

## RISK CONTROL AND MANAGEMENT POLICY



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### **I. - Introduction and purpose.**

The Board of Directors of the Company "**Laboratório Reig Jofre, S.A.**" (hereinafter, "**Reig Jofre**" or the "**Company**") has the legally attributed power, which cannot be delegated, to determine the Company's general policies and strategies and, in particular, the approval of a risk control and management policy, which establishes the basic principles and the general framework of action, identification, evaluation, control and management of risks of all kinds, which the Company and its subsidiary companies (hereinafter, the "**Group**") face or could face.

In this regard, the Recommendations of the Code of Good Governance of listed companies (hereinafter, "**Code of Good Governance**") ensure that the Board of Directors of listed companies approve a risk control and management policy that identifies or determines at least: i) The different types of financial and non-financial risks the Company faces. ii) A risk control and management model based on different levels, of which a committee specialised in risks will be a part when the sector's regulations establish it, or the Company deems appropriate. iii) The level of risk that the Company considers acceptable. iv) The measures implemented to mitigate the impact of identified risks if they materialise. v) The internal information and control systems that will be used to control and manage said risks.

In compliance with the above, the Company's Board of Directors agreed in a meeting on 28 July 2021 to approve this *Risk Control and Management Policy of LABORATORIO REIG JOFRE, S.A.* (hereinafter, the "**Policy**"), which will become a part of the Company's corporate governance system.

The purpose of the Policy is to provide greater security to achieve the Company's objectives and strategies for employees, shareholders, clients, suppliers and other stakeholders through anticipation, control and management of the risks that the Company is exposed to.

The Policy is developed and complemented with the specific risk policies.

### **II. - General Principles.**

The Company is subject to a number of risks inherent to the different countries, business units and markets it operates in and the activities it carries out



, which may impede it from achieving its objectives and successfully executing its strategies.

The Company's Board of Directors, aware of the importance of this aspect, undertakes to develop all its capacities and apply the necessary resources to adequately identify the significant risks of the activities and business of the Group, manage and control the resources and establish, through this Policy, the mechanisms and basic principles for the correct management of the risk-opportunity binomial with a level of risk that enables:

- a. To reach the strategic objectives determined by the Group with controlled volatility.
- b. To provide the maximum level of guarantees to shareholders.
- c. To defend the interests of shareholders, clients and other Stakeholders.
- d. To protect the results and reputation of the Group.
- e. To guarantee business stability and financial solidity sustained over time.
- f. To make the professionals of the Group aware of the risk culture through communication and training programmes.

To develop the commitment expressed in the basic principles, the Board of Directors will have the collaboration of the Auditing, Compliance and Conflict of Interest Committee, which, being an advisory body, supervises and informs on the appropriateness of the internal control system and management of significant risks.

All risk control and mitigation actions will follow these basic principles:

- To integrate the risk-opportunity vision in Company management by defining the strategy and the risk appetite and incorporating this variable into strategic and operational decisions.
- To operationally segregate the functions between the risk-taking areas and the areas responsible for their analysis, control and supervision, guaranteeing an adequate level of independence.
- To guarantee the correct use of the instruments that cover risks and their registration according to regulations.
- To inform regulators and the principal external agents transparently about the risks of the Group and the operation of the systems developed for controlling them, maintaining adequate channels to favour communication.



- To ensure adequate compliance with the corporate governance rules established by the Company.
- To act at all times according to the Company's values and standards of conduct, following the principle of "zero tolerance" of illegal acts and fraud.

### **III. - Scope of Application.**

The Policy applies to the Company and its subsidiaries.

In the investee companies that the Company does not effectively control, the Company will promote principles, guidelines and risk limits coherent with those of the Policy and maintain appropriate channels of information to guarantee adequate knowledge of risks.

### **IV. - Risks and risk categories.**

In general, a risk is any threat that an event, action or omission could (i) Stop the Company from achieving its objectives and strategy.

(ii) Harm Company results or cash availability. (iii) Harm stock market value. (iv) Expose the Company to possible sanctions imposed by regulatory bodies or other supervisors. (v) Deteriorate its commercial and industrial reputation.

Company risks are grouped in the following categories, based on the principles of the COSO system "*Committee of Sponsoring Organizations of the Tradeway Commission*":

**(a) Strategic risks:** Risks that could impact the Company's business and strategic goals, including market risks and uncertainties, such as socio-political and reputational risks.

**(b) Reporting and financial risks:** Risks that could impact cash flows if not effectively managed, resulting in possible losses of revenue, stock market value or general stability of the organisation.

Financial risks also include contingent liabilities and other risks not included in the balance sheet.

**(c) Operational risks:** Risks related to direct or indirect economic losses caused by inadequate internal processes, technological failures, human error or because of certain external events. Operational risks also include IT technology and,



more specifically, risks of breaches or attacks on IT systems by internal or external malicious persons.

**(d) Compliance Risks:** Risks derived from novation or modifications of legislation, regulations and their interpretation, environmental, social and corporate governance risks that could impact the organisation, including climate change, human capital and infractions of laws, regulations, internal standards, ethical values and contracts. Compliance risks also include fraud and corruption risks.

#### **V. - Risk control and management system.**

The Policy and sus basic principles are materialised through a risk control and management system designed to identify, evaluate and manage risks of any kind (including contingent liabilities and other risks outside the balance sheet), to provide reasonable security to achieve Company objectives and strategy.

The Company's Audit, Compliance and Conflicts of Interest Committee regularly supervises the effectiveness of the risk management and control system to:

- a. Ensure the correct operation of the risk management and control system and, in particular, the adequate identification, management and quantification of all the critical risks affecting the Company.
- b. Participate actively in drawing up the risk strategy and the important decisions about its management.
- c. Ensure that the risk management and control systems mitigate risks adequately within the framework of the Policy defined by the Board of Directors.

In the risk management and control system, once the relevant risks have been evaluated, the Audit Committee will determine how to respond to them. The response can be to avoid, mitigate, transfer or accept the risk, assessing at all times the effects on the business and the foreseeable costs and benefits.

The risk management and control system is based on the following principles:

- The establishment of a framework of risk tolerance that contains the levels of risk that the Company considers acceptable and coherent with the objectives of the Company.
- The leadership of the senior management, which will provide the necessary resources.
- Integration in the management processes, especially in strategy and planning.



- Segregation of functions between the business areas and the supervision and assurance areas.
- Globality and harmonisation of management, so all the risks are managed by a common identification, valuation and treatment process.
- Continuous improvement through the regular revision of the appropriateness and efficiency of the application of the system and the best risk practices and recommendations.

#### **vi. - Responsibility for drawing up, approving, maintaining and updating the Policy**

The entity responsible for drawing up and updating the Policy, as well as proposing to the Board of Directors any changes necessary in compliance with current legislation, is Reig Jofre's Internal Auditing Unit, which will collaborate with the rest of the departments involved.

The Board of Directors is responsible for approving this Control and Risk management Policy, which was approved by the Company's Board of Directors on 28 July 2021 and will be published on the Company's corporate website.

It is also the responsibility of the Board of Directors to ensure the maintenance and compliance with the Policy, which is an open document that must be updated, at least in the following cases:

- a. When there are legal or regulatory changes that affect it.
- b. Internal changes in the Company that require its modification.
- c. If, at the proposal of the Internal Auditing Unit, the Auditing Committee, external auditors and/or supervisory bodies, the Board of Directors agrees to introduce new procedures and controls that modify or update existing procedures.

The Internal Auditing Unit will have the different versions of the Policy appropriately identified.