

COMPLIANCE MANUAL

Belgrade, February, 2019

Message from the Managing Director of the company Magna Pharmacia d.o.o. Belgrade

Dear Magna Pharmacia team member,

We rely on the trust that our clients and our business partners have in us. We strive to earn and justify that trust on a daily basis. Our reputation is built on the basis of our behavior both at the workplace and when presenting the company Magna Pharmacia to third parties. Our future success is rooted in our core values, such as: authenticity, commitment to everything we do, continuous learning, care for our staff, working as one and winning together with our partners.

Our values require us to be open, honest, sincere and to act with integrity. Our company is distinguished by the diversity and endeavour to create a safe and positive working atmosphere. We shall fulfill our promises and do the job the right and not just the easy way, in all our business operations. We are determined to win the market only by working honestly, fairly and in accordance with the law.

Communicating this Compliance Manual is part of our duty to provide work environment and people who are absolutely committed to doing business in accordance with our values. Our objective is to provide a clear and available document which contains practical advice regarding our individual obligations and instructions for requesting additional information when we are not sure how to act.

However, this Compliance Manual cannot identify all situations that we can encounter and cannot represent a substitute for common sense and good judgment, but provides general information about the values and the obligation to be recognized and respected company.

Our objective is top-level business and growth. We at Magna Pharmacia believe that we can achieve this through excellence in business operations and by complying with the highest standards of corporate and social responsibility.

Therefore, I hereby invite you to become familiar with this Manual and affirm your commitment to maintaining Magna Pharmacia's culture of integrity and responsibility in everything we do. Compliance is not an alternative. This is the basic moral and ethical obligation of all of us.

Thank you.

Novka Tomic, Managing Director

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1. Introduction

The purpose of this Compliance Manual (hereinafter referred to as the "Manual") is to provide guidance to employees of the company Magna Pharmacia doo Belgrade (hereinafter referred to as the "Company"), as well as to employees of its affiliated companies (in particular Magna Real Estate d.o.o. Belgrade, Magna Medica d.o.o. Belgrade, Magna Food d.o.o. Belgrade, etc.), regarding selected regulations of the Republic of Serbia (hereinafter referred to as "RS") whose violation could have significant adverse effects both on the Company and its affiliated parties and on the business operations and results of the Company.

This Manual applies to all employees of the Company (as well as the employees of affiliated parties of the Company), directors, agents, contractors, consultants, intermediaries, distributors, associates conducting promotional activities subject to a contract, joint venture partners and any other individual or legal entity performing any activity for or on behalf of the Company. These persons must be completely familiar with this Manual and shall be obliged to act in accordance with its content.

Our basic policy means (i) requesting the compliance with the highest standards of business ethics and integrity from our employees, members of the Company's management and third parties, (ii) compliance with all applicable laws and regulations of the countries in which we run our business operations and (iii) continuous training and other related procedures in order to raise awareness and improve compliance with the standards established by this Manual. Each year, all employees, management and third parties who perform business activities on behalf of the Company shall be obliged become familiar with and sign the compliance with the standards established by this Manual.

The purpose of the main standards foreseen by this Manual is to achieve the following objectives:

- to emphasize the Company's commitment to ethics and compliance with the law,
- to establish basic standards of legal and ethical behavior,
- to raise the Company's attention to legal and ethical issues,
- to describe situations which require special attention and to indicate where and what kind of assistance is required to deal with these and other legal and ethical matters,
- to inform us about procedures for reporting identified and suspected violations of standards or laws,
- to prevent and identify violations of standards and laws.

Although no one is expected to know all applicable laws, rules and regulations in detail, it is important for everyone to have basic knowledge which will enable them to recognize circumstances which require seeking advice from relevant staff members.

The purpose of this Manual is not to provide a substitute for legal advice – should you have any doubts regarding any matter addressed in this Manual, please contact a competent person in the Company.

All employees of the Company, as well as affiliated parties of the Company, shall be obliged to comply with this Manual. Compliance with principles contained in this document, to the greatest extent possible, is also required from the Company's clients and business partners.

However, this Manual cannot address all circumstances or situation that you might encounter. Therefore, if you are not certain whether an action or decision is ethical and acceptable according to the Company's standards, i.e. according to this Manual, you should ask yourself the following questions:

- Do I have the feeling that this is right?
- Does my action reflect the highest standards of honesty, integrity and responsibility?
- Is my decision in compliance with the law and company by-laws?
- Would I feel comfortable while explaining my actions to associates, family members, friends or the public?

If the answer to any of these questions is "no", reconsider the planned procedure and seek advice immediately.

In case of international business operations, you may also find yourself in situations which represent ethical dilemmas. If you recognize that a law, custom or practice of another country conflicts with provisions of this Manual, other Company's by-laws and relevant national laws, seek advice from a competent person in the Company.

In particular, this Manual addresses the regulations regarding:

- 1. Corruption prevention,
- 2. Protection of competition,
- 3. Protection of confidential information, and
- 4. Protection of intellectual property rights.

2. Corruption prevention

Main objectives of the Company are as follows:

- Strengthening integrity, accountability and transparency in business operations.
- Creating prerequisites for preventing corruption at all levels.
- Acknowledgment of the principle of "zero tolerance" for corruption.

The Company is committed to combating all forms of corruption, regardless of whether it refers to offering or receiving, either directly or indirectly, money or any other benefits which may affect the recipient in terms of encouraging or rewarding such an individual to undertake a particular activity or to fail to do so.

Corruption involves "active corruption" (offering or giving) and "passive corruption" (acceptance), the involvement of a public authority ("public corruption"), but also relationships between individuals ("private corruption"). Corruption may be aimed at conducting activities which constitute a violation of official duties of an individual ("direct corruption") or conducting an activity which is in accordance with the official duties of an individual ("indirect corruption"), either as corruption before taking an official action or corruption after taking an official action.

2.1. General principle of "zero tolerance" for corruption

The key principle underlining the Company's business operations is the principle of "zero tolerance" for all forms of corruption. Therefore, all employees of the Company shall be obliged to comply with this principle, since they represent the Company.

The Company strictly prohibits giving a bribe and any other irregular payment of any kind to civil servants, healthcare workers and/or other partners of the Company!

Employees of the Company shall, under no circumstances, be involved in offering or receiving bribe or any other misconduct or illegal actions. Even an impression of violating anti-corruption law and offering and giving bribe can cause a significant damage to the reputation of the Company.

Giving or receiving a bribe is strictly prohibited.

Bribery or corruption means giving or offering any item of value or any benefit, directly or indirectly, to any person with the aim of encouraging such a person or any other person to perform or fail to perform an activity.

Corruption also represents soliciting or receiving any item of value or any benefit, directly or indirectly, from any person, in exchange for performing a particular activity in an incorrect manner by you personally or by a third party.

Bribe may appear in material or other form and may involve giving or receiving money, loans, contributions or donations, trips, employment offers, compensations, goods, services or anything else which is deemed to be of certain value. Under certain circumstances, gifts or entertainment may be interpreted as forms of bribery. Bribe may also have the form of a "reward" and may be paid after an irregular performance of a particular duty or obligation.

Subject to the Criminal Code of RS, receiving a bribe in the course of performing business activities constitutes a criminal offense punishable by one to eight years of imprisonment. Subject to the Criminal Code of RS, giving a bribe in the course of performing business activities also constitutes a criminal offense punishable by three months to three years of imprisonment.

The Company shall also obliged to comply with similar anti-corruption manuals of its foreign business partners, composed in accordance with the regulations that apply to them, inter alia, in accordance with the Foreign Corrupt Practices Act (FCPA) of the United States of America and the Bribery Act of the Great Britain.

Note: Regulatory bodies in the USA and in many other countries of origin of the Company's business partners treat healthcare workers as civil servants in terms of the corruption prevention law. Moreover, a civil servant refers to any healthcare worker who is employed, works for or is otherwise connected with a public healthcare institution, institution, university or hospital, as well as any healthcare worker paid, entirely or partially, by the public health system.

Therefore, before you decide to take any action it is important to have in mind that any action of yours which is not in compliance with this Manual and national regulations, is not in compliance with the manuals of business partners either. Therefore, in addition to the damage that such an action could cause to the Company, it may also have significant adverse effects on the Company's business partners, all in accordance with the legislation of the country where such partners are headquartered.

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Examples of prohibited practices:

- Making any payment (or giving any item of value) for the purpose of influencing a decision-making process where the Company would be selected as a product supplier or encouraging healthcare professionals to prescribe products offered by the Company;
- fees, commissions or contracts on distributing a part of profits to healthcare workers in order to encourage the use of products offered by the Company;
- payment of fees for consultancy services which were not requested or executed, or transactions with healthcare professionals at a price higher than fair market value:
- distribution of product samples to healthcare workers in exchange for attaining a privileged position;
- payments with the aim to interfere with certain procedure or decision of a civil servant (such as awarding contracts with state institutions, or disclosing confidential information on a tender procedure announced by a public institution);
- payments with the aim to encourage a civil servant to perform or to refrain from performing and action (such as granting a permit, or other registration terms and requirements or failure to conduct an inspection);
- making any payment or giving any item of value to a civil servant with the aim to encourage a civil servant to exercise his/her influence in the government or state institution and interfere with a procedure or decision of the government or state institution;

No employee or partner of the Company shall be allowed to make any payment or give any item of value in response to a request or attempted extortion by a third party. Anti-corruption laws prohibit making any payments under pressure or coercion. Any attempt of solicitation, bribe or extortion must be reported to competent authorities within the Company immediately.

2.2. Guidelines for cooperation with state administration employees

Transactions with civil servants are not the same as business operations with other parties and are regulated by special legal norms. Although you must never offer or accept bribes from any person, you must be particularly careful not to get into this particular situation in the course of cooperation with civil servants. Do not offer, promise, give or approve any item of value, financial or any other advantage (including a family member, relative or a person who is in any way associated with a civil servant) when there is a possibility that such action could be interpreted as putting pressure on the civil servant in order to obtain or retain business benefits or business advantages.

Subject to the Criminal Code of RS, bribery constitutes a criminal offense punishable by six months to five years of imprisonment.

Always obtain a written confirmation and consent from the competent person for compliance with the Manual prior to giving any item of value or providing a benefit to any individual employed in the state administration.

Who is considered to be a state administration employee?

Pursuant to the applicable regulations in the RS, all personnel in the state administration can be divided into state officials, civil servants and employees who do not have the status of civil servants (state employees). Relevant definitions of all previously mentioned categories are primarily determined in the following laws of RS:

- Law on Civil Servants;
- Anti-Corruption Agency Act;
- Law on Employees in Autonomous Provinces and Local Self-government Units

"Civil servant" – a person whose job position consists of tasks from the scope of work of the state authority, courts, public prosecutors' offices, the Republic Public Attorney, services of the National Assembly, the President of the Republic and the Government, Constitutional Court and services of the authority whose members are elected by the National Assembly or, in connection with those tasks general legal duties, IT, financial, accountancy, planning and administrative tasks.

The following cannot be considered as civil servants: members of the parliament, the president of the Republic, judges of the Constitutional Court, members of the Government, judges, public prosecutors, deputy public prosecutors and other persons elected on the position by the National Assembly or appointed by the Government and persons who according to special legislation have the status of an official.

"**State employee**" - a person whose job position consists of subsequent additional and technical tasks in a state authority.

"*Official*" is any person elected or appointed into authorities of RS, autonomous province, local self-government units and authorities of public enterprises and business companies, institutions and other organizations, whose founder or member is RS, autonomous province, local self-government unit and any other person elected by the National Assembly.

The law distinguishes servants, officials and employees at the level of autonomous provinces and local self-government units.

"Official" is any person elected or appointed (except for servants on a position) into authorities of an autonomous province and local self-government unit, i.e. city municipality authorities, as well as service and organizations established according to special legislation.

"**Servant**" is an employed person whose job position consists of tasks from the scope of competence of the autonomous province or local self-government unit or, in connection with those tasks general legal duties, IT, financial, accountancy and administrative tasks. The official is an employed person at the executive position as well as at the position of servants on a position.

"*Employee*" is a person who established an employment relationship for the purpose of performing subsequent additional and technical tasks in an autonomous province and local self-government unit.

2.3. Gifts and business outings

Gifts and business outings are tokens of appreciation aimed at building good business relationships and goodwill with clients and business partners of the Company. However, gifts or business outings are not appropriate if they make a commitment, if they put you in a situation where you leave the impression of being biased or which are given with the intent to influence a business decision. This applies to you and your family members. Maintaining unbiased relationship is crucial in these situations.

Excessive and luxurious gifts are strictly forbidden. In addition, meals may seem inappropriate as an attempt to exercise influence. Under no circumstance should gifts imply money. Always think beforehand whether a gift, meal or entertaining event that you have planned to organize or receive can be considered excessive or inappropriate, whether it can lead to or imply any commitment or be interpreted as a bribe. In that regard, make sure to select a convenient venue for a business outing, which will be appropriate for the exchange of information in accordance with the purpose of the business meeting.

Given the purpose of potential gifts and business outings with clients and business partners of the Company, you are not allowed to give any item of value to their family members if they are present in the business outing with a client or business partner of the Company.

Generally speaking, you can accept or give convenient gifts usually intended for promoting the Company (e.g. calendars, diaries, pens) in accordance with the Rulebook on advertising, propaganda and entertainment expenses. Business outings with clients and business partners of the Company may be permitted in accordance with social and business customs, while respecting the principles set forth in this Manual and other internal by-laws of the Company.

Under which circumstances is a state administration employee allowed to receive a gift?

In case of state administration employees, the law prescribes special restrictions with regard to gifts and business outings.

A civil servant and related persons shall not solicit or receive any item, right, favour, or any other benefit given or made without the appropriate remuneration, either for themselves or associated persons, which affect, may affect or seem to affect unbiased or professional performance of duties, i.e. which can be interpreted as a reward in connection with the performance of his/her duties, except for protocol and convenient gifts of smaller value.

An official shall also not be allowed to receive a gift with respect to carrying out a public function, other than a protocol or convenient gift.

A protocol gift is a gift that a civil servant or official receives from a state, its authority or organization, an international organization or a foreign legal entity during official visits or on other occasions, and other gifts received under similar circumstances.

Convenient gift is a gift presented to a civil servant or official on occasions when an exchange of gifts is considered a tradition.

However, protocol and convenient gifts, regardless of their value, do not include gifts:

- whose presentation or receipt would constitute a criminal offense,
- whose presentation or receipt is prohibited by relevant legislation,
- if they are presented in the form of money, securities,
- if their receipt would be contrary to the ethical standards applicable to certain types of officials.

A civil servant or official may receive a protocol and convenient gift whose value does not exceed 5% of the average monthly salary in RS, taxes and contributions excluded, or occasional gifts whose total value during a given calendar year does not exceed the amount of one average monthly salary in RS, taxes and contributions excluded.

Of course, for the sake of precaution, each individual intention to give any present to any person who has or may have the authority to make decisions on the rights and interests of the Company and/or persons associated with such a person or to organize a business outing with such a person must be carefully considered with respect to the relevant circumstances, due to a potential risk of regarding such an attempt as an intention to have inappropriate influence on the actions of such a person.

Any facilitation payments made to state administration employees, i.e. payments for the purpose of encouraging such employees to accelerate performing a particular task or conduct a procedure in favor of the person making such a payment, *are absolutely forbidden*.

The guidelines that all Company's employees must adhere to under all circumstances:

- all invoices must be entered into records in order to avoid facilitating or concealing irregular payments or bribery;
- all expenses, gifts, educational resources, hospitality, donations, contributions, educational grants and all other payments must be credible and precisely reported and recorded;
- all accounting data, cost reports, invoices, receipts and other business data must be precisely and completely entered, properly managed and authentically reported and recorded;
- undisclosed or unrecorded financial assets, invoices, funds, or payments may exist under no circumstances.

Important note! The Law on Civil Servants shall be applied starting from January 1st, 2020. Subject to this Law, restrictions regarding the ban on receiving gifts shall be extended to all public service employees (i.e. services established by RS, autonomous province, municipality, city or city municipality, except for public enterprises and companies established for performing business activities in the fields that relevant public services are established for). In this regard, an employee i.e. a person appointed subject to outside employment contract must not solicit or receive gifts, services or any benefit for himself or associated persons, which may affect or seem to affect unbiased or professional performance of duties, i.e. which can be interpreted as a reward in connection with the performance of his/her duties, except for a protocol and convenient gifts of smaller value.

2.4. Participation in public procurement procedures

General objective of the Company as a bidder in public procurement procedures is to strengthen prevention by establishing mechanisms intended to prevent and eliminate opportunities for the occurrence of corruption, unethical and unprofessional procedures. Therefore, actions of the Company's employees in the course of Company's participation in public procurement procedures must be in accordance with the Public Procurement Law and internal plans for corruption prevention with the contracting authorities.

Giving or offering gifts or other benefits, directly or indirectly, to a member of the public procurement commission, to a person who participated in compiling tender documentation, to a person who participated in public procurement planning or to any other person that could affect the award of a public procurement contract, which may affect the impartiality of the contracting authority and favour the Company in the public procurement procedure which it participates in as a bidder, is strictly forbidden.

The existence of a business relationship between the representatives of the contracting authority or its affiliated parties and the bidder constitutes a conflict of interest in terms of the Public Procurement Law which may affect the impartiality of the contracting authority when making a decision in the public procurement procedure and, ultimately result in possible corruption.

2.5. Donations and sponsorships

The Company does not approve donations and sponsorships intended to obtain a more favorable treatment and runs its business activities in a transparent and accountable manner, in compliance with the provisions of the law, all in order to prevent potential corruptive behavior.

Therefore, in case of granting donations or sponsorships, the following minimum criteria must be met:

- donations and sponsorships must be regulated by separate contracts concluded with donation i.e. sponsorship beneficiaries, which specify the rights and obligations of the contracting parties;
- donations or sponsorships can be used only by institutions established in accordance with the law whose
 activities are not contrary to the ethical principles of the Company. In case of donations, institutions
 that receive a donation shall be non-profit institutions;
- any sponsoring initiative cannot at the same time be the subject matter of a donation;
- charitable contributions and sponsorships cannot be granted to political parties and movements, or to their ancillary organizations;
- donation or sponsorship beneficiary must be formally bound to comply with the applicable anticorruption legislation and the principles contained in this Manual;
- the amount of a donation, i.e. sponsorship must not be paid in cash. Relevant funds shall be paid by a transfer to the current account of the beneficiary only.

Sponsorship of scientific and promotional meetings in the capacity of a medical device and/or medicine advertiser.

The Company, as an advertiser of a medical device and/or medicine, can sponsor scientific and promotional meetings (professional lectures, congresses, seminars, etc.) attended by professional public without the intention to influence the unbiased performance of professional public.

With this regard, professional meetings may be sponsored only to the extent of covering necessary travel, accommodation, food expenses and mandatory participation of relevant professional (registration fee, professional publications, costs of the venue, as well as costs directly related to the organization of a professional meeting). The sponsorship of costs of participation in a professional meeting shall cover at least the duration of professional meeting, but no more than two extra days on behalf of the arrival and departure to/from such a meeting.

Guidelines for granting donations and sponsorships to healthcare workers:

- The prerequisite for any kind of donation or sponsorship is the submission of a written donation request to the Company by the healthcare worker's employer for the purpose of sending the healthcare worker to a particular meeting or symposium or conference;
- A healthcare institution which is the employer of the relevant healthcare worker shall be obliged to provide relevant type of professional development to its employees all in accordance with the Professional Training Plan (adopted in accordance with Article 183 of the Law on Health Care);
- The healthcare worker concerned who shall be sent to attend adequate professional training program thanks to the donation funds granted by the Company to the healthcare institution the employer of the respective healthcare worker, must have the approval of his employer in order to attend such a training;
- The Company shall be obliged to conclude a donation contract with the employer of the healthcare worker concerned, subject to which relevant funds, required for the payment of reasonable and common expenses for arrival, stay and attendance of the relevant professional meeting, shall be donated to the employer;
- The healthcare worker shall be obliged to document and support all expenses related to the participation in a particular professional meeting with adequate invoices and receipts which shall be given to his employer, and the employer shall be obliged to submit copies of all such invoices and receipts to the Company as evidence that the donation granted by the Company was intentionally spent for the participation of the relevant healthcare worker in the professional meeting.

In this case, the prerequisite for granting any kind of donation and the main obligation of each employee in the Company is to ensure due signature of the document given in the Annex 1 to this Manual, both by the healthcare worker who will be sent to attend certain professional meeting and by the employer of the healthcare worker concerned.

2.6. Proper record keeping and transparency of information.

Proper record keeping is a key component of our business operations. Records include all electronic, sent, photographed or paper documents which are created, received, and kept in the course of the Company's business. Effective management of our records enables us to use our business opportunities and ensure the availability of our records when required. This also helps us comply with all applicable laws and regulations and preserve relevant documents in case of court proceedings, audits or investigations.

Legal hold refers in particular to the records of data on organized professional meetings, documentation referring to persons whose participation is sponsored, together with data on the purpose of these funds and the amount of financial assets given on behalf of the sponsorship, as well as promotional material with the place and date of its publication.

It is extremely important for the Company to ensure that all information disclosed in the public communication conducted by the Company and in the reports and documents submitted or sent by the Company to competent state authorities are complete, accurate, timely and understandable. Each employee, manager and director must take all available measures to assist the Company in fulfilling these obligations in accordance with his/her role in the Company. In particular, each employee, manager and director is expected to provide quick and precise answers to all questions asked by the Company or its authorized representatives (such as external auditors and external legal representatives) with regard to the preparation of public reports and the disclosure of information about the Company.

2.7. Third party due diligence.

Due diligence of business operations and monitoring certain relationships of third parties which are partners of the Company play a key role in the Company's corruption combating program and are significant in reducing the risk of bribery and corruption. Anti-corruption actions conducted by regulatory bodies focus on unauthorized payments or behavior by third parties. The Company may be legally accountable for actions of its partners when they perform certain business operations on behalf of or together with the Company. Employees are strictly forbidden to indirectly perform task whose direct performance is prohibited by this Manual.

Due diligence of business operations involves an analysis to be conducted prior to concluding a contract or transaction with a Company's business partner and periodically in the course of cooperation with a partner. It implies efforts to determine and corroborate the integrity and reputation of the partner. The overall goal of conducting due diligence is to understand and assess the initial risk or risk that may arise from business operations with a particular partner. A due diligence to prevent corruption should be conducted upon the acquisition of an undertaking or company, or conclusion of a joint venture agreement, or agreement on joint marketing or promotional activities.

Employees in the Company engaging third parties as partners of the Company performing the business operations on behalf of the Company shall be obliged to verify if the third party:

- is fully qualified to provide required services and is not prevented to do so by unacceptable objectives;
- is the subject to suitable due diligence;
- the third party's activities and expenses are monitored, in order to ensure compliance with relevant anti-corruption laws and the Company's regulations; for example, the existence of appropriate documentation and the existence of relevant verification procedure prior to making relevant payments for compensations and expenses, monitoring situations which require special attention and examining unusual or excessive costs;

- is familiar with the requirements of the Company related to this Manual prior to the execution of a transaction;
- agrees with the anti-corruption and business ethics terminology specified in the contract or service agreement;
- agrees that the contract can be terminated due to non-compliance with the Company's procedures or
- applicable laws, rules or regulations;
 accepts and agrees with the payment terms and documentation requirements in accordance with this Manual.

Company's employees who are convinced that their actions or actions of another employee or partner of the Company could result in a violation of the law or any part of this Manual shall be obliged to report it!

3. Protection of competition

3.1. Main source of competition law in Serbia

Main source of competition law in the RS is the Law on Protection of Competition, 2009 (as amended in 2013) (hereinafter: "LPC"). In addition to the LPC, relevant sources in this area are also relevant by-laws. All these sources are available on the website of the Commission for Protection of Competition (hereinafter: "CPC").

The CPC is an independent regulatory body established to ensure the protection of competition in the territory of the RS. The CPC may impose penalties onto the business entities violating regulations on protection of competition, as specified hereinafter.

3.2. Purpose of regulations on protection of competition

The purpose of available competition regulations in to protect competition in the market, in order to ensure economic progress and welfare of society, and especially benefits for consumers. Accordingly, the aim of competition regulations is not to protect competitors in the market, but the competition process, and ultimately to protect the presumed consumer interests.

Although the purpose of competition regulations is ultimately related to consumer interests, regulations on protection of competition should be distinguished from consumer protection regulations, which, for example, ensure protection for consumers with regard to the conformity of products they purchase. Consumer protection regulations are not the subject matter of this Manual.

3.3. Three pillars of regulations on protection of competition

As a rule, regulations on protection of competition are based on three essential elements or "pillars":

- 1. Restrictive agreements;
- 2. Abuse of dominant position;
- 3. Assessment of mergers of business entities.

Relevant matters regarding restrictive agreements and abuse of dominant position shall be elaborated in more details in this Manual. As for the assessment of merger for the purpose of this Manual, it is sufficient to note that, depending on the participants' incomes, certain transactions related to the takeover of the control over companies or any part thereof must be reported to the CPC and can be conducted only after obtaining an approval from the CPC. In case of such transactions, please consult legal advisers.

3.4. Relevant market and market shares

What is a relevant market?

One of the key concepts the competition law is based on is "relevant", that is, competent market. It is a market in respect to which the effects that the behavior of a business entity (i.e. "undertaking", according to terminology in the LCP) can have on the market, are evaluated.

Relevant market consists of two elements:

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

http://www.kzk.gov.rs/

Relevant product market is related to a group of products that a business entity produces, i.e. sells and which are not replaceable with other products. From the point of view of medical devices/medicines, relevant product market usually implies a group of medical devices/medicines having the same purpose.

Relevant geographic market refers to a territory which is taken as relevant in the analysis conducted from the perspective of the competition law. In terms of wholesale, a relevant geographic market is, as a rule, the territory of the entire RS. Therefore, as regards to the business activities of the company, the relevant market shall, as a rule, refer to the sale of certain types of medical devices/medicines in the territory of the RS.

The proper definition of the relevant market is significant on various levels. Above all, it is significant for determining market shares of various undertakings. These shares are relevant for the analysis of effects of restrictive agreements and determining the existence of a dominant position, which shall be elaborated on hereinafter.

What is the method for determining market shares?

After determining the relevant market, the assessment of market shares in the relevant market represents the following step in the analysis. Market shares are indicators of the strength of Companies, i.e. its competitors, in the market.

Several basic remarks regarding the assessment of market shares are given hereinafter:

- When determining the market share held by the Company, the shares held by the Company and all its affiliated parties are aggregated.
- If the Company distributes the same relevant products for several manufacturers, the market share of the Company shall be obtained by adding up the share related to the sale of goods of all these manufacturers.
- As a rule, market shares are determined on the basis of the value of sales (not on the basis of the quantities sold).

As a rule, data contained in reports on the trade in medical devices/medicines, published on the website of the Medicines and Medical Devices Agency of Serbia, are used as the basis for the market share assessment. Additionally, reports by independent companies which perform such assessments as their own business activities (for example, IMS) may also be used for this purpose. In the absence of other sources, the Company's internal assessments may be used to provide indicative data.

3.5. Restrictive agreements

What is a restrictive agreement?

Restrictive agreements are agreements between undertakings which as their purpose or effect have a significant restriction, distortion, or prevention of competition in the territory of RS. Namely, restrictive agreements include contracts/agreements between business entities, which have or may have adverse effects on competition.

It is important to note that restrictive agreements do not necessarily imply "contracts", formally signed between the parties to the agreement – a verbal agreement is sufficient for the existence of prohibited agreement. Therefore, restrictive agreements may imply:

- contracts;
- individual provisions of a contract;
- express or implicit agreements;
- harmonized practices of undertakings (in case of parallel actions of undertakings in the market, without an express agreement);
- decisions made by certain forms of associations established by undertakings (such as associations of businessmen).

Agreements between business entities operating within the same group, i.e. which are under the same ultimate ownership, do not constitute restrictive agreements. Therefore, provisions of the LPC prohibiting restrictive agreements do not apply to any agreements between the Company and its subsidiaries.

Vertical and horizontal agreements

Restrictive agreements are divided into horizontal and vertical.

Horizontal agreements are agreements between business entities operating at the same level of the production-sales chain, i.e. which are considered to be actual or potential competitors. For example, from the perspective of the Company, horizontal agreements would be agreements between the Company and other medical product sellers in RS.

Vertical agreements are agreements between business entities operating at different levels of the production-sales chain. This would imply, for example, contracts concluded between the Company and foreign suppliers of medical equipment.

As a rule, the competition law is quite stricter when it comes to horizontal agreements than in case of vertical ones. Therefore, horizontal agreements, if any, should be observed with the utmost attention and caution.

Vertical agreements: terms and conditions for exemption from prohibition

Even if a particular agreement is restrictive, i.e. if as its purpose or effect it has a significant restriction of competition in the market, it can be exempt from prohibition by applying the instrument of exemption from prohibition. Such an exemption may be a group exemption (for certain types of agreements) or individual one (required for a specific agreement). The group exemption from prohibition is automatic if the agreement meets all requirements prescribed by relevant by-laws, whereas entities are obliged to address the CPC to obtain individual exemptions from prohibition.

From the practical point of view, rules for a group exemption of vertical agreements, such as contracts concluded with medical product manufacturers, are most significant for the Company. Market share of both the supplier and the Company in the relevant market of RS lower than 25% represents the main requirement for automatic exemption from prohibition of such contracts. In addition, in order to be exempt, an agreement/contract must not contain provisions which are absolutely prohibited, the most relevant of which are the following:

- the contract must not specify fixed or minimum prices that the buyer must quote in further sale;
- passive sale outside the territory awarded under the contract must not be prohibited to the buyer;
- prohibition of competition must not last longer than five years, i.e. must not have unlimited duration.





X

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

- the seller may determine the maximum and recommended price for further sale, provided that this does not enable determining fixed or minimum sale prices;
- active sale outside the territory awarded under the contract may be prohibited to the buyer;
- contracting parties may jointly agree on non-competition clause which would last no more than five years.







Horizontal agreements: a "minefield" requiring extra caution

Undertakings must be particularly cautious when concluding horizontal agreements, i.e. all forms of contacts with competitors. A typical example of a prohibited horizontal agreement is a cartel agreement, where participants jointly determine the price and other terms of sale. With this regard, the CPC closely monitors agreements between competitors in public procurement procedures.

In addition to cartel agreements, the prohibition may apply to seemingly more benign acts, such as the exchange of business information or activities within business associations.

A) Unauthorized agreements in the field of public procurements ("collusive tendering")

For years now, the CPC has been focused on identifying rigged bids in public procurement procedures. Namely, each year, the CPC instigates several new investigations with respect to public procurements. It published special Guidelines for identifying rigged bids in public procurement procedures. According to this document, the CPC has identified the following actions as the most common forms of collusive tendering when public procurements are concerned:

- **Simulated or fictitious bid** is designed to give the impression of genuine competition and it represents the most common form of collusive tendering. It implies an agreement between bidders according to which some of them should submit bids which comply with at least one of the following criteria:
- o the bid is higher than the bid of a predetermined (agreed) bidder;
- the bid is obviously too high to be accepted;
- the bid contains special conditions which are already identified as unacceptable to the contracting authority.
- Bid suppression implies an agreement between undertakings whereby one or more bidders agree to
 refrain from bid submission or to withdraw already submitted bids, thus enabling a predetermined
 bidder to be awarded the tender. Essentially, refraining from bid submission means that the bidder
 does not even submit a bid that should be the subject matter of the final review (decision-making).
- **Bid rotation** implies that the participants in the rigged bid continue to participate in the procedure, but accept to take turns, should one of them (for example, the one with the most favourable bid) win the tender. Contracts arising from bid rotations are applied in different ways. For example, a participant in such a bid may choose to allocate approximately the same amount of money from one group of contracts to each company which failed to win, or to allocate an adequate amount proportional to the size of each enterprise.
- Market allocation implies that bidders share the market, while accepting not to bid in case of certain contracting parties or in certain geographical regions. Participants can, for example, allocate specific contracting parties or contracting party categories to different companies, so that these companies refrain from participating in the tender procedure (or submit only a complementary bid) for contracting parties other than those allocated to them, i.e. in concluding contracts offered by certain categories of potential contracting authorities allocated to other companies.

According to the CPC, circumstances particularly indicating that bids in public procurement procedures are rigged are as follows:

- always the same bidder offering the most favourable bid;
- certain bidders participate only in certain geographical region;
- a bidder who regularly appears in tender procedures does not submit an expected bid;
- an unexpected and sudden withdrawal of a bid;

- certain bidders always submit bids but never win;
- two or more companies submit a joint bid, although at least one of them could submit an independent bid:
- the winner of a tender engages one of the bidders who have not won as a subcontractor;
- the winner does not accept to conclude the contract, but later appears as a subcontractor;
- regular meetings of competitors immediately before the deadline for the submission of bids.

B) Participation in business associations

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

The CPC pays a great deal of attention to associations of undertakings and so far has conducted several investigations against such associations, including investigations against the Veterinary Chamber of Serbia, the Bar Association of Serbia and pharmaceutical companies affiliated with the Serbian Chamber of Commerce. The CPC also adopted Special guidelines for the enforcement of rules on protection of competition in case of associations of undertakings, available on the web site of the CPC.

From the CPC perspective, it is absolutely forbidden to use the association for the following activities:

- direct or indirect pricing;
- market, i.e. customer allocation;
- prohibited agreements during the course of a public procurement procedure.



On the other hand, the following activities within the association may be prohibited:

- exchange of sensitive business information (more details provided hereinafter);
- establishment of standards and certification programs;
- restricting/prohibiting members of the association to advertise.



In any event, associations should not be used to make any decision which would be considered contrary to competition regulations if such a decision would be made outside the association. If there are certain discussions within the association with regard to activities that may be contrary to competition regulations, it is necessary for the Company to distance itself from such activities immediately, so as to avoid being considered as a participant in an unauthorized agreement.

C) Exchange of sensitive business information

Regardless whether it is done through a business association, a third party, or directly between undertakings, the exchange of sensitive business information may be contrary to regulations on protection of competition. When assessing whether the exchange of information represents a prohibited restrictive agreement, the CPC takes into account the following factors:

- **Type and nature of information exchanged**. Undertakings which are competitors are not allowed to exchange very sensitive information related to the very nature of the business operation concerned, in particular information related to: current or future prices, sales costs and production volumes, crediting or commercial conditions, costs of promotion, discounts and rebates granted to consumers, consumer information and business or strategic and marketing plans.
- **The extent of details in the information exchanged**. A greater extent of details in the information exchanged creates a greater possibility for competitors to anticipate each other's future business operations, as well as to adjust their business operations accordingly. Rules governing competition do not apply to aggregate/statistical data based on which it is not possible to identify information pertaining to individual companies.
- Reference period referring to the information exchanged. Exchanging information about future strategies represents a far greater problem than exchanging information on previous business operations. Information about the future behavior of an individual undertaking is fairly sensitive and relevant information should remain in the domain of the trade secret of each particular undertaking. Information on previous business operations (even when referring to a single undertaking) has largely lost competitive value and cannot affect the future behavior of competitive undertakings.
- **Information exchange frequency**. Frequent data exchange allows undertakings to adapt their business policies to competitors' strategies in a better and faster manner. Therefore, the likelihood of creating anti-competitive effects in the relevant market is higher.
- Concentration of the market in which undertakings which exchange information conduct their business operations. In more concentrated markets, it is easier for competitors to establish and implement coordinated activity. For this reason, increased attention is being paid to the exchange of information which increases transparency in the oligopolistic market, especially if it is protected by high input barriers.
- Nature of products concerned. It is easier for undertakings to coordinate activities in a market of a
 unique, homogeneous product than in a market of numerous replaceable products. In the market of
 numerous replaceable products, it is unlikely that access to detailed, sensitive information will help
 undertakings predict future behavior of competitors, which is why this will most often not lead to
 increased coordination in undertaking adequate activities.
- **Benefits of an information exchange program**. When assessing the permissibility of an exchange of relevant information, it shall be verified whether such exchange of information is confidential, whether this form of cooperation between companies increases the knowledge of the relevant market only on the part of the seller, or it has a wider public influence which also applies to consumers, who would then be in a position to compare different offer, which results in an increase in the extent of competition in the market.

3.6. Abuse of dominant position

What is a dominant position?

Undertakings holding a strong market position can be considered "dominant" in terms of competition regulations. Using legal terminology, "a dominant position is held by an undertaking which, due to its power in the market, can operate in a relevant market to a significant extent independently of actual or potential competitors, buyers, suppliers or consumers".

The law specifies several factors to be considered in order to determine whether an undertaking is dominant. In practice, the most important factor which indicates dominance is a market share above 40%. Therefore, if there are relevant markets where the market share of the Company exceeds 40%, the Company should act in such markets with an increased level of attention.

It is important to emphasize that the dominant position itself is not contrary to the law. What is forbidden is the abuse of dominant position, the most important forms of which are described hereinafter.

What are the main forms of abuse of dominant position?

A) Illegal discrimination

Generally speaking, a dominant undertaking must not discriminate its buyers. This does not mean that it is obliged to offer identical terms to all its partners - a dominant undertaking can classify its customers into certain categories, depending on their size, the level in the production-sales chain they participate in and other objective criteria.

Also, the sales policy of a dominant undertaking must be transparent, meaning that it is clear how the buyer is classified into a particular category.

B) Imposing exclusivity

If an undertaking is dominant, it must not impose exclusivity onto its buyers, meaning that the buyer is obliged to satisfy all of its needs for a particular product by purchasing from a dominant supplier. Exclusivity refers not only to absolute (100%) exclusivity, but also to every obligation of a buyer to satisfy more than 80% of its needs for the relevant product by purchasing from a dominant supplier.

C) Rebate systems

A dominant undertaking does not have absolute freedom when it comes to forming a rebate policy. Namely, if the rebate policy is tailored to motivate customers to satisfy all or predominantly all of its needs for a given product through purchases from a dominant supplier, this may result in factual exclusivity. And, as explained above, the exclusive contracts of dominant undertakings may constitute an abuse of dominant position.

In the event that the Company holds a dominant position in some of the relevant markets, it is necessary to consult with legal advisers regarding the compliance of the rebate policy with competition regulations.

D) Predatory pricing (dumping)

If the seller is dominant in the relevant market, the sale of goods below the purchase price may be contrary to the regulations on the protection of competition. If the Company intends to sell below the purchase price, it is necessary to consult legal advisers.

E) Tied selling (tying)

If the seller is dominant in the relevant market with regard to the product A, it cannot require a buyer to acquire another product B, as a condition of purchasing the product A. On the other hand, this may be allowed if the seller requires a buyer to purchase the entire range of products, including additives and reagents. Consult a legal adviser for relevant details.

F) Product bundling

Similar to tied selling, product bundling may be prohibited if the seller holds a dominant position in the market and sells products in respect of which this seller is dominant in a "package" together with products in respect of which this seller is not dominant, with the aim of closing the market for competitors. In case of "package" product sale, a legal advisor needs to be consulted.

G) Refusal to cooperate

If an undertaking is dominant, it does not have absolute freedom in terms of refusing business cooperation with business entities - customers who require such cooperation. This also applies to the discontinuation of the existing cooperation with customers. In the event of a dominant position and the intention to discontinue, i.e. not to establish cooperation with a particular buyer, it is necessary to consult a legal advisor.

3.7. Sectoral analysis

In addition to investigations on the grounds of possible breach of competition, the Company may come into contact with the CPC if the CCP conducts a sectoral analysis during which it is addresses the Company.

Namely, in cases where price movements or other circumstances indicate the possibility of restricting, distorting or preventing competition, the CPC may analyze the state of competition in a particular branch of economy or a particular category of agreements in different branches of economy (i.e. conduct sectoral analyses). In order to conduct a sectoral analysis, the CPC may require undertakings to provide specific data or documents and may conduct all necessary investigations.

In practice, the CPC conducts sectoral analyses continuously. In a number of cases, based on data and documents obtained in the sectoral analysis, the CPC initiated procedures for investigating a breach of competition. In the event that the Company receives any letter from the CPC regarding the implementation of a sectoral analysis, it is necessary to consult a legal adviser.

3.8. Dawn raid

One of the authorities of the CPC, frequently used by the CPC in practice, is conducting dawn raids on the premises of an undertaking. The CPC opts for a dawn raid if there is reasonable doubt of the risk of concealing or altering evidence held by a particular undertaking.

A dawn raid is conducted through sudden inspection of the premises, that is, data, documents and things located within, announced to the relevant party in-situ (not in advance). If authorized persons of the CPC appear on the premises of the Company with the intention to conduct a dawn raid, the following steps need to be taken immediately:

- 1) notify the management of the Company;
- 2) notify external legal advisers of the Company;
- 3) cooperate with the authorized persons of the CPC.

For the purpose of providing relevant information to the affected parties, a Guide to the Rights and Obligations of Parties Subjected to Dawn Raid has been published on the CPC website.

Upon a dawn raid, authorized persons of the CPC shall be entitled:

- to enter and inspect business premises, vehicles, land and other facilities at the seat of the party and other locations where the party or a third person conduct their business and other activities;
- to inspect business and other documents, regardless of the manner in which these documents are kept. This also implies a search of electronic documents by means of not only built-in (keyword) search tools, but also forensic equipment which are used by authorized persons of the CPC;
- to confiscate, copy or scan business documents, and if this is not possible due to technical reasons, the
 authorized person may confiscate business documents and keep them as long as it is necessary to
 make copies of these documents. Copying electronic documents can be performed by using forensic
 equipment (Forensic IT tools);

- to seal all business premises and business documents during the inspection
- to take oral or written statements from a representative of the party or its employees, as well as documents on the facts that are the subject matter of the inspection, and if a written statement is necessary, the authorized person must determine the date by which such statement must be submitted
- to set a temporary seizure of documents and belongings.

On that occasion the parties to the proceeding shall be obliged:

- to enable authorized persons of the CPC to enter any business premises;
- to enable authorized persons of the CPC to access business documentation and other requested documents, regardless of the manner in which these documents are kept
- to enable authorized persons of the CPC to access computers and other electronic devices found on the business premises of undertakings, which implies the provision of passwords to access computers, servers, etc.;
- to comply with orders of authorized persons which relate to the temporary prohibition on the use of computers, mobile phones and other forms of communication, temporarily disconnecting running computers from the network, etc.;
- to provide answers to authorized persons to inquiries in relation to premises, belongings and documents relating to the subject matter of the inspection and to actively cooperate with officials of the CPC in other manners;
- to cooperate fully and actively with authorized persons of the CPC with the inspection.

In addition to obligations, the party to the proceedings subjected to a dawn raid holds a right to request from officials of the CPC:

- to provide a proof of identity, that is, to present their official identity cards;
- to become acquainted with the subject matter of the proceedings and rationales for the conduct of inspections, as well as to request to be handed a Conclusion on instituting proceedings and a Conclusion on implementing inspections;
- to be present during inspections, to communicate with the authorized person of the CPC heading the CPC's team and to provide necessary explanations on the content of documentation relating to the subject matter of the inspection;
- that documents, which represent confidential communication be specially marked and separated from the documentation collected during the dawn raid;
- to request copies of the minutes of the inspection from officials of the CPC, and the list of collected documentation and belongings which are copied or temporarily seized during the dawn raid.

In addition, the party shall be entitled to request the dawn raid to be conducted in the presence of its attorney at law. In the case that an attorney at law is not present at the time of arrival of officials of the CPC, the conduct of the inspection will not be delayed pending arrival of attorneys at law. Officials of the CPC will immediately proceed to secure the premises, belongings and documentation which are the subject matter of the inspection. After the arrival of the attorney at law, officials of the CPC will inform him/her on the subject matter of the inspection and actions taken hitherto.

Communication between the party to the proceedings and its procuration holder/attorney at law which directly relates to the proceedings, represents a privileged communication.

3.9. Risks for the Company arising from the violation of protection of competition regulations

Violation of protection of competition regulations can have serious consequences:

- Fine. The CPC may impose a fine on an undertaking amounting up to 10% of the total annual income
 of such undertaking generated in the RS market.
- **Negative reference in the public procurement procedure**. If it has evidence that the bidder has committed a breach of competition in the previous three years prior to the announcement of the invitation to tender in the public procurement procedure, the contracting authority may reject its bid.

- **Prohibition from participation in a public procurement procedure.** If the CPC determines that the bidder, i.e. stakeholder has breached the competition in a public procurement procedure, it may prohibit such a party from participation in public procurement procedures for a period of up to two years.
- **Criminal offence.** The conclusion of a restrictive agreement also constitutes a criminal offense, punishable by six months to five years of imprisonment.
- **Contract risk**. Contracts, i.e. their individual provisions, which are not in compliance with competition regulations, shall be null and void.
- **Risk of damages claims**. Parties affected by the breach of competition may file a claim against the responsible undertaking for the compensation of the damage suffered.
- **Negative publicity**. As a rule, every breach of competition results in a negative publicity of the company.
- **Waste of time of the management.** Equally important expense for a company under investigation for breach of competition is the time spent by the management or corresponding services within the company, for preparing the defense and other aspects of the proceedings.

4. Protection of confidential information

You are obliged to take all required actions to protect confidential information both about the Company and its business partners. Disclosure of trade secrets constitutes a criminal offense!

In the course of work in the Company, you may come into possession of different information referring to the Company and/or its business operations which are treated as confidential. In addition to the confidential information about the Company, you may also come into possession of information about business partners of the Company that are regarded as confidential or due to their nature represent a trade secret, whose disclosure to third parties (regardless of the level of connection with these third parties) is strictly forbidden!

It is your obligation not to disclose confidential information of the Company, but also the confidential information of the business partners of the Company which you have access to, since the relationship between the Company and its business partners is a relationship based on trust. Always take reasonable and necessary precautions to protect any confidential information relating to the Company or any business partner of the Company.

You are not allowed to share this information with any party outside the Company, including your family members and friends, unless such a disclosure is formally requested by competent government authorities, when necessary for business purposes and when appropriate steps are taken to prevent the misuse of such information. You should also limit sharing this information within the Company only to those co-workers who need such information due to job requirements. Make sure not to disclose information that is not public accidentally, in a conversation, or if you use documents in public places or while transferring unprotected data outside the Company (USB memory, CD/DVD, e-mail attachments). You are not allowed to disclose this information to other parties even when you leave the Company.

Disclosure of this information to other parties, including family and friends, is contrary to the provisions of this Manual, and in certain cases may constitute a violation of relevant legal provisions. In addition, the disclosure of confidential information of the Company's business partners may also constitute a violation of the contractual obligations of the Company arising from contracts concluded with business partners, which would not only significantly damage the Company but also impair the business reputation and long-lasting trust it has with its business partners.

What information is considered confidential?

"Confidential Information" includes information which should not be publicly available and which, if improperly disclosed, could be useful to competitors or harmful to the Company or Company's business partners. Confidential information includes in particular: decisions, plans, budget, unpublished results, incomes, sales forecasts; marketing and sales plans, development plans, competitiveness analyses, business and financial plans or forecasts, non-public financial information, contracts and lists of clients and employees; all customer information, contracts, engagement contracts, purchase orders, approval matrices and forms, consultancy offers, price or quota offers, and purchase orders; any information or material referring to the "know-how" of any Company or any of the Company's business partners in logistics, marketing, procurement, accounting, trade or licensing; software and other technologies developed or licensed by or on behalf of the Company or its affiliates, as well as the documentation referring to it; and any information which the Company or any of the Company's business partners is legally obliged to treat as confidential or which the Company or any of its business partners treat as their property or designate as confidential or which are for internal use only, no matter whether owned, or developed by the Company or any of the Company's business partners.

Confidential information, however, does not include information that is publicly known or which becomes generally known, or information generally adopted in trade, or general knowledge acquired in the course of cooperation with other companies in the market.

In the event of doubt as to whether certain information is confidential or not always consult your supervising manager first and only when you have received a written approval, you can disclose such information to third parties, always making sure to disclose only required information to third parties!

5. Intellectual property protection

You must not allow third parties to use the intellectual property of the Company inadequately and unduly. Always use trademarks and other intellectual property of the Company's business partners properly. Unauthorized use of a business name and other special designation of goods or services of some other party, constitutes a criminal offense!

5.1. Intellectual property of the Company

Our intellectual property is an asset of priceless value which must be protected at all times. Intellectual property includes our trademarks, brands, packaging designs, logos, copyrights, inventions, patents and trade secrets. Third parties should never be allowed to use our trademarks or other intellectual property without an appropriate reason, i.e. license agreement concluded between the Company and the third party. In addition, our trademarks should never be used in a humiliating or offensive manner. Therefore, should you learn about a potential infringement of the intellectual property of the Company, please notify the competent person in the Company immediately.

Our intellectual property also includes products of employees' work. Any work you have created, in whole or in part, as an employee, in relation to your duties, and/or using the company's time, resources, or information, belongs to the Company. For example, inventions, ideas, discoveries, improvements, works of art, processes, design, software, or any other materials whose creation you contributed to or that you created entirely in connection with your work for our company belong to the Company. You should immediately disclose any invention related to our work, so that it can be adequately protected in the same way as other intellectual property of our Company.

5.2. Intellectual property of the Company's business partners

Since the Company operates in the market as a distributor of products of its (primarily foreign) business partners, special rules for the use of trademarks and other intellectual property of business partners of the Company in distributing their products in the territory allocated to the Company are governed by individual contracts concluded between the Company and its business partners.

Trademarks and other intellectual property of the Company's business partners must be used for the purpose and in the manner specified in the contracts concluded between the Company and its business partners. Therefore, before using any trademark or other intellectual property of any of the Company's business partners, make sure that such use is in accordance with the terms and conditions of the applicable contract between the Company and a particular business partner of the Company.

In most cases, this means that you can only use the trademark or other intellectual property of a business partner of the Company exclusively and only when distributing their products in the original packaging in the territory allocated to the Company, in order to identify and advertise the products concerned.

Always keep in mind that the Company is exposed to potentially high penalties in case of infringement of intellectual property rights of its partners. Therefore, you are obliged to get acquainted with all obligations that the Company has in this respect towards its partners under corresponding distribution agreements!

Also, should you learn about a potential infringement of the intellectual property of any of the Company's business partners, please notify the competent person in the Company immediately.

WHENEVER IN DOUBT REGARDING ANY OF THE MATTERS REFERRED TO IN THIS MANUAL, CONTACT YOUR SUPERVISING MANAGER IMMEDIATELY WHO SHALL FURTHER INSTRUCT YOU HOW TO ACT IN A SPECIFIC SITUATION.

In Belgrade, on

ANNEX 1 TO THIS MANUAL

SPONSORSHIP STATEMENT

Pursuant to the Article 38 of the Rulebook on Advertising a Medicine i.e. Medical Device (Official Gazette of RS, No. 79/2010 and 102/2018)

Basic information on the professional meeting:

• enter relevant information about the professional meeting (e.g. venue, date and time, topic, etc.)

hereinafter referred to as: "Professional meeting".

Details on the participant in the Professional meeting:

Name and surname:	
Title:	
UPIN:	
Address:	

hereinafter referred to as: "Medical Doctor".

PREAMBLE

The Medical Doctor is employed with [insert the full name of the institution that the Medical Doctor is employed with] (hereinafter referred to as: "Institution"), where he/she performs the following duties [insert].

In accordance with all applicable regulations, Magna Pharmacia d.o.o. Belgrade (hereinafter referred to as: "Magna") is ready and willing to sponsor the participation of the Medical Doctors in the Professional meeting, with the aim to provide continuous training for Medical Doctors. In that regard, Magna and the Institution signed a Donation Agreement (hereinafter referred to as: "Agreement"), where Magna expressed its willingness to sponsor the participation of Medical Doctors in the Professional meeting, with the aim to provide continuous training for Medical Doctors.

Magna and the Medical Doctor agree that the Medical Doctor shall not be entitled to any compensation for his/her participation in the Professional meeting.

Regarding the organization and holding the Professional meeting, Magna shall bear the following expenses:

1. REASONABLE EXPENSES

In accordance with existing laws, relevant by-laws and its internal policy, Magna shall bear reasonable expenses with regard to sponsoring the participation of the Medical Doctor in the Professional meeting, as follows:

- Medical Doctor's costs of travelling to the professional meeting (specify the means of transport),
- Medical Doctor's accommodation and food expenses while attending the Professional meeting,
- Costs of mandatory participation of the Medical Doctor in the Professional meeting (registration fee, professional publications, costs of the venue, as well as costs directly related to the organization of the Professional meeting).

hereinafter jointly referred to as: "Costs and Expenses".

All Costs and Expenses shall not exceed the amount of EUR_____.

2. REIMBURSEMENT OF REASONABLE EXPENSES

Magna shall reimburse all reasonable expenses arising from the Medical Doctor's participation in the Professional meeting upon the receipt (1) of a breakdown of costs and expenses, given in the Annex I (Breakdown of Costs and Expenses) to this Statement, and (2) the original receipts for the costs and expenses listed in the Breakdown of Costs and Expenses. Magna can pay certain costs and expenses directly the provider of the relevant service (transportation, accommodation, food).

Any additional costs and expenses of the Medical Doctor not covered by the term Costs and Expenses (e.g. all travel expenses incurred by persons accompanying the Medical Doctor, mini bar, telephone services, all additional accommodation costs, excursions, etc.) and not specified in the Breakdown of Costs and Expenses and justified with original receipts shall be borne by the Medical Doctor only.

Magna's sponsorship for the participation of the Medical Doctors in the Professional meeting under no circumstance implies any liability of the Medical Doctor towards Magna. It also does not imply that the Medical Doctor owes any kind of reciprocal favour, either tangible or intangible, to Magna. Sponsorship shall be granted only and exclusively for the purpose of providing continuous professional training of Medical Doctors, in accordance with the law. In particular, Medical Doctor's participation in the Professional meeting does not oblige him/her to recommend and/or participate in the procurement, advertising, or use of medical devices/medicines sold/distributed by Magna in any way.

3. APPROVALS AND PERMITS

In accordance with his/her legal obligations, Medical Doctor shall be obliged to notify the Institution on the Professional meeting he/she is going to attend as well as to obtain the consent of the Institution for this Sponsorship Statement referring to his/her participation in the Professional meeting.

The Medical Doctor shall be obliged to submit to Magna the Decision on granting paid leave of absence, or the Decision on using annual leave for the purpose of participating in the Professional meeting, which is issued by the Institution.

In the event of a legal obligation, the Medical Doctor shall be obliged to obtain all required approvals and permits, as well as to register for the participation in the Professional meeting to the competent authorities.

For any Costs and Expenses to be reimbursed to the Medical Doctor in accordance with this Sponsorship Statement, the Medical Doctor shall be obliged to obtain all above specified approvals and permits and submit them to Magna.

Medical Doctor	Magna ———————————————————————————————————
Name: Title: Date:	Name: Title: Date:
Consent of the Institution:	
Name:	
Title:	<u> </u>
Date:	<u> </u>
Stamp:	<u> </u>

				Medical [Doctor's addre	ess:		
		A .		Place, St	ate:			
		i N I A C I				details:		
M P H	A C	i N 1 A C I	Α					
	/		/ \	venue:				
				Date and	d time:			
NOTE! Accordinand modest. The spoot of the sponsor.	erefore, rele	vant costs an	nd expenses sh	all not be rein	nbursed abov	e the amounts	specified he	reinafter. Wi
Daily expenses	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Total
Travel date								
FOOD:								
Breakfast (max EUR)								
Lunch (max EUR)								
Dinner (max EUR)								
TRANSPORT:								
Air transport								
Taxi form/to airport								
Mileage								
MISCELLANEOUS:								
Telephone/ Internet								
Parking Toll								
Visa								
CURRENCY OF								
PAYMENT: RSD								
Foreign currency:								
RSD counter- value*								
* Magna shall er	iter the RSD	counter-value o	f a foreign curre	ncy.				
1								
uthorized per	son of Mag	na:						
uthorized per	son's e-ma	il:						
elephone:								

Date: _

MEDICAL DOCTOR'S STATEMENT! I, the undersigned, hereby state and confirm under criminal and material liability, that the above mentioned costs and expenses were incurred in the course of a Professional meeting, that they were necessary and that I possess relevant receipts to support each of these costs and expenses.				
Medical Doctor's name (in capital letters)	Medical Doctor's signature	Date		
Name of Magna's authorized person (in capital letters)	Authorized person's signature	Date		

ANNEX 2 TO THIS MANUAL

CONFIRMATION OF UNDERSTANDING THE CONTENTS OF THIS MANUAL

Pursuant to the Article 38 of the Rulebook on Advertising a Medicine i.e. Medical Device (Official Gazette of RS, No. 79/2010 and 102/2018)

I,______[enter the name and surname of the employee] (hereinafter referred to

as: " Employee "), employed with the business company (hereinafter_referred_to_as:
[enter the name of the employer] (hereinafter referred to as: "Employer") at the position [enter the job title], hereby state and confirm that I am familiar with the contents of the Compliance Manual, and all relevant consequences for the Employer in case of violation of any matter governed by this Manual.
Without prejudice to the general nature of all previously mentioned, the Employee hereby irrevocably and unconditional states and confirms the following:
1. I am fully aware of all aspect of potential donations granted to healthcare workers and/or healthcare institutions financed from the budget of RS;
2. In case of any knowledge of any sort of breach of provisions of this Manual, both by the Employee and any third party, the Employee shall be obliged to notify the Employer on such a breach immediately;
3. I hereby confirm that I will attend relevant trainings, at least once a year, in order to improve my knowledge in the field governed by this Manual.
Date[enter date] in Belgrade.
Employee:
Name:
Signature:
Date:
Title: