



M A G N A
P H A R M A C I A

COMPLIANCE POLICY

Belgrade, May 2024

Message from the Director of Magna Pharmacia d.o.o. Beograd

Dear Magna Pharmacia team member,

We rely on the trust that our clients and our business partners have in us. All of us have an obligation to earn and justify that trust every day. Our reputation is built on our behavior, both in the workplace and when representing Magna Pharmacia to third parties. Our future success is based on our core values, which are: authenticity, excellence in everything we do, learning, caring for our people, working as one, and winning together with our partners.

Our values require us to be open, honest, sincere and act with integrity. Our company is characterized by diversity and the effort to create a safe, enjoyable and positive work environment. Whoever we do business with, we will honor our promises and do things the right way, not just the easier way. We will fight decisively to win the market, but always be acting fairly, rightly and in accordance with the law.

Communicating this Compliance Policy is part of our responsibility to ensure a work environment and people who are fully committed to doing business in line with our values. Our goal is to provide a clear and accessible document containing practical advice regarding our individual obligations and guidance on how to seek additional information when we are unsure how to act.

However, this Compliance Policy cannot identify every situation we may face and cannot replace common sense and good judgment. It provides general information about our values and commitment to being a respected and reputable company.

Our goal is business excellence and growth, and we at Magna Pharmacia believe that we can achieve this through excellence in the way we conduct our business and by adhering to the highest standards of corporate and social responsibility.

Therefore, I urge you to familiarize yourself with these changes and reaffirm your commitment to maintaining the Magna Pharmacia culture of integrity and responsibility in everything we do. Compliance is not an option. It is the fundamental moral and ethical obligation of all of us.

Thank you.

Novka Tomić, Director

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1. Introduction

Magna Pharmacia strives to be recognized on the market as a reliable business partner. In this regard, a good reputation, credibility and business ethics are essential components in achieving the set business goals, and all of this is the result of the long-standing dedication of our employees. Only through reliable, proactive and respectful behavior we can ensure ethical and fair interactions, both with our business partners and associates, as well as among ourselves.

The aim of this Compliance Policy (hereinafter referred to as: the "**Policy**") is to provide guidance to employees of Magna Pharmacia doo Beograd (hereinafter referred to as: the "**Company**"), as well as employees in companies affiliated with the Company, regarding all applicable regulations of the Republic of Serbia (hereinafter referred to as: the "**RS**"), the European Union, the United Kingdom, the United States, UN conventions, corporate rules of the Company, and industry and supplier codes, the violation of which could cause significant harmful consequences for both the Company and its affiliates, as well as for the business and reputation of the Company.

This Policy applies to all employees of the Company (as well as in its affiliates entities), directors, representatives, contractors, consultants, intermediaries, distributors, associates for contract promotional activities, joint venture partners, and any other individual or legal entity doing business for or on behalf of the Company. Those persons must be thoroughly familiar with this Policy and must act in accordance with its content.

Our fundamental policy is (i) demand the highest standard of business ethics and integrity from our employees, members of the Company's management and third parties, (ii) comply with all applicable laws and regulations of the countries in which we operate, comply with the codes of the Pharma industry (MedTech Europe Code of Ethical Business Practice, EFPIA code, etc.) and (iii) continue with training and other related procedures to ensure awareness and enhance compliance with the standards established by this Policy. All employees, members of management and third parties working on behalf of the Company are required to thoroughly familiarize themselves with the standards established by this Policy every year and sign an agreement.

The principle of applying stricter regulation is implemented in cases where certain areas are regulated differently in this policy, applicable laws, industry codes and supplier codes.

The basic standards provided by this Policy serve to fulfill the following objectives:

- Emphasizing the Company's commitment to ethics and legal compliance,
- Establishing basic standards of legal and ethical behavior,
- Increasing the attention of Company's employees to legal and ethical issues,

- Describing situations in which we need to be particularly careful and indicating where and how to obtain help in dealing with these and other legal and ethical issues,
- Informing us about procedures for reporting known and suspected violations of the Policy or laws, and
- Preventing and detecting violations of the Policy and laws.

This Policy regulates the rules and guidelines covering the following areas:

1. Prevention of corruption
2. Protection of competition
3. Conflict of interest
4. Personal data protection
5. Compliance with trade sanctions
6. Prevention of money laundering
7. Reporting non-compliance cases

All employees of the Company, as well as affiliated entities of the Company, are required to comply with this Policy. To the greatest extent applicable, compliance with the principles contained in this document is also required from the Company's clients and business partners.

However, the Policy cannot cover every circumstance or situation you may face. Therefore, if you are unsure whether an action or decision is ethical and acceptable by the Company's standards, or in accordance with this Policy, ask yourself the following questions:

- Do I feel this is the right thing to do?
- Do my actions reflect the highest standards of honesty, integrity and responsibility?
- Is my decision in line with the law and the Company's rules?
- Would I feel comfortable explaining my actions to colleagues, family, friends or the public?

If you answer "no" to any of these questions, reconsider the planned course of action and immediately seek advice from the Compliance Manager or the Company's legal department.

You may also encounter situations involving a foreign element that could raise certain ethical dilemmas. If you find that the law, custom or practice of another country conflicts with this Policy, other Company acts and relevant national laws, seek advice from the Compliance Manager or the Company's legal department.

The Company expects all employees to:

- Fully comply with the provisions and principles of the Compliance Policy and all applicable laws related to the Company's business;

- Refrain from issuing instructions that promote prohibited behavior and refuse to comply with such instructions;
- Act with due respect towards all business partners of the Company and other parties with whom the Company maintains business relations, behaving ethically, legally and professionally in achieving the Company's objectives;
- Attend compliance training sessions and meetings on the Company's compliance topics;
- Periodically sign confirmations from employees in positions with increased compliance risk;
- Report all cases that raise suspicion of any (potential) violation of the Compliance Policy and applicable laws.

2. Compliance organization in the Company

Compliance is one of the most important elements of the Company's corporate culture and stems from our core corporate values. Responsible and compliant operations in all fields are crucial for the success of our company.

To ensure the Company's business compliance, the Compliance Organization has been established with the aim to build, develop and improve the compliance management system.

The Local Compliance Committee, whose members include the company director, financial director and compliance manager, is responsible for: monitoring, inspection, decision-making and escalation of local compliance requirements, setting value limits, as well as considering and deciding on strategic compliance and further development of the Company's Compliance Management System.

The Local Compliance Committee, in meetings that should typically be held quarterly (or more frequently, if necessary), decides on all compliance matters within its competence.

The Compliance Manager is responsible for the ongoing implementation of the Company's Compliance Management System (CMS), further development of the CMS, employee training, reporting and managing all other matters related to the Company's compliance.

The Compliance Manager is responsible for convening regular meetings of the Local Compliance Committee and for preparing and keeping the minutes of these meetings.

3. Prevention of corruption

The main objective of the Company are:

- Strengthening integrity, accountability and transparency in operations.
- Creating conditions to prevent corruption at all levels.
- Affirming the principle of "zero tolerance" for corruption.

The Company is committed to fighting all forms of corruption, whether it involves offering or accepting, directly or indirectly, money or any other benefits that may influence the recipient, with the aim of encouraging or rewarding that person for undertaking a particular action or for failing to do so.

Corruption includes "*active corruption*" (offering or giving) and "*passive corruption*" (accepting), situations when a public authority is involved ("*public corruption*"), and relations between natural persons ("*private corruption*"). Corruption can aim to perform acts that constitute a breach of an individual's official duties ("*direct corruption*") or acts that are in accordance with an individual's official duties ("*indirect corruption*"), either as corruption before taking official action or corruption after taking official action.

3.1. General principle of "zero tolerance" for corruption

A key principle in the Company's operations is the principle of "zero tolerance" for all forms of corruption. Therefore, all employees of the Company must adhere to this principle as they represent the Company.

The Company strictly prohibits giving or receiving bribes and any irregular payment of any kind to public servants, healthcare workers and/or other partners of the Company!

Company's employees should not engage in offering or accepting bribes or any other improper or illegal actions under any circumstances. Even the appearance of violating anti-corruption laws and giving or offering bribes can cause significant damage to the Company's reputation.

Giving or receiving bribes is not allowed.

Bribery or corruption is the giving or offering of anything of value or any advantage to a person, directly or indirectly, with the intent to influence that person or any other person to perform or omit a particular action.

Corruption also includes demanding or receiving anything of value or any advantage, directly or indirectly, from any person, with the intention that you or someone else perform a certain activity in an illegal manner.

Bribery may be in material or other forms and may include giving or receiving money, loans, contributions or donations, travel, job offers, compensations, goods, services or anything else that can be considered to have some value. Gifts can, in certain circumstances, be interpreted as a form of bribery. Bribery can also take the form of a "reward" and can be paid after the improper performance of a certain duty or obligation.

The Company is also obliged to comply with similar anti-corruption policies of its foreign business partners which are made in accordance with the regulations applicable to them, including, among others, the United States' Foreign Corrupt Practices Act (FCPA) and the United Kingdom's Bribery Act.

3.2. Interaction with government employees, healthcare workers and healthcare organizations

Regulatory bodies in the USA and many other countries from which the Company's foreign partners originate treat healthcare workers as public servants in terms of anti-corruption laws. Moreover, a public servant includes any healthcare worker who works for, works in favor of, or is otherwise associated with a state healthcare facility, institution, university, or hospital, as well as any healthcare worker fully or partially paid by the public healthcare system.

In terms of the Company's Compliance Policy, healthcare workers and healthcare organizations are treated the same as public servants, and therefore the same rules apply to all these categories.

Thus, it is important to keep in mind before taking any action that any procedure not in compliance with this Policy and national regulations, is also not in accordance with the manuals of business partners. Besides the damage that could arise for the Company, it may also cause significant consequences for the Company's business partners in accordance with the regulations of their home countries.

Examples of prohibited behavior:

- Any payment (or giving of any value) intended to influence the decision to select the Company for a



- supplier or to encourage healthcare workers to prescribe the Company's products;
- Fees, commissions or profit-sharing agreements with healthcare workers to encourage the use of the Company's products; ☒
- Payments for consulting services that were not requested or performed, or transactions with healthcare workers at prices above fair market value; ☒
- Distribution of product samples to healthcare workers in exchange for preferential treatment; ☒
- Payments intended to influence any procedure or decision of a public servant (such as awarding contracts with state institutions, or providing confidential information about a government-issued tender); ☒
- Payments intended to encourage a public servant to perform or refrain from performing an action (such as granting a permit or other conditions for obtaining registration or avoiding an inspection); ☒
- Payments or giving of any value to a public servant intended to encourage the public servant to use their influence in the government or state institution to affect a procedure or decision by the government or state institution; ☒

No employee or partner of the Company may make any payment or give anything of value in response to a request or attempted extortion by a third party. Anti-corruption laws do not allow payments under pressure or coercion. Any attempt to solicit, bribe or extort must be immediately reported to the Company's authorities.

The Company has set Local Value Limits for hospitality, which regulate the limits for travel, accommodation and meals within the territory of the Republic of Serbia, and all Company's employees and partners should adhere to those limits.

Interactions with public servants, healthcare workers and healthcare organizations, due to their nature, represent high-risk interactions for the Company's business and are regulated by applicable laws and industry codes relevant to the Company's operations, such as: the MedTech Europe Code of Ethical Business Practice, the EFPIA Code, and others.

Although bribery is always strictly prohibited, you must be especially cautious when interacting with public servants, healthcare workers and representatives of healthcare organizations. Do not offer, promise, give or approve anything of value, financial or any other benefit (including to a family member, relative or person connected in any way to a public servant, healthcare worker or representative of a healthcare organization), when the circumstances are such that it can be interpreted as influencing a public servant to obtain or retain business benefits or advantages.

3.3. Gifts

In the business world, gifts symbolize a token of appreciation, aiming to build good business relationships and goodwill with the Company's clients and business partners. However, gifts are inappropriate if they create an obligation, put you in a situation where you appear biased, or are given with the intent to influence someone's business decision. This rule applies to both you and your family members.

Avoid any form of hospitality that appear inappropriate and as an attempt to influence someone's behavior. Always consider whether a gift, meal, or other type of hospitality you plan to give or receive could be considered excessive or inappropriate, whether it could lead to or imply any obligation, or be interpreted as a bribe. In this sense, ensure that the location chosen for a business meeting is appropriate for exchanging information related to the purpose of the meeting and keep in mind the applicable local value limits for hospitality (travel, accommodation, meals).

Considering the purpose of possible gifts and business meetings with Company's clients and business partners, all gifts to their family members are prohibited if they attend a business meeting with the Company's client or business partner.

You may accept or give appropriate gifts that are typically used to represent the Company (e.g. calendars, diaries, pens). Low-value gifts to the Company's business partners may be allowed in accordance with social and business customs and respecting local legislation, the Pharma codes and the Company's supplier codes.

Under no circumstances is it allowed to give or receive cash or any cash equivalent (e.g. checks, vouchers...).

3.3.1. Gifts to public servants, healthcare workers and healthcare organizations

Gifts to public servants, healthcare workers and healthcare organizations (e.g. gifts as a reward for performing their duties, tickets, invitations to events, etc.) **are generally prohibited**.

Only educational/promotional low-value gifts (e.g. calendars, diaries, pens...) may be allowed, provided they are given in accordance with social and business customs and are permitted by applicable local laws and codes of the Pharma industry and the Company's supplier codes.

Giving or offering cash or cash equivalents is strictly prohibited.

Providing or offering any personal services is prohibited. In this context, personal services are any type of service that is not related to the profession and which can bring some personal benefit to the recipient.

Facilitation payments

Facilitation payments, which are payments made to government employees to expediate an action or procedure for the benefit of the payer, are absolutely prohibited.

Rules that Company's employees must follow at all times:

- No account should remain unrecorded to enable or conceal irregular payments or bribery;
- All expenses, gifts, educational materials, hospitality, donations, contributions, educational grants and all other payments must be accurately and truthfully reported and recorded;
- All accounting data, expense reports, invoices, receipts and other business records must be accurately and completely filled out, maintained appropriately and truthfully reported and recorded;
- Undisclosed or unrecorded funds, accounts, assets or payments must not exist for any reason.

3.4. Participation in public procurement procedures

The Company's general objective as a bidder in public procurement procedures is to strengthen prevention by establishing mechanisms that prevent and eliminate circumstances that may lead to corruption, unethical and unprofessional conduct. Therefore, the conduct of Company's employees when the Company participates in public procurement procedures must comply with the Law on Public Procurement and the internal anti-corruption plans of contracting authorities.

It is not permitted to directly or indirectly give or offer gifts or any other benefits to a member of the public procurement commission, a person involved in preparing the tender documentation, a person involved in planning the public procurement, or any other person who may have influence the award of the public procurement contract, which could affect the impartiality of the contracting authority and favor the Company in the public procurement procedure where the Company is a bidder.

The existence of a business relationship between a representative of the contracting authority or a related person and the bidder represents a conflict of interest under the Law on Public Procurement, which could affect the impartiality of the contracting authority in making decisions in the public procurement procedure, potentially leading to corruption.

3.5. Donations and sponsorships

Donations represent a form of charitable giving aimed at providing assistance and support to non-profit organizations, public enterprises and institutions, associations and other non-profit organizations.

Sponsorships make the Company's name visible, contributing to building a positive image of the Company in terms of social responsibility.

In the case of giving donations or sponsorships, the following minimum standards must be met:

- Donations and sponsorships must be pre-approved by the competent authority of the Company in accordance with the Guidelines on criteria, conditions and procedure for the approval of donations and sponsorships;
- Donations and sponsorships must be regulated by specific contracts concluded with the recipients of the donation or sponsorship, which will precisely define the rights and obligations of the contracting parties;
- Donations or sponsorships may only be used by institutions established in accordance with the law and whose activities are not contrary to the ethical principles of the Company; in the case of donations, the receiving institutions must be non-profit;
- Charitable contributions and sponsorships may not be given to political parties and movements, nor to their auxiliary organizations;
- The recipient of the donation or sponsorship must formally commit to adhering to applicable anti-corruption legislation and the principles contained in this Policy;
- It is not allowed to make payment of the donation or sponsorship amount in cash; funds can only be paid to the recipient's bank account.

All donations and sponsorships are registered in the Register, which contains all relevant data on realized donations/sponsorships.

Sponsorship of scientific and promotional events as a medical device advertiser

The Company, as an advertiser of a medical device, can organize and sponsor scientific and promotional events (lectures, conferences, seminars, etc.) attended by professionals without aiming to influence the impartial performance of their professional duties.

In this context, professional events can be sponsored only to the extent of covering the necessary costs for travel, accommodation, meals and mandatory participation fees for the event (registration fee, professional publications, venue costs, as well as costs directly related to the organization of the professional event). Participation costs in a professional event can be sponsored for the duration of the event and up to additional two days for travel to and from the event.

Educational grants

Definition: Provision of dedicated funds to a healthcare institution/association exclusively to support the education, enhancement of professional knowledge/professional development of healthcare workers, patients and/or the public on clinical, scientific and/or health topics relevant to the therapeutic areas in which the Company is interested and/or involved.

- The healthcare institution, as the employer, is obliged to ensure appropriate professional development for its healthcare workers in the Professional Development Plan (adopted in accordance with the Law on Health Care);
- A request/application from the healthcare institution/association to the Company for support to send healthcare workers to a particular professional meeting, symposium or conference should include details about the educational nature and agenda of the event.
- The Company must not participate in selecting healthcare workers who will receive support for education, enhancement of professional knowledge/professional development. This is exclusively the responsibility of the healthcare institution or professional association.
- This type of support must include the conclusion of an appropriate agreement or signing of a document/statement by the representative of the healthcare worker's employer, clearly stating the funds necessary for covering reasonable and usual costs for travel, accommodation and attendance at the professional meeting, and the method of payment directly to the account of the event organizer.
- It is strictly prohibited to provide cash to the healthcare worker to cover the aforementioned costs.
- If a third party (e.g. an agency) is involved in the organization of the event, the third party must commit in writing to comply with the provisions of this Policy, including the Company's right to audit all activities and expenses related to the event.
- The recipient of the support must document all expenses related to participation in the professional meeting, provided by the Company, with appropriate invoices and receipts, proving that the funds were used exclusively for the healthcare worker's participation in the professional meeting.

3.6. Proper record keeping and information transparency

Proper record keeping is a crucial component of our business operations. Records include all electronic, sent, photographed or paper documents created, received and managed in the Company's operations. Effective management of our records enables us to meet our business opportunities and ensure that our records are available when needed. It also helps us comply with all applicable laws and regulations and preserve relevant documents in the event of litigation, audits or investigations.

"Data retention obligation" specifically refers to maintaining records of organized professional meetings, documentation on persons whose participation was supported, details on the purpose of those funds and the amount of financial support given, as well as on promotional materials with the place and date of their publication.

It is extremely important to the Company that all published information in the public communication by the Company and in reports and documents submitted to competent state authorities are completely honest, accurate, timely and understandable. Each employee, manager and director must take all available measures to help the Company fulfill these obligations in accordance with their role in the Company. In particular, each employee, manager and director is expected to provide prompt and accurate responses to any questions posed by the Company or its authorized representatives (such as external audit and external lawyers) regarding the preparation of public reports and the publication of information about the Company.

3.7. Due diligence on third-party operations

Conducting due diligence and monitoring certain relationships with third parties that are partners of the Company, plays a crucial role in the Company's anti-corruption program and is essential in mitigating the risk of bribery and corruption. Unauthorized payments or behavior by third parties or business partners are the focus of anti-corruption actions conducted by regulatory bodies. The Company may be legally liable for the actions of its partners when they conduct business on behalf of or in conjunction with the Company. Employees are strictly prohibited from indirectly engaging in actions that are directly prohibited by this Policy.

Due diligence involves an analysis that should be conducted before entering into any contract or transaction with the Company's partner and periodically during the partnership. This includes efforts to determine and substantiate the integrity and reputation of the partner with evidence. The overall goal of due diligence is to understand and assess the initial risk or risk that may arise from doing business with a particular partner. Thorough due diligence to prevent corruption should be conducted during the acquisition of a business or company, or when entering into a joint venture agreement, or joint marketing or promotional activities.

The Company prescribes and promotes ethical and fair business practices with business partners, competition and our employees.

Therefore, the Company's business partners must also adhere to the part of this Policy that refers to the principles and principles of the United Nations' Universal Declaration of Human Rights in accordance with applicable laws and ethical practice. This particularly applies to:

Child labor

The minimum age for employment or work should not be less than the age for completing compulsory education, and in any case, not less than fifteen years of age. In this regard, the business partner of the Company must not employ children under the age of fifteen. If local laws or regulations permit children aged thirteen to fifteen to perform light work, such work is still not allowed if it in any way prevents the child from completing compulsory education or training, or if the type of work is harmful to health or development of the children. The minimum age for employment or work of any kind, which by its nature or circumstances in which it is carried out, is likely to harm the health, safety or moral development of young people, must not be less than eighteen years of age. (ILO - Minimum Age Convention, 1973 (No. 138)).

Forced labor

A business partner and related persons and partners may not use forced or compulsory labor.

Fees and working hours

The Company's business partner is obliged to comply with applicable national laws and regulations regarding working hours, wages and applicable contributions.

Discrimination

The Company's business partner must not discriminate against any person based on race, religion, political beliefs, disability, age, sexual orientation or gender.

Freedom of association and right to a collective agreement

Employees have the freedom to exercise their legal rights to associate, form or work for organizations representing their interests as employees. The Company's business partner must not threaten, punish or restrict workers - or interfere with their activities in any other way – for legally and peacefully exercising their rights. The Company's business partner must respect employees' rights to a collective agreement.

Occupational safety and health

The Company has ensured that all Company's employees work in a healthy and safe environment. Therefore, we expect the Company's business partner to do their best to implement high standards regarding occupational health and safety. The Company's business partner is obliged to comply with all applicable regulations related to occupational health and safety in the areas where they operate, as well as to provide a work environment that is safe and conducive to good health, aimed at preserving employees' well-being and preventing accidents, injuries and illnesses related to the type of work.

Environmental protection

The Company is dedicated to environmental protection and committed to reducing both direct and indirect harmful impact on the environment. It is expected that the Company's business partner adheres to our environmental conservation strategy,

therefore they must be well informed about our requirements in this regard and comply with them, in accordance with domestic laws, regulations and industry standards. This includes awareness of environmental impacts and monitoring these impacts, constantly working to minimize the effects that their business activities have on the environment.

The Company's employees who engage third parties as partners of the Company to perform work on behalf of the Company should ensure that the third party:

- Is fully qualified to provide the required services and is not hindered by unacceptable objectives;
- Has undergone an appropriate detailed business review;
- Has their activities and reimbursable costs monitored to ensure compliance with relevant anti-corruption laws and Company's regulations; for example, ensuring appropriate documentation exists and checks are performed before the payment of fees and expenses, monitoring situations that require special attention and examining unusual or excessive costs;
- Is aware of the Company's requirements related to this Policy before executing the transaction;
- Agrees with the anti-corruption and business ethics terms from the contract or service agreement;
- Agrees that the contract may be terminated due to non-compliance with the Company's procedures or applicable laws, rules or regulations;
- Agrees with the payment terms and documentation requirements in accordance with this Policy.

4. Protection of competition

4.1. Basis

EU competition law and the Law on the Protection of Competition of the Republic of Serbia establish the rules and set the standards regarding the application of competition protection regulations, which are mandatory for all employees in the Company.

4.2. Purpose of competition protection regulations

The purpose of competition regulations is to protect competition on the market, aiming for economic progress and social welfare, particularly benefiting consumers.

Accordingly, the goal of competition regulations is not to protect the competitors themselves on the market, but the process of competition, with the ultimate goal of safeguarding the presumed interests of consumers.

Although the purpose of competition regulations is ultimately tied to consumer interests, competition protection regulations should be distinguished from consumer protection regulations, which, for example, ensure consumers are protected regarding the conformity of products they purchase. Consumer protection regulations are not the subject of consideration in this Policy.

4.3. Three "pillars" of competition protection regulations

Traditionally, competition protection regulations have three basic elements or "pillars":

1. Restrictive agreements;
2. Abuse of a dominant position;
3. Assessment of concentrations (mergers) of economic entities.

The following sections of this Policy will elaborate in more detail on issues related to restrictive agreements and abuse of a dominant position. Regarding the assessment of concentrations, it is sufficient to note for the purposes of this Policy that, depending on the participants' revenues, certain transactions involving the acquisition of control over companies or parts thereof must be reported to the Commission and can be carried out only after the competent Commission for Protection of Competition approves them.

4.4. Relevant market and market shares

What is the relevant market?

One of the key concepts in competition law is the "relevant" or pertinent market. It is the market concerning which effects of a business entity's behavior (i.e. "market participant") on the market are assessed.

The relevant market has two elements:

1. Relevant product market and
2. Relevant geographic market.

The relevant product market relates to the group of products that a business entity produces or sells, which are not interchangeable with other products. From the perspective of medical devices, the relevant product market is generally a group of medical devices with the same purpose.

The relevant geographic market is the territory considered pertinent during the analysis from the point of competition law perspective. For the wholesale sector, the relevant geographic market is generally the entire country. Therefore, in the context of the company's operations, the relevant market will typically be the sale of a specific types of medical devices within the country where the company operates.

Proper determination of the relevant market is important, especially for defining the market shares of the participants. These shares are relevant in the analysis of the effects of restrictive agreements and the determination of the existence of a dominant position, which will be discussed further in this Policy.

How are market shares determined?

After defining the relevant market, the next step in the analysis is usually the assessment of market shares in the relevant market. Market shares are indicators of the power that the Company, including its competitors, have on the market.

Regarding the assessment of market shares, several basic notes:

- When determining the market share of the Company, the shares held by the Company and all its affiliated companies are summed up.
- If the Company is a distributor for multiple manufacturers for the same relevant product, the Company's market share is obtained by summing up the share related to the sale of products from all those manufacturers.
- Market shares are generally determined on the basis of sales value (rather than the quantity sold).

Sources for assessing shares typically include reports from independent companies that specialize in such assessments (e.g. IQVIA). In the absence of such reports, other sources should be consulted, such as official publications on the sales of medicine and medical devices or the Company's internal estimates.

4.5. Restrictive agreements

What is a restrictive agreement?

Restrictive agreements are agreements between market participants that have the aim or effect of significantly limiting, distorting or preventing competition in the territory. There are agreements/arrangements between economic entities that have or can have harmful effects on competition.

It is important to note that a restrictive agreement does not necessarily have to be a formally signed "contract" between the negotiating parties - a verbal agreement can be sufficient to constitute a prohibited agreement. Therefore, restrictive agreements can be:

- Contracts;
- Certain provisions within contracts;
- Explicit or tacit agreements;
- Coordinated practices among market participants (in case of parallel behavior without an explicit agreement);
- Decisions by associations of market participants (such as certain trade associations).

Agreements between economic entities operating within the same group, i.e. under the same ultimate ownership, do not constitute restrictive agreements.

Vertical and horizontal agreements

The basic division of restrictive agreements is into horizontal and vertical agreements.

Horizontal agreements are agreements between economic entities operating at the same level of the supply chain, i.e. considered actual or potential competitors. For example, from the perspective of the Company, horizontal agreements would be agreements between the Company and other sellers of medical products in the territory.

Vertical agreements are agreements between economic entities operating at different levels of the supply chain.

Vertical agreements: Conditions for exemption from prohibition

Even if a certain agreement is restrictive, i.e. if it aims or results in restricting competition on the market, it can avoid prohibition through the application of the exemption concept. Such an exemption can be either block (for certain types of agreements) or individual (requested for a specific agreement).

From a practical standpoint, the most important rules for the Company are those for the block exemption of vertical agreements, such as its contracts with manufacturers of medical products. The basic condition for the automatic exemption of such contracts is that the market share of both the supplier and the Company on the relevant market is below 25%. Also, to be exempted, the agreement/contract must not contain absolutely prohibited clauses, the most relevant of which are:

- The contract must not set fixed or minimum prices that the buyer must apply in further sales; ☒
- The buyer must not be prohibited from passive sales outside the territory allocated by the contract; ☒
- The non-compete obligation must not be longer than five years or of unlimited duration. ☒

On the other hand, the following restrictions may be allowed in a vertical agreement:

- The seller may set a maximum or recommended resale price, provided that it does not lead to the establishment of fixed or minimum resale prices; ☒
- The buyer may be prohibited from active sales outside the territory allocated by the contract; ☒
- The contracting parties may agree on a non-compete clause with a duration of up to five years. ☒

Horizontal agreements: A "minefield" requiring extra caution

Market participants must exercise particular caution when concluding horizontal agreements, i.e. in all forms of contact with competitors. A classic example of a prohibited horizontal agreement is a cartel agreement, where participants agree on the price and other sales conditions. In this context, the agreements between competitors in public procurement procedures are under particular scrutiny.

In addition to cartel agreements, seemingly benign actions, such as the exchange of business information or activities within business associations, can also be subject to prohibition.

A) Collusion in public procurement ("bid rigging")

Detection of rigged bids in public procurement has been a focus of the Commission for Protection of Competition for years. The most common forms of bid rigging in public procurement are:

- **Simulated or fictitious bids** are designed to give the impression of real competition and represent the most common method of applying rigged bids. This involves an agreement among bidders where some submit bids that include at least one of the following criteria:
 - The bid is higher than the bid of the predetermined (agreed-upon) bidder;
 - The bid is obviously too high to be accepted;
 - The bid includes special conditions that are known in advance to be unacceptable to the contracting authority.
- **Bid suppression** involves an agreement among market participants where one or more bidders agree to refrain from submitting a bid or to withdraw an already submitted bid, thus allowing a predetermined bidder to be selected. Essentially, bid suppression means that a bidder does not submit a bid that should be subject to final consideration (decision).
- **Bid rotation** involves participants in a rigged bid continuing to participate in the procedure, but agreeing to take turns in case one of them (for example, the one with the lowest bid) is selected in the tender. The ways in which contracts from rotating bids are applied vary. For example, a participant in such a bid may choose to allocate approximately the same monetary amount from one group of contracts to each company that did not succeed or to allocate an amount appropriate to the size of each company.

- **Market allocation** involves bidders dividing the market by agreeing not to compete for certain contracting authorities or in certain geographical areas. Participants may, for example, assign specific contracting authorities or categories of contracting authorities to different companies, so those companies do not compete (or submit only a cover bid) until it concerns "their" contracting authorities, or in concluding contracts offered by certain categories of potential contracting authorities that are assigned to other companies.

Circumstances indicative of bid rigging in public procurement:

- The same bidder always submits the lowest bid;
- Specific bidders participate only in certain geographical areas;
- A regular bidder in tenders does not submit a bid expected of them;
- Unexpected and sudden withdrawal of a bid;
- Certain bidders always submit bids but never win;
- Two or more bidders submit a joint bid, even though at least one of them could have submitted an individual bid;
- The tender winner hires one of the losing bidders as a subcontractor;
- The winner refuses to sign the contract but later appears as a subcontractor;
- Regular meetings of competitors just before the bid submission deadline.

B) Participation in business associations

Regarding horizontal agreements, special attention should be paid to participation in associations, business and professional associations and similar forums. While companies have a legitimate right to be members and participate in these associations, these forums must not be a cover for collusion between competitors, such as price fixing or market allocation.

It is absolutely prohibited to use associations for the following activities:

- Direct or indirect price-fixing; ☒
- Market or customer allocation; ☒
- Prohibited agreements in a public procurement procedure. ☒

Additionally, the following activities within association may be prohibited:

- Exchange of sensitive business information (more details below); ☒
- Establishing standards and certification programs; ☒
- Restricting or prohibiting association members from advertising. ☒

Associations must not be used to make any decision that would be considered contrary to competition regulations if made outside the association. If discussions

within the association concern activities that may be contrary to competition regulations, the Company's representative must immediately request that such discussion cease. If the discussion continues despite the request, the Company's representative must leave the meeting and request that this be recorded in the minutes to avoid the Company being considered a participant in an unlawful agreement.

C) Exchange of sensitive business information

Whether through a business association, a third party or directly between market participants, the exchange of sensitive business information can conflict with competition protection regulations. When assessing whether information exchange constitutes a prohibited restrictive agreement, the following factors should be considered:

- **Type and nature of information exchanged.** Market participants who are competitors must not mutually exchange highly sensitive information related to their core business activities, especially information about current or future prices, sales costs and production volumes, credit or trading terms, promotional costs, discounts and rebates granted to consumers, consumer information and business or strategic and marketing plans.
- **Level of detail in information exchanged.** A higher degree of detail in the exchanged information increases the likelihood that competitors can predict each other's future business activities and adjust their operations accordingly. Competition regulations do not apply to aggregate/statistical data from which individual company information cannot be identified.
- **Reference period for information exchanged.** Sharing data about future strategies is more problematic than sharing data about past business activities. Information about a market participant's future behavior is particularly sensitive and should remain confidential to each individual market participant. Information about past business activities (even when related to an individual market participant) generally has lost its competitive value and cannot influence the future behavior of competitive market participants.
- **Frequency of information exchange.** Frequent data exchange enables market participants to better and more quickly adapt their business policies to competitors' strategies, increasing the likelihood of creating anti-competitive effects in the relevant market.
- **Market concentration of participants exchanging information.** In more concentrated markets, competitors can more easily establish and implement coordinated activities. For this reason, information exchanges that increase transparency in the oligopolistic market, especially those protected by high entry barriers, are examined more closely.

- **Nature of the products.** Market participants find it easier to coordinate activities in markets of uniform, homogeneous products than in markets with many substitutable products. In markets with numerous substitutable products, access to detailed, sensitive information is less likely to help market participants to predict competitors' future behavior, thus usually not leading to increased coordination in business activities.
- **Benefits of information exchange programs.** When assessing the permissibility of relevant information exchanges, it is considered whether the exchange involves confidential information, where this form of cooperation among companies increases knowledge about the relevant market only on the sellers' side, or has a broader public impact that also benefits consumers, enabling them to compare different offers and thereby increasing competition on the market.

4.6. Abuse of dominant position

What is a dominant position?

Market participants with a strong market position can be considered "dominant" in terms of competition regulations. Using legal terminology, "a market participant holds a dominant position if, due to its market power, it can operate on the relevant market to a significant extent independently of actual or potential competitors, customers, suppliers or consumers".

The Law on Protection of Competition lists several factors to consider when determining whether a market participant is dominant. In practice, probably the most important indicator of dominance is a market share above 40%. Therefore, if there are relevant markets where the Company's market share is above 40%, the Company should operate with an increased level of caution on such markets.

It is important to note that a dominant position in itself is not against the law. What is prohibited is the abuse of a dominant position, with the most important forms of such abuse described below.

What are the main forms of abuse of a dominant position?

A) Unlawful discrimination

Generally, a dominant market participant must not discriminate against its customers. This does not mean it must offer identical conditions to all its partners - a dominant market participant can categorize its customers based on their size, the level of the supply chain they operate in, and other objective criteria.

Also, the sales policy of the dominant market participant must be transparent, meaning it should be clear how a customer is categorized into a particular category.

B) Imposing exclusivity

If a market participant is dominant, it must not impose exclusivity on its customers, meaning the customer is obliged to meet all their needs for a certain product by purchasing from the dominant supplier. Exclusivity is not only considered to be total (100%) exclusivity but any obligation of the customer to satisfy more than 80% of their needs for a given product from a dominant supplier.

C) Rebates

A dominant market participant does not have complete freedom in forming a rebate policy. If the rebate policy is designed to motivate the customer to meet all or most all of their needs for a given product by purchasing from the dominant supplier, this can result in *de facto* exclusivity. As explained above, exclusive contracts of dominant market participants can constitute an abuse of a dominant position.

If the Company has a dominant position in any relevant market, consultation with legal advisors is necessary to ensure the rebate policy complies with competition regulations.

D) Predatory pricing (dumping)

If the seller is dominant on the relevant market, selling goods below the purchase price can conflict with competition protection regulations. If the Company intends to sell below the purchase price, it must consult legal advisors.

E) Tying

If a seller is dominant on the relevant market concerning product A, it cannot condition the buyer to obtain product A if they also purchase product B. On the other hand, it may be permissible for the seller to require the buyer to purchase the entire range of products, including accessories and reagents. For details, legal consultation is necessary.

F) Bundling

Similar to tying, it may be prohibited if a seller with a dominant market position sells products in which it is dominant in a "bundle" with products in which it is not dominant, with the aim of closing the market to competitors. In the case of bundled product sales, legal consultation is necessary.

G) Refusal to cooperate

If a market participant is dominant, it does not have complete freedom to refuse to cooperate with economic entities - customers who require such cooperation. This also applies to the termination of already existing cooperation with customers. In case where a dominant position exists and there is an intention to terminate or not establish cooperation with a particular customer, it is necessary to consult with a legal advisor.

4.7. Dawn raid

One of the powers of the Commission for Protection of Competition (hereinafter referred to as: the CPC), which the CPC frequently uses in practice, is conducting unannounced inspections on the premises of market participants (dawn raid). The CPC may decide to carry out such an inspection if there is reasonable suspicion that there is a risk of removal or alteration of evidence located with a specific market participant.

An unannounced inspection is carried out through a sudden control of premises, including data, documents and items found in that location, about which the party is notified on the spot (and not in advance). In the event that authorized CPC personnel appear on the Company's premises with the intention to conduct an unannounced inspection, it is necessary to immediately:

- 1) Notify the Company's management;
- 2) Notify the Company's external legal advisers (lawyers);
- 3) Cooperate with the authorized CPC personnel.

When conducting an unannounced inspection, CPC officials are authorized to:

- Enter and inspect business premises, vehicles, land and other premises at the party's headquarters and other places where the party or a third party conducts business and other activities;
- Check business and other documents, regardless of how these documents are stored. This includes searching electronic documents, not only by keyword search built into computers but also by using forensic equipment used by authorized CPC personnel;
- Seize, copy or scan business documentation, and if, for technical reasons, this is not possible, the authorized person may seize business documentation and keep it as long as necessary to make copies of that documentation. Copying electronic documentation may be done using forensic equipment (Forensic IT tool);
- Seal all business premises and business documents during the inspection;
- Take oral or written statements from the party's representatives or its employees, as well as documents about the facts that are the subject of the inspection. If a written statement is necessary, the authorized person must specify the date by which such a statement must be provided;
- Order the temporary seizure of documents and items.

In the process, the parties are obliged to:

- Allow CPC authorized personnel to enter business premises;

- Provide CPC authorized personnel access to business documentation and other requested documents, regardless of how these documents are stored;
- Grant CPC authorized personnel access to computers and other electronic devices located in the business premises of the market participants, which includes providing passwords for working on computers, server access, etc.;
- Comply with the orders of the authorized personnel, which relate to the temporary prohibition of using computers, mobile phones and other forms of communication, temporary blocking of the computer network, etc.;
- Provide answers to authorized personnel's questions regarding premises, items and documents that are the subject of the inspection and actively cooperate with CPC officials in other ways;
- Fully and actively cooperate in all other ways with CPC authorized personnel in conducting inspection.

In addition to obligations, the party has certain rights during the conduct of an unannounced inspection, specifically the right to request from CPC officials:

- To identify themselves by showing their official identification;
- To be informed about the subject of the procedure and the reasons for conducting the inspection, and to request the delivery of the Decision on initiation of the procedure and the Decision on conducting the inspection;
- To be present during the inspection, communicate with the CPC official leading the CPC team and provide necessary explanations regarding the content of the documentation that is the subject of the inspection;
- To have documents that represent confidential communication specifically marked and separated from the documents during the unannounced inspection;
- Copies of the minutes of the inspection and a list of collected documents and items that were copied or temporarily seized during the unannounced inspection.

Also, the party has the right to have their lawyer present during the unannounced inspection. If the lawyer is not present at the time of the arrival of CPC officials, the inspection will not be postponed until the lawyer arrives. CPC officials will immediately proceed to secure the premises, items and documentation that are the subject of the inspection. After the lawyer's arrival, CPC officials will inform them about the subject of the inspection and the actions taken upon to that point.

Communication between the party in the procedure and their representative/lawyer directly related to the procedure constitutes privileged communication, which is protected.

4.8. Risks for the Company due to violation of competition protection regulations

Violations of competition protection regulations can lead to serious consequences:

- **Fine.** The CPC can impose a fine on a market participant amounting to up to 10% of the participant's total annual revenue on the relevant market.
- **Negative reference in public procurement procedure.** If there is evidence that a bidder has violated competition regulations within three years prior to the publication of a call for bids in a public procurement procedure, the contracting authority may reject their bid.
- **Prohibition from participating in public procurement procedure.** If it is determined that a bidder or interested party has violated competition regulations in a public procurement procedure, the CPC can impose a ban on participating in public procurement procedures for up to two years.
- **Criminal offence.** Entering into a restrictive agreement is also a criminal offence, punishable by a prison sentence ranging from six months to five years and a fine.
- **Contractual risk.** Contracts, or specific provisions within them, that are not in accordance with competition regulations, are null and void.
- **Risk of damage actions.** Persons harmed by a violation of competition can file a damage action against the responsible market participant.
- **Negative publicity.** Any violation of competition regulations typically results in negative publicity for the company.
- **Management time costs.** A significant cost for a company under investigation for competition violations is the time that management and relevant departments within the company spend preparing a defense and addressing other aspects of the procedure.

5. Conflict of interest

Employees are required to always act in the best interest of the Company and must not attempt to gain personal benefit during the performance of their business activities.

A conflict of interest arises when the Employee has a personal or financial relationship or another type of interest that could have a real or apparent impact on their decisions or actions contrary to the interest of the Company, or when the Employee uses their position in the Company to gain some personal benefit.

The concept of "personal interests" is wide-ranging, comprising not only the interests of the Employee themselves, but also those of any closely associated persons (individuals or legal entities).

Conflicts of interest may arise in the following situations, for example:

- In the awarding of contracts, whereby an Employee gives undue advantages to a person closely associated with them (e. g., granting a contract to a friend based on non-objective criteria);
- In instances of secondary employment (e. g., doing side work for a competitor, client of Company, etc.)
- If a business partner (e. g., a competitor, current business partner, or potential business partner) has ownership of significant shares of the Company.

By and of itself, a conflict of interest does not constitute a breach of this Policy; however, it may become one depending on the way in which it is handled.

Employees should refrain from involving themselves in any situation in which their objectivity in business decisions could be questioned due to a potential conflict of interest.

All conflicts of interest must be disclosed, regardless of whether the Employee considers a conflict as influencing a business or not.

If an employee has any doubts regarding a situation that may represent a potential conflict of interest, they should always seek advice from the Compliance Manager or the legal department.

6. Compliance with trade sanctions

Certain countries, such as the United States, the United Kingdom, Germany, as well as supranational organizations like the European Union and the United Nations, impose sanctions or other restrictive measures on certain countries, legal entities, natural persons, various organizations and groups.

Non-compliance with trade sanctions and embargo laws significantly increases the risk to the Company's reputation and can harm important business relationships with business partners that have very high ethical and security standards.

The Company takes all available measures to ensure full compliance with the trade sanctions laws to eliminate any possibility of business cooperation with third parties that may be subject to trade sanctions or embargoes.

7. Prevention of money laundering and terrorist financing (AML)

Money laundering and terrorist financing are crimes with economic consequences. As global issues, their negative consequences can be multifaceted: undermining the

stability, transparency and efficiency of the financial system, causing economic disruptions, hindering reforms, reducing foreign investments and damaging a country's international reputation.

Money laundering is the process of concealing the illegal origin of money or assets obtained through criminal activities. When financial gains are obtained through a criminal act, the perpetrator will attempt to use the money or other assets in a way that does not attract the attention of the competent authorities, conducting a series of transactions to make the money or other assets appear legally obtained.

The company conducts business exclusively with money obtained legally from lawful sources.

Cash transactions represent an increased risk regarding money laundering and terrorist financing.

Cash transactions are all transactions performed by accepting or handing over cash.

Cash transactions equal to or exceeding EUR 10,000 (or the equivalent in another currency) are prohibited and must not be accepted or conducted by the Company or its employees.

The value limit for cash transactions applies to the planned total transaction.

It is prohibited to (deliberately) structure (split) cash payments (active or passive) into smaller amounts (smurfing).

8. Personal data protection

In the processing and use of personal data, respecting privacy is a serious concern, and the Company places great importance on protecting such data.

Protecting the fundamental rights and freedoms of natural persons, particularly their right to personal data protection, is one of the most important principles of the Company.

To ensure compliance with applicable personal data protection laws, especially the Law on Personal Data Protection of the Republic of Serbia and the General Data Protection Regulation (GDPR), the Company has taken appropriate technical and organizational measures by applying the latest technologies for personal data protection.

9. Consequences of violating provisions

Violation of the provisions of this Policy by employees may result in disciplinary measures, which may also include termination of employment, depending on the severity of the violation and the resulting consequences.

Also, the Company may file an action against the employee who has violated the provisions of this Policy. Violations by third parties may lead to contract termination, reports to supervisory authorities or the police, as well as public actions by the Company against the offending party.

Depending on the nature and severity of the established violation of the provisions, if proven, it can have serious legal consequences, including:

1. Fines and imprisonment for the offenders;
2. Fines for the Company and its representatives involved in the case;
3. Measures taken in accordance with the labor law and potential initiation of legal proceedings for damages by the Company against the employee or third parties responsible for the damage.

10. Monitoring compliance

Compliance monitoring is achieved through the following actions:

- Periodic risk analyzes regarding compliance;
- Reports and entries in the appropriate register (Register of Donations and Sponsorship, etc.);
- Annual confirmations from employees in high-risk positions regarding compliance;
- Adequate training of employees on compliance;
- Monitoring the effectiveness of the compliance management system.

Employee trainings are an essential part of raising awareness and building a culture regarding all compliance issues, especially compliance with the provisions of this Policy.

The Compliance Manager is responsible for ensuring and controlling that all employees are adequately trained regarding the provisions of this Policy, as well as keeping records and keeping documentation of the relevant trainings.

If necessary, internal or external audits of compliance management systems may be organized.

11. Reporting obligation

The following situations and violations are subject to the mandatory reporting:

- Any violation of the provisions of the Compliance Policy (e.g. bribery, corruption, conflict of interest, cartels, money laundering, etc.);
- Any misconduct affecting the Company's assets (asset embezzlement) when the Company's financial or non-financial assets may be at risk (e.g. theft, fraud, embezzlement, etc.)
- Misconduct or situations that can be reported in accordance with local and/or EU legislation (e.g. violations of the Law on Environmental Protection, breaches of the Law on Personal Data Protection, GDPR, modern slavery, human trafficking, forced and child labor...).

Every employee of the Company who becomes aware of a violation or potential violation of the provisions of the Compliance Policy or applicable laws is expected to report it, immediately upon becoming aware, in the following manner:

- a) To the direct superior or the Company's director
- b) To the Compliance Manager
- c) By sending an email to: compliance@magnapharmacia.rs

11.1. Protection of whistleblowers

Every report received of a potential violation of the provisions of this Policy will lead to an appropriate internal investigation.

Each report is taken seriously and the internal investigation is conducted in accordance with applicable local regulations.

The Company prohibits any form of threat or retaliation against anyone who discloses or reports a potential violation of the provisions of the Compliance Policy and applicable regulations, provided they believe the allegations in the report are true at the time of reporting.