



# Model 231

Adopted by the Board of Directors of Brainlab Italy s.r.l. on December 9, 2013.

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## Introduction

Italian Decree 231 of June 8, 2001 (hereafter “Decree 231”), created the liability of organizations for certain offences/crimes. It also applies to Brainlab Italy s.r.l. (“Brainlab Italy” or “the Company”).

Brainlab Italy may therefore be held liable for offences/crimes, which are

- committed or attempted,
- in Italy or abroad,
- in the interests or to the advantage of the Company, and
- by members of senior management and by those working under the direction or supervision of members of senior management.

Liability may not apply to organizations if they have, before the offence is committed, among other things, adopted and effectively implemented an organizational and management model appropriate for the prevention of those offences.

If such a model preventing offences defined in the Decree 231 is not in place, sanctions for Brainlab Italy may include, amongst others, disqualification from the exercise of an entity’s activity, suspension of licenses, ban on entering into contracts with public administration, or ban on publicizing goods or services.

Brainlab is committed to high ethical standards and aims to prevent criminal conduct. In order to also comply with the Decree 231 and to further ensure conditions of correctness and transparency in the performance of its activities, the Company decided to adopt the organizational and management model presented in this document (“Model”).

## Development of the Model

The Model shall support and protect the Company and its employees in their decisions and actions in challenging ethical situations and shall also promote correct and compliant behavior in order to avoid mistakes and sanctions. Compliance within Brainlab is closely linked to one of its core values: Integrity.

The Model takes into account the Company’s particular organizational form, hierarchy and the set-up of powers, duties and responsibilities within the Company by identifying business areas with greater risk probability of a potential offence. It further considers the interactions between the internal control system including Brainlab’s Code of Conduct, policies, procedures, operating instructions, authorization limits, segregation of duties, traceability of operations, objectivity of decisions, monitoring



as well as the organizational tools and the business processes in place, and disciplinary measures, which have the specific objective of preventing the offences stated in Decree 231.

### **Risk & Control Assessment**

The Model development started with risk assessment activities, including an analysis of available documentation, review of other companies' models, Brainlab Italy's organizational and business structure and conversations with staff and external advisors. Specifically the following activities were performed, in accordance with best practice and as recommended in the Confindustria Guidelines, to analyze implementation of required principles and controls according to Decree 231:

- identification of the types of offences considered by Decree 231 which are potentially relevant for the Company, considering also the history of the Company related to such offences,
- mapping of the Company's business areas with greater risk probability with respect to the potentially relevant offences,
- consideration of the main potential activities leading to committing the offences potentially relevant to the Company,
- identification of the functions or organizational units that might be involved in an offence,
- mapping, analysis and assessment of the internal controls applied to reduce the risk of an offence being committed, and
- identification and implementation of required improvements, if applicable.

The offences identified in Decree 231 are described in the following paragraph.

The mapping of these offences to Company areas and activities with greater probability of committing an offence, identifying potentially involved functions and units and the control analysis are described in a separate internal document.

### **Offences**

The following offences identified in Decree 231 are held to be of significance for the Company:

- offences involving relationships with the public administration, such as bribery or tender manipulation,
- corporate offences, such as false corporate financial reporting,
- market abuse offences, such as abuse of privileged information or market manipulation,
- violation of workplace health and safety regulations,
- offences involving handling of stolen goods, money laundering and utilization of funds, assets or other resources deriving from unlawful activities,
- organized crime offences,
- transnational offences involving an organized crime group,
- violation of intellectual property rights,
- IT offences and illegal use of data.

At the present time, on the basis of the analysis made, the following offences covered by Decree 231 are considered not to be relevant or of priority interest for the Company:

- offences involving forgery of money, public credit instruments, revenue stamps and identification instruments or signs,
- offences committed for the purpose of terrorism and subversion of the democratic order,
- offences such as practices of mutilation of female genital organs,
- offences against individuals,
- offences to make false statements to the judicial authority,
- offences against the environment,
- offences against industry and trade.

This decision was made considering the current structure and activities of the Company and the nature of the offences.

It is emphasized that the Company condemns any conduct which could contribute to committing any offence covered by Decree 231, even if done under the assumption to be of advantage to the Company.



The Company will in general evaluate the need for adapting the Model, if significant events emerge in legislation, organizational structure, business activities, controls or violations.

### The Fundamental Principles of the Model

The general principles and controls adopted by the Company to prevent an offence and ensure the effectiveness of the Model are:

**Detailed formal rules, such as the Brainlab Code of Conduct, policies, procedures and working instructions, which recommend, promote or prohibit certain conduct with regards to the risk areas published in the Brainlab intranet, network folders, or through training mechanisms.**

The Company has adopted the Brainlab Code of Conduct as the official document providing clear and transparent definition of the values and behaviour it aspires in order to achieve its objectives. The Brainlab Code of Conduct must be complied with and ensured by all directors, supervisors and employees within the scope of their responsibilities.

It is derived from generally recognized good standards of personal and professional behaviour.

The Brainlab Code of Conduct, which is an integral and important part of this Model, is available in the Brainlab intranet under Policies & Procedures and on the Brainlab group website.

**Clear organizational structure with regards to the attribution of responsibility, reporting lines and job descriptions, while respecting the segregation of duties in a manner consistent with the granted powers and authorizations.**

The Company has a hierarchical and formalized organization defining clearly

- the functions and organizational units into which the Company's activities are divided,
- assigned responsibilities and reporting lines, and
- the content of individual positions.

In order to give immediate clarity of each person's role and responsibilities with respect to decision making, the Brainlab group is maintaining an overview, the Brainlab OrgChart, in which the organizational structure is set out. The OrgChart is available as a standard application on the intranet.

The assignment of roles, tasks and responsibilities is made in observance of segregation of duties according to which no individual may autonomously perform an entire process and, in particular, considering that the authorization for an operation must be under the responsibility of a person other than the individual that accounts for, performs and checks the operation.

The Company has designed an internal control system for granting authorizations through specific delegation of power for certain functions and tasks. The Board of Directors has the widest powers within the Company.

The Company addresses that authorizations should not be unlimited and consistent with the responsibilities. Powers and responsibilities are known and clearly defined, such as in the Brainlab SOP (Standard Operating Procedure) Organization. The information on authorizations is constantly updated. The Company also has a focus on the attitudes and actions of individuals with reference to internal controls, and assigns authorizations to persons demonstrating integrity.

**Manual & computer-based procedures designed to regulate operations and provide appropriate controls to safeguard transparency, verifiability, segregation of duties and appropriate authorizations.**

As part of its organizational structure, the Company has defined a set of procedures, both manual and computer-based ("IT"). IT applications specifically support standardized compliance.



These procedures represent the rules to be followed with in the related business processes. These are updated by competent function or organizational unit if required.

In this context the Company ensures, wherever possible, the observation of

- an adequate segregation of duties, also using IT systems that only enable identified and authorized persons to perform certain operations,
- measures designed to ensure each operation, transaction or action is verifiable, documented, consistent and appropriate, and
- measures designed to document the controls carried out on the operations and/or actions performed.

The Brainlab intranet, network folders, IT applications and training mechanisms give access to the various procedures that must be observed in the performance of activities.

### **Management control and managing financial resources.**

The management of financial flows must comply with the requirement of traceability and documentation of transactions and be consistent with the powers granted and the responsibilities assigned.

The Company's management control system includes mechanisms for the verification of resource management which must ensure, in addition to the verifiability and traceability of expenses, also the efficiency and effectiveness of the Company's activities.

The budget planning, definition and review process therefore ensures through involvement of more than one responsible individual:

- the allocation of the budget at disposal for each function and organizational unit in a clear, systematic, comparable way, including the scope and manner within which such resources may be used;
- the measurement of actual performance and thereby detection of variances for planning, analysis and reporting to appropriate hierarchical levels for necessary remedial actions.

Further, activities correlated with management control ensure the continuous verification of revenues obtained and correct representation of financial figures.

Audits may be conducted to detect critical issues.

### **Communication and training that ensures knowledge of the Model and how to ask questions or report violation concerns.**

For the purpose of the efficacy of the Model, the Company undertakes to facilitate and promote the knowledge of the rules contained herein to its own employees, supervisors and directors, and, where applicable, as well to external parties by suitable means, including notices or access to the Brainlab intranet system. Education and communication is provided in different ways.

All new recruits receive a Code of Conduct attestation form to be accepted. The new hire receives explanatory information and has to confirm the understanding and commitment to observe the Brainlab Code of Conduct.

Further online training may be executed, which also includes the Model.

Agents and distributors involved in the sales of Company's products must sign agreements with a specific clause to comply with applicable laws and the Brainlab Code of Conduct, and are, like customers, asked to comply with the Model, if applicable.

Suppliers with a potential major risk of offence must be advised to comply with the Model as well. This is the responsibility of the Brainlab Italy personnel who is approving the purchase.



The Model is available for consultation for all employees, supervisors and directors in the intranet and also for external parties on the Brainlab group website. The website also contains answers to frequently asked compliance questions.

**Disciplinary system with the purpose to sanction violations of the Model, and thereby contribute to the effectiveness of the Model and controls.**

Decree 231 establishes the need for sanctioning individuals who do not respect the rules. The disciplinary mechanism applied is the same as outlined in detail in the [Integrity & Compliance Policy](#), which is available in the intranet. Sanctions may include for example counselling, additional training, a formal warning letter, termination of work relationship, compensation demands and legal actions.

**Supervisory Body entrusted with the observance of the Model.**

With regards to effective implementation of the Model, the Supervisory Body is responsible for supervising, monitoring and proposing changes to the Model, for example, if significant violations are discovered or significant changes have occurred in the organization, controls or in business activities. The Compliance Officer of Brainlab AG has been assigned to be the Supervisory Body of Brainlab Italy in accordance with Decree 231.

The Compliance Officer is an independent function working according to the [Integrity & Compliance Policy](#).

The Supervisory Body has autonomous power of initiative and control, and can request from the Company's Board of Directors availability of resources as necessary to properly fulfil its functions.

The Supervisory Body must be informed of any events that may cause the Company to be held liable for any offences referred to in Decree 231. Each employee, supervisor, director, supplier, customer or other party may contact the Supervisory Body to report concerns regarding a potential or committed crime.

The Supervisory Body assesses and processes the information received, and decides on actions to be taken according to the Brainlab [Integrity and Compliance Policy](#).

The Supervisory Body will report to the Board of Directors in case of issues or valid concerns and also upon the Board's request.

The Board of Directors has the exclusive responsibility for adopting, implementing and amending the Model, and the Company's compliance with the Model.