

**Liba Laboratuvarları A.Ş.**

**Systematic Risk Analysis Policy**

June 8, 2020

## 1 PURPOSE AND SCOPE

The purpose of the Systematic Risk Analysis Policy (“the Policy”) is to define the general principles of periodic compliance risk analysis studies of Liba Laboratuvarları A.Ş. (together referred as “Liba” or “the Company”).

The Policy describes the steps of the annual compliance risk assessment process, the method of implementation and responsibilities.

Liba needs to regularly assess compliance risks and risk mitigating controls to prevent the risks which may negatively affect the Company. It is important to identify, measure, monitor and manage compliance risks in order to consider potential problems, reduce these risks and take necessary measures.

Having an accurate, effective and up-to-date compliance risk assessment program which takes into account all possible risks that may affect the Company is very important for the implementation of this Policy.

## 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.

**Compliance Risk:** It is defined as the risk of exposure to legal penalties, financial losses and material losses that the Company encounters when it does not comply with sectoral rules, laws, regulations, internal policies or best practices.

**Compliance Officer:** It is the person responsible for ensuring that the company complies with local and international regulations as well as internal policies and procedures.

**Compliance Plan:** It is the strategy that the Company pursues in order to ensure that it complies with ethical principles and legal regulations. It also aims to eliminate identified risks and mitigate their impact.

**Operation:** Business actions aimed at ensuring customer satisfaction by providing the right products and services through fast, low cost and efficient execution.

**Risk:** It is the factor that will cause a possible loss, create danger or cause damage.

**Risk Assessment and Prioritization:** The process used to understand the nature, sources and causes of identified risks and to estimate risk levels. It is a qualitative deterministic method used to gather expert judgment about risks as well as the likelihood and impact on risk before and after considering controls.

## 3 GENERAL PRINCIPLES

An effective compliance risk assessment process, which is carried out at regular intervals, determines the risks that the Company may encounter, current risk mitigating controls, the effectiveness of these controls and the actions to be taken, which helps the operations to be carried out more safely. It also helps to better understand the risks or red flags by increasing the risk awareness of Company employees.

The compliance risk assessment should be clear enough for everyone in the process to easily understand the results.

All departments are involved in the process by identifying risks and controls related to their business as the first step in the compliance risk assessment process. Employees are

responsible for taking measures to mitigate risks and for timely and correct implementation of action plans.

In order to better understand the compliance risks and related controls that the units are exposed to, the Compliance Officer may conduct surveys, workshops and one-to-one interviews. The coordination, communication and effectiveness of the compliance risk assessment process throughout the Company are the responsibility of the Compliance Officer.

Compliance risk assessment process is a living process. All changes that will affect the risk and control assessments during the year should be recorded on the compliance risk assessment inventory instantly.

Persons responsible for compliance should record compliance risk violations during the year in order to successfully conduct the annual compliance risk assessment process. Persons responsible for Compliance should be in cooperation with other departments to update records.

## **4 APPLICATION OF THE POLICY**

### **4.1 Identifying Compliance Risks**

Determining the compliance risks of the company is primarily the responsibility of the process owners. For this reason, the employees should take the risk mitigating controls by defining the compliance risks that they may encounter in their daily work routines.

Questionnaires, workshops and one-to-one interviews may be conducted by the Compliance Officer to identify compliance risks. At least once a year, as a result of the works carried out, it is aimed to determine the compliance risks that the Company is exposed to by determining at least the following issues:

- Existing compliance risks,
- Compliance risks that have not been previously identified and arise during the year,
- Risks that stand out during the year,
- Employee awareness and training needs,
- Effectiveness of existing mitigating controls and the need for new controls,
- Experienced violations of compliance,
- Third party related risks,
- Taken or possible penalties
- Important breaches/external audit findings.

### **4.2 Assessing Compliance Risks**

It is necessary to assess the identified compliance risks regarding their likelihood and impact on the Company if they occur. In addition, compliance risks need to be assessed regularly to monitor the effectiveness of risk-mitigating controls and to decide whether additional control is needed.

Risk assessment provides to prioritize risks so that the Company focus on during the year.

The scope of the compliance risk assessment includes but not limited to following:

- **Anti-Bribery and Corruption:** It is called as a bribe when a public official reaches an agreement with another person to do or not to do a job in order to get a benefit.

Giving or taking bribe are both a crime. On the other hand, corruption is defined as the abuse of existing authority to gain personal interest.

- Anti-Money Laundering: It is the entry of earnings from illegal activities into the financial system.
- Economic Sanctions: It is expressed as the economic pressures applied by other countries to force a country to move in a certain way.
- Competition: Competition is a race between companies that allows them to make economic decisions according to their own will.
- Data Privacy: It refers to any commercial information and documents relating to the company's business activities, employees and business partnerships.
- Human Rights: Human Rights are expressed as the basic rights and freedoms that employees have as human beings.

The topics listed above may be developed or narrowed according to the results of studies such as surveys, workshops, one-to-one interviews.

In order to conduct the risk assessment as accurately as possible, each risk should always be evaluated by discussing with process owners.

After compliance risks and existing controls are identified and assessed, the results are shared with the Board of Directors by the Compliance Officer so that the risk appetite of the Company is determined. Additional controls or trainings may be organized, and personnel or system investment can be made in line with the risk appetite. All the required actions to be taken are followed by the Compliance Officer along with the action owners and target dates.

### **4.3 Monitoring the Compliance Risks**

Managing compliance risks in accordance with the Compliance Plan includes monitoring the implementation process of the action plans and the realization of the targets. Monitoring activities are not only carried out by the Compliance Officer but also all employees to be active in the process.

Employees constantly monitor the risks that arise within their area of responsibility. Employees shall notify the Compliance Officer instantly in cases such as the emergence of a new risk, the disappearance of an existing risk, the absence of controls, the need for additional control or violations.

The Compliance Officer guides the Company's compliance activities. The Compliance Officer monitors whether processes are taking place appropriately. Actions such as updating policies, changing control processes and organizing trainings can be taken after each new risk detected during the monitoring phase.

## **5 AUTHORITY AND RESPONSIBILITIES**

All employees are obliged to comply with this Policy and it is the responsibility of the General Manager and the Compliance Officer to ensure that the employees comply with 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 case of violations of the policy, you can report to;

- [libaetikhatti@liba.com.tr](mailto:libaetikhatti@liba.com.tr) e-mail address,
- Compliance Officer, or
- General Manager.

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