sales in 2014: HRK 520,271,912.18

Total capitalization

In 2014, the company had a 38 % share capital in the sources of funds, which means that it accounted for 38 % with its own funds in the total sources of financing.

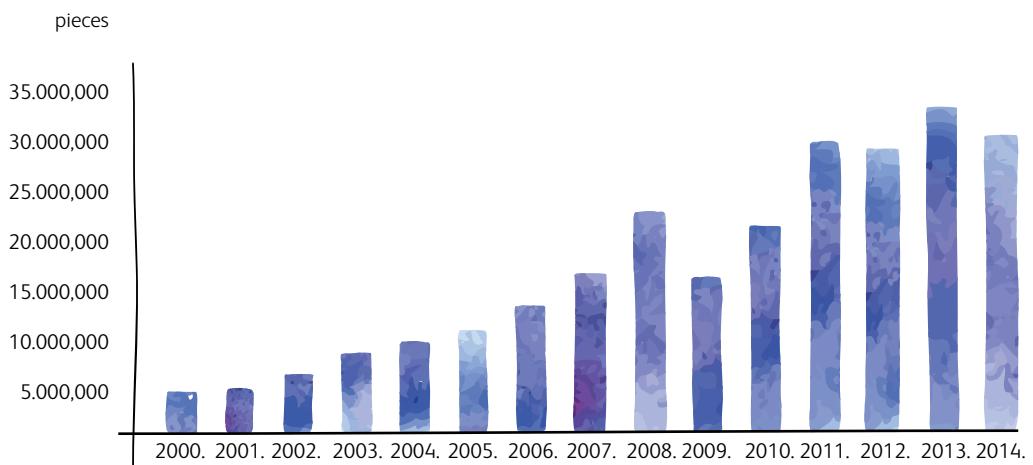
Indicator	2014.	2013.	2012.	2011.	2Q10.
Self-financing coefficient	38,00 %	41,30 %	37,9 %	36,60 %	34,90 %

If we compare this indicator in 2014 with the previous years, it is clear the self-financing coefficient in 2014 is slightly lower than in 2013, but higher than in the previous years. If we take into consideration that the investment in a new production facility, mainly financed by the banks and leasing companies, dominated in 2014, this indicator is really good.

A total of 37 activities registered at court. Development and production activities include different types of products: drugs, medical products, cosmetic products (products for general purpose), special purpose cosmetics, food supplements and food for special medical needs. The aforementioned products are manufactured in various forms, which includes: tablets, pastilles, hard and soft gelatin capsules, sterile solutions, powder for injections, powders for oral solutions, non-sterile solutions, ointments, creams and gels, teas.

During 2014, around 31 million products were produced in total, 245 thousand pieces on average per person.

ANNUAL PRODUCTION



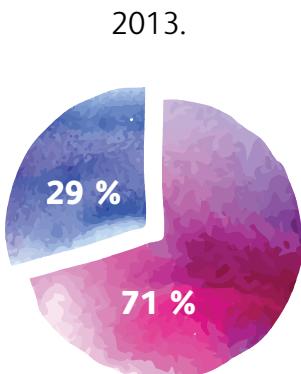
**G4-10
EMPLOYEE
STRUCTURE** The total amount of employees by gender, region and type of contract on 31 December 2014. There are no significant fluctuations in the number of employees throughout the year.

733 employees: 550 women / 183 men

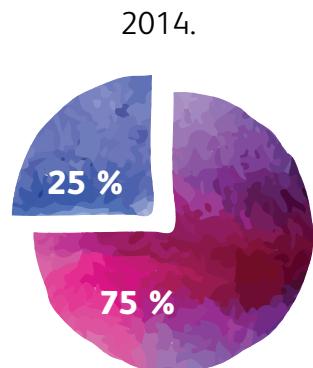
	TOTAL	F	M
CROATIA	396	289	107
BOSNIA AND HERZEGOVINA	7	4	3
SERBIA	5	5	0
MACEDONIA	5	5	0
RUSSIA	218	163	55
BELARUS	9	6	3
UKRAINE	51	39	12
KAZAKHSTAN	41	38	3
KOSOVO	1	1	0
TOTAL	733	550	183

OVERVIEW OF EMPLOYEES BY GENDER IN 2013 AND 2014

WOMAN ●
MEN ●



2013.

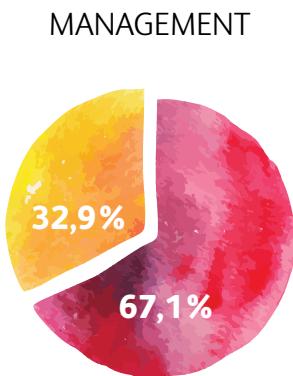


2014.

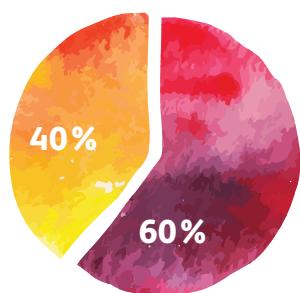
From the total number of employees, top management (the Board, senior management) consists of 15 employees, i.e. 2 %, while management (the Board, high management, senior management, middle management) consists of 70 employees or 9.5 %.

**STRUCTURE OF
MANAGEMENT
AND TOP
MANAGEMENT
BY GENDER FOR
2014**

WOMAN 
MEN 



TOP MANAGEMENT



733 employment contracts: 643 with a permanent contract / 90 with a fixed-term contract

	PERMANENT CONTRACT	FIXED-TERM CONTRACT
CROATIA	345	51
B&H	6	1
SERBIA	3	2
MACEDONIA	3	2
RUSSIA	201	17
BELARUS	9	0
UKRAINE	49	2
KAZAKHSTAN	26	15
KOSOVO	1	0
TOTAL	643	90

OVERVIEW OF EMPLOYEES BY THE TYPE OF CONTRACT IN 2013 AND 2014

PERMANENT CONTRACT

FIXED-TERM CONTRACT

2013.



2014.



G4-11 COLLECTIVE AGREEMENTS

The company has not entered into collective agreements with employees.

G4-12 SUPPLY CHAIN

As a pharmaceutical company, JGL collaborates in its supply chain with a wide range of different types of suppliers in the processing industry (according to the national classification in the areas DE, DF, DG, DH, DJ, DN, E...) of different sizes – from small companies and crafts to big multinational companies.

Within the supply chain, companies that provide transport services also have an important role and there is a special approach to their selection.

It is expected from the suppliers to prove themselves with their quality, speed, innovation and expense transparency. Companies that are selected contribute to ecology and environmental protection with regular servicing and maintenance, while using vehicles with lower harmful gas emissions.

SHARE OF LOCAL AND GLOBAL SUPPLIERS IN 2014

GLOBAL SUPPLIERS
LOCAL SUPPLIERS



G4-13 CHANGES DURING REPORTING PERIOD At the beginning of 2014, JGL owned 4,138 of own shares. Until the reinvestment process, the company acquired 970 more own shares. In July 2014, the company carried out an increase of share capital by reinvesting profit and for each own share, one new share was assigned. Until the end of the period, the company acquired 14,612 more own shares. By the end of 31 December 2014, the portfolio contained 24,848 of own shares.

A spin off company Adrialab, 100 % owned by JGL, was formed at the end of 2013. Behind the name Adrialab, there is a rich pharmaceutical heritage, but also modern technology, experience, science and innovation, as well as implemented high standards of the Good Manufacturing Practice (GMP). In 2014, Adrialab competed on the market via promotion of the products and it started with development and production activities of a traditional part of the portfolio separated from JGL, introducing new drugs, medical products, food supplements and cosmetics, produced in accordance with the high standards of the pharmaceutical industry. During the reporting period, 15 employees went from JGL d.d. to Adrialab d.o.o.

G4-14 PRECAUTIONARY APPROACH In order to protect the environment, the precautionary approach shall be widely applied by JGL according to its capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

The company has a good foundation towards applying the principle of preventive protection of the environment, such as checking the waste workability at an early stage of development and adopting new products, starting from the theoretical evaluation to the pilot production phase and validation series. In this way, JGL has a timely established possible negative ecological potential of products and a prepared “recipe” for the treatment of waste generated in the production process. By keeping accurate records and drafting relevant reports, JGL continuously monitors changes in environmental impacts.

**G4-15
BINDING
STANDARDS** 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 9000:2005
- ISO 9001:2008
- ISO 13485:2003
- ISO 19011:2002
- ISO 22000:2005
- ISO 22716:2007
- EC Good manufacturing Practice, Part I and applicable Annexes
- FDA cGMP and other applicable documents (guidelines)
- ICH guidelines applicable to JGL's business
- EN ISO 14971:2007

**G4-16
MEMBERSHIPS**

- Croatian Business Council for Sustainable Development
- Croatian Chamber of Economy
- The European Generic Medicines Association
- Croatian Managers' & Entrepreneurs' Association
- Croatian Association for Automatic Identification, Electronic Data Interchange (EDI) and Business Process Enhancement
- Croatian Exporters
- United Nations Global Compact
- Croatian Pharmaceutical Society
- Croatian Pharmacological Society
- Croatian Society of Cosmetic Chemists
- Licensing Executives Society

- Association of the Croatian Business Forum
- Croatian Health Cluster
- The Croatian Association of the Self-Medication Industry

JGL became a part of the General Board of the Croatian Association of the Self-Medication Industry this year, thus becoming even more involved in the promotion of self-medication as a company.

IDENTIFIED TANGIBLE ASPECTS AND LIMITS

JGL's non-financial report for the most part includes the reports of the Parent Company – JGL d.d, Rijeka, while a part of the social dimension also includes the subsidiaries listed below:

- Farmis d.o.o. Sarajevo,
- Jadran - Galenski laboratorij d.o.o. Ljubljana,
- Jadran - Galenski laboratorij d.o.o. Belgrade,
- JGL d.o.o. Belgrade Sopot.

G4-17 INCLUDED ORGANIZATIONAL UNITS

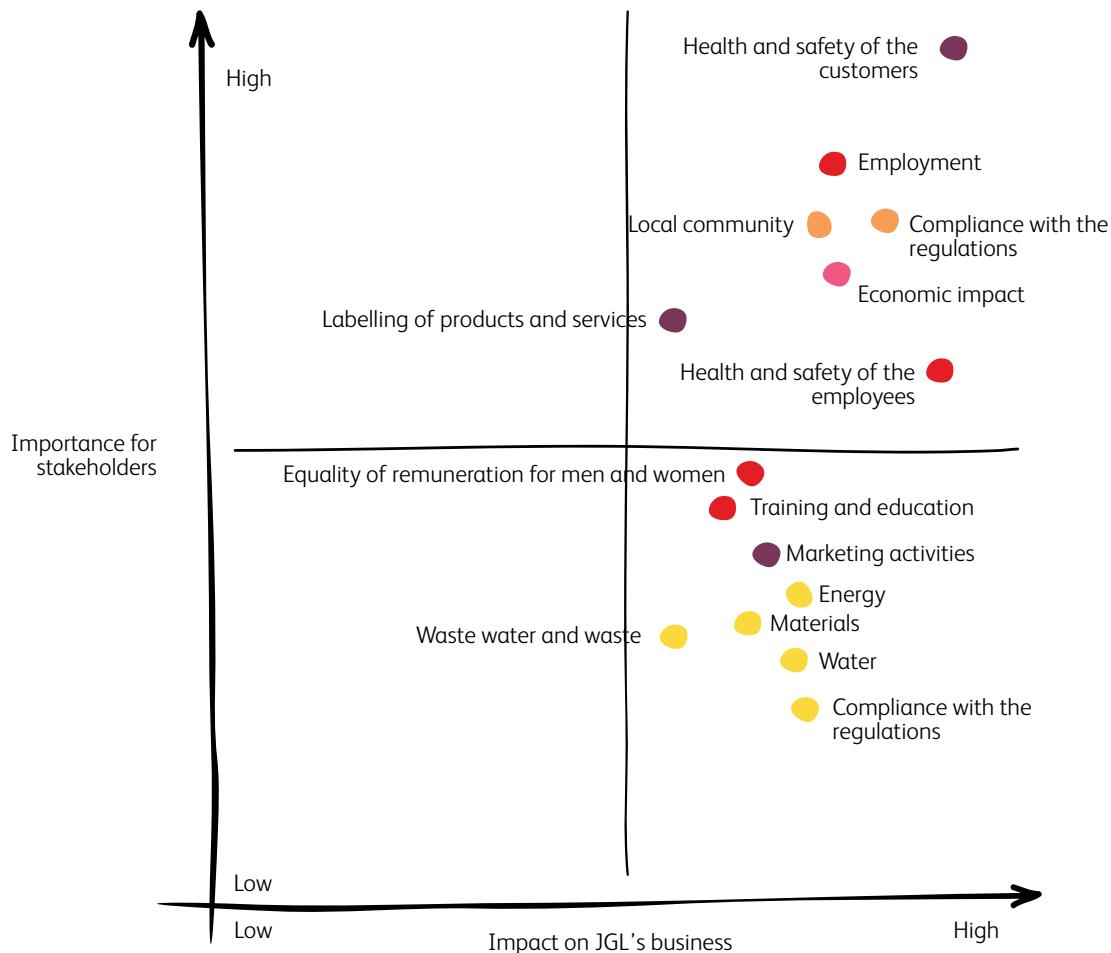
Consolidated financial reports of the JGL Group are available on the web page <http://www.jgl.hr/hr/o-jgl/financijski-izvjestaji/>. Aside from the aforementioned, they also include the financial reports of the following companies:

- Pablo d.o.o. Zagreb,
- JGL North America LLC, New York, USA,
- Adrialab d.o.o. Rijeka,
- ZU Pablo Rijeka,
- Poliklinika Pablo, Solin.

Following the Global Reporting Initiative (GRI) G4 guidelines, JGL analysed for the first time its economic, social, and environmental impacts on the basis of feedback of the engaged stakeholders, market indicators and its own strategic guidelines and defined company direction, and it determined priority topics relevant to sustainability.

Different approaches are used for the effective understanding of the priority topics and needs of all stakeholders (satisfaction surveys, counselling centre, focus groups, audits, visits, study of the organizational climate and satisfaction, etc.).

The Report includes 15 aspects with appropriate qualitative and quantitative indicators.



OVERVIEW OF JGL'S MATERIAL ASPECTS

ECONOMIC CATEGORY

Economic impact

ENVIRONMENTAL CATEGORY

Materials
Water
Energy
Waste water and waste
Compliance with the regulations

SOCIAL CATEGORY

EMPLOYMENT
RELATIONSHIP
Employment
Health and safety of the employees
Training and education
Equality of remuneration for men and women

SOCIETY

Local community
Compliance with the regulations

PRODUCT LIABILITY

Health and safety of the customers
Labelling of products and services
Marketing activities

G4-24/27 ENGAGED STAKEHOLDERS	<p>Depending on the circumstances, the first step in the planning process is defining the key stakeholders and company customers, or specifying a product or a service. Stakeholder segmentation, depending on the topic, contributes to a further understanding of the environment in which the company operates or will operate, the way the company will engage the stakeholders and customers and connect with them, and finally – the way it will produce a product or a service they will want to buy. Key stakeholders of the company are the employees, end consumers, customers, stakeholders and owners, partners and suppliers, government bodies, financial public, local community, the media.</p> <p>During the reporting period, the following steps towards improving communication and engaging key stakeholders should be emphasized:</p> <ul style="list-style-type: none"> • employees - a system was instituted for informing employees about the most important changes and information in the field of HR and for receiving individual queries. With the increase in HR availability to all employees and a more systematic approach to dealing with queries, the main purpose of creating a new Helpdesk is also a more precise categorization of questions, such as annual leave, salary, loan employment, various certificates, etc., all to ensure uniformity of interpretation; • customers - getting close to the key customers and getting them familiarised with the monthly JGL novelties, with the purpose of building an even stronger, long-term partnership – these are the reasons for initiating an external JGL Newsletter; • end consumers - during 2014, JGL on-line world (www.jgl.hr, www.jglobitelj.hr, www.morskisvijet.hr) was viewed 600,000 times, with over 200,000 unique users. JGL counselling centre received around three hundred queries via phone and e-mail during the year, mostly looking for answers on target questions related to health condition and diseases, questions about products and recommendations for use. Facebook community increased by more than 10,000 new members. Everyday communication, encouraging interaction, responding to inquiries and comments of users, numerous tips and education of users have contributed to an excellent result; • media - in 2014, JGL appeared in around 1,300 press releases. The company was very often mentioned as part of the topics on the pharmaceutical industry, good export results, investments, and as a company which takes care of its employees and corporate social responsibility.
--	---

STAKEHOLDER	TYPE OF COUNSELLING	COUNSELLING FREQUENCY
Employees	Study of the organizational climate and satisfaction	yearly
	Specialized email of JGL Notifications	when necessary
	Internal server for sharing business information	continuously
	Newsletter	monthly
	Sustainable Development Report	yearly
End consumer	Satisfaction surveys	yearly
	Specialised parts of the official web-page	continuously
	Facebook pages	continuously
	Counselling via the JGL counselling centre	continuously
Customer	Satisfaction surveys	yearly
	Specialised parts of a web-page	continuously
	Facebook pages	continuously
	Counselling via the JGL counselling centre	continuously
	Consumer focus group	yearly
	Secret customer	yearly
	Visiting customers	continuously
	Sustainable Development Report	yearly
	Newsletter	monthly
		yearly
Owners and stakeholders	General meeting	when necessary
	Letters	yearly
	Sustainable Development Report	yearly
Partners and suppliers	Visits	when necessary
	Mutual audits	when necessary
	Official web pages	continuously
	Sustainable Development Report	yearly
Government bodies	Participation in conferences	when necessary
	Memberships	continuously
	Sustainable Development Report	yearly
Financial public	Annual Reports	yearly
	Contracts	when necessary
	Sustainable Development Report	yearly
Local community	Visits and joint activities	when necessary
	Official web pages	continuously
	Sustainable Development Report	yearly
Media	Press releases	when necessary
	Press conferences	when necessary
	Informal meetings	when necessary

G4-28/31 After the Sustainable Development Report for 2013 issued in May 2014, this is the seventh SDR of the JGL company which covers a one-year reporting cycle, i.e. the period between 1 January and 31 December 2014. The Report was drafted in accordance with the fourth generation of the Global Reporting Initiative (GRI G4) guidelines, using the core option for the compliance of the Report. In case of any questions related to this Report, the contact person is Dea Demić, dea.demic@jgl.hr, Svilno 20, 51000 Rijeka, Croatia.

GRI'S TABLE OF CONTESTS

8	STRATEGY AND ANALYSIS	21	G4-25
8	G4-1	21	G4-26
10	ORGANIZATIONAL PROFILE	21	G4-27
10	G4-3	22	G4-28
10	G4-4	22	G4-29
10	G4-5	22	G4-30
10	G4-6	22	G4-31
10	G4-7	22	G4-32
11	G4-8	24	G4-33
11	G4-9	24	MANAGEMENT
13	G4-10	24	G4-34
15	G4-11	25	ETHICS AND INTEGRITY
15	G4-12		
16	G4-13	25	G4-56
16	G4-14		
17	G4-15		
17	G4-16		
18	IDENTIFIED TANGIBLE ASPECTS AND LIMITS		
18	G4-17		
19	G4-18		
19	G4-19		
19	G4-20		
19	G4-21		
20	STAKEHOLDER ENGAGEMENT		
20	G4-24		

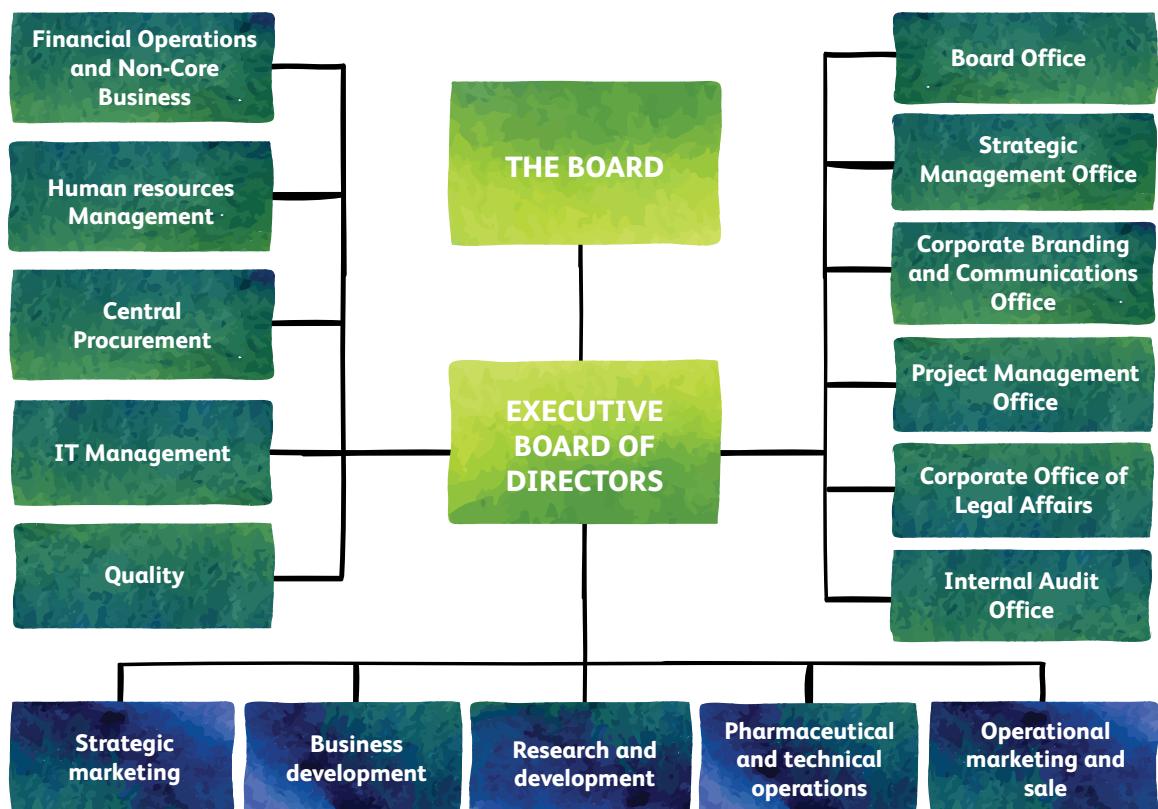
PAGE	SPECIFIC STANDARD DATA	GUIDELINE
28	CATEGORY: ECONOMY	
28	Aspect: Economic impact	EC1, EC2, EC3, EC4
31	CATEGORY: ENVIRONMENT	
31	Aspect: Materials	EN1, EN2
32-34	Aspect: Energy	EN3, EN5, EN6
34	Aspect: Water	EN8
35-38	Aspect: Waste water and waste	EN22, EN23, EN25
38	Aspect: Compliance with the regulations	EN29
38	Aspect: General	EN31
39	Aspect: Suppliers in terms of environmental impact	EN32, EN33
40	CATEGORY: SOCIAL	
40	SUBCATEGORY: EMPLOYMENT RELATIONSHIP AND DECENT WORK	
40-43	Aspect: Employment	LA1, LA2, LA3
44-45	Aspect: Health and safety in the workplace	LA5, LA6, LA7, LA8
45-48	Aspect: Training and education	LA9, LA10, LA11
48	Aspect: Equality of remuneration for men and women	LA13
49	SUBCATEGORY: COMPANY	
49	Aspect: Local community	SO1, SO2
51	Aspect: Compliance with the regulations	SO8
51	SUBCATEGORY: PRODUCT LIABILITY	
51	Aspect: Health and safety of the customers	PR1, PR2
53	Aspect: Labelling of products and services	PR3, PR4
54	Aspect: Measuring customer satisfaction	PR5
56	Aspect: Marketing communication	PR6, PR7

**G4-33
VERIFICATION** In accordance with the continuous and comprehensive support of the Croatian Business Council for Sustainable Development (BCSD Croatia), in this year's SDR, reporting on strategic management and company's impact on the society and environment, and the area of procurement was approached in more detail. We have also presented a more clear view of the process of the management of non-financial impacts. It is precisely BCSD Croatia that is the most called-out institution in the Republic of Croatia when it comes to promoting corporate social responsibility, so expressing opinions and a verification of the Report is also appreciated in this Report.

MANAGEMENT

**G4-34
MANAGEMENT
STRUCTURE AND
ITS COMPOSITION** The Supervisory Board consists of five members. Four members of the Supervisory Board are elected by the General Meeting, and one of the members is appointed by the employees in the manner and by the procedure prescribed by the Labour Act. The members of the Supervisory Board, elected by the General Meeting, are chosen in principle from among experts in the fields relevant to the company's operations.

The company consists of the Executive Board, Portfolio Management Board and Strategic Board whose members are appointed by the company's Board of Directors by a special decision. Executive Board of the company



is a multifunctional authority, encompassing six directors of key business functions with adequate authority and executive power. The three of them are responsible persons for decision making on economic (Executive Director of Financial Operations and Non-Core Business), environmental (Executive Director of Pharmaceutical and Technical Operations) and social impacts (Executive Director of Corporate Affairs).

Focus, coordination and planning activities related to the JGL's corporate social responsibility falls under the responsibility of the Director of the Corporate Branding Department, within which JGL's Sustainable Development Report JGL is annually prepared.

Since the Director of Corporate Branding is also the head of the Strategic Board, all members of the company's Strategic Board continuously report on the development, monitoring, and realisation of economic, social and environmental impacts of the CSR, as well as on the integrating of the above mentioned into the company's corporate strategy.

The Director of Corporate Branding responsible for sustainable development participates in meetings of top management and has insight into business decisions and official documents of the organization. They communicate with the Board of Directors once a month or more often if necessary. The Board of Directors is always available for consultations.

G4-56
ETHICS AND
INTEGRITY The goal of the JGL company and JGL Group is to succeed in a fair and open competition on the market. JGL strives for superior results, but it never tries to achieve them through unethical or illegal business practices.

The members of the senior management, directors, managers, heads and employees must always strive to achieve honest relationships with customers, suppliers, competitors and employees. No one should take advantage of another individual through manipulation, concealment, abuse of privileged information or misrepresentation of material facts.

JGL respects trade secrets and proprietary information of other businesses. Information from public sources is a legitimate source of information on competition, while a trade secret obtained through improper means is not. The sales of JGL's products and services, as well as product and service procurement from the suppliers is performed exclusively on the basis of quality, price and service and never on giving or receiving cash amounts, gifts, entertainment or services.

On all the markets, JGL is guided by the principles of ethics which are regulated in Croatia, among others, by the Ethical Advertising Contract, which the company signed with the Croatian Health Insurance Fund on 12 May 2010.

MISSION We improve the quality of life by taking care of your health.

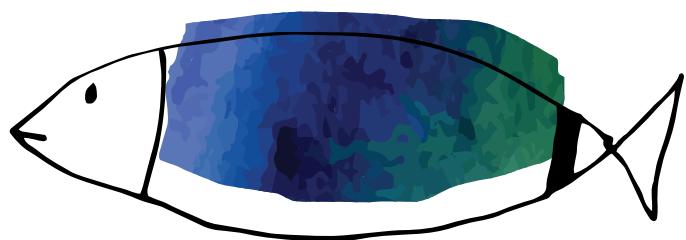
VISION JGL is an international pharmaceutical company oriented towards developing and manufacturing drugs in target therapeutic areas, with a focus on the senses. JGL wants to be the global leader in using the benefits of seawater for health purposes.

VALUES

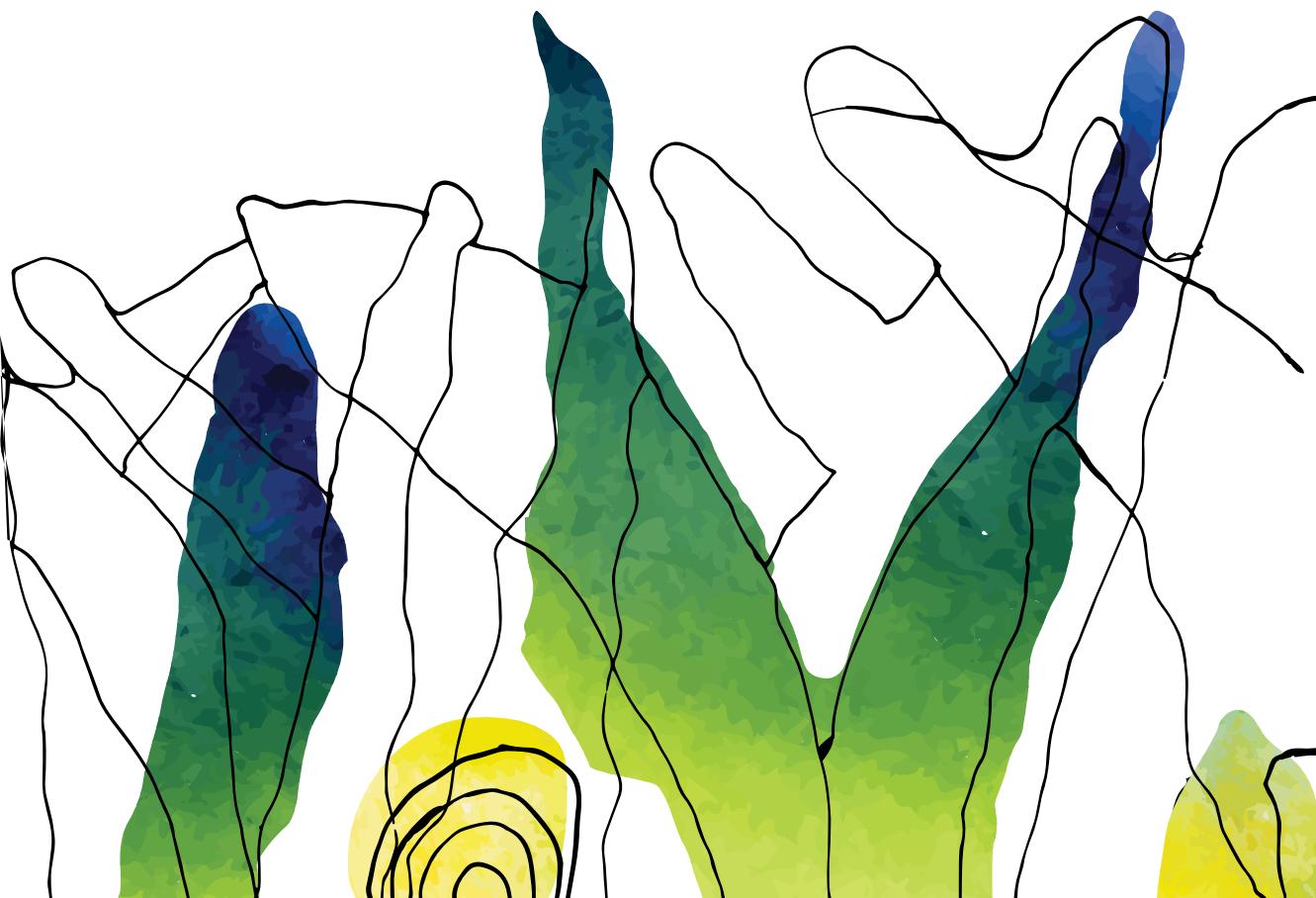
- Teamwork** In order to achieve a common goal, we cooperate on all levels of the company. We share information and resources, communicate in an open, direct and honest manner, with mutual respect, and we build long-term partnership relationships.
- Excellence** We have clear and high goals, as well as quality and performance related standards. We are bold and passionate in achieving results. We encourage ourselves and others to participate in continuous learning and development, to assume responsibility and take initiative.
- Closeness** We recognize the needs of our partners and meet them. We work for our mutual benefit, by taking diversity into account. We are simple, open and friendly in our communication.

STRATEGIC GUIDELINES

- Closeness in customer relations** The first and foremost focus in our decision-making process is our customers, since their needs and expectations exceed the sole need for the product. We want to be the customer's partner and their first solution in business.
- Operational efficiency** We want to keep growing, but we must do so in a way which does not pose a threat to our profit and efficiency. We must find a good cost to investment balance, focus on small-scale but sustainable, long-term growth.
- Technological devotion** We want to use our strengths and knowledge to focus on the areas in which we can stand out and achieve competitive edge. This primarily means the development and production of sterile pharmaceutical forms in the ORL indication field and ophthalmics.
- Globalization of business operations** We tend to achieve an even higher level of recognition on foreign markets. We estimate that the Aqua Maris line of products has the largest potential in this respect, since it has already proved to be an exceptionally successful and competitive brand, especially on the CIS markets.



LUCIJA HRVATIĆ JELAVIĆ 4.B.



SPECIFIC STANDARD DATA

CATEGORY	ECONOMY
ASPECT	ECONOMIC IMPACT

G4-EC1 DIRECT, GENERATED AND DISTRIBUTED ECONOMIC VALUE IN 2014

Direct generated economic value **525.150.000**

Net sales revenue	520.755.000
Revenue from the lease and sale of assets	4.216.000
Revenue from interest	179.000

Distributed economic value **486.158.000**

Operating costs	342.770.000
Salaries and employee benefits	117.013.000
Payments to providers of capital	15.004.000
Payments to government	10.354.000
Investments into the community	1.017.000

Economic value retained **38.992.000**

G4-EC2 FINANCIAL CONSEQUENCES OF CLIMATE CHANGE

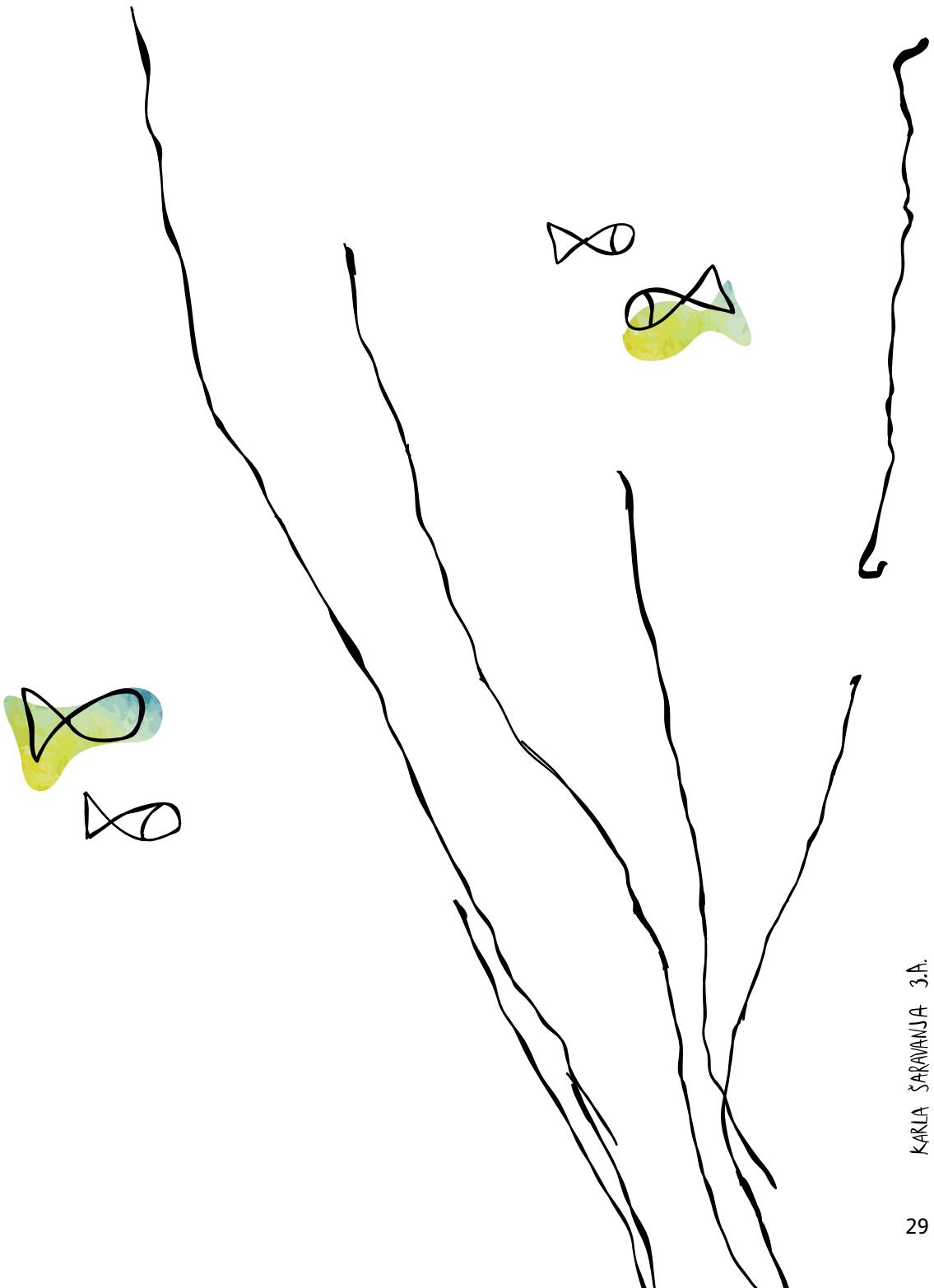
The company does not monitor the risks and opportunities related to climate change.

G4-EC3 COVERAGE OF LIABILITIES RELATED TO A DEFINED PENSION PLAN

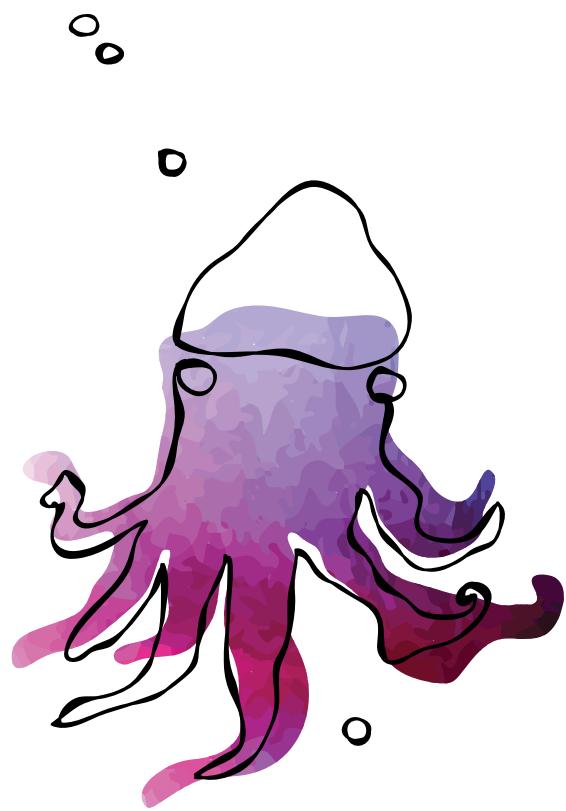
The company has no defined pension plan.

G4-EC4 FINANCIAL HELP RECEIVED FROM THE GOVERNMENT

JGL d.d. qualified in 2014 for state incentives in the amount of HRK 3,788,471.62. Incentives were realized via tax deduction and preferential loan interest.



KARLA ŠARAVANJA 3.A.



CATEGORY ENVIRONMENT

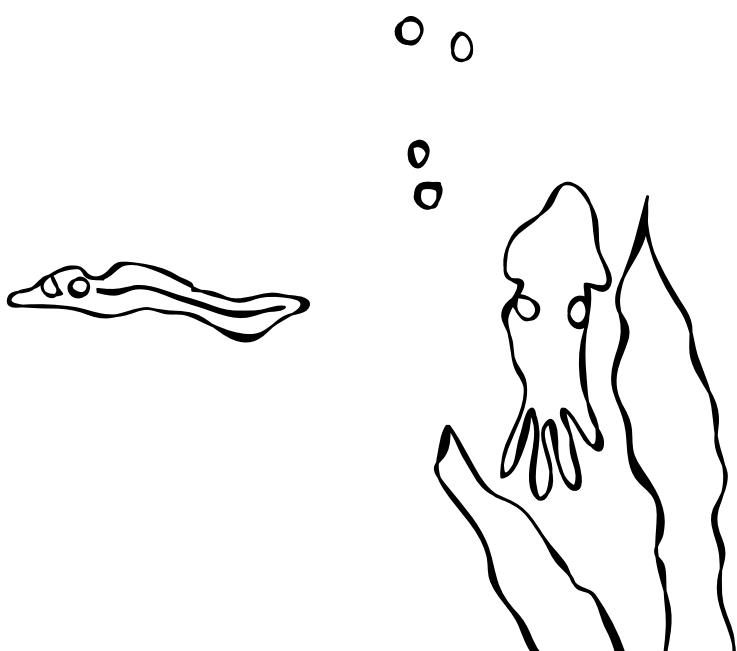
Environmental protection and conservation of natural resources are high on JGL's list of priorities. With responsible management and employee commitment, JGL is trying to do business in an environment-friendly manner. The company established a policy of quality and environmental management through the application of norms HR EN ISO 9001:2002, ISO 13485:2003 and ISO 22000:2005 in everyday business and it continuously works on reducing the use of resources from the environment, waste and pollution.

ASPECT MATERIALS

G4-EN1 Used non-renewable materials: 376,626.27 kg
USED MATERIALS Used renewable materials: 501,880.54 kg

Renewable materials include in order: packaging from paper and cardboard, packaging from plastic, glass, semi-finished products from aluminium and aluminium alloys, packaging from light metals.

G4-EN2 The percentage of the recycled input materials used in the production of primary products and services amounts to 57.13 %.
RECYCLED MATERIALS



ASPECT ENERGY

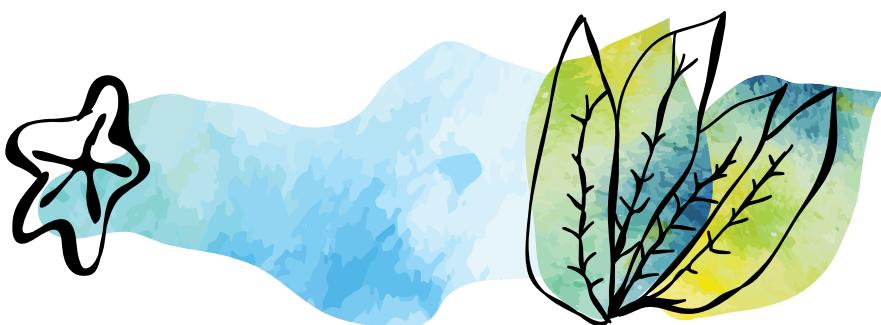
G4-EN3 ENERGY CONSUMPTION WITHIN THE ORGANIZATION The main energy source used in JGL is electricity generated from renewable sources (ZelEn from HEP-Opskrba) in order to encourage sustainable economic growth in the area, and care and preservation of the environment. The company is proud to have the mark "ZelEn – Friend of nature".

The total energy consumption during the reporting period was 5,749,004 kWh, which in relation to the previous period represents a reduction of around one percent (5,821,000 kWh). The reduction resulted from the optimization of a quality requirement and stability of various production processes and storage. The increased energy consumption during the intensive, final phase of the Svilno 2 investment project should definitely be taken into account so the real energy picture is more positive.

The ratio of electricity consumption in relation to greenhouse gas emissions (CO₂)

* Specific CO₂ emission per produced kWh of electric energy is 276.75 g/kWh.

Source: Manual for Energy Consultants, UNDP



2009			2010			2011		
MWh	GJ	t CO ₂ *	MWh	GJ	t CO ₂ *	MWh	GJ	t CO ₂ *
2699	9752	747	3718	13436	1029	4383	15836	1213



MWh	GJ	t CO ₂ *
5080	18357	1406



MWh	GJ	t CO ₂ *
5821	21033	1611

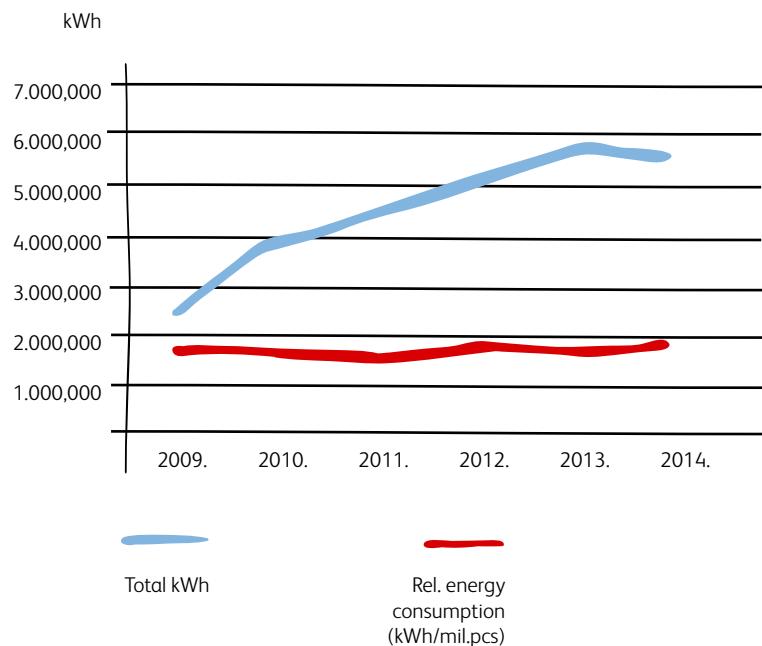


MWh	GJ	t CO ₂ *
5749	20773	1591

G4-ENS ENERGY INTENSITY

ENERGY INTENSITY 2009 - 2014

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



G4-EN6 REDUCTION OF ENERGY CONSUMPTION

JGL measures consumed electricity, with the retained solar power on a monthly basis. In addition to measures of good management and investment in equipment, the following measures to reduce energy consumption are implemented:

- improving the thermal properties (insulation) of the facilities,
- temperature regulation of processes, and operational, storage and office spaces,
- partial use of wasted heat,
- solar preheating of hot water and water softening (preventing limescale deposits on the heating elements).

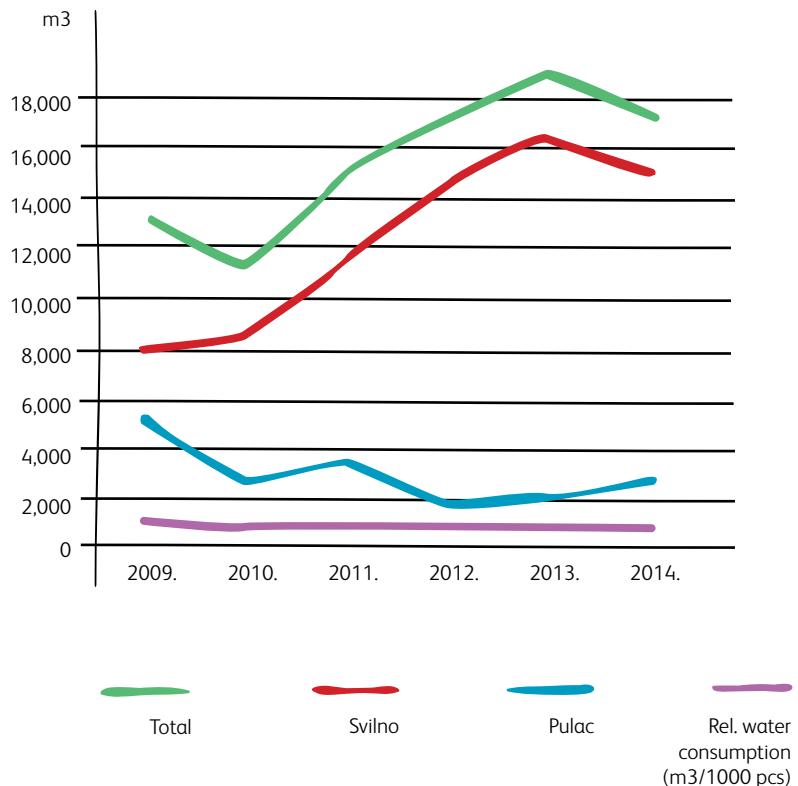
ASPECT WATER

G4-EN8 TOTAL WATER WITHDRAWAL BY SOURCE

JGL is supplied with water from the local water network. Within manufacturing sites there are no surface flows. Also, in this reporting period, earlier trend of reduction of water consumption continues, primarily as a result of a reduced water loss or a repair and quality maintenance of internal water supply.

WATER CONSUMPTION 2009-2014

The graphical representation of the ratio between water consumption for the selected period and the relative water consumption per produced product



ASPECT WASTE WATER AND WASTE

G4-EN22 TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

JGL is undertaking numerous activities for reduction of water consumption:

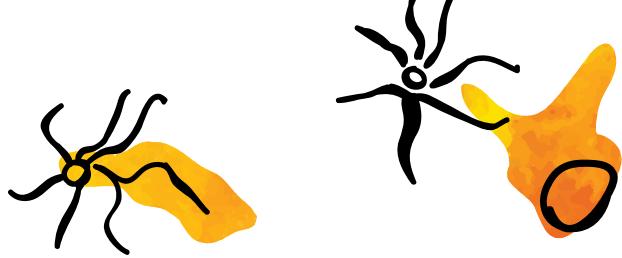
- the introduction of advanced processes of washing and cleaning,
- effective preparation of purified water for technological needs - less waste water,
- use of waste water for watering green areas.

Water discharge is controlled and is implemented by water treatment through biological purifiers before being discharge into municipal systems. At all JGL's manufacturing sites there are biological purifiers. The system of collecting rainwater from the roofs and purified water from the biological purifiers at the new production facility Svilno 2 will greatly contribute to reducing the water consumption for the purpose irrigation of green areas. The mud residue, sludge from the purified water is collected and ecologically disposed of.

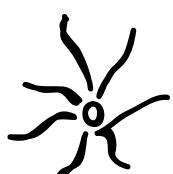
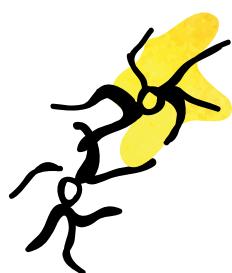
G4-EN23
**TOTAL WEIGHT OF
 WASTE BY TYPE
 AND DISPOSAL
 METHOD**

*T- Thermal treatment
 / TE - Thermal treatment with use of energy / R- Recycling / ObrDr - Treatment by others / PrObr - Pretreatment at JGL / O - Disposal*

Name of waste	Key number	Hazardous YES/NO
Other organic solvents	070504*	YES
Non-chlorinated engine oils	130205*	YES
Oil filters	160107*	YES
Filters	150202*	YES
Infectious waste	180103*	YES
Chemicals containing dangerous substances	160506*	YES
Electrical equipment containing dangerous substances	160213*	YES
Separator fat	190810*	YES
Needles for disposal	180101	NO
Packaging (cardboard, paper)	150101	NO
Packaging (plastic)	150102	NO
Electronic and electrical waste	160214	NO
Packaging (glass)	150107	NO
Pharmaceuticals for disposal	180109	NO
Aqua Maris (plastic)	070599	NO
Cosmetics (ointment, cream, oil, milk)	070699	NO
Aqua Maris (glass)	070599	NO
Municipal, mixed waste	200301	NO
Sludge from septic tanks	200304	NO
Paper and cardboard	200101	NO
Sludge from technological waste water	190805	NO
Bulky waste, furniture	200307	NO
Iron and steel	170405	NO
of these:		hazardous
		non-hazardous
		total



Quantity in kg			Treatment process
PULAC	OSJEČKA	SVILNO	TOTAL
409		890	1299
		0	T
		0	TE
		0	(T)
		0	(TT)
3959		2399	6358
155		350	505
		0	T
		0	T
19		1000	1000
		19	R
	780	33100	33880
395		20205	20600
		15	PrObr, R
1068			PrObr, R
724	2700	14357	17781
208		10282	T
		0	R
381		14919	15300
5890	1320		O
		7210	O
		39000	ObrDr
		5100	R
		0	PrObr, O
		0	O
		1300	O
13208	4800	142917	160925
4523		4639	9162
8685	4800	138278	151763
13208	4800	142917	160925



G4-EN25 HAZARDOUS WASTE	Transported hazardous waste	Imported hazardous waste	Exported hazardous waste	Treated hazardous waste	Percentage of hazardous waste shipped internationally
	9.162 kg	0	1.601,05 kg	0	17,475 %

ASPECT COMPLIANCE WITH THE REGULATIONS

**G4-EN29
PENALTIES AND SANCTIONS** By adhering to the legal regulations and high standards of continuous care of environmental protection in 2014, there was not a single case of non-compliance with laws and regulations relating to environmental protection.

ASPECT GENERAL

**G4-EN31
EXPENDITURE AND INVESTMENTS IN ENVIRONMENTAL PROTECTION** The total amount of investments in environmental protection in 2014 amounted to around HRK 150,000, not counting the value of uncompleted work on the construction of environmental infrastructure of the new Svilno 2 facility as part of the Pharma Valley investment project.
Current JGL's expenditures for environmental protection in 2013 reached the amount of nearly HRK 2 million, without the cost of hiring own human resources, without the cost of energy or any other material cost, and without the value of their own contributions through new solutions or improvements.



ASPECT SUPPLIER ASSESSMENT IN TERMS OF THE ENVIRONMENTAL IMPACT

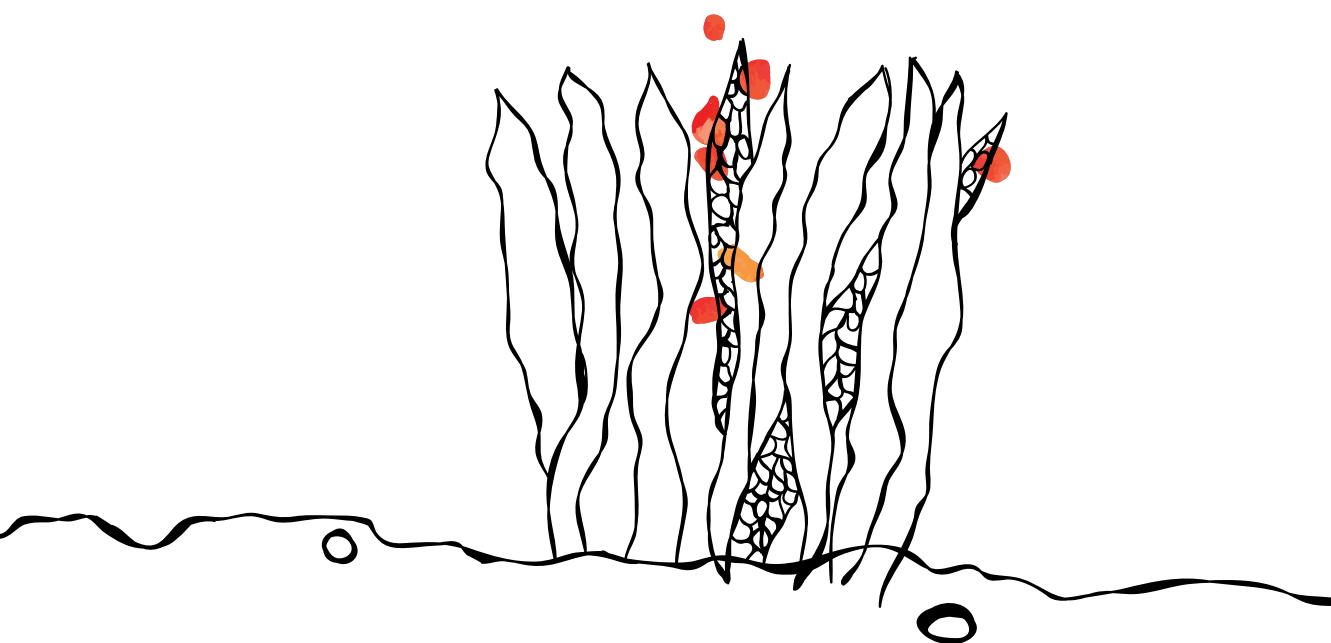
G4-EN32/EN33 THE IMPACT OF THE SUPPLY CHAIN ON THE ENVIRONMENT

During 2014, the percentage of new suppliers in JGL was as follows:

- at the local level, the number had gone up by 1.5 % ;
- at the global level, the share increased by 12 % ;
- overall, the share increase by approximately 7 % .

At the same time, the fact is that ISO14000 has a smaller number of suppliers, so the percentage of new suppliers who are tested using criteria of environmental impact is equal to 36 % .

It is positive that there is a noticeable increase in the number of companies certified in accordance to ISO 14000 standards. In previous years, this parameter has not been followed through business, and nowadays, it can play a decisive role in choosing a partner.



CATEGORY SOCIAL
 SUBCATEGORY EMPLOYMENT RELATIONSHIP AND DECENT WORK
 ASPECT EMPLOYMENT

**G4-LA1
 UNEMPLOYMENT
 RATES BY AGE, SEX
 AND REGION**

	TOTAL	GENDER		AGE		
		F	M	under 30 years	between 30 and 50 years	over 50 years
Croatia	44	33	11	24	19	1
Russia	93	71	22	39	50	4
Ukraine	1	1	0	1	0	0
Serbia	1	0	1	0	1	0
Kazakhstan	15	10	5	5	9	1
Belarus	9	6	3	3	3	3
TOTAL	163	121	42	72	82	9

**TOTAL NUMBER
 OF PEOPLE WHO
 LEFT AND THE
 FLUCTUATION
 RATE BY AGE,
 GENDER, AND
 REGION**

	TOTAL	GENDER		AGE		
		F	M	under 30 years	between 30 and 50 years	over 50 years
Croatia	27	15	12	12	9	6
Russia	48	29	19	20	25	3
Ukraine	9	5	4	4	3	2
Kazakhstan	14	4	10	4	9	1
TOTAL	98	53	45	40	46	12

The employment trend in JGL continued through 2014 - 65 new employees were employees, which represents a growth of 10.80 % in comparison to 2013. In addition, fluctuation rate for 2014 is 13 % , which is 2 % more than last year.

The increase in the employee fluctuation is largely recorded in CIS markets, primarily in Russia and Ukraine. The geopolitical situation in these countries had a significant impact on the economic situation, inflation and the standard of living that basically encouraged unwanted fluctuation. On the other hand, in the reporting period, we had over 30 people return from a maternity leave, for whom replacements had been hired, which also lead to a higher number of departures upon the expiration of the employment contract.

In addition, the largest share of recorded departures in Croatia is caused by the transition of employees into our spin-off company Adrialab. The other, smaller share, contains the desired fluctuation (retirement, unsatisfied trial periods) which is partially unwanted, which ratio is natural and which has not significantly increased in the previous year.

G4-LA2 BENEFITS

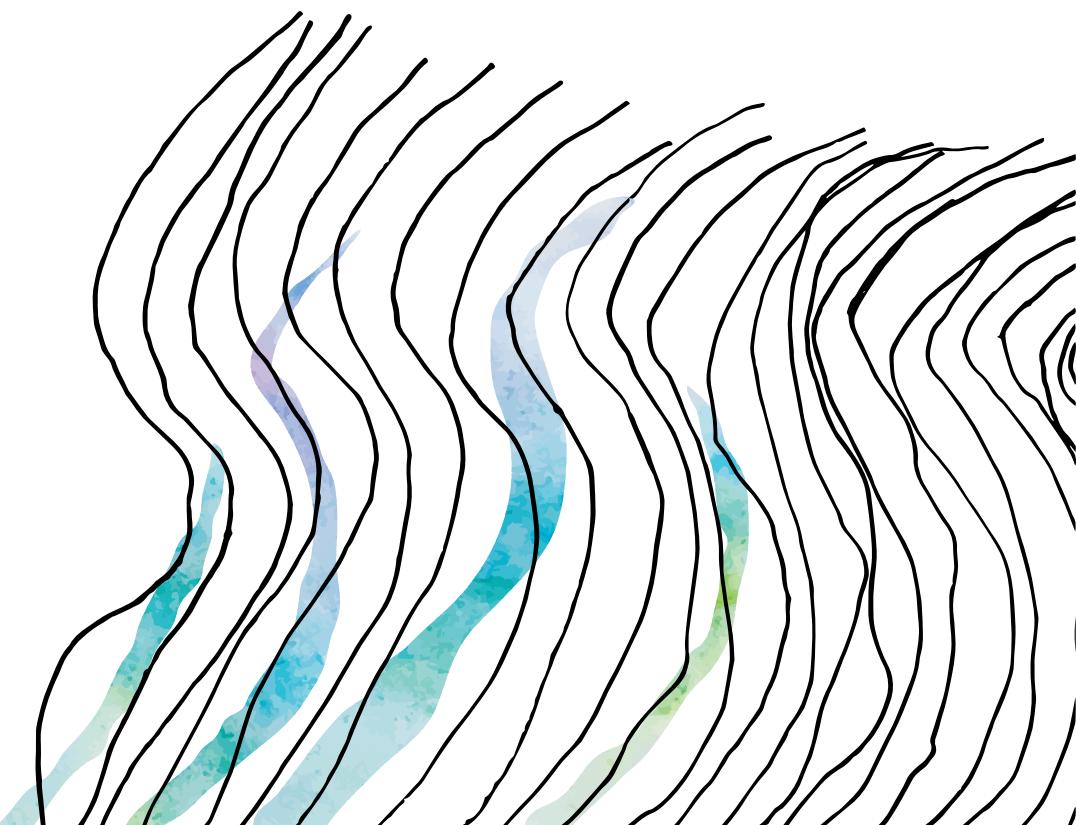
- BONUS**
- depends on the overall work performance and individual employee performance throughout the year
 - the overall share of the flexible portion differs depending on the group of work and level of complexity
 - the flexible portion always depends on objectives defined in advance at the performance interview, and/or represents a defined set of key indicators per work post

- ADDITIONAL
BENEFITS**
- medical insurance policy
 - incentive of payment into the 3rd category of the pension fund
 - discounts on products and services
 - gift and monetary reward for the newborn baby
 - Christmas gift for each child under 15 years
 - Easter gift for each employee
 - Christmas bonus
 - recourse
 - honorary awards
 - restaurant for the employees
 - prize contests and quizzes for the employees
 - when relocation or a week's stay in Rijeka is expected, flexible part of the financial package framework is secured in the form of participation payments or complete takeover of housing costs (fixed-term), support for relocation, finding a school or daycare for children, etc.
 - discounts on sports activities
 - discounts on JGL products
 - night work is further rewarded by a higher financial incentive (above statutory minimum)
 - shift work is rewarded with additional days of annual leave.

**G4-LA3
RETURN FROM
MATERNITY LEAVE**

All female employees are entitled to maternity and parental leave, and each male worker has a right to parental leave under the decision of CHIF.

During the reporting period, 15 women (around 3 % of the total number of women) and 1 man used the right to a maternity and parental leave. Four employees returned to work after maternity leave and all employees after the expiry of the parental leave.



ASPECT **HEALTH AND SAFETY IN THE WORKPLACE**

G4-LA5 OCCUPATIONAL SAFETY BOARD	Safety at Work Department (Zaštita na radu - ZNR) and Fire Protection Department (Zaštita od požara - ZOP) operate in accordance with JGL's mission "to improve the quality of life through taking care of health." Occupational Safety Board, as an advisory and executive body, comprises of 0.7 % of the workforce: <ul style="list-style-type: none">• Employer Representative,• Head of Department of Occupational Safety and Fire Protection,• Occupational Medical Specialists,• Occupational Health and Safety Representative,• Croatian Safety at Work Inspector.
---	--

G4-LA6 WORK RELATED INJURIES	In the period of the last three years (from 2012 to 2014) a total of 10 work related injuries were registered. There were no registered cases of occupational disease and/or death related to accidents at work. Number of injuries decreased in relation to the number of employees. In 2014, two injuries were recorded (0.3 % of total number of employees) at work, both at the workplace while performing duties and tasks, and they were classified as minor injuries.
---	--

Through regular annual reports to the competent bodies (Croatian Safety at Work Inspectorate, Environmental Protection Agency), JGL presented its real state of affairs which shows progress in comparison to the year 2013.

The number of injuries due to the site of injury in the past five years 2012-2014.

Year	At the workplace while performing duties and tasks	On the way from place of residence do work and vice versa	Total
2012.	2	1	3
2013.	3	2	5
2014.	2	0	2

G4-LA7 PROFESSIONAL DISEASES	Employees who have jobs with special working conditions, after getting acquainted with the hazards and dangers in these positions receive written instructions on hazards and safety measures which must be followed during work.
---	---

**G4-LA8
ADDITIONAL
HEALTH CARE
BENEFITS** Apart from engaging occupational medical specialists to monitor employees' health, JGL provided its employees with an annual physical examination covered by the Uniqa Insurance Group. Additional health insurance is part of the additional benefits for all employees.

ASPECT TRAINING AND EDUCATION

G4-LA9 EDUCATION AND TRAINING	Year	Total hours	Number of employees	Number of hours per employee
NUMBER OF HOURS OF PROFESSIONAL DEVELOPMENT PER EMPLOYEE	2012.	10.330	332	31 (25 hours outside the company, 6 hours in the company)
	2013.	9.057	365	25 (17 hours outside the company, 8 hours in the company)
	2014.	18.207	776	23 (12 hours outside the company, 11 hours in the company)

Hours of professional development are recorded separately for each employee (who attended the education, its duration) and include internal and external education. The total number of hours of professional development for a certain period of time is calculated by adding the hours for each employee and then adding the hours of all employees in departments and sectors.

Number of hours of professional development per employee is calculated using the formula: total number of hours/total number of employees in the company.

Since 2014, education is monitored at the level of the entire company JGL d.d., while in previous years, it has been recorded exclusively by the Parent Company.

INVESTMENTS IN PROFESSIONAL DEVELOPMENT PER EMPLOYEE	Year	Total amount in HRK	Number of employees	Amount in HRK per employee
	2012.	2.555.394	332	7.697
	2013.	2.686.976	365	7.362
	2014.	5.926.342	776	7.637

The costs of professional development of the employees include:

- the price of professional development,
- participation fee,
- travel costs,
- accommodation,
- any possible costs incurred because the employee was in training as a part of professional development (e.g. overtime, replacement or hiring employees on fixed-terms, etc.),
- costs of internal professional development:
 - number of hours the internal trainer spent on their preparation,
 - number of hours spent on conducting professional development,
 - price by the hour of the internal speaker (gross salary increased by 100 %).

Costs of professional development per employee are calculated using the formula: total costs of professional development / total number of employees in the company.

NUMBER OF HOURS OF PROFESSIONAL DEVELOPMENT PER EMPLOYEE CATEGORY FOR 2014

Employee category	Number of hours per employee
Senior management	18
Middle and lower management	30
Employees – University education	27
Employees – Secondary education and Basic qualification	20

**G4-LA10
LIFELONG
LEARNING**

All employees have a possibility of continuous professional development, which supports their employability. Employees agree on necessary development programs with direct superiors in the service of meeting objectives, strategic directions and career plans.

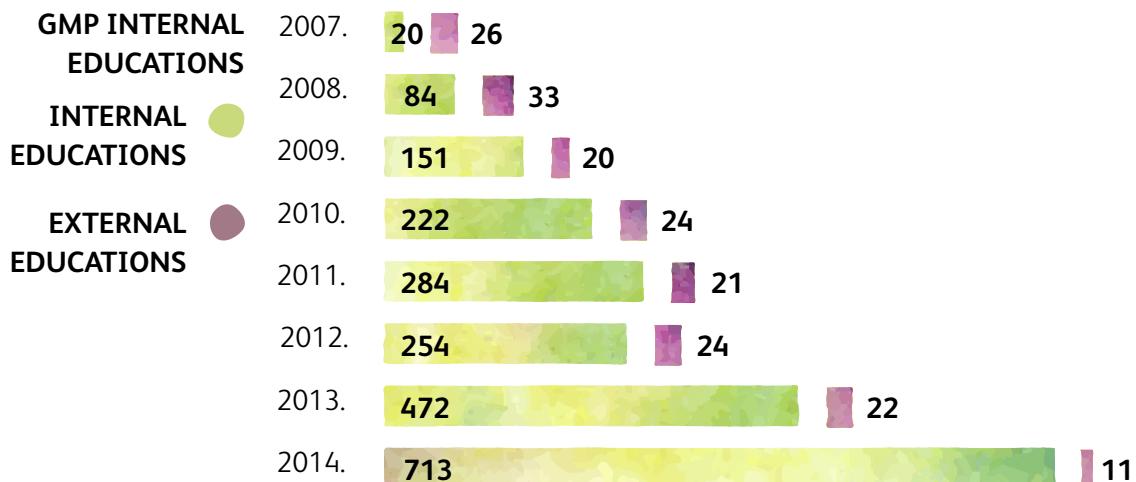
We follow the development strategy that is based on the principle of 70-20-10, or 70 % of the development through work and projects, 20 % of development through mentoring and coaching, and 10 % of development through formal education and external training. At the same time, the focus is increasingly directed at targeted development programs for critical and key functions.

During 2013, 98 % of employees underwent some form of professional development. 2 % of the employees that did not undergo some form of professional development refers to employees that were not actively working through most of 2013. The situation in 2014 remained unchanged in comparison to 2013, but we had a larger number of people

on maternity leave, so 3 % of employees did not underwent any kind of education.

The company provides the opportunity to attend all kinds of educations, conferences, seminars, training, long-term education and so on. In addition, the company provides 3-5 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.

Due to the industry in which we operate, employees also undergo a lot of legally required educations (related to the Good Manufacturing Practice (GMP) standard). Aside from external education, there is a system of internal educations in the field of project management, quality assurance (GMP), IT knowledge and foreign languages - English and Russian. We also have the available materials from all previous educations titled "Edukacija na dlanu" (Education within hand's reach), which is continuously updated. A new era of internal education has begun - e-learning educations, currently deals with only one topic, but the aim is to expand this aspect of continuous education.



The graph shows:

- educations regularly conducted for each new defined procedure,
- educations organized due to the lack of knowledge in a particular field,
- periodic GMP educations,
- initial GMP educations for new employees.

There was an increase in total education by 32.0 % compared to 2013 (the largest number of conducted educations refers to Production, Quality and Development.) Number of internal education has increased by 33.8 %, while the number of foreign education decreased by 50 % .

G4-LA11 PERFORMANCE AND INDIVIDUAL DEVELOPMENT EVALUATIONS

The table shows an overall percentage of employees during the accounting period who received regular performance and individual development evaluations as well as an additional breakdown by gender and employee category.

All JGL d.d. employees are subject to regular performance and career development evaluations, except for the management that in the observed period just arrived in the company, the employee on vocational training and the employees who were employed in the company during the accounting period, and for the purpose of preparing them for the job which precedes the process of setting goals and performance evaluation.

Year	Total	F	M	Senior management	Middle and lower management	Employees – University education	Employees – Secondary education and Basic qualification
2012.	90 %	92 %	84 %	100 %	93 %	84 %	93 %
2013.	85 %	85 %	83 %	86 %	92 %	74 %	93 %
2014.	87 %	87 %	88 %	100 %	91 %	79 %	92 %

ASPECT EQUALITY OF REMUNERATION FOR MEN AND WOMEN

G4-LA13 SALARY RATIO

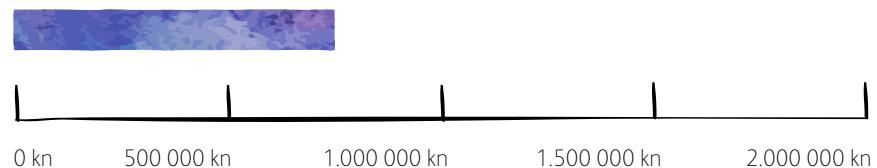
Average BT1 salary for 2014 was HRK 12,533.73, whereby the average BT1 salary for women was HRK 12,630.73. In the previous year, average BT1 salary was HRK 13,416.34 (for women HRK 13,537.09).

After years of propulsive growth, the escalation of the economic crisis on the company's key markets, as well as reduction in drug prices, resulted in a decline in total revenues and profitability.

In order to preserve the long-term stability and maintain minimum profitability, the company was forced to reduce salaries and discontinue bonuses paid to employees during the last two months of 2014, taking care about the protection of employees with lower income at the same time.

SUBCATEGORY COMPANY**ASPECT LOCAL COMMUNITIES**

G4-SO1/SO2 DEVELOPMENT PROGRAMMES OF THE LOCAL COMMUNITY In 2014, JGL allocated HRK 536,695 for sponsorship purposes, either for individual projects (publishing expert and educational books) and/or for sponsoring sports competitions, cultural events and/or other activities, in cooperation with the city of Rijeka, and elsewhere. In 2014, the amount allocated for donations was HRK 1,023,363. These amounts were direct cash donations and/or donations of special devices and instruments, primarily to health institutions or institutions of a special significance. Donations and sponsorships amounted to 1 % of created value.

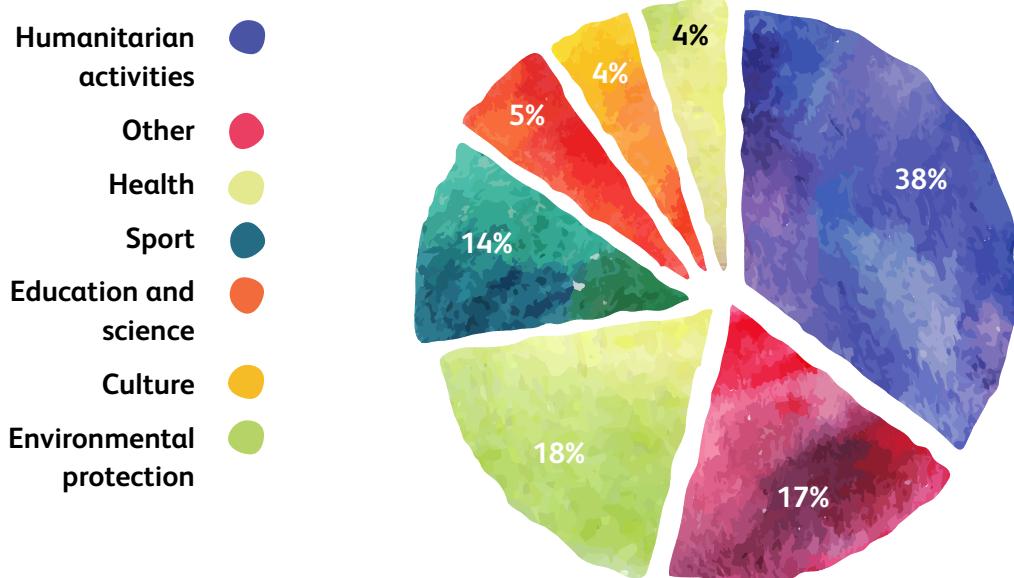
OVERVIEW OF DONATIONS AND SPONSORSHIPS**2014.****2013.****2012.**

0 kn 500 000 kn 1.000 000 kn 1.500 000 kn 2.000 000 kn

	2012.	2013.	2014.
Total	● 1.509 878 kn	● 969 616 kn	● 1. 560 058 kn
Sponsorships	● 757 913 kn	406 350 kn	536 695 kn
Donations	● 751 965 kn	563 266 kn	1.023 363 kn

It is evident that the company during 2014 contributed to the community and especially in the context of environmental protection, with emphasis on marine conservation, and continued to be the partner to the student community. In the field of environmental protection, several projects stand out: project for cleaning the beaches, as well as the actions of sea restoration with eco-balls based on EM Japanese technology, and the fruitful cooperation with the Department of Biotechnology at the University of Rijeka and Ljubljana Institute for Probiotics.

Year 2014 was successful for the Aqua Maris Institute for Research in Seawater Healing Properties. The first major activities and collaborations were initiated, and the Institute was confirmed by the TEU (Trace Elements Institute for UNESCO) as a satellite centre for the region of the Balkans. Team spirit and human spirit of the JGL has been awakened by helping the victims of natural disasters, but also the socially most vulnerable citizens, users of social self-service.



The trust of the general public, which supported and recognized the effort and work of JGL's employees via acknowledgements and award this year as well, further committed us to the continuation of perseverance on the path of sustainable and responsible business in all segments.

- CSR Index for 2012 and 2013 (BCSD Croatia and CCE),
- „Zlatni ključ“ award for the export to the Russian Federation (Croatian exporters),
- JGL a Top 5 Employer Partners third consecutive year (Selectio),

- Commendation for the action of sea restoration with eco-balls in cooperation with the City of Rijeka (“Child Friendly City and Municipality initiative”).

During the reporting period the company did not record a negative impact on the local community.

ASPECT COMPLIANCE WITH THE REGULATIONS

G4-S08 The company did not identify instances of non-compliance with laws or regulations.

SUBCATEGORY PRODUCT LIABILITY

ASPECT HEALTH AND SAFETY OF THE CUSTOMERS

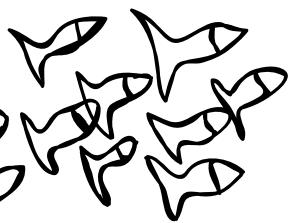
G4-PR1/PR2 No series of JGL products can be marketed before it is formally placed on the market, ensuring that the product is in compliance with the specification requirement and that it is effective, safe and healthy to use and appropriately equipped, all in accordance with applicable regulations and the data registered in the registration/notification procedure of the products.

**IMPACT OF
PRODUCTS AND
COMPLIANCE
WITH THE
REGULATIONS**

Products are placed on the market only and exclusively by the authorized persons; for drugs, these are persons whose qualifications meet the legal requirements, and for other products, persons whose qualifications meet the internal requirements of JGL.

The product can be put on the market only if the following is determined:

- production was carried out in accordance with approved procedures,
- possible deviations were approved and found to have no negative impact on the product quality,
- product was produced under appropriate conditions,
- all other necessary procedures were conducted (e.g. cleaning, clearing, monitoring, process control, etc.),
- only raw materials that comply with the quality requirements were used,
- all planned tests were carried out and test results meet the requirements, specifications and/or other applicable requirements,
- the product is registered or notification is carried out, in accordance with the type of product, target market and applicable regulations,
- all other prescribed conditions for the release of the product on the market were met.



All JGL products are subject to assessment in order to improve the impact on health and safety.

Number of submitted reports of side effects and side effects according to the literature in 2014 was higher than 2012 and 2013 when the number was at the same level. In 2014, the number of received side effects was 48 (12 serious and 36 non-serious). In comparison to 2013 when 19 cases were recorded (5 serious and 14 non-serious), and 2012 when 19 cases were also recorded (8 serious and 11 non-serious), in 2014 there was a significant increase (153 %) due to the improvement of the pharmacovigilance system and following the literature for new insights and EU regulations.

During 2014, not a single case of non-compliance with regulations and voluntary codes relating to impacts of products and services on health and safety was recorded as evidenced by certificates of quality.

ASPECT **LABELLING OF PRODUCTS AND SERVICES**

G4-PR3/PR4 INFORMATION ON PRODUCTS AND COMPLIANCE WITH THE REGULATIONS

In Croatia, the labelling of medicinal products is regulated by the Medicinal Products Act, similar to the European Union. A few basic and common (with the EU) information that must be listed on the packaging of medicinal products are: trade name of the drug, its generic (chemical) name, dosage and method of use, the manufacturer and the marketing authorization holder, decision number of the Agency for Medicinal Products and Medical Devices of Croatia and the production batch number, expiry date, and Croatian EAN code of the drug.

Each packaged box contains detailed instructions for users with indications, contraindications, interactions with other drugs, dosage and method of use, as well as precautions, adverse reactions and treatment in case of a possible drug overdose in a format that is adapted to the user with text to be more easily accepted. The added value of the patient instructions texts is the readability test carried out in order for the final instructions to be as comprehensible as possible to the end user.

The company operates in accordance with the regulatory procedures and requirements of its own quality systems that require strictly regulated checks for labelling of products and services. All JGL products list sources of the components of the product, the content of the product (especially with regard to substances which could affect consumers' health and the environment), safe use and disposal of products.

During 2014, not a single case of non-compliance with regulations and voluntary codes relating to impacts of information on product labelling was recorded as evidenced by certificates of quality.

ASPECT MEASURING CUSTOMER SATISFACTION

**G4-PR5
QUESTIONNAIRE
RESULTS**

In order to determine whether the requirements and expectations of customers and users are met, which is one of the key business objectives of JGL, their satisfaction should be measured. The term customer implies the direct buyers of JGL products (e.g. wholesales and pharmacies), while the term user implies direct and indirect users (e.g. doctors and end users).

Each determined discontent must be tested to identify the causes of discontent and implement appropriate change and improvement activities. Documents describing the communication with customers:

- SOP U000000 – Communication with customers and users
- SOP S070000 – Monitoring side effects
- SOP001046 – Pharmacovigilance
- SOP001284 – Vigilance over medical products– general instructions
- SOP000351 – Non-compliance management
- SOP U000003 – Control of sales

Results of the JGL's satisfaction study of the key customers conducted in November and December 2014 – wholesale drug stores and merchant network

Year 2014 marked the fifth consecutive year of JGL's satisfaction study of the key customers, wholesale drug stores. During November and December 2014, 52 surveys were collected and evaluated, with a total of 98 patients surveyed from the regional markets of South East Europe and the CIS region, where it JGL operates. Overall satisfaction of all respondents of all wholesale drug stores, with this year's average score of 4.52, and the most commonly used score 5, increased by + 1.73 % for the overall base of respondents (increased this year with the results form the markets in Armenia, Azerbaijan, Georgia and Moldova), while for the fixed base of respondents, satisfaction remains constant at the level of 4.46 compared to an average of 4.44 in 2013.

Results of purchasing departments indicate a greater satisfaction compared to last year (+1.40 %) with a constant average score of 4.56, and the most commonly used score is still 5. Their overall satisfaction with JGL operations, sales departments assessed with the average score of 4.46 (an increase of +2.12 %), while that of the base of regular customers was slightly higher with a grade of 4.40 (compared to 4.37 last year). Even though the lowest rated segment shows growth, there are still sale

campaigns, with an average score of 4.07 (an increase of +4.42 %). The positive aspect is that the complaints for JGL products were largely absent, or were very rare (rated with an average 4.76).

Looking at the results of satisfaction throughout the entire five-year period of the study, at the overall level (South East Europe + CIS region), one can notice a constant high level of a fixed base of respondents, and the slight upward trend of base expansion in 2014.

JGL Customer Satisfaction Index

In 2014, “Customer Satisfaction Index (CSI)” project was successfully implemented. The aim of the project was to establish a methodology for measuring satisfaction of JGL’s key customers and clients on the Croatian and Russian markets, and to identify critical dimensions of satisfaction, which need to be improved, as well as ways in which improvement can be achieved.

The study in Croatia included the following customer segments: general practitioners, gynaecologist, ophthalmologists, pharmacists, and end users. While in the Russian market, the study was conducted for the following customer segments: gynaecologist, paediatrician, pharmacists, and end users. The results showed that JGL has satisfied customers and clients, but that there is still room for an extremely enthusiastic customer, towards whom we will focus future efforts. The following indices of satisfaction were achieved:

Croatia

- | | | |
|----|------------------|------|
| 1. | General practice | 4,46 |
| 2. | Ophthalmologists | 4,44 |
| 3. | Gynaecologist | 4,34 |
| 4. | Pharmacy | 4,18 |
| 5. | Consumer | 4,06 |

Russia

- | | | |
|----|---------------|------|
| 1. | Paediatrician | 4,04 |
| 2. | Pharmacy | 4,03 |
| 3. | Consumer | 3,91 |
| 4. | Gynaecologist | 3,84 |

End consumers, taken as elements to improve (in terms of analysing the relationship between importance and satisfaction), define precisely the social responsibility of the company, consumer care, care of ecology and environmental sustainability and the quality of the standards of business. The users also give their suggestions for improvement that would increase their satisfaction with JGL and within this context; a fifth of them mentions the need for more advertising.

ASPECT MARKETING COMMUNICATION

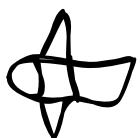
G4-PR6/PR7 SALE OF PROHIBITED PRODUCTS AND COMPLIANCE WITH THE REGULATIONS

JGL advertises drugs and provides information about them in accordance with the Act on Medicinal Products and Medical Devices. Promotion of drugs that are prescribed by a doctor's prescription is prohibited in all of Europe, including Croatia. Advertising to the final consumer is allowed only for drugs and medical products given out without prescription.

When advertising, JGL follows the rule that it is not allowed to leave the impression that the drug guarantees success in treating the disease and that a particular drug or medical product is definitely better than the other drugs. Consumers must also never be instructed to replace the prescribed drug or medical product; this should be left to their own judgement.

The company does not sell products that are prohibited or challenged in certain markets, or which are the subject of inquiries by stakeholders or public debate. During the reporting period, the company has not determined a non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.





**OPINION OF THE
COMMISSION
OF THE BCSD
CROATIA ON JGL'S
SUSTAINABILITY
REPORT FOR 2014**

A three-person commission of the Croatian Business Council for Sustainable Development management board examined the Sustainable Development Report for 2014 to determine its compatibility with the declared methodology and minimum requirements that this methodology sets in reporting to the businesses about its non-financial influences. JGL has declared that a new report used, for the first time, a new generation of guidelines of the Global Reporting Initiative (GRI) - G4 and that the core option of reporting was used, i.e. indicators that provide the first level of information on the impact of the company on sustainable development.

JGL is a multinational company, operating in some ten countries of the world, and this report includes non-financial impacts of all subsidiary companies of the JGL, which already puts JGL in a position of satisfying the requirements of the new Directive on non-financial reporting, which requires companies with more than 500 employees to report on the level of a Group, which JGL has done, with this central report that gives Group's overview of the impact on the non-financial issues, i.e. shows the impact of operations on the economic, environmental and social dimension.

The Commission unanimously determined that the Report is made in accordance to the G4 guidelines core option requirements, which has satisfied the requirement for publishing information on the company's influence on tangible aspects, with a required overview of general standard data showing the manner of directing the non-financial influences. This provides the basic context of the company's business, i.e. a framework for better understanding the influences, risks, opportunities and related management decisions.

Methodologically, the Report very thoroughly follows the structure proposed by the G4, which makes it very easy to read and simple for assessing the level of reporting. We especially commend this aspect since, by avoiding to follow the structure suggested by G4, the assessor is often put in a position of having difficulty following the text and sometimes failing to spot some flaws of the report or absence of certain sensitive indicators and information. In this regard, JGL's Report is extremely transparent which gives an added level to the quality of this Report.

Material aspects that have been chosen give a very clear presentation of the non-financial impacts of the company and the Commission has no objections in regards to the aspect selection. However, the methodology of defining the content of the Report and the process of selecting the material aspects does not conform to G4 requirements, i.e., the process of consultation with the stakeholders in the selection of the material aspects has not been shown, which is one of the key changes in the process of reporting that G4 brings compared to the version of G3 guidelines.

Even though the process of communication with stakeholders was shown in detail, for the following report, we suggest that you consult the stakeholders on key issues that they want to read in the report in order to define a list of material aspects in accordance with their interests.

Material aspects, in spite of the mentioned shortcomings, have been properly selected, very thoroughly and in detail. At the same time, they are very clearly presented, which enables the reader to very quickly get informed on the impacts of the company in certain areas and the intensity of said impacts. We also emphasize that the Report is very nicely designed, which further increases visibility and the ease with which it is read. We especially commend the consistent compliance with the principles for determining the quality of reporting - a balance with which JGL says that it wants this report to really inform a wide range of stakeholders with different interests, education and motivation.

For the next reporting period, in addition to the inclusion of stakeholders in the process of selecting material aspects or the content of the report, we suggest that JGL considers the possibility of introducing the supplier assessment in terms of their economic, social and environmental impacts, which G4 guidelines particularly put emphasis on, which will increase expectations for companies to assume responsibility for non-financial impact of its supply chain.

Finally, we would like to once again note that the first JGL's Report on Sustainability created in accordance with G4 guidelines is excellently prepared, moderate in size, amount and the manner of presenting information, making it particularly transparent, balanced and credible, and we believe that this is one of the better sustainability reports published this year in Croatia. We congratulate JGL on its great efforts and we are looking forward to new results and success stories to read about in the following report.

Commission of the Management Board of the Croatian Business Council for Sustainable Development



JGL d.d. Svilno 20
51 000 Rijeka
Croatia
www.jgl.hr



Graphic design Studio Sudar
Print Cerovski Print Boutique
Copies 40 pieces

