

Liba Laboratuvarları A.Ş.

Compliance Policy

June 8, 2020

1. PURPOSE AND SCOPE

Having a long history, Liba Laboratuvarları A.Ş. (together referred as “Liba” or “the Company”) owes its respectability in the pharmaceutical industry to its devoted effort and high commitment to business ethics.

Maintaining the respectability and reputation of Liba is one of the Company's most treasured goals. Unethical behaviors that may be carried out by regional directors, managers, employees, customers, suppliers or other stakeholders can seriously damage Liba's public image and reputation, and may catalyze enforcement on the Company and/or its employees. The Company aims to create a strong compliance program in order to reduce losses that may occur, make the Compliance Policy the main element of the Company culture, make business continuity permanent with a risk-based approach, and prevent fraud by ensuring the effectiveness of the internal control systems.

This Compliance Policy ("the Policy") is established to prevent violations by increasing Liba's commitment to local and international regulations, in-house policies and procedures, ethical principles, contracts and voluntary commitments to which Liba is a party. It aims at establishing a general framework for compliance risks to be identified and resolved immediately.

2. DEFINITIONS

The terms, words, and expressions used in this Policy are to derive their meaning from the effective laws and regulations unless their definition is provided under this section.

Employee: Refers to employees at all levels acting on behalf of Liba, including the regional manager, manager, staff, temporary staff and subcontractors.

Compliance: In addition to the ethical standards accepted by the society, it refers to compliance with laws, regulations, industry and organization standards, voluntary commitments and the requirements of contracts to which the Company is a party.

Compliance Officer: Refers to the person entrusted by the Company to ensure compliance with local and international laws, regulations and policies.

Compliance Function: Refers to persons responsible from the management of compliance issues.

Compliance Representative: Refers to the person or persons appointed by the Compliance Officer of the Company to ensure compliance with local and international laws, regulations, and policies.

Compliance Risk: Refers to risks such as fines and nominal losses that the Company and employees may encounter in the event of non-compliance with laws, regulations, ethical standards, and Company policies and procedures.

Investigation: Refers to the broad, evidence-based investigation of a crime allegation. It aims to present evidence and witness testimonial to the Disciplinary Board for a final decision to be made.

Systematic Risk Analysis: Refers to the identification, assessment and monitoring of the risks which Liba could encounter as an organization.

Third Parties: Refers to persons that act on behalf of Liba, including but not limited to distributors, vendors, intermediaries, consultants, representatives, contractors and subcontractors.

Whistleblowing (Notification): Refers to the signed or anonymous communication of unethical behaviors, practices that are incompatible with Company policies, or violations of the law to the dedicated managers.

3. COMPLIANCE PROGRAM

Liba's compliance obligations consist of industry standards, internal policies and procedures, local and international regulations to which the Company is subject, as well as contracts and voluntary commitments to which it is a party. Liba aims to make the Compliance Policy one of the cornerstones of the Company's culture, and to draw a general framework for compliance risks by integrating the compliance program into organizational processes in order to become a “compliant” company in every field.

The Compliance Program determined by the Company employs a risk-based approach and targets issues such as the identification and evaluation of risks, determination of risk mitigation controls, implementation of additional controls where existing controls are insufficient, monitoring of these controls for effectiveness, training of employees, updating/writing of policies and procedures, and management of whistleblowing processes.

4. RESPONSIBILITIES OF THE COMPLIANCE FUNCTION AND THE COMPLIANCE OFFICER

Liba's Compliance Program is carried out by the Compliance Officer and the Compliance Representatives he/she designates. The Compliance Officer is responsible for all compliance activities, including decision making, development, implementation and monitoring within the compliance structure. Although the Compliance Officer attends the Company's strategic meetings, he/she has no responsibility for operational processes.

Compliance Officer also functions as a member of the board, creating a link between Compliance Function and the Board. Therefore, all the compliance actions pertaining to the Compliance Program are systematically tracked by the Board. In addition, the independence of the Compliance Officer and Compliance Representatives is guaranteed by allowing direct access to the Board.

Responsibilities of the Compliance Officer and Compliance Representatives include but are not limited to:

- Determining compliance responsibilities and integrating them into policies, procedures and other control mechanisms,

- Creating compliance awareness by regularly organizing trainings for employees on the compliance risks the Company faces,
- Identifying, assessing, and monitoring compliance risks,
- Updating policies and procedures periodically,
- Providing consultation on compliance issues for employees in need,
- Ensuring that compliance policies, procedures, and reporting channels are accessible to all employees,
- Receiving and evaluating notifications from employees, customers, suppliers, and third parties,
- Conducting investigations on persons charged with non-compliance.

5. PROCESSES OF THE COMPLIANCE PROGRAM

Liba's Compliance Program consists of three main processes:

- Prevention
- Detection
- Response

5.1 Prevention

The processes devised against compliance risks as part of Liba's compliance program are;

- Compliance Risk Assessment
- People, Skills and Due Diligence
- Policies and Procedures
- Trainings and Communication

5.1.1 Compliance Risk Assessment

Compliance risk assessments are of great importance for the prevention of various risks that the Company may encounter. Underlined by a risk-based approach, the Liba Compliance Program is prepared to encompass all departments, employees, and business processes, while addressing all areas of interest to the Company by complying with local and international regulations and industry standards.

Compliance Risk Assessments include determination of compliance risks, classification of existing compliance risks, assessment, monitoring and inventory arrangement of residual risks.

Determining the compliance risks associated with a certain task is primarily the responsibility of the employees who are responsible for that certain task. For this reason, employees take the necessary measures to reduce these risks by defining the compliance risks that they may encounter in their daily work routines.

Compliance risk assessments are carried out at least once a year by the Compliance Officer, and updates can be made during the year, taking into account the risks to which the Company is or may be exposed. Therefore, the compliance risk assessment process has a dynamic lifecycle.¹

In the event that compliance risks are actualized, the reputational, financial, operational, etc., impacts the Company face are assessed. Detailed assessments are made including the probability of risk realization and the effectiveness of existing controls in mitigating these risks. Risk appetite is determined, and if needed, an action plan is created for the remaining risks after controls are implemented.

5.1.2 People, Skills and Due Diligence

Due Diligence refers to the process of collecting information on third parties the Company is engaging with, in order to have sufficient knowledge about them and not to be exposed to any risks in the future. Due Diligence Assessment takes place regularly before and after working with any third party.

Adverse news pertaining to the money laundering, financing of terrorism, bribery and corruption, political influence, violation of laws or regulations, ongoing court processes, and sanctions lists assessed as part of the Due Diligence Assessment process.

The aforementioned process is employed not only in regards to the companies and individuals the Company conducts business relationships with, but also as part of the recruitment process.

Roles and responsibilities are clearly defined within the company. In this context, job descriptions are clarified and a fair performance management system is implemented. By matching the performance management system with compliance duties and responsibilities, employees are provided with benefits and incentives, and disciplinary sanctions are imposed when there is a violation of Company policies and procedures.

5.1.3 Policies and Procedures

Written policies and procedures are of great importance for Liba's Compliance Program. Policies and procedures are composed upon a review of local and international laws and regulations, good practices, and industry standards, as well as in consideration of internal interviews, workshops and operational processes. All policies and procedures are approved by the Board, and the mission, vision, and value statements determined by Liba are included in the Liba Code of Ethics and Business Conduct.² Liba aids employees in fulfilling their professional responsibilities in accordance with applicable laws and regulations by setting clear standards and rules in Company policies and procedures.

Certain clauses of existing policies and procedures may be amended if necessity, based on the results of the annual systematic risk analysis, arises. Policies and procedures may be altered before the annual systematic risk analysis is concluded, if laws are regulations

¹ Please see Liba Laboratuvarları A.Ş. Systematic Risk Analysis Policy for more information.

² Please see Liba Laboratuvarları A.Ş. Code of Conduct for more information.

are amended. For this reason, the Compliance Officer and Compliance Representatives regularly monitor local and international laws and legislations that the Company is subject to, and carry out the necessary amendments if new compliance obligations arise.

In case legal regulations conflict with Liba policies, legal regulations will prevail.

5.1.4 Training and Communication

Parallel to employees' competencies and positions, Liba provides trainings to raise awareness of compliance risks and to inform employees about their responsibilities relating to compliance matters. In addition to training opportunities provided to the employees, supportive materials, informative e-mails, and reminders are an integral part of the compliance program.

As one of the key aspects of the Compliance Program, trainings are closely monitored in possible audits.

The content, resources, organization and follow-up of the trainings are carried out by the Compliance Officer and Representatives. Employees may encounter disciplinary sanctions if they do not participate in the trainings provided to them without excuse.

The levels of compliance trainings provided by business partners to their employees are monitored. Accordingly, in cases where sufficient training is not provided, business partners of the Company may be invited to trainings organized by Liba.

The Company must ensure that its employees know the Liba culture, ethical principles, and published policies and procedures. For this reason, it is very important to establish frequent and effective communication with employees and to meet at regular intervals. Employees should be able to easily access the documents they need to have information, and if there is a question mark, they should consult their managers or the Compliance Officer. In this context, Liba must share Company policies and procedures with employees through the intranet or via e-mail to ensure that these documents are used, if needed, as a guide.

Liba, through the Compliance Officer, monitors whether the controls implemented to mitigate identified compliance risks are working effectively, the realization likelihood of these risks, and experienced violations. New plans of action may be devised if defects are detected as a result of monitoring activities. Action plans aim clarity on the purpose, subjects, and timeline. ³

5.2 Detection

The detection process constitutes of monitoring and testing, and technology and data analysis processes.

5.2.1 Monitoring and Testing

³ Please see Liba Laboratuvarları A.Ş. Systematic Risk Analysis Policy for more information.

Legislative changes are monitored by the Compliance Officer and Representatives, and the relevant policies and procedures are updated according to amendments in the legislations. In addition, tests based on transaction, processing and control are carried out depending on the Company's activities. In order to test the processes, employing audit and assurance services from an independent organization is periodically evaluated.

The Compliance Program is evaluated quarterly for all monitoring processes, including third-party compliance due diligence and management.

5.2.2 Technology and Data Analysis

The use of technology in processes is highlighted to support the Compliance Program. Key risk indicators and key performance indicators are identified and root cause analysis and trends are monitored continuously for compliance violations.

5.3 Response

Response consists of issues management, investigations, and reporting processes.

5.3.1 Issues Management and Investigations

Employees are obliged to comply with the Company's Code of Ethics and Business Conduct, policies and procedures, industry standards, and applicable local and international laws and regulations.

If the specified rules are not followed, claims of non-compliance are examined by the Compliance Officer or an independent institution with a fair, independent, reliable and evidence-based approach. The investigation is initiated immediately after claims are received by the Compliance Officer and is concluded within one month upon the collection of necessary evidence and documentation. Additional time may be requested from the Disciplinary Board if more evidence and documentation is required for a disciplinary decision to be made. After the subject has been thoroughly examined by the Compliance Officer, the issue is submitted to the Disciplinary Board with evidence and supporting documentation for evaluation.⁴ Disciplinary action is imposed by the Disciplinary Board in proportion to the severity of the violation.

In the event that employees witness that current laws and regulations or the Company's ethical principles, policies and procedures are not complied with, they have a responsibility to report independently and impartially, in order for the Company to avoid and/or minimize loss resulting from the instance.

Employees may report issues such as violation the of Liba Code of Ethics and Business Conduct or legal obligations, improper use of Company property, damage to the Company's reputation, abuse of duty, harassment, theft, or physical assault to

⁴ Please see Liba Laboratuvarları A.Ş. Disciplinary Policy for more information.

libaetikhatti@liba.com.tr. Carrying out retaliatory actions against whistleblowers may result with disciplinary actions as directed by the Disciplinary Policy.

5.3.2. Reporting

The Compliance Officer periodically reports to the Board on issues regarding compliance risks, effectiveness of risk controls, compliance breaches, and disciplinary processes at least every quarter, and prepares complete and timely legal reports as required by laws and regulations for the relevant institutions.

6. AUTHORITIES AND RESPONSIBILITIES

As all employees are required to comply with this Policy, it is the responsibility of the General Manager and the Compliance Officer to ensure the enforcement of this Policy.

The violation of the policy constitutes an important disciplinary offense and may result in disciplinary actions requiring verbal or written warnings, or the termination of employment.

In the event of witnessing behaviors that violate this policy, employees may report to;

- libaetikhatti@liba.com.tr
- The Compliance Officer, or
- The General Manager.

This Policy is periodically reviewed by the Compliance Officer in line with evolving legal obligations and Company processes.