



**INTEGRA LIFESCIENCES ITALY S.R.L.**

**Model of Organization, Management and Control**  
*(pursuant Italian Legislative Decree 231/2001)*

*[TRANSLATED FROM THE ORIGINAL ITALIAN VERSION]*

Special Part E

**Administration, Finance and Control Management**

## 1. Special Part Aim

This Special Part aims to define do's-and-don'ts as well as control activities that all Addressees are required to adhere to and execute whenever operating within activities and process listed in subsequent chapter 2, for the purpose of *i)* preventing the risk of specific "231" relevant crimes commission as well as of *ii)* assuring correctness and transparency in conducting business activities.

In addition, this Special Part aims to provide Supervisory Body and all other control bodies with relevant information to perform their control activities.

Addressees should adhere to each of the extent applicable:

- Model of Organization, Management and Control, General Part;
- Standard of Business Conduct and Ethics;
- Delegation of Authorities in place;
- each and all other Company and Group documents addressing activities relevant for the Italian Legislative Decree 231/2001 compliance.

In general, all actions and behaviors in violation of existing and valid laws are forbidden.

## 2. Special Part Scope

This Special Part and, specifically, do's-and-don'ts as well as control activities detailed in subsequent chapters, apply to all Integra managers, employees and other professionals involved with the below listed processes:

- general accounting and financial statements management;
- tax management;
- cash and financial flows management;
- relationship with Supervisory Board and Auditors management;
- intercompany management;
- credit management.

## 3. Applicable 231 crime

231 crimes theoretically applicable to Integra Lifesciences Italy S.r.l. are the following:

- offences against the Public Administration (art. 25 Leg. D. 231/2001);
- offences connected with organized crime (art. 24-ter Leg. D. 231/2001);
- corporate crime (art. 25-ter Leg. D. 231/2001);
- receiving, laundering and using money, goods or benefits of unlawful origin, as well as self-laundering (art. 25-octies Leg. D. 231/2001);
- tax crimes (art. 25-quinquiesdecies Leg. D. 231/2001).

## **4. Do's-and-don'ts**

All Addressees must:

- ensure full compliance with laws, regulations and accounting principles adopted during the drafting of financial statements, periodic accounting statements and other corporate communications, to provide truthful and appropriate information on the economic and financial position;
- ensure that accounting entries are recorded in accordance with law, regulation and accounting principles and are based on an adequate supporting documentation, archived by the competent Function;
- ensure that accounting entries are properly recorded, complete and transparent in accordance with law and accounting principles;
- guarantee that the disclosure underlying the accounting entries respects the principle of competence and is true, clear, accurate, complete and timely, such as to allow a faithful representation of the business performance;
- ensure that operations are authorized and verifiable as well as coherent with the supporting documentation;
- respect the reasonableness and prudence criteria in the drafting of accounting entries and keep track of benchmarks and criteria that led to the value determination;
- ensure that all intercompany operations are managed in accordance with substantive completeness criteria, in line with market conditions, on the basis of mutual economic convenience assessments, with the common aim of creating value for the entire Group and in line with existing service contracts;
- ensure that the actual performance of the intercompany services enjoyed and provided is always carefully documented, traceable and verifiable afterwards;
- promptly carry out the tax payments in accordance with legal deadlines, both in terms of self-paid taxes and taxes directly paid by the Tax Authority to the competent Authorities;
- provide complete and immediate cooperation to the Authorities, promptly and exhaustively providing the requested documentation and information;
- ensure decision-making transparency during the accounting closing, financial statement drafting and transmission of tax declarations to the competent Authorities;
- behave properly during financial statements drafting, periodic accounting statements and other corporate communications, in order to provide truthful and appropriate information on corporate economic and financial position;
- comply with any tax provisions;
- ensure a periodic process of monitoring aimed at intercepting possible news in tax matters;
- ensure the monitoring of tax deadlines in accordance with relevant law;
- ensure the timely verification of the calculation of direct taxes, also according to the information and data received from the functions involved;

- verify the correct preparation of the Income, IRAP, VAT and F24 models, as well as provide for a periodic verification of VAT registers;
- verify the completeness of the documentation and information received on the occasion of the accounting closures; operate in compliance with the current law regarding collection and payment instruments, financial cash flow traceability and anti-money laundering;
- primarily utilize the banking channel to realize collection and payment operations, treasury operations, transaction in securities and participation or intercompany transactions. Moreover, use cash payments within the limits set by the Company policy and current law;
- ensure decision-making transparency related to the authorization process and control activities carried out during the collections and payments management and others financial operations;
- realize payments in accordance with the related documentation (e.g. invoice) and directly on supplier bank account recorded;
- do not accept cash / bearer bonds payments higher than thresholds established by law;
- properly archive supporting documentation related to collections and payments;
- ensure decision-making transparency, authorization process and control activities carried out during travel expenses reimbursement;
- use temporary current accounts only for business purposes;
- operate in accordance with proxy system regulating the relationship with Statutory Auditors and Auditors;
- properly behave in relation management with Corporate Bodies, Supervisory Board and Audit Firm in order to allow their tasks completion;
- timely provide to Supervisory Body and Auditors data and information requested;
- provide to Supervisory Body and Auditors accurate, complete and truly information;
- ensure the normal operation of Corporate Bodies and Supervisory Board in the execution of their tasks.

It is explicitly forbidden to:

- perform accounting recording of false data and incomplete data related to Company economic, financial and capital situation;
- perform accounting recording of inconsistent data compared to the related supporting documentation or against transactions that (subjectively or objectively) do not exist in whole or in part, or lack adequate supporting documentation allowing proper accounting recognition and subsequent accurate reconstruction, also in order to obtain a tax benefit;
- omit to communicate data and information required by current legislation related to Company economic, financial and capital situation;

- omit to communicate possible unlawful, incorrect or false accounting entries; implement activities and/or operations aimed at creating extra-accounting income availability, "black funds" or "parallel accounting";
- abnormally manage cost and revenue finalisation;
- classify an economic transaction differently from the truth, also in order to indicate fictitious passive items in the income or value added tax declarations;
- record or approve invoices or other fiscally relevant documents related to fictitious services (both objectively and subjectively), namely services actually rendered but indicated with a value / quantity different from the truth;
- issue invoices or documents treated as such for transactions that do not exist in whole or in part, in order to allow a tax evasion to a third parties;
- in the documentation submitted for the purposes of the tax transaction procedure, indicate assets that are lower than the effective amount or fictitious liabilities, in order to obtain for themselves or for others a partial payment of taxes and related accessories;
- indicate in tax statement assets that are lower than the effective amount or fictitious or non-existent liabilities or fictitious credits and funds for tax evasion purposes;
- alter, hide or destroy accounting entries, documents and financial and accounting information which must be preserved;
- put in place behaviours that prevent the control activity of the Financial Administration or the Judicial Authority, by concealing the requested documents and information or providing incomplete or misleading documents and information;
- use, substitute or transfer financial liquidity related to unlawful activities in order to prevent their actual source;
- conduct intercompany transactions that are fictitious, not adequately justified or lacking the necessary formalization in specific contracts and orders authorized and signed by people with appropriate powers;
- conduct intercompany transactions or activities (e.g. contracting at prices higher than market prices, in whole or in part non-existent invoicing, etc.) to create extra accounting income availability, aimed at creating "black" or "parallel accounting" funds or achieving undue tax savings;
- perform intercompany transactions with payments not adequately documented and authorized or in cash or use savings accounts or books in anonymous form, with a fictitious header or open at branches in foreign countries, where this is not related to the underlying transaction;
- correspond, promise or give, directly or indirectly (e.g. through the intermediation of a third party), also in different forms of aid or contributions (e.g. sponsorships and donations), payments or material benefits to public officials and public service representatives, as well as to private counterparties or people attributable to them, in order to influence their behaviour and/or ensure benefits of any kind to the Company;

- promise or give payments, other benefits or donation to a Public Administration Officer or close person in order to guarantee advantages for the Company;
- respond to undue requests for money or other benefits from any person. In such cases, the employee or collaborator must promptly inform the management and suspend any business relationship with the counterpart;
- use cash for payment or collection when not expressly permitted;
- perform payments without the complete documentation or adequate authorizations;
- abnormally manage cash flows in order to generate the conditions for undue tax savings, also on the basis of an incorrect active and passive billing process;
- transfer or own cash or bank / postal books or bearer bonds when the entire value of transaction is equal to or greater than the law limits;
- open accounts or saving accounts anonymously or with an artificial header and use foreign accounts;
- issue bank / postal cheques without the beneficiary name or Company name and non-transferability clause;
- carry out credit transfers without indicating the counterpart;
- carry out payments in countries different from those in which the counterpart resides or in which the contract is enforced;
- divide an operation / transaction to elude the law;
- maintain relationship with individuals or organizations which are listed in the international Black List;
- hold bank accounts which may be considered inactive when these are not functional to carry out the operations related to the business activities;
- carry out financial transactions at “out of the market” value or under conditions which highly differ from market conditions;
- use structured financial instruments or any instrument for which it is not possible to quantify a reasonable risk;
- carry out the following activities, unless it is strictly necessary for business purposes:
  - registration of financial instruments;
  - investment operation on financial instruments with insufficiently negotiation and/or limited circulation;
  - investment on financial instruments;
- request bank or insurance guarantees which are not strictly necessary to realize the business activities;
- implement behaviours which impede the execution of control and review activities realized by Supervisory Board or Audit Firm;

- promise of give money or other benefits to Supervisory Board or Audit Firm employees in exchange for advantages for the Company.

Corporate personnel involved in intercompany relations management must respect the behaviour principles defined in the Section “General accounting and the drafting of financial statements management” and “Cash and financial flows management”.

## 5. General accounting and the drafting of financial statements management

Here follow the control activities to be put in place within general accounting and the drafting of financial statements management.

### Accounting system access profile management

- The access to the management information system modules is set for each user based on the position covered;
- the system user is created by the Group IT Function (based at the Group headquarters) based on the Financial Controller’s request;
- each enabled user may access to the accounting system though personal ID and Password;
- access settings to the accounting system are reviewed by the Group IT Function and the Financial Controller on quarterly basis;
- administrative staff roles and responsibilities are reflected in the related Job Description;

### Account chart management and accounting entries

- The Financial Controller is responsible for the Account chart management with reference to the general accounting based on the local regulations;
- with reference to the general accounting based on Group accounting principles (ie.: US Gaap), the Account chart is managed at Corporate level;
- administrative and accounting rules are constantly adapted to the evolution of the relevant legislation;
- all accounting records are subject to the Financial Controller’s approval;
- accounts balance is subject to SOX certification.

### Financial closing management

- Corporate Finance Function, on a monthly basis, draws up the calendar of financial closing activities (Financial Close e Reporting Calendar) for the entire Group with the details of activities, deadlines and those responsible;
- the Financial Controller verifies the completion of the activities and the collection of necessary information to prepare the financial statements;
- local Administration and Finance Function personnel defines the evaluation / estimation entries and related adjustment and closing accounting entries (i.e.: credit devaluation fund, risk and expense funds);

- the Financial Controller verifies the estimation entries and authorizes accounts recording;
- each Business Responsible is responsible for the accounting items of his competence and must ensure the correctness, completeness and reliability of the information communicated to the local AFC Function personnel for financial closing activities.

#### Financial Statements drafting

- The financial statements draft and its notes are prepared by an external consultant, in accordance with the applicable principles;
- the financial statements draft and its notes are validated by the Financial Controller prior to the Board of Directors approval and the Supervisory Board verification.

## **6. Tax Management**

Here follow the control activities to be put in place within tax management.

- Tax management is carried out with the support of external tax consultants; however, a calendar containing the tax deadlines is internally prepared;
- through electronic invoicing, invoices and other documents are directly transmitted to the Shared Service Center (SSC), downloaded and recorded by it;
- local Accountant checks and makes accounting balance operations between the balance sheet and the reports of Account Payables and Account Receivables received from the SSC;
- SSC collaborates with the local Accountant whenever issues related, for example, to invoices or special transactions, are detected;
- SCC issues tax payment modules;
- the external tax consultant verifies the modules transmitted by SSC and is in charge of tax calculation based on the data contained in the trial balance transmitted by the AFC Function;
- after the Financial Controller's approval of tax returns modules, local Accountant proceeds with the F24 payment through the cash pooling account managed by SSC;
- employees' F24 modules are completed, paid through the cash pooling account and electronically forwarded by the employment consultant;
- declarative models are electronically forwarded to the Financial Authority within the legal deadlines;
- monitoring activity aimed at intercepting any update in the tax field is under Administration and Finance Function, Consultant Firm and Supervisory Board responsibility.
- all relevant documentation, highlighting process and critical decision, must be duly archived by the competent function.



## 7. Cash and financial flows management

The activities related to collections and payments management (i.e. Treasury) are carried out by the Account Receivables and the Account Payables (Shared Service Center) Functions of the subsidiary Company in Ireland (ILS-SSC Ireland), on the basis of a specific service agreement (for more details please refer to this service agreement).

Here follow the control activities to be put in place within cash and financial flows management.

### Bank accounts opening and/or closing management

- Bank Account reports are exclusively opened at primary credit institutions;
- bank account reconciliations are automatically prepared by the Group Management Information System by comparing the banking movements of the period with the accounting entries approved by the Financial Controller;
- local AFC Function personnel is in charge of reconciliation analysis and approval;
- the Financial Controller also verifies the subsequent clearing accounts.

### Management of cash and financial flows

- Collections and payments take place through the banking channel; cash collections and payments are not performed by the Company;
- payments management takes place in one of the following ways:
  - Remote banking: in order to manage payments to third parties;
  - PNC Capital Market: system used for the payment of intercompany transactions;

*With reference to minor expenses, please refer to Special Part "Expenses reimbursement and Procurement Card Management".*

- the Shared Service Center of the subsidiary Company in Ireland is responsible for the management of a European cash pooling account;
- payments are made following the verification of "3-way-match" correspondence between i) the order (issued by the competent structure of Corporate for the goods and by the assistants of function / direction for the services), ii) the evidence of delivery / service and iii) the invoice; this control is carried out by the Account Payables Function (SSC) prior the payment authorization; in case of invoices without order, the invoice is approved by the competent Function Responsible through a specific tool (i.e.: Wind Client), prior the payment authorization;
- payment list charged to the system are approved by the Financial Controller;
- payments and associated records are carried out by the competent Group Function;
- bank accounts coordinates assigned to payments are verified by the competent Corporate Function at supplier registration in Supplier Master Data and maintained by the same Function;
- access with "authorization profile" to the remote banking system is allowed though user ID and password in accordance with powers and attorney in force and communicated to the banks;

- the competent function verifies the correspondence between the amount actually collected and the invoice;
- all relevant documentation, highlighting process and critical decision must be duly archived by the competent function.

## **8. Supervisory Body and Auditors relations management**

Here follow the control activities to be put in place within Supervisory Body and Auditors relations management:

- the Financial Controller is in charge of managing the relationship with Supervisory Body and Auditors;
- the Financial Controller is responsible for assisting the Supervisory Body during audit activities and related information requests;
- Supervisory Body meetings are subject of a specific verbalization. This report is signed off by the participants and transcribed in the Supervisory Body Book of Decisions (archived by Supervisory Body);
- all relevant documentation, highlighting process and critical decision must be duly archived by the competent function.

## **9. Intercompany relations management**

Here follow the control activities to be put in place within intercompany relations management.

- Intercompany relations are managed under regular service agreement with Group Companies. These contracts include the details of the services provided / received and the related management fees, defined in line with comparable market values;
- the intercompany service agreements also include the drivers for service cost recognition;
- intercompany contracts are signed by individuals in accordance with proxies and powers of attorney system;
- invoices payments and issue of invoices related to intercompany services are based contract terms; payment is carried out after the verification against the contract terms by the Financial Controller;
- intercompany invoices payment is authorized before their receipt, at the time of the order entry or conclusion of the contract;
- intercompany transactions are summarized at the end of the year in the Master File document, prepared by Corporate Tax management with the support of an external firm and AFC Function; during the preparation of this documentation the consistency between the intercompany flows in the period and its supporting documentation is verified;
- any price adjustment is calculated by the Financial Controller and verified at central level prior the year-end adjustment and the debt / credit notes issuing;

- AFC Function personnel is in charge of archiving the relevant documentation related to intercompany relations management.

## **10. Credit management**

The activities related to the credit management are up to the Account Receivables Function of the subsidiary Company in Ireland (ILS-SSC Ireland), on the basis of a specific service contract (for more details please refer to this contract).

Here follow the control activities to be put in place within credit management.

- Credit pending monitoring is under competent Corporate Function, which is in charge of reviewing client with missing payments pending in accordance with the Group policy;
- this Corporate Function is supported by Business Functions (Sales) and the Financial Controller;
- any credit return or deletion plan must be shared with the competent Business Function (Sales) and the Financial Controller.