



**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 D**

**Procurement 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 its 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 "Procurement Management" process.

## 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 offences (including corruption between private parties) (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);
- use of illegal immigrant workers (art. 25-duodecies Leg. D. 231/2001);
- tax crimes (art. 25-quinquiesdecies Leg. D. 231/2001);
- smuggling offences (art- 25-sexiesdecies Leg. D. 231/2001).

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

All Addressees must:

- guarantee that all purchases are duly authorized in line with authorities delegated and powers of attorney;
- ensure that supplier's selection is based on criteria of objectivity and transparency, considering quality, cost-effectiveness and counterparty professionalism;
- ensuring traceability of the identifying and selecting supplier / consultant process phases;
- verify in advance available information on external suppliers / professionals in order to establish relations only with financially sound subjects, whose identity is certain and with good reputation. They must be engaged only in legitimate activities and whose corporate ethical culture is comparable to that of the Company;
- conduct specific checks about goods supply offers at prices significantly lower than those of the market, verifying goods actual origin;
- verify, before invoice payment, that goods or services have actually been received in accordance with the contractual agreement;
- always use written form for supplies, services and consultancy assignment;
- monitor the evolution of customs legislation establish relations with the Customs Agency with the maximum correctness and transparency;
- ensure that the payment of border charges for purchases of goods from outside Europe is made accurately, correctly and transparently, in compliance with current customs legislation and with a view to loyal cooperation with the Customs Agency and contractual counterparts (e.g. shippers).

It is explicitly forbidden to:

- make purchases which do not reflect a specific and justifiable Company need;
- make purchases of abnormal and unjustifiably off-market goods or services;
- assign supply contracts to people or companies close to or appreciated by Public Administration or private counterparties in the absence of the necessary quality and convenience requirements for the purchase transaction;
- approve passive invoices for non-existent services;
- make payments to suppliers, consultants and similar people who work on behalf of the Company, that are not adequately justified in the context of the contractual relationship established with them and the performed services;
- recognize fees and reimbursement to consultants and suppliers who cannot find justification in relation to the type of task to be performed and the market prices;
- correspond or offer, directly or indirectly, also under different forms of contributions, payments or material benefits to the counterparty or to people close to them, to influence their behavior and ensure advantages of any kind to the Company;

- grant money or other benefits to external collaborators not provided by the contract between parties or by the type of task performed;
- select suppliers connected to a Public Administration Officers in execution of a concluded corruptive agreement;
- purchase goods or services at increased prices from suppliers, in order to reverse part of the amounts and establish financial provisions to subsequently commit corruption offenses;
- sign contracts for goods and services purchase, in whole or in part fictitious or at prices above market, with subjects or companies attributable to members of a mafia-like association, even foreign, in order to obtain undue advantages for the Company;
- purchase services (e.g. maintenance services for premises and plants) without having adequately verified and contractually required compliance with safety requirements pursuant to Legislative Decree 81/08;
- purchase systems (e.g. conditioning) and safeguards for safety (e.g. fire extinguishers) that do not meet the legal requirements (e.g. conformity declaration issued by the installer, CE marking, etc.);
- buy non-licensed software in order to gain economic benefits (cost savings);
- purchase waste management services (e.g. transporters, waste disposal companies, people carrying out recovery activities, etc.) from suppliers without appropriate authorizations for the operation of waste management activities, in order to achieve cost savings for the Company;
- entrusting contracts or sub-contracts to companies that employ foreign workers without a residence permit, or whose permit has expired and whose renewal has not been requested by law;
- use, against payment, money from a non-culpable crime, in order to concretely hinder criminal origin identification;
- maintain commercial relations with people suspected of committing tax fraud, in particular VAT fraud;
- agree with compliant advisors and suppliers, so that they issue false or increased invoices, in order to create false documentation for the Company and therefore create hidden funds with which perpetrating corruption offenses;
- pre-emptively alter documentation relating to the process in question, carry out simulated operations or other fraudulent acts in order to enable fictitious liabilities to be recorded in the Company's accounts;
- certify that the contracted activities have been carried out in respect of the procurement of goods, services, professional services and consultancy services which are wholly or partly fictitious or unnecessary or which provide economic conditions higher than those of the market, in order to create non-accounting funds or to use, transfer, replace or conceal illicit financial resources, or to achieve undue savings in tax expenditure;
- use for tax purposes relevant documents related to fictitious services (both objectively and subjectively), or to services actually rendered, but indicated for a value / quantity which is not true;

- sign contracts services purchase, in whole or in part, fictitious or at prices higher than those of the market, with subjects or companies attributable to members of a mafia association, even foreign, in order to obtain undue advantages for the Company;
- close corruptive agreements with officials of the Customs Agency.

## 5. Goods, services and consultancy purchases management

The Company makes the following types of purchase:

- **"direct" purchases**, purchase of medical-surgical devices for marketing;
- **other purchases**, purchase of goods (other than medical-surgical devices), services and consulting.

Direct purchases can be:

- *intercompany*: purchases managed at Integra Lifesciences Group level, through MRP logics, based on sales contracts signed and orders received in compliance with contracts signed between parties regarding price and conditions contract definition;
- *from third party*: historical counterparties, an exclusive distribution contract is in force, signed in line with authorities delegated and powers of attorney and periodically renewed.

Control measures that must be put in place in the procurement management are listed below. It should be noted that with regard to "direct" purchases, some of the provisions below may not be applicable.

### *Procurement management*

- supplier / professional selection is in charge of the Head of Function / Direction / Division, according to competence;
- the competent function evaluates from time to time the number of third parties to be activated for identifying the supplier to be engaged;
- all direct assignments are formally motivated; these are predominantly restricted suppliers (e.g. suppliers selected by the organizer of conferences or other events), selected suppliers at the Integra Group level (e.g. certified translators), historically used suppliers, trusted professionals;
- annually, on the occasion of the leadership team meeting (C-line meeting), the analysis of suppliers takes place and its assessment of the opportunity to continue or interrupt specific suppliers relationships, taking care to motivate both kinds of decisions as well as the relationship risk, the quality of the service / product and its cost-effectiveness;
- purchases authorization includes a purchase request (so-called: Requisition) by the competent function, the authorization by the hierarchical superiors of the applicant and finally the issuance of the order / preparation of the contract;
- purchases are formalized through orders or contracts, signed between the parties in line with authorizations delegated and powers of attorney; they report at least:

- a declaration by the counterparty that they are aware of and comply with the legislation pursuant to Legislative Decree 231/2001, that they have never been involved in legal proceedings relating to offenses contemplated by him and that they are committed to complying with the Code Ethics and the Model adopted by the Company;
- consequences in case of statements violation;
- once the invoice is received, there is a check between the cost there reported and the cost shown in the purchase order; following this check, the local AFC Function is responsible for approving the payment;
- supplier records are entered into the system by the competent Corporate Functions, with Financial Controller's approval and based on the information provided by the Head of the Function / Division according to competence;
- all relevant documentation, highlighting process and critical decision must be duly archived by the competent function.

#### *Logistics management*

It should be noted that the Company carries out logistics activities exclusively linked to finished goods, through n. 2 external warehouses: (i) Bomi in Italy, (ii) DSV in Belgium.

- The purchase order is issued by the Supply Chain Function and is transmitted to the warehouse management system (Lidia);
- successful delivery of the goods is subject to entry validation and recorded as follows:
  - devices delivered to Integra warehouses: logistic manager carries out a physical check between what has been received and the purchase order, place the goods in their respective locations and transmit data to Bomi's Customer Service, responsible for checking and confirming the load on the system (Lidia), through interface with Oracle corporate management system;
  - devices delivered to the final customer: Customer Service verifies the actual delivery considering the transport documents countersigned by the receiver, before validating the delivery to the system;
  - other purchases: the Responsible, according to competence, performs the virtual load on the system considering services and professional services rendered;
- external warehouse personnel is also responsible for carrying out appropriate checks on incoming goods (e.g. EC certificates, product integrity, etc.);
- any damage must be reported to the Operation Supervisor and the Quality Manager, in order to establish the salability of the product, or its destination to the appropriate sub inventory provided for damaged products;
- after recording their locations in Lidia system, products can be taken to proceed with the outbound activity, which will be followed by an exit validation process, by further checking the integrity of the products being delivered;

- all finished products are placed in warehouses;
- if the goods are not present in the Bomi warehouse in Italy, and just in case of urgent orders, drop shipments are carried out from the Belgian warehouse DSV directly to the Italian final customers;
- invoice registration and payment are allowed in case of positive outcome of the automated 3-way match control conducted in a Corporate Function; in the event of any anomalies (e.g. differences or lack of order), authorization is required from Purchasing Manager according to competence (through a dedicated IT tool);
- all products distributed in Italy, including drop shipments, are invoiced in Italy;
- the entire process (including authorizations) is managed in the Group ERP (Oracle);
- all relevant documentation, highlighting process and critical decision must be duly archived by the competent function.

#### *Extra-EU import and export*

It should be noted that extra-EU imports take place exclusively by air, by selected courier. In addition, the Company is not involved in export activities since it exclusively works with Italian customers.

- Bomi Customer Service prepares the necessary documents (e.g. application for clean bill of health, EC certifications, declaration of conformity, etc.) and forwards them to the Operation Supervisor for control and subscription;
- the Regulatory Function is responsible for the registration of imported products at the Ministry of Health;
- in the context of the relationships with Customs Agency, the courier operates as indirect representative on behalf of the Company in order to carry out customs operations relating to shipments: customs documentation including information relating to the value, origin and type of goods is signed by the Operation Supervisor and then forwarded to the courier;
- payment of customs duties is under responsibility of the AFC Function;
- extra-EU export activities are only allowed in the event of the return of damaged or repair materials;
- all relevant documentation, highlighting process and critical decision must be duly archived by the competent function.